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IBTEX No. 114 of 2022 June 14, 2022

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INTERNATIONAL NEWS

UK economy contracts sharply by 0.3% in April as slowdown looms

The UK economy shrank in April at the sharpest pace in more than a year as the government wound down Covid testing, highlighting risks that a broader contraction is under way.

Gross domestic product fell 0.3% from March when output declined 0.1%, the Office for National Statistics said Monday. A gain of 0.1% was predicted by economists.

The figures underscore a dimming outlook for the UK economy, with manufacturing, services and construction all contracting together for the first time since January 2021. That may persuade the Bank of England to move cautiously in fighting inflation. It's expected to deliver a quarter-point rate rise on Thursday.

"The fall in output is unlikely to be short-lived," said Yael Selfin, chief economist at KPMG UK. "The overall outlook remains downbeat as the squeeze on consumer income is expected to weaken demand."

What Bloomberg Economics Says ...

"We expect momentum to remain subdued in the following months, with output to decline by a marked 0.4% in the second quarter as the real income squeeze starts to bite.

Still, with inflation remaining stubbornly high and a red-hot labor market showing no signs of easing, it won't be enough to prevent the Bank of England from hiking rates. Given the risks to the economy, a 50 basis point move this week looks highly unlikely -- we expect a 25-bp hike, with rates climbing to 2% by November."

The pound slid as much as 0.6% to $1.2238, reaching the lowest level in about a month. Some investors reined in bets the BOE will announce a half-point rate increase this week.

The GDP report showed services dropped sharply due to a 5.6% decline in health spending. Test and trace activity fell almost 70% in April. Excluding test and trace and vaccines, the economy would have grown 0.1% in the month, the ONS said.

Households showed signs of resilience in April, the month when energy bills jumped 54% and payroll taxes went up. Consumer-facing industries expanded 2.6%, led by a strong rise in retail sales and personal services such as hairdressing.

However, more recent data show households cutting back on non-essentials items in response to the cost of living squeeze.

Manufacturing fell 1%, with businesses reporting the impact of price increases and supply shortages. Construction fell by 0.4%.

An extra bank holiday for the Queen's Diamond Jubilee means Britain may dodge a technical recession -- two consecutive quarter of falling output -- but it could come close. April marks the third month in which GDP hasn't grown, a clear sign that the economy is weakening rapidly in the face of inflationary pressures.

Separate figures showed the UK trade deficit excluding previous metals narrowed marginally in April to £20.6 billion as exports rose 7.4%, significantly outpacing a 0.7% rise in imports.

Exports to the EU rose for a third straight month to their highest level on record.

Political Impact

The precarious state of the economy presents a headache for both Bank of England Governor Andrew Bailey and Prime Minister Boris Johnson.

The CBI, Britain's biggest business lobby group, downgraded its growth forecast for next year to just 1%. It called on the government to boost business investment "to spare the country from dipping into recession."

With inflation set to peak in double digits in October when energy bills are due to surge again, Bailey and his colleagues have little option but to keep raising interest rates, even if means making the cost of living crisis worse in the short run. They are worried about the risk of a 1970s wage-price spiral unless inflation is brought under control.

Not Immune

“Countries around the world are seeing slowing growth, and the UK is not immune from these challenges,” Chancellor of the Exchequer Rishi Sunak said. “I want to reassure people, we’re fully focused on growing the economy to address the cost of living in the longer term, while supporting families and businesses with the immediate pressures they’re facing.”

For the BOE, a quarter-point move, as forecast, would take the benchmark rate to 1.25%, the highest since 2009. Money markets are now pricing in rates climbing above 3% next year.

For Johnson, who came close to being ousted by his own Conservative Party in a confidence vote on Monday, rescuing the economy is vital if he’s survive much longer.

A new £15 billion support package to subsidize energy bills will only go so far to help households, who had been on course for the biggest fall in disposable incomes since the 1950s.

Figures this week are expected to confirm surveys showing that retail sales fell in May. Even the housing market, which defied the economic slump during the pandemic, is showing signs of cooling. However, the labor market remains tight and a potent source of inflation, data tomorrow is predicted to show.

Source: business-standard.com– Jun 14, 2022

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US Denim Apparel Imports Rose 40% Through April

The jeans market sees to be benefitting from consumers' return to socializing and going out.

U.S. retailers and brands imported 40.84 percent more blue denim apparel in the first four months of 2022 compared to the same time last year for a value of $1.25 billion, according to new data from the Commerce Department's Office of Textiles & Apparel (OTEXA).

This came after Levi Strauss & Co. CEO Chip Bergh said the company now sees annual revenue growing in a range of 6 percent to 8 percent through 2027, up from previous five-year targets of 4 percent to 6 percent. Such an increase would take LS&Co.'s revenue from $5.8 billion to close the 2021 fiscal year to a range between $9 billion and $10 billion.

The company is making a big is counting on brick-and-mortar with plans to open some 400 locations through 2027 for a nearly 1,550-strong fleet, including Dockers and Beyond Yoga stores.

Liz O'Neill, Levi Strauss executive vice president and chief operations officer, said on Investor Day that the company has manufacturing operations in 28 countries and a global distribution network of 35 facilities. She said Levi's will build out supply chain capacity to support the $10 billion revenue goal, with two new facilities—one in the U.S. and one in Europe—being built through 2024 to help grow its omnichannel capacity so that "all products and all channels can be serviced under one roof."

The company also will expand its sourcing base, seeking out emerging production markets to ensure diversification and cost competitiveness.

