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## IBTEX No. 122 of 2022 — June 23, 2022



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| Currency Watch | |
|---|---|
| USD | 78.25 |
| EUR | 82.73 |
| GBP | 95.95 |
| JPY | 0.58 |

SAYING CHILD
NO TO LABOUR

# INTERNATIONAL NEWS

## UK FTA legislation bill introduced to New Zealand House

The UK Free Trade Agreement (FTA) Legislation Bill has been introduced to the New Zealand House, underscoring the NZ government's strong trade agenda, said trade and export growth minister Damien O'Connor.

The Bill will be set down for first reading in the following weeks, before going through Select Committee, with the aim to complete New Zealand ratification processes for entry into force by the end of 2022.

O'Connor said: "I'm very pleased with the quick progress of the United Kingdom Free Trade Agreement Legislation Bill being introduced to the House today. It will enable New Zealand to implement its obligations under the FTA and is necessary to bring the FTA into force.

"Our economic recovery from COVID-19 has been export-led and this is a crucial time to secure further free trade agreements, on the back of a strong body of work that includes the EU FTA negotiations, the CPTPP, our China FTA and Singapore FTA upgrades, RCEP, PACER Plus, and ongoing conversations with the US about an Indo Pacific Economic Framework.

"The UK FTA is a gold-standard agreement and one of the best deals we've ever negotiated. It will boost our economy by up to $1 billion and provide us further economic security.

Today takes us a step closer to our exporters and businesses enjoying the benefits of this excellent deal, which we signed in March. It will provide unprecedented access to the UK market."

The UK will eliminate all tariffs on New Zealand exports, with duties removed on 99.5 per cent of current trade from entry into force.

"This FTA also sets new levels of ambition in inclusive and sustainable trade, including outcomes for Maori, women in trade, and the environment," O'Connor added.

The Bill will align New Zealand's domestic law with obligations in the FTA, including amendments to the Tariff Act 1988, the Tariff, the Customs and Excise Regulations 1996, the Dairy Industry Restructuring Act 2001, the Overseas Investment Act 2005, the Overseas Investment Regulations 2005, and the Copyright Act 1994.

The United Kingdom is undertaking a similar process and once both countries have completed their respective ratification processes, the FTA can enter into force.

Later this week Damien O'Connor is travelling to Europe to further advance New Zealand's FTA negotiations with the European Union. He will also visit Canada and Australia.