OTEXA's report revealed top supplier Bangladesh's shipments to the U.S. surged 51 percent year to date through April to $248.04 million, while imports from No. 2 production purveyor Mexico rose 27.59 percent to $229.9 million.

Asian nations among the Top 10 included Pakistan, with an import gain of 72.48 percent in the period to $151.99 million; Vietnam, up 40.94 percent to $137.38 million; China, with an increase of 20.23 percent to $110.64

million; Cambodia, up 25.7 percent to $63.52 million, and Sri Lanka, gaining 21.26 percent to $20.71 million.

Western Hemisphere suppliers also benefitted from the uptick in denim manufacturing, This included Top 10 producer Nicaragua, with an increase of 29.99 percent to $42.37 million; Colombia, up 90.77 percent to $13.8 million, and Guatemala, gaining 34.99 percent to $7.46 million.

Gap Inc. was among a group of U.S. companies that committed $1.9 billion to source from Central America to strengthen near-shore supply chains, Vice President Kamala Harris announced last week. The investment is a part of its strategy to increase supply chain resilience by nearshoring production to the Western Hemisphere, the company said.

Also notable among the Top 10 were Egypt, with shipments up 126 percent to $71.7 million in the period, and Turkey's 55.78 percent increase to $29.08 million.

Source: sourcingjournal.com– Jun 13, 2022

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Inflation and Supply Chain Turmoil Drive New Home Goods Trends: Report

As supply chain woes and inflation continue to soften the home goods retail market, consumer attitudes and shopping styles are changing, according to new data from consumer research firm Vericast.

According to the firm's 2022 Retail TrendWatch report—which came from a survey of 2,000 consumers and 270 retailers—consumers are gravitating toward DIY projects, and they're more willing to switch brands to save money or time. And because of that willingness to look elsewhere when an item is not available or is too expensive, staying relevant and marketing to customers via multiple channels are important.

"We are still seeing a strong desire to nest at home. However, recent headwinds such as increasing costs and delivery delays for home retail and service providers can create challenges for consumers and is influencing shopping behavior," said Dave Cesaro, Vericast executive director of client strategy.

The survey found that 26 percent of consumers are undertaking do-it-yourself projects on their homes, with 19 percent of those respondents planning to use the money they save by doing it themselves to spend more on home décor. And 29 percent of people plan to delay purchases over the next three months to save money for bigger purchases. Despite inflation, nearly half of consumers plan to invest in home luxuries—products or services to enhance the enjoyment, comfort and/or beauty of their home.

While consumers are willing to spend on luxury, they also are more focused on price comparing and availability, especially since supply chain disruptions and inflation have made many products less available or more expensive. The survey found that 55 percent of respondents are willing to try a new retailer or provider when purchasing a product or service for their home, with price and quality most important to 55 and 57 percent of consumers, respectively.

Vericast also found that when consumers choose a new retailer or service provider, 37 percent say social and environmental responsibility is a distinguishing factor. This is particularly true for Gen Z shoppers, who prioritize social and environmental responsibility (17 percent) more than other generations (12 percent).

One way to do that is by staying top of mind for consumers by marketing to them via multiple channels. According to the survey, 50 percent of consumers are more likely to purchase from a retailer that reaches out at the right time when they need for a product or service. And retailers are turning to an omnichannel approach to reach those potential customers.

According to the survey, 81 percent of advertisers say consumers are interested in deals and discounts more than in the past. As such, 54 percent plan to increase social media use, more than half (53 percent) plan to increase their digital spend, and 40 percent plan to increase the use of print to market to shoppers.

While turning to print marketing may seem outdated, 28 percent of consumers said they are influenced by print coupons, discounts or deals when they're shopping at a new store, website or home service provider, and 24 percent said they're influenced by direct mail.

"This volatile environment has produced a ripe opportunity for retailers to sway consumers from their preferred product or brand," said Cesaro. "Businesses that make the most of this receptive mindset, and focus on strategic approaches to advertising and discovery, will win the hearts of homebodies."

Source: sourcingjournal.com– Jun 13, 2022

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Global manufacturing output growth stalled by supply delays and price hikes

Global manufacturing output growth slowed down in May 2022 as the Russia-Ukraine war and China's zero COVID-19 policy worsened supply chain conditions and dampened demand growth. Firms were seen struggling with surging raw material prices and delayed deliveries. This note talks about the health of the manufacturing sector in the United States, China, the Eurozone, India, and Japan.

Global manufacturing Purchasing Managers' Index (PMI) is recorded from purchasing managers' responses in over 40 countries, totalling around 13,500 companies which accounts for 98 per cent of global manufacturing. They are the most closely watched business surveys in the world and provide updated, accurate and often unique monthly indicators of economic trends such as GDP, inflation, exports, capacity utilisation, employment and inventories.

In May 2022, global manufacturing production declined, as new order inflows remained lacklustre and international trade volumes contracted. Inflationary pressure remained elevated, as rates of increase in input costs and selling prices stayed high.

The Global Manufacturing PMI reached 52.4 in May, little changed from April's 20-month low of 52.3, however it has remained above the neutral level of 50.0 since July 2020. The manufacturing activity saw lower production volumes led by a drop in demand, disruption from supply chains, elevated inflationary pressures, the war in Ukraine and the decline in Chinese manufacturing. Excluding China, the rest of the world's figure was held above the neutral 50.0. Expansions in the US, Eurozone, Japan, the UK, and India saw slower rates of growth but still reflected strong positive sentiment.

Global manufacturing was majorly impacted by the downturn in Chinese manufacturing output, as the new COVID-19 wave in recent months impacted production in the world's largest industrial nation. The global manufacturing output index when calculated including China was at 49.7 in May 2022, indicating contraction. The same index calculated excluding China was three points higher at 52.7, indicating a solid rate of growth. Other countries which saw a contraction in their output are Italy, Russia, Poland, Mexico, Taiwan Turkey, Malaysia, and Myanmar.

International trade flows continued to contract, as new export order inflows fell at the quickest pace since July 2020. New orders increased in the consumer and investment goods sectors but fell slightly at intermediate goods producers. New business grew in most of the world's largest industrial regions including the US, the Eurozone and Japan but waned in China.

Employment rose for the continuous nineteenth month in May 2022. Among the largest industrial nations, job growth was seen in the US, the Eurozone and Japan. The backlog of work remained high despite an increase in the rate of employment. Although supply chain disruptions remained significant, lead times increased to the weakest extent for the three months.

China

In May 2022 China indicated a shift in the direction of more stable operating conditions across the manufacturing sector, as firms signalled a low decline in both production and new orders from the previous month. Firms also registered a slower fall in purchasing activity, though supply chain delays remained severe overall. Business confidence slipped to a five-month low amid concerns over the longevity of COVID-19 restrictions and the war in Ukraine.

Economic activity in China continued to be dampened by the COVID-19 restrictions. The manufacturing PMI for China registered 48.1 in May 2022, up from a 26-month low of 46.0 in April 2022 and signalled a third successive monthly weakening in business conditions. There was a modest growth overall but still below the average.

Click here for more details

Source: fibre2fashion.com– Jun 13, 2022

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Demand for thrift clothes rises amongst Indonesian population

The demand for used thrift clothes is rising amongst Indonesian population; especially amongst teenagers. As per an Indo Textiles report, these clothes have become a hit amongst Indonesia's young generation living in big cities. These Indonesians prefer thrifting used clothes instead of buying new ones at the mall or well-known clothing store as the word thrift which means minimizing or reducing waste or saving money.

In Indonesia, used thrift clothes are being sold by brands like Uniqlo, H&M, Pull and Bear, Puma, Adidas, etc at the used clothing market or exhibitions that sell used goods in the country.

Indonesia's thrift market in located various places like the the Bandung area, commonly known as the Cimol market, more precisely in the South Gedebage Street area. The market is frequented by consumers looking for cheap used clothes.

Source: fashionatingworld.com– Jun 13, 2022

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Iran: Annual exports from textile, clothing industries up 8%

Afsaneh Mehrabi, the director-general of the Weaving and Garment Industries Department of the ministry, said that the weight of the exports from the mentioned sector also increased by six percent year on year, IRIB reported.

Referring to the reviving of about 200 stagnant textile and clothing production units over the last three years, Mehrabi said: "Reviving of 405 idle units and establishing 138 new units is also on the agenda this year."

According to the official, production of some items in the textile and clothing industries increased by 12 percent in the mentioned year.

Mehrabian further stated that a significant part of the raw materials used in the garment and textile industry is produced inside the country, adding: “We are now almost self-sufficient in the supply of some raw materials, such as cotton yarns and only two percent of acrylic yarns are imported due to the need for color diversity, especially in export products,” she said.

She considered machinery as one of the important factors in the production of high-quality, competitive, and export-oriented products, and said: “In the textile and clothing industry, machinery must be upgraded and reconstructed at least once every 10 years.”

The textile industry in Iran has a long history and is one of the most important sectors for employment.

This industry has a high employment potential, and the amount of foreign currency investment to create a job in the textile industry is very low compared to some industries such as automotive.

Source: tehrantimes.com– Jun 13, 2022

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Striking truck drivers in South Korea snarl supply chains

A truck driver strike in South Korea has stretched into a seventh day, forcing the country's manufacturers to scale back production and slowing traffic at its ports.

On Monday, the country's Ministry of Trade, Industry and Energy said the strike had resulted in production and shipment disruptions for automobiles, steel and petrochemicals worth 1.6 trillion won (about $1.25 billion) over the first six days.

The truckers' strike is the latest headache for a global supply chain already reeling from COVID-19 lockdowns in China and Russia's invasion of Ukraine, especially because Korean companies are major suppliers for critical components and materials such as semiconductors and steel.

Hyundai Motors said it was forced to cut production at one of its domestic plants because of the strike. Posco, Korea's biggest steel-maker, said it halted operations at some facilities because it had run out of space to store products. Hankook Tire said it had to cut daily shipments.

The Cargo Truckers' Solidarity Union has said it asked repeatedly for safer conditions and reasonable fares but it had "no choice" but to strike when its demands were not met.

Korea's transport ministry, which is continuing to negotiate with the union, urged the truckers to return to work in a statement. The government said it would enact emergency measures, including consigning 100 cargo trucks from the military and 21 vehicles from other local government agencies to carry goods into major ports.

On Sunday, the Korea Enterprises Federation released a joint statement with 30 other business industry groups, including semiconductor manufacturers, carmakers and others demanding that the truckers call off the strike because it was "causing enormous damage to manufacturing and trade, the backbone of our economy."

Source: economictimes.com– Jun 14, 2022

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NATIONAL NEWS

‘Top 10 textile companies posted much higher growth in FY22 than pre-Covid levels’

The Indian textile industry has recorded significant growth in sales and EBITDA in FY22 over pre-Covid levels, according to the latest Wazir Textile Index, which is based on a detailed financial analysis of the top ten textile companies, compiled by Wazir Advisors, a management consulting firm.