Source: fibre2fashion.com– Jun 20, 2022

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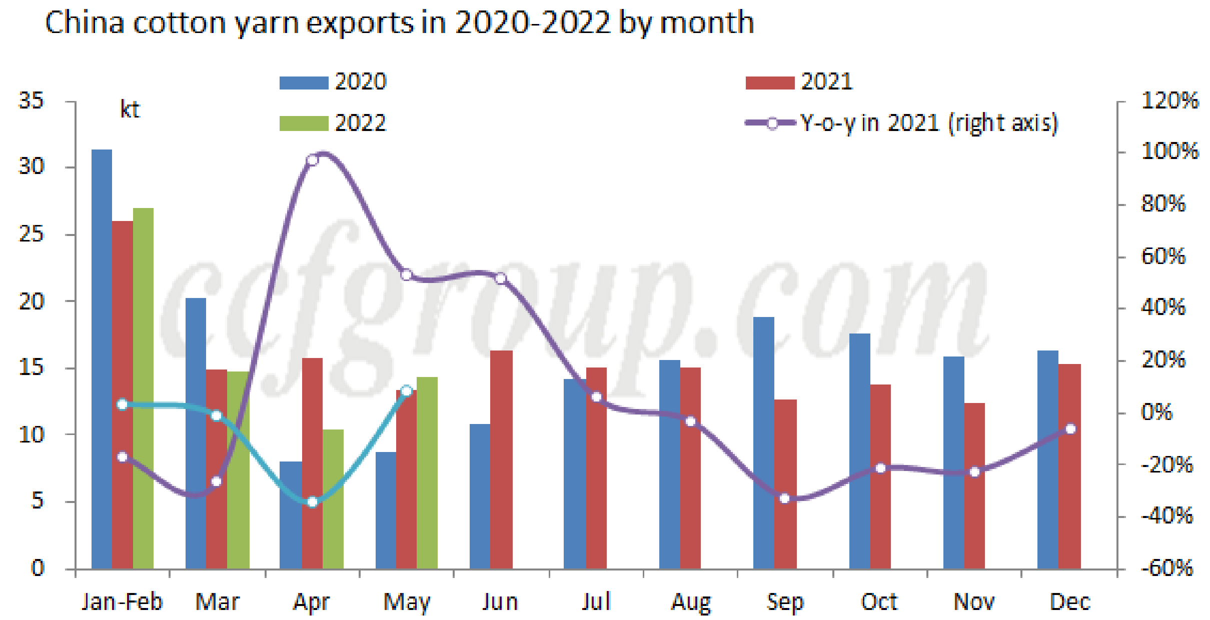
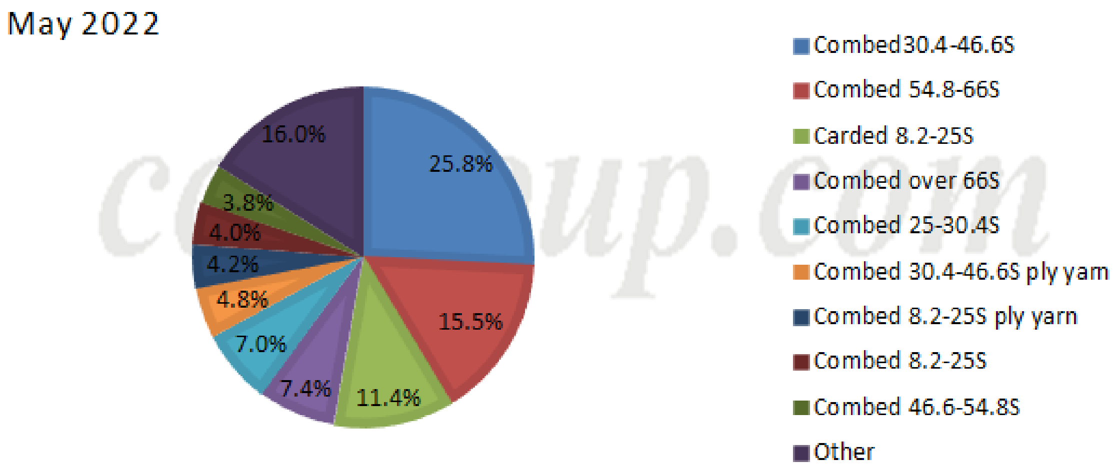
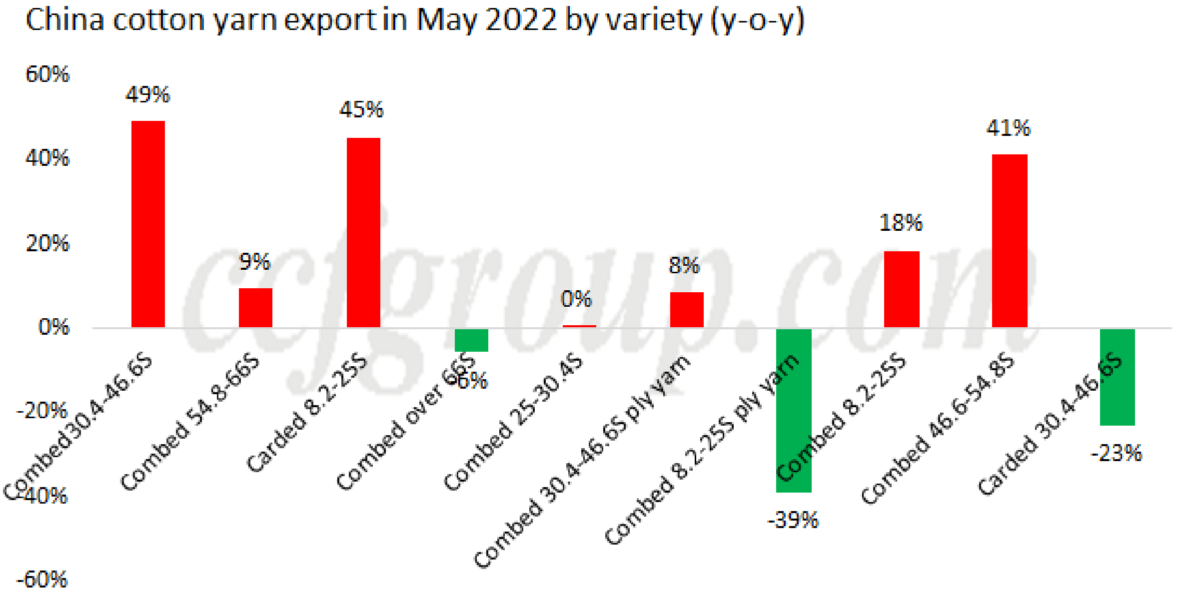
# May 2022 China cotton yarn exports inched up on the year

May 2022 cotton yarn exports increased by 8.32% on the year, down 42% compared with that in May 2019.



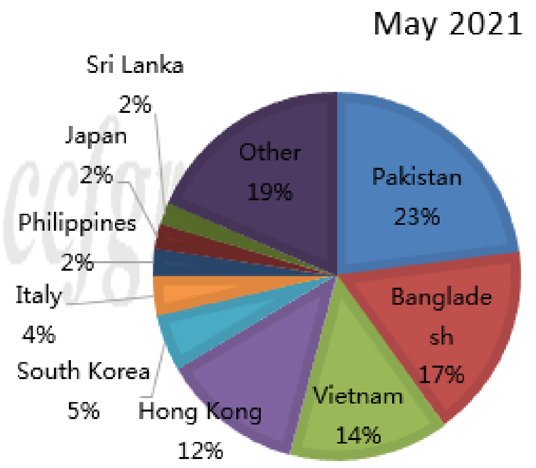

May 2022 cotton yarn exports totaled 14.4kt, compared with 13.3kt in May 2021 and 8.6kt in May 2020, and it saw the fastest growth since Jul 2021.