In FY22, overall sales have seen an 18 per cent y-o-y growth since FY20. The overall EBITDA in FY22 improved significantly by 85 per cent when compared with the one reported in FY20. Raw material costs and manpower costs have seen a rise of 36 per cent and 19 per cent when compared to FY20 levels.

Vardhman Textiles posted the highest sales (standalone operating income) at ₹9,277 crore in FY22 (₹5,956 crore in FY21), followed by Arvind, which recorded sales of ₹7,460 crore (₹4,529 crore in FY21). Trident occupied the third position with sales of ₹6,944 crore (₹4,519 crore).

Welspun India, which recorded the highest sales in FY21 moved to fourth position with sales of ₹6,703 crore (₹5,956 crore). KPR Mills and Indorama took the fifth and sixth positions with sales close to ₹4,000 crore in FY22, it said.

In terms of EBITDA margin, KPR Mills reported the highest margin at 25 per cent in FY22, up from 23 per cent in FY21, followed by Vardhman at 24 per cent (up from 13 per cent), Trident at 22 per cent (18 per cent) and Nagar Spinning Mills at 22 per cent(9 per cent). Welspun reported a decline to 13 per cent in FY22 from 18 per cent in FY21. Arvind’s margin was flat at 10 per cent.

Average IIP (index of industrial production) for textiles has increased by 32% in FY22 over FY21 and for the Apparel has increased by 29% in the same period.

Exports grow

India's textile and apparel exports have grown at a CAGR of 13 per cent during FY20-FY22 and stood at $43.4 billion in FY22. Fibre witnessed the highest export growth rate of 46 per cent (at $4 billion in FY22), followed by yarn with a growth rate of 36 per cent ($6.5 billion).

Home textiles grew by 16 per cent (at $7.1 billion), while apparel recorded a marginal growth of 2 per cent and stood at $16 billion.

In FY22, exports of fibre have been on the higher side due to the increase in cotton exports amid the US' ban on the purchase of cotton products from Xinjiang, China. The share of India's exports to Bangladesh has increased from 7 per cent in FY21 to 12 per cent in FY22. The US and European Union are the largest export markets with a value share of 26 per cent and 15 per cent respectively, the report said.

The overall textile and apparel imports have also grown since FY20. Filament yarn has witnessed a maximum increase at a CAGR of 26 per cent since FY20. On the contrary, imports of fibre and home textiles have witnessed a decline in FY22.

China continues to be the largest import partner for India with a share of 41 per cent in FY22 which has decreased by 2.0 percentage points when compared to FY21.

Source: thehindubusinessline.com– Jun 13, 2022

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Messe Frankfurt's trade fairs provide Indian industries a strong business boost

The Indian subsidiary of the leading German trade fairs organizer - Messe Frankfurt India made a spectacular comeback in Mumbai, this May. Supporting the resurgence of a covid-dented economy, Messe Frankfurt India hosted a series of live exhibitions in the financial capital across diverse industry verticals.

Introducing market-leading innovations by over 600 companies, Messe Frankfurt India's trade shows attracted over 50,000 visitors across 28 Indian states and union territories locally and from 57 countries across 6 continents internationally.

Hon'ble Union Minister of State for Textiles and Railways, Smt. Darshana Jardosh inaugurated the Messe Frankfurt India's launch of GartexTexprocess India, Denim Show, alongside Screen Print India for the first time in Mumbai. Following this, Hon'ble Minister of Textile, Fisheries and Port Development, Government of Maharashtra, Shri Aslam Shaikh inaugurated the trade fair trio of Paperworld India, Corporate Gifts Show, and Interior Lifestyle India presented by Ambiente India. The series of 8 back-to-back mega trade fairs also included Media Expo and LED Expo.

While recalling the contagious energy and business enthusiasm among trade visitors, Mr. Stephan Buurma, Member of the Board of Management, Messe Frankfurt Group said, "The industries are back in action, and there is a high level of commitment to strengthen domestic collaborations and bolster supply chains. While maintaining a perfect business atmosphere to meet India's economic objectives, these trade fairs indeed play a crucial part."

In an effort to emphasize the importance of natural gas amid rising petrol and diesel prices that are affecting Indian citizens, Messe Frankfurt India also held the Natural Gas Vehicle (NGV) India Summit as the month's final business event, which drew 230 industry experts and ceased on a high note with key takeaways for the Indian fuel and gas industry.

Mr Raj Manek, Executive Director, and Board Member, Messe Frankfurt Asia Holdings Ltd. said, "While aiming for diverse industry verticals such as textiles, printing, signage, advertising, stationery, corporate gifting, and homeware among others, the b2b platforms organized by Messe Frankfurt India facilitated the exchange of the latest sector developments, business, technological breakthroughs, and industry collaborations." Adding further, he confirmed that Messe Frankfurt India is looking forward to hosting its second season of mega exhibitions in Delhi and Mumbai in August 2022.

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Source: hindustantimes.com– Jun 14, 2022

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India, UK need to address several non-tariff barriers to clinch trade deal by Diwali

"The UK businesses, as well as the Indian businesses, want the equal focus to be given to non-tariff barriers, particularly the technical barriers to trade and investment," Richard Heald, Executive Chair, UK India Business Council (UKIBC), told ANI in an interview.

He said there are a number of non-tariff barriers that both countries need to address in order to have a comprehensive trade deal. "It's not only about tariff barriers but also non-tariff barriers," he said.

He said the non-tariff barriers that the two countries need to address include the issues around rules of origin, harmonisation of governance and standards, confirmation of rules around intellectual property rights, and investor protection.

Heald, who served as chief executive officer of UKIBC from 2010 to 2020, said addressing the non-tariff barriers would "give the free trade agreement absolute credibility as far as the businesses are concerned, both in the UK and India."

India and the UK announced their intention to have a comprehensive free trade agreement during a virtual summit held in May 2021 between Prime Minister Narendra Modi and his British counterpart Boris Johnson. Formal negotiations on the proposed FTA between the two countries started early this year.

The third round of talk was held on May 6 in a hybrid mode with some of the teams meeting in New Delhi and the majority joining virtually.

During the third round of negotiations, "draft treaty text was advanced across the majority of chapters. Technical experts from both sides came together for discussions in 60 separate sessions covering 23 policy areas," as per a joint statement released after the meeting.

India's Commerce and Industry Minister Piyush Goyal visited London in the last week of May to take the negotiations forward. After the meetings with UK negotiators, Goyal had expressed hope that the FTA would be signed by Diwali.

The fourth round of negotiations is due to be hosted by the UK this month.

During a summit meeting held in April 2022, prime ministers of India and the United Kingdom set the timeline of Diwali 2022 (October 24) for formalisation of the FTA. On the expectation of meeting the Diwali deadline, Heald said the leadership of the two countries has shown a strong political will to meet the deadline.

"A substantial progress has been made. Indian negotiating team and UK negotiating team have been meeting every five weeks or so for the discussion," he said expressing hope that the FTA deal between the two countries would be signed by the end of this year. He said the FTA would be designed to ease and facilitate not only the existing activities but also look at the areas and issues that would appear in the future.

Heald said the UK India Business Council has been pitching for the removal of tariffs as well as non-tariff barriers between the two countries. The UK India Business Council is the sole accredited UK Government Overseas Business Network Initiative provider for India. Asked about the impact of the Russia-Ukraine conflict on the FTA negotiations, Heald said, "I don't think that will affect the actual content of the FTA. However, it might affect the time."

On the proposed FTA negotiations between India and the European Union (EU), Heald said it would be more complicated as India would be required to deal with 28 countries, which are members of the EU. "Here you are dealing bilaterally between UK and India. When you are dealing with the EU, you have to deal with 28 countries. I am not saying that the priority is being given to the EU or the UK, all I am saying is that, in practice, a bilateral agreement is easier than dealing with a multiplicity of opinions of nation," he said.

India is scheduled to restart FTA negotiations with the EU on June 17 in Brussels. Commerce and Industry Minister Piyush Goyal is scheduled to lead the Indian side at the negotiations. India and the EU held 16 rounds of talks between 2007 and 2013. The talks have been stalled for the last nine years on several issues related to tariff and non-tariff barriers.

Source: economictimes.com– Jun 13, 2022

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Israel, India prepare to resume free trade agreement talks

Last October, India and Israel agreed to resume free trade talks with an aim of signing a deal by mid-2022.

Israel's Economy Ministry said a senior team from India's Industry and Trade would meet with their Israeli counterparts to discuss the ground rules but did not say when actual trade negotiations would resume.

Ties between Israel and India have grown closer in the eight years since Indian Prime Minister Narendra Modi has been in power, and the two countries have formed a number of strategic, military and technology partnerships during that time.

Bilateral trade between Israel and India totalled $6.3 billion in 2021 up from $200 million in 1992 when the two countries opened diplomatic relations and Israel has emerged as one of India's biggest suppliers of weapons alongside the United States and long-term partner Russia.

"We share similar challenges in a wide range of fields, from agriculture, climate and water to homeland security, fintech and cyber," Israeli Economy Minister Orna Barbivai said in a statement.

She called the relationship between the two countries "strategic" and said a free trade deal would significantly boost existing collaboration.

Ron Malka, the ministry's director general and former Israeli ambassador to India, said in the statement that a deal would ease trade barriers for Israeli companies operating in India, strengthen trade and economic cooperation and help the government in its efforts to lower the cost of living. Last month Israel signed a free trade agreement with the United Arab Emirates (UAE).

India aims to sign new trade deals with several countries including Australia, the UAE, Britain and Canada, to boost exports and help the country recover faster from its coronavirus-induced slowdown.

Source: economictimes.com– Jun 13, 2022

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India's merchandise exports likely to be at USD 117.2 bn in Q1 FY23: Exim Bank

The country's total merchandise exports are likely to be at USD 117.2 billion in the first quarter of FY23, according to India Exim Bank. The total merchandise exports stood at USD 95.5 billion in the corresponding quarter of the previous year, the bank said on Monday.

Non-oil exports continue to witness a double-digit growth of 12.6 per cent, amounting to USD 93 billion, during the first quarter (April-June) of 2022-23, compared to USD 82.6 billion in the year-ago period.

The rise in the country's exports could be attributed largely to the continued increase in global commodity prices, driven by supply shocks, enhanced price competitiveness owing to exchange rate movements, and benefits from possible trade diversion, as per the bank.

The growth forecast may be subject to commodity price volatility and uncertainties in the global economy, mainly driven by the current geopolitical tension, it said.

Source: economictimes.com– Jun 13, 2022

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Cotton price hike will significantly decrease margins, put pressure on working capital for small-sized spinners

Increased cotton prices will put a stress on the working capital and liquidity of small-sized cotton yarn spinners in the first half of fiscal 2023, which may lead to lower capacity utilisations. However, an operational recovery is expected by the second half of this fiscal, on the back of a likely correction in cotton prices with the arrival of the new cotton season in October 2022 wherein cotton production could be higher than in the current season, says a recent report.