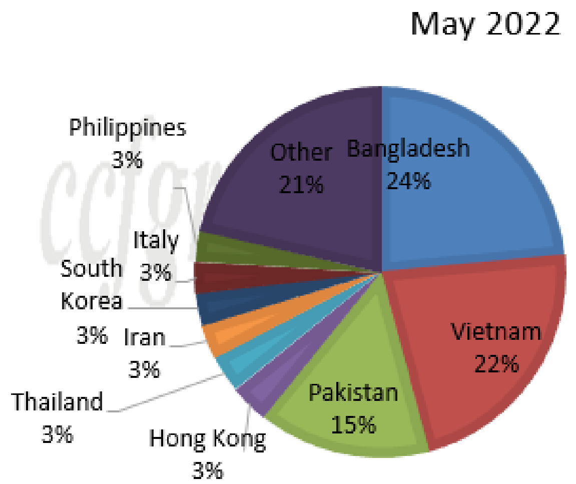




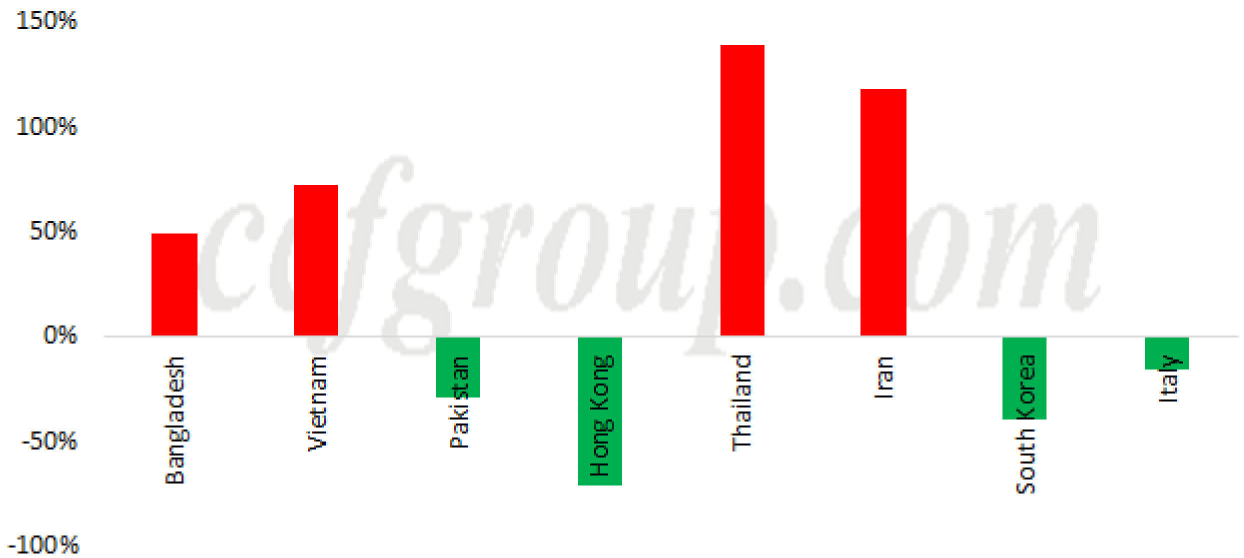

The structure of exported varieties did not change much which was still dominated by combed 30.4-46.6S, combed 54.8-66S, carded 8.2-25S and combed 66S or higher-count one.

In terms of export volume, carded 8.2-25S rose 45%, combed 30.4-46.6S rose 49%, and combed 46.6-54.8S rose 41%, while combed 8.2-25S ply yarn declined 39%.



China cotton yarn export in May 2022 by destination (y-o-y)




In terms of export destination, Bangladesh moved up to the first place with shares of 24%, followed by Vietnam and Pakistan. The export volume to Vietnam and Bangladesh increased largely. Thailand and Iran also saw great growth rate.

In conclusion, May 2022 cotton yarn exports inched up with Southeast Asia still the major export destinations.

Source: ccfgroup.com– Jun 22, 2022

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# China: Survey on printing and dyeing mills

As the first half of 2022 draws to a close, the development of the textile industry has ushered in a change, and most mills have also felt the chill winds. Recently, through field visit, many printing and dyeing mills have reflected that the market failed to show goodness despite peak season, and it was also bleak in dull season.

1. Weak domestic demand

As the intermediate link of textile and apparel, printing and dyeing mills mainly have printing and dyeing processes or finishing processes. Unlike spinners, weavers and apparel mills which have a large number of stocks, printing and dyeing mills can more truly reflect the cold and warm market demand.