However, India Ratings and Research (Ind-Ra) says players with strong liquidity and deleverage balance sheets are likely to remain comfortable.

Ind-Ra says cotton prices started moving upwards post-pandemic, not only domestically but also globally on account of the US ban on the use of Xinjiang region cotton followed by a low crop yield in India.

The crop production during the current cotton season (October 2021 to September 2022) is expected to be lower at around 32.36 million bales (170 kg per bale) (cotton season 2020-21 of 35.3 million bales), as per Cotton Association of India. "On a monthly average, In May 2022, the price of Shankar-6 Guj cotton grew 113% yoy to around Rs 99,786 per candy, whereas yarn prices increased only 45% yoy, which may result in a correction of the spread between yarn and cotton price if not passed through on a timely basis," said the report.

The substantial hike in cotton prices has increased working capital requirements for cotton yarn manufacturers, especially small-sized entities. With the assumption of elevated cotton prices in the near term, small and medium sized entities will continue to face the challenge. Ind-Ra expects small-sized players to face low-capacity utilisation until mid-2QFY23, as the operating loss incurred on continuing production would be higher than the fixed cost incurred if the production remains ceased anecdotally, which will lead to stretched credit metrics.

Although the domestic cotton prices have started softening from end-May 2022, Ind-Ra says it expects the reduction to continue until the near term on the back of an improvement in the supply owing to:

- A decrease in the volume of cotton exports

• A decrease in demand with the halting of cotton purchase by small and medium enterprises
• Usage of a higher proportion of the in-hand stock by large players owing to decreased spreads between cotton and cotton yarn.

This means there is every likelihood of margins of small entities to decline significantly, whereas medium & large sized entities are likely to record a moderate decline in 1HFY23.

Large players could continue to witness resilience. Small entities will remain exposed to fluctuating cotton prices. On average, the profitability of entities in the cotton & blended yarn industry decreased by 200-250bp in 4QFY22 from 3QFY22.

High prices have also impacted inventory levels. The aggregate average inventory holding period fell in FY22 to 98 days from 127 days in FY21, owing to the higher cotton prices-led reduced stock holding. The total cotton stock with mills decreased around 17.8% YoY to 1,326 million kg in FY22, as per the cotton balance sheet provided by Cotton Association of India.

Source: economictimes.com– Jun 13, 2022

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Shipping costs ease but MSME exporters still face difficulties

Global freight rates have dropped 20% since the Ukraine war started on February 24, in signs that a supply-chain disruption is easing, although the rates are still 13% higher than a year earlier.

Trade sources told FE that while container availability has improved for Indian exporters in recent weeks, small and medium players are still facing this issue. Nevertheless, the easing rates have brightened India's export prospects at a time when it is eyeing a second straight year of robust growth.

According to Drewry's composite World Container Index, the rate for a 40-foot container declined to $7,579 as of June 9 from $9,477 as of February 24, but it's still up 13% from a year before.

Freight costs had spiked in 2022, as demand for goods surged following an industrial resurgence in advanced economies. But a lockdown in select cities of China in recent months to contain a fresh surge in Covid cases has put a leash on Chinese demand for containers. Similarly, global growth has come under strain after the Ukraine conflict caused international commodity prices — especially of oil — to surge. These factors have resulted in the drop in shipping costs.

However, given the spike in global oil prices and uncertainties around the Ukraine war, shipping costs may not go down considerably from the current level. Moreover, once Chinese demand starts rising again, freight costs may inch up.

Mahesh Desai, chairman of the engineering exporters' body EEPC India, said the situation has improved, both in terms of shipping costs and container availability.

Global freight rates started surging at a fast pace in the aftermath of the Covid outbreak in 2020 and hit a peak of $10,377 per 40-ft container in late September 2021, according to Drewry's index. The rates started easing thereafter to $9,051 as of December 2, before inching up again to $9,180 by March 10. Of course, exporters concede the shipping costs have spiralled across the globe and India isn't an outlier.

Sunil Sawla, former president of Indian Oilseeds and Produce Export Promotion Council, said the situation is still far from the normal (pre-Covid scenario). “But it’s better than the worst exporters have faced in terms of post-Covid freight costs,” Sawla said.

Trade sources said large exporters have benefited more than the MSME ones in securing containers, as most of them get preference in bookings. Typically, large exporters do the bookings through established brokers, so they get better access to containers.

Ensuring reasonable shipping costs remains crucial to realising India’s lofty merchandise export target of $1 trillion by FY28. Exorbitant shipping costs hurt mainly small and medium exporters. The country’s exports rebounded strongly in FY22 and hit a record $422 billion, compared with the previous peak of $330 billion.

Source: financialexpress.com– Jun 14, 2022

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Credit loss on process loss: Is this the real intention of the legislation?

While there are numerous grey areas in the availability of credit under GST law, one common area of concern has been credit availability on process loss. Generally, there are certain raw materials which are damaged or become unusable in the process of manufacture. This is typically known as “process loss” in trade and industry. Some common examples of such process loss are end cuttings in the textile industry, side cuttings of packaging materials and floor sweepings in food industry.

In this backdrop, the question to ponder is whether credit is available on such raw materials which are damaged or destroyed or which become unusable in the production process and are thereafter either disposed of or destroyed by the taxpayer without any corresponding proceeds.

The entry point for availing of credit under GST law is the use of goods or services in the course or furtherance of business and thereafter, all supplies are also required to pass through the litmus test of not falling under any of the restricted categories.

It is worth noting that “business” under GST law is of wide import including within its ambit any activity, whether or not the same is for a pecuniary benefit. As far as the nexus with business is concerned, it is possible to take a stand that since the raw materials are put to use in manufacture, the same are used in the course or furtherance of the business.

The restricted category which is causing a dilemma in the minds of the taxpayers is the restriction vis-à-vis goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples.

The question is whether the raw materials which are damaged or destroyed or become unusable during the production process and are thereafter disposed of without any corresponding consideration are “goods destroyed or lost”. If the answer is in the affirmative, then the credit is barred under the above restriction.

At first blush, it appears that the legislature intended to deny credit where goods were destroyed, stolen or disposed of irrespective of the manner in which such goods were destroyed, stolen or lost or disposed of. Moreover, it is interesting to note that the barring provision starts with a non-obstante clause requiring reversal irrespective of the manner in which such goods were lost, stolen or destroyed.

It is worth noting that in certain other clauses of the barring provision, specific exceptions have been carved out by the legislature such as the exceptions provided for availing credit on motor vehicles. Such is not the case with the instant clause.

Before taking a final call, it is pertinent to note a recent Advance Ruling wherein it was held that credit on inputs used in manufacturing expired food items such as cakes and pastries which were thrown away was not admissible and was required to be reversed in terms of Section 17(5)(h) of the CGST Act, 2017 as the same were in the nature of destroyed goods.

In view of this, a possible interpretation of Section 17(5)(h) would be that the legislature intended to deny credit where goods were destroyed, stolen or disposed of irrespective of the manner in which such goods were destroyed, stolen or lost or disposed of.

Alternatively, it can be contended that if the intention of the legislature was to deny credit of goods which have been lost during the manufacturing activity or destroyed/disposed of post the manufacturing process, the same would have been provided for in the CGST Act as was provided for in the erstwhile VAT legislations[7].

Additionally, on application of the principle of noscitur a sociis, meaning can be derived for the word ‘disposed’ from the specific context in which the words ‘lost’, ‘stolen’ or ‘written off’ are used. When the goods are lost or stolen, it is not in the ordinary course of business and such loss of goods is not expected to occur in the general course of business. An argument can be advanced that the barring provision intends to disallow credit where goods though purchased for use in business are not used for the eventual business use, that is, in manufacture or trading or use in provision of services.

It is worth noting a recent decision of the Madras High Court has dealt with a case wherein there was a loss of a portion of the inputs, that is, MS Scrap, inherent to the manufacturing process of MS ingots and billets produced by the petitioner. The High Court held that the loss that is occasioned by the process of manufacture cannot be equated to any of the instances set out in the restricted categories of credit.

The situations as set out in the restricted category indicate loss of inputs that are quantifiable and involve external factors or compulsions. A loss that is occasioned by consumption in the process of manufacture is one which is inherent to the process of manufacture itself. Accordingly, the High Court had set aside the impugned order requiring reversal.

On similar lines and relying on the aforesaid decision, the Madras High Court in another recent decision has also allowed credit on the process loss arising during the manufacture of ghee.

While reliance can be placed on the abovementioned decisions of the Madras High Court to support non-reversal of credit on process loss or goods damaged or destroyed during production process which are not further supplied, adopting such a stand is not free from dispute. The issue remains far from settled in light of the contrary possible interpretations.
Considering the lack of clarity on this issue, since process loss is inherent in all manufacturing processes, clarity is awaited from the government by way of a positive clarification to avoid future disputes and put an end to the disputes raised.

Source: thehindubusinessline.com– Jun 13, 2022

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Indian silk exports rebound from 6-year lows in FY22 on improving demand

Exporters hopeful of better demand outlook in the year-ahead

India's exports of silk products rebounded from six year lows in 2021-22 on improving demand for silk carpets and ready made garments from markets such as Europe and the United States.

Shipments grew 36 per cent in rupee value terms in 2021-22 to ₹1,925.94 crore, while in dollar terms, the growth was 35 per cent at $258.81 million over previous year. During 2020-21, the silk product exports had touched a six-year low of ₹1,412.13 crore.

Naresh K Sadh, Chairman, The Indian Silk Export Promotion Council (ISEPC), attributed the slump in shipments during 2020-21 to the sharp fall in demand due to the spread of Covid worldwide. Consumers in the developed world stayed away from products of silk, considered a luxury, during the pandemic period.

"The demand improved during 2021-22 mainly for product such as silk carpets, silk made-ups and readymade garments. We are hopeful that the demand will improve further in the current year," Sadh said.

As per the provisional data compiled by the Central Silk Board, shipments of silk carpets during 2021-22 grew by 55 per cent to ₹269.9 crore over previous year's ₹174.20 crore. Similarly, the silk readymade garments were up 26 per cent at ₹846.90 crore (₹672.58 crore).

The exports of silk fabrics and made-ups grew 44 per cent to ₹554.31 crore (₹385.70 crore). The shipments of silk waste, acquired during the process of reeling, also registered a growth of 38 per cent at ₹208.58 crore over previous year's ₹150.74 crore.

Meanwhile, the imports of raw silk went up marginally to 1,978 tonnes during 2021-22 from a low of 1,804 tonnes in the previous year.

Production: Mixed bag

According to CSB, the total silk production in the country during 2021-22 was 3.4 per cent more at 34,923 tonnes than the previous year's 33,770 tonnes.. The bivoltine raw silk production increased substantially by 17.6 per cent from 6,783 tonnes during 2020-21 to 7,978 tonnes during 2021-22.