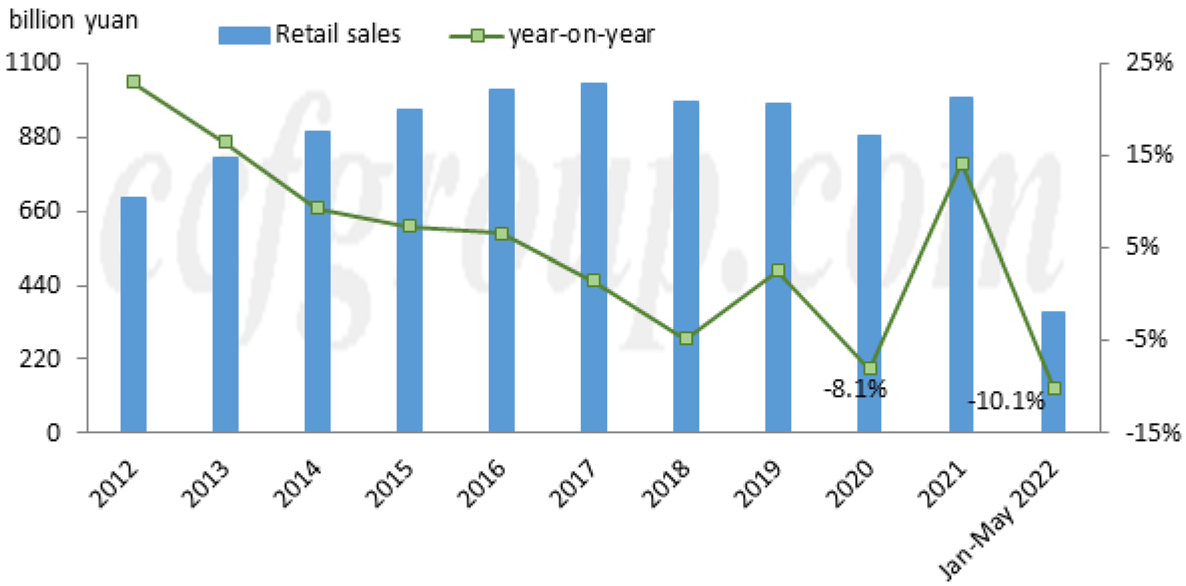
According to the feedback, the end-users demand shrank obviously this year due to the influence of the macro situation, especially the domestic demand was extremely weak, only about 70% of that in previous years.


In addition, the abnormal performance of the domestic demand market can also be seen from the data of the Bureau of Statistics.

During Jan-May 2022, the retail sales of consumer goods amounted to 17.1689 trillion Yuan, down 1.5% year on year. Of the total, retail sales of garments, footwear, hats and knitwear scored at 509.3 billion Yuan in Jan-May, down 8.1% year on year.

In Jan to May, the retail sales of garments of enterprises above designated size amounted to 362.33 billion Yuan, down 10.1% year on year. All were at low levels for many years.

Retail sales of garments of enterprises above designated size



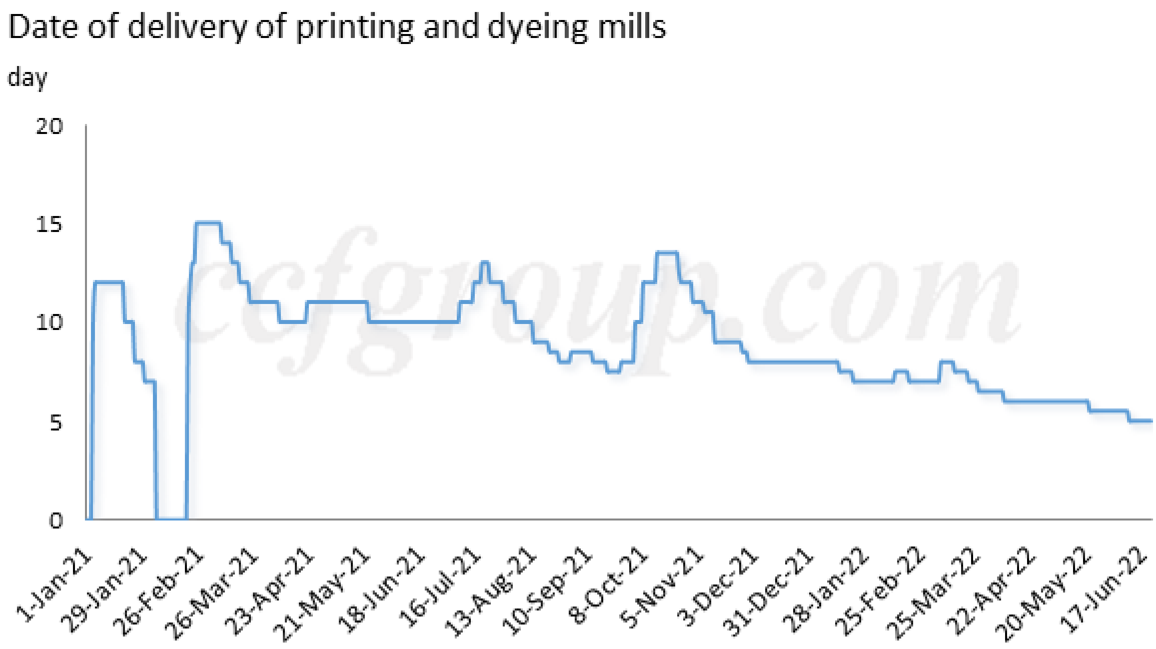

2. Short date of delivery

Recently, the processing is relatively relaxed and the comprehensive operating rate of the printing and dyeing mills in Jiangsu and Zhejiang is about 60%.

The dyeing mills basically start to dye when the orders appear, and the delivery time is short. For example, the orders of conventional products can last for 5 days production.

The main reasons for this situation are the conflict between Russia and Ukraine, higher interest rate increased by the Fed and the repeated COVID-19 pandemic.

Therefore, there are signs of stagflation in the macroeconomic cycle and market worries about the economic recession continue to rise. In this context, the textile and apparel market demand in 2022 continues to be under pressure.




In conclusion, in the context of the macroeconomic cycle, the industry has stagflation and recession, and the overall demand weakens. At present, with the advent of the traditional slack season and the continuous sharp fall in China-origin cotton prices, more yarn mills wait and see and there are fewer new orders from weavers and printing and dyeing mills, resulting in having holidays by turns and two days off.

Source: ccfgroup.com– Jun 22, 2022

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# Myanmar's Garment Factories Power Through Energy Crisis—That Might be the Problem

Myanmar's garment factories are still chugging along despite local reports that power outages and rising fuel prices have pushed nearly all of them to the brink of insolvency, experts told Sourcing Journal.

Not that they aren't feeling the squeeze, said Sofia Nazalya, senior human-rights analyst at global risk-intelligence company Verisk Maplecroft. Between the disruptive impacts of the military coup and Covid-19 pandemic, sourcing in the beleaguered Southeast Asian nation was already in a precarious position. A fuel shortage that leaves garment manufacturers running on fumes could be the "final straw" for Western brand holdouts that continue to source from Myanmar following the ouster of Aung San Suu Kyi's civilian government last year.

"While the fuel crisis is resulting in similar supply chain disruption across most Asian garment manufacturing hubs, the ongoing humanitarian and political crisis in Myanmar is likely to tip production in favor of other more resilient garment hubs," Nazalya said. "Bangladesh and India, similarly impacted by high fuel prices, are facing supply chain disruptions but are better positioned to ride out the fuel crisis."

For the brands that haven't budged from Myanmar, citing concerns that withdrawing would leave workers even worse off, business remains as usual. Primark's suppliers, for instance, are still able to maintain their operations despite fuel challenges, a spokesperson for the retailer told Sourcing Journal.

Similarly, H&M's sourcing base is "at this time operating normally," the fast-fashion purveyor said. Bestseller, Next and Inditex, which also produce in the country, did not respond to requests for comment.

For labor campaigners, a complete shutdown of apparel operations in Myanmar would almost be a relief. Brands should have left a long time ago because of the deteriorating human-rights situation under military rule, said Christina Hajagos-Clausen, director, textile and garment industry, at IndustriALL Global Union.

Human-rights groups aren't the only ones with concerns. In December, ACT (Action, Collaboration, Transformation), another multi-stakeholder initiative that seeks to improve living wages for garment workers, ceased all activities in Myanmar after IndustriALL's local trade union affiliate, Industrial Workers Federation of Myanmar (IWFM), said it could no longer able to operate freely under current circumstances. The following month, the U.S. Departments of Commerce, Homeland Security, Labor, State and the Treasury, along with the Office of the U.S. Trade Representative, issued a business advisory warning of the "heightened risks" associated with doing business that could benefit the military regime.

The 'wrong reasons'

Last month, the Ethical Trade Initiative, a multi-stakeholder organization whose roster includes many of the aforementioned retailers, pivoted from urging members to reassess their sourcing relationships in Myanmar to advising them to refrain from making any additional investments "at this time." Businesses, it added, should continue to "meaningfully engage" with local and international unions regarding their presence in Myanmar.

"If [brands] are forced to leave now because of power shortages, it will be, shamefully, for the wrong reasons—but at least it will hasten the end of the dictatorship, who are demonstrating a complete failure to keep the country operating, even by their own low standards," Hajagos-Clausen added.

Khaing Zar Aung, IWFM's exiled president, said she hasn't heard anything about factories closing. She said that there is no longer any rule of law in Myanmar and if factory owners are facing cash flow problems they'll just shift the burden onto their workers. Labor violations, including wage underpayments and forced overtime, are increasing at a staggering pace. Brands, she insisted, aren't protecting worker rights by staying. Rather, they're making profits off the backs of poor people because the concept of due diligence in Myanmar is just a pipe dream.

"They will argue with me: They will stay in Myanmar because they worry about the workers who are women, who are vulnerable," Khaing Zar Aung said. "But do they really worry about them? I say no." Brands like H&M, she argued, haven't done much to protect employment.

According to estimates from the International Labour Organization, more than 250,000 jobs evaporated in the first half of 2021 alone. Neither did brands worry about jobs when they halted sales in Russia in the wake of the invasion of Ukraine, she pointed out.

Meanwhile, pro-democracy activists like her have targets painted on their backs, particularly now that the junta has vowed to execute those who oppose its power. More than 5,600 civilians have been killed in Myanmar since the start of the coup, the Institute for Strategy and Policy in Myanmar reported in May. At least 3,107 of them were killed after being named "Dalans," or military informants, the organization added.

H&M said that it is monitoring the country's situation closely and will refrain from making any decision on its long-term presence there "at this point." Primark offered a similar response, saying that it is waiting for the results of the Ethical Trade Initiative's human-rights impact assessment before it determines its next steps. These will align with the United Nations Guiding Principles on Business and Human Rights, which "underpin how we work in all our sourcing countries," a representative said.

But if brands really cared, they would work with unions to support and fund workers instead of giving the junta legitimacy, Khaing Zar Aung said. "But they don't. Why? Because they see they can make a profit." Many garment factories, she said, are in league with the military, which gets called in when conflicts with workers arise. As long as these manufacturers can violate workers' rights they will not close down, she added.

'Forced labor returning'

Earlier this month, No Sweat and Global Women's Strike, the organizations coordinating the Myanmar Military: Never in Fashion campaign, took to the streets outside the flagship London stores of H&M, Primark and Inditex-owned Zara to protest what they say is the "inaction" of these brands to listen to what the trade unions in Myanmar are asking and take action.

"When we have contacted these brands, we have either been met with silence or we have had replies that explain they cannot pull out of Myanmar as they want to protect their workers from unemployment," Jay Kerr, campaigner and T-shirt project lead at No Sweat, told Sourcing Journal. "Whilst this seems benevolent it is disingenuous. We saw during the pandemic that brands will cancel contracts and refuse to pay suppliers when their profit margins are affected. The reality is that the military's actions have caused a spate of union-busting activity, with workers' rights [being] thrown out by employers."

Wage levels have plummeted, with reports of some workers earning as little as $1.95 a day, Kerr said. "This is virtually the international poverty level for people in full-time employment," he said. "Trade unions are even hearing of cases of forced labor returning. All this [is] beneficial to the brand's bottom line. Lower wages and longer hours mean more cheap products, and the civil war and unstable situation, with no independent union oversight, means they can wash their hands of any responsibility for the conditions their clothes are produced in."

Kerr said he believes that some manner of furlough scheme for Myanmar's garment workers is easily affordable for these multinational companies. For the 30 brands that were part of ACT's Myanmar program, furloughing the 140,000 garment workers they were responsible for in the country would cost them roughly $3.5 million each. Last year, Inditex raked in $3 billion, while H&M and Primark both made profits of more than $1 billion each.

"These brands have the money on their own to fund such a scheme, they just have to have the will to do it," he said. "If they really cared about their workers, they would not be asking them to work for poverty wages, or potentially conditions of forced labor, risking their lives in factories under martial law with no proper union representation. They would be looking at ways to protect them from the ravages of war and a brutal military regime, and use their huge financial power to help restore democracy."

Khaing Zar Aung worries that Myanmar's plight is being forgotten in the torrent of geopolitical conflicts that have gripped the globe. But the battle for democracy in her homeland has larger implications for human rights everywhere, particularly as the totalitarian regimes of Russia and China gain ground, she said. "If the EU and other democratic nations ignore [what is happening in Myanmar], then we all lose," Khaing Zar Aung added.

Source: sourcingjournal.com– Jun 22, 2022

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# Cotton Brazil Report - June 2022

Main highlights

As the cotton plants develop in the fields, the harvest of the 2022 crop is taking shape in the main growing regions of Brazil.

Brazil shipped 81.6 thousand tonnes of cotton in May/2022, generating an income of US$ 189.4 million. China remains the main destination for Brazilian cotton in the total for the marketing year. From a monthly perspective, Bangladesh, Indonesia and Vietnam were the main destinations for Brazilian cotton exports in May, totaling 45.9 thousand tonnes (56% of the monthly volume).

The BCI report shows that Brazil remains as the country with the highest production volume of cotton licensed by Better Cotton®.

In early June, a delegation consisting of Brazilian cotton producers and exporters promoted a trade mission to Indonesia, Thailand and Bangladesh.

To access the full data, click on the link

Source: cottonbrazil.com – Jun 22, 2022

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# Constrained consumption, exports lead to cotton stockpile in Xinjiang

Sales of cotton produced in Northwest China's Xinjiang Uygur Autonomous Region have dropped this year due to the joint effect of constrained domestic consumption and delayed export orders following the latest round of COVID-19 outbreak, while the US sanctions have only had a slight impact, companies and industry insiders said on Monday.

The South China Morning Post reported on Monday that about 3 million tons of unsold cotton are piled up at mills in Xinjiang, which it claimed was due to the US' so-called Uygur Forced Labor Prevention Act. The law prohibits the imports of goods made in the region unless US importers could show that there is no "forced labor" involved.

In the name of "human rights," the US has engaged in unilateralism, protectionism and bullying, which seriously undermined market principles and violated WTO rules, said a spokesperson of the Ministry of Commerce on Tuesday, noting that China is firmly opposed to the US ban on Xinjiang-related products and that China will take necessary actions.

"What the US has done is a typical act of economic coercion. It seriously harms the vital interests of businesses and consumers in both China and the US. It is not conducive to the stability of global industrial and supply chains, the easing of global inflation or the recovery of the world economy," said the spokesperson. A cotton industry source in Xinjiang's Aksu Prefecture surnamed Luo told the Global Times on Tuesday that he learned from ginnery owners that some cotton yarn manufactured by local cotton mills last year has not been sold.

"The cotton price has kept climbing since September 2021, and processing factories bought it at near-record highs of 23,000 yuan ($3,430) to 25,000 yuan a ton. But since February 2022, the cotton price has plunged, prompting downstream plants to adopt a wait-and-see attitude on expectations of a future price rebound, which also delays cotton sales," Luo said.

Industry insiders said that US sanctions only played a "marginal" impact in local cotton stockpiles, as local farmers are relying on domestic sales channels.

Zhang Jie, who runs a textile plant in Xinjiang and a clothing export company in Shanghai, told the Global Times on Tuesday that the recent epidemic flare-ups in megacities including Shanghai and Beijing sapped Chinese consumers' purchases of products including clothes, leading to rising clothes stockpiles that reduced manufacturers' demand for cotton and cotton fabric.

"Raw material exports to third-country markets have also been affected by delayed logistics networks and port congestion, which weighed on upstream chains," Zhang said, but the situation is expected to improve in the coming months. According to the National Bureau of Statistics, the cotton output in Xinjiang accounted for 89.5 percent of the country's total in 2021, with the region's output and planting area ranking top in China for more than 20 years in a row.

On May 30, the Xinjiang regional government held a meeting on promoting the stable and sound development of the cotton industry. The meeting proposed to accelerate the establishment of cotton and yarn transaction centers and digital platforms to enhance the digitalization of the industry, while inducing large textile firms to increase jobs as well as their economic contribution, according to a press release on the local government website.

An owner of a cotton mill, who declined to be named, told the Global Times that US sanctions on Xinjiang cotton would deal a blow to global industrial and supply chains. "Other countries couldn't fill the supply gap," he said, noting that the US produces only four million tons of cotton every year, while Southeast Asia also needs a large quantity.

As a result, cotton prices in such major producing countries as India having started surging. Due to a demand-supply mismatch, cotton prices have gained nearly 40 percent in 2022 to hit an 11-year high, hurting cotton yarn spinners and cotton-based textile and garments manufacturers, CNBC reported in May.

Source: globaltimes.cn– Jun 22, 2022

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# UKFT offers grants, support for overseas fashion & textile tradeshows

United Kingdom businesses can now apply for government support (including financial grants) to exhibit or visit selected overseas fashion and textile tradeshows via the United Kingdom Tradeshow Programme from The Department for International Trade (DIT). These tradeshows include Paris Fashion Week, Heimtextil, Première Vision and Pitti Uomo.

Open to UK SMEs with little or no experience of trade shows, the applicants will receive specialised training, with some also receiving grants to cover costs. Companies require an annual turnover of between £250,000 to £5 million to apply, UKFT said in a press release.

Grants and support are available to eligible companies to exhibit at the events including Paris Fashion Week, running from September 26 to October 4; Heimtextil (Interior Textiles), running from January 1-13; Pitti Uomo (Men's Apparel), running from January 10-13, 2023; Paris Fashion Week – Men's, Pre-collections and Swim, running from January 17-22; Premiere Vision on January 2; Paris Fashion Week – Men's, Pre-collections and Swim, running from February 27-March 3.

Grants and support are available to eligible companies to visit the events like Paris Fashion Week, Heimtextil (Interior Textiles), Pitti Uomo (Men's Apparel), Paris Fashion Week – Men's, Pre-collections and Swim, Première Vision and Paris Fashion Week – Women's (Spring) 2023.

Source: fibre2fashion.com – Jun 22, 2022

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# Home Textiles Growth Trajectory Post Covid-19

Home textiles segment had a fantastic run last year, or just after COVID-19 related restrictions were lifted across the globe. The economic conditions – lower inflation, higher savings, expectations of higher growth, less supply bottlenecks in China – led to both demand and supply growing at tremendous rates in this market. Current factors in the economy are extremely opposite and therefore, hint at slow movement in the market for home textiles. An overview.

As people were forced to be at home during the thick of the COVID-19 pandemic, spending on home furnishing goods initially fell as supply side was an issue, but eventually jumped tremendously to record highs. The most important aspect of the pandemic and the resultant economic shock was that the worst impact was only concentrated to three months (March-May 2020) in many conomies, especially in the US.

This is evident from the fact that retail sales in the US declined y/y only in these three months (Figure 1) and since then US has seen unprecedented growth in consumption, primarily due to government support that helped cushion the economy on the downside. Similarly online sales have also kept up pace after the three months of impact and a large beneficiary of this trend has been the home furnishing and home textiles market.

Home furnishing retail sales in the US were more dormant than overall retail sales for the entire 2020 and picked up dramatic pace only in 2021. For full year 2021, monthly home textile retail sales in the US grew an average of 31.5 per cent y/y. Even if we exclude the three months of March-May 2021 (outlier growth in these months due to base effect), the average y/y growth in 2021 was still 11.3 per cent, unprecedented by historic standards.

Similarly, demand for home textiles in several other countries grew tremendously in 2021. The closest proxy to demand, global imports of home textiles products, saw a sharp rise over the last six quarters. Imports in October-December 2021 quarter were up by 11.9 per cent y/y, 78.2 per cent up from the lows of pandemic in April-June 2020 quarter and 23.2 per cent up from the July-September 2019 quarter, the peak of 2019 (Figure 2).

All major economies saw tremendous growth in home textiles imports post-pandemic as reflected in Figure 3. The top five importers of home textiles (excluding US) have seen more than 72.7 per cent growth in imports in December 2021 compared to the lowest levels reached in June 2020 quarter. Over pre-pandemic peaks as well, these set of countries have seen an average growth of 19.7 per cent in the December 2021 quarter.

Product category-wise as well, those goods that cater primarily to home décor have seen tremendous growth over pre-pandemic levels. Take for instance, bed & other linens (depicted in Figure 4). Imports of bed & other linens in September- December 2021 quarter reached $5.70 billion compared to $4.50 billion in the same quarter of 2019, which was the peak of 2019. The category also saw a 12.6 per cent y/y jump for the September-December 2021 quarter. On the other hand, the fifth largest category, blankets & travelling rugs (Figure 5) saw imports grow to $1.50 billion from the peak of 2019 at $1.17 billion in July-September 2019 quarter. The latter category also saw an impressive 27.0 per cent y/y growth in imports in September-December 2021. Curtains & blinds, another key category of home décor, saw imports grow much faster in 2020 than in 2021. Imports of curtains & blinds in December 2021 were at $1.3 billion, up by 14.2 per cent from peak of 2019 but down by 1.3 per cent y/y.

To the extent that stay-at-home restrictions remain in several countries, demand for home textiles is going to continue to be robust. However, it is reasonable to expect that the pace of demand in this segment might get slower as people get back to offices, and the urge to connect with the living space might get lesser. On the other hand, a generally increasing demand could keep demand for home textiles up as well. But, as we will discuss in detail below, there are also dampening factors to demand that show more prominence currently. Let us look at some of these factors that will impact the market for home textiles products going forward. It is evident that the robust demand trends in the US may likely slowdown in the coming months, while supply in the market continues to be challenged.

**Click here** to read the complete article.

Source: fibre2fashion.com – Jun 22, 2022

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# Cambodia expects trade with Vietnam to cross $10 bn by 2022 end: PM

Cambodia expects its trade with Vietnam to cross $10 billion by the end of 2022 as bilateral trade for the first five months of this year reached more than $5 billion, according to Prime Minister Hun Sen, who recently announced a new border crossing to Vietnam in the Tboung Khmum province aimed at boosting trade and travel between the two neighbours.

The border crossing will be inaugurated at a proper time in the future, he said. Hun Sen recently addressed ceremonies in Tboung Khmum and Koh Thma to commemorate the 45th anniversary of the fall of the Khmer Rouge, according to Cambodian media reports.

Vietnam is one of Cambodia's main markets in the region, with the two countries having pledged to boost bilateral trade to more than $10 billion.

Statistics from the Council for the Development of Cambodia (CDC) show that by the end of the first half of 2021, foreign direct investment (FDI) in Cambodia totalled $39 billion, of which Vietnamese investors accounted for $2.5 billion, or 6.3 per cent, followed by China with $17.3 billion and South Korea with $4.1 billion.

According to data from the general department of customs and excise of the ministry of economy and finance, the exchange of goods between Cambodia and Vietnam was worth $1.7 billion in the first quarter of 2022.

Cambodia exported $1,079 million worth of goods to Vietnam in the January-May period this year, a 3.4 per cent increase year on year, making Vietnam the second biggest market for Cambodia's goods after the United States.

Cambodia imported back from Vietnam goods worth $1,710 million, a 34 per cent increase compared with the same period last year.

Source: fibre2fashion.com – Jun 22, 2022

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# Biden says he plans to talk to China's Xi amid economic problems

President Joe Biden said Tuesday he plans to talk with his Chinese counterpart Xi Jinping as he considers lifting some tariffs imposed on Beijing in a bid to ease U.S. inflation.

"I plan on having a conversation with President Xi. We haven't set a time yet," Biden told reporters. Over the weekend, Biden