Further, production of vanya silk, which includes varieties such as Tasar, Eri and Muga silks, has reduced by 8.1 per cent during 2021-22 over 2020-21. The reduction in vanya silks is mainly on account of 46 per cent drop in tasar silk production during 2021-22. The area under mulberry has increased by 3.2 per cent in 2021-22 compared to previous year.

Source: thehindubusinessline.com– Jun 10, 2022

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Pradhan Mantri National Apprenticeship Mela organised across 200 locations across India on June 13th

With an aim to connect the youth with more opportunities of on-ground training within corporates and further a chance to get employment , the Ministry of Skill Development and Entrepreneurship will be organising the Pradhan Mantri National Apprenticeship Mela every month now on. On 13th June, 2022, the mela will be organised from 9 AM to 5 PM.

The PM National Apprenticeship Mela will take place across 200+ locations in India. More than 1000 companies from across 36+ sectors will be participating in the Mela providing opportunities of being hired as an apprentice within companies. Individuals having a 5th–12th grade pass certificate, a skill training certificate, an ITI Diploma, or a graduate degree can apply for an interview across these trades/opportunities. The candidates will be given a choice of 500+ trades, including welders, electricians, housekeepers, beauticians, mechanics, and others.

The primary goal of this programme is to encourage the hiring of apprentices from these cities, as well as to assist employers in identifying and developing their potential through training and practical skillsets bringing value to their workplace.

Candidates will also receive Apprenticeship certificates recognised by the National Council for Vocational Education and Training (NCVET) at the end of their training period, which will give them industry recognition.

Participating organisations in the Pradhan Mantri National Apprenticeship Melas have the opportunity to meet potential apprentices on a common platform and select candidates on the spot. Furthermore, small-scale industries with at least four employees can hire apprentices at the event. A credit bank concept will also be introduced soon, with a depositary of various credits accumulated by learners that can be used for future academic pathways.

Expressing his views on the Pradhan Mantri National Apprenticeship Mela, Shri Rajesh Aggarwal, Secretary, Ministry of Skill Development and Entrepreneurship, said that following the success of the previous apprenticeship mela held in April, we have decided to organize the Pradhan Mantri National Apprenticeship Mela (PMNAM) every month.

We hope both the candidate and the establishments will benefit from this model of skill development. We aim to engage over one million youth as apprentices through these melas. This will not only give the candidates hands on experience on the shop floors but also address the challenge of migration at a local level, he added.

Source: pib.gov.in– Jun 13, 2022

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Mills shift to recycled polyester fibre in north India; prices go up

Prices of recycled polyester fibre (PET bottle fibre) increased to ₹102 per kg as more spinning mills shifted to cheaper recycled polyester fibre. However, the prices of recycled yarn in Panipat witnessed downtrend today due to excessive supply and lower demand. Cotton comber also took a dip in prices. But cotton yarn rates remained stable.

According to traders, payment crisis is also looming in north India's cotton yarn market because sluggish demand disrupted payment cycle. The payment crunch is also affecting buying capacity of consumer industries. A Ludhiana-based trader told Fibre2Fashion, "Demand did not see any sign of improvement. Payment situation also tightened due to sluggish demand. Weak demand may persist as large stocks are lying with garment manufacturers." In Ludhiana, 30 count cotton combed yarn was sold at ₹420-425 per kg (GST inclusive), according to Fibre2Fashion's market insight tool TexPro. 20 and 25 count combed yarn were traded at ₹410-415 per kg and ₹415-420 per kg respectively. Carded yarn of 30 count was quoted at ₹360-365 per kg.

Delhi market also noted stable trend due to slower buying. According to traders, there was limited buying as weaving segment did not expect much demand from garment units. Weaving industry is very cautious for fresh buying. In Delhi, 30 count combed yarn was traded at ₹400-410 per kg (GST extra), 40 count combed at ₹440-455 per kg, 30 count carded at ₹360-365 per kg and 40 count carded at ₹400-405 per kg.

Panipat market noted downtrend in recycled yarn prices. Poor demand and higher production led to downfall in few varieties of yarn. 20s recycled PC yarn (coloured - high quality) dropped ₹15 per kg, while10s recycled (white) yarn slipped ₹3 per kg.

According to a local trader, Preetam Singh Sachdeva, large number of mills have shifted to recycled yarn as they wanted to produce yarn made from cheaper raw material. Therefore, higher supply and poor demand caused for decline in recycled yarn prices. However, better demand for cheaper raw material pushed up upstream product. Recycled polyester fibre (PET bottle fibre) jumped from ₹95 to ₹102 per kg.

In Panipat market, 10s recycled yarn (white) was traded at ₹92-105 per kg (excluding GST), 10s recycled yarn (coloured - high quality) at ₹140-145 per kg, 10s recycled yarn (coloured - low quality) at ₹95-105 per kg and 20s recycled high quality PC yarn (coloured) at ₹170-180 per kg. 10s optical yarn was traded at ₹125-130 per kg in the market. Comber came down to 140 per kg after downfall in cotton prices.

Meanwhile, cotton prices eased in north India after gains in previous sessions. Cotton arrival was mere 300 bales of 170 kg. However, demand was very week as spinning mills have shifted to polyester yarn to avoid costlier cotton. Cotton was sold at ₹10,400-10,700 per maund of 37.2 kg in Bathinda, ₹9,600-10600 in Hissar, and ₹10,500-10,800 in Sriganganagar market.

Source: fibre2fashion.com– Jun 13, 2022

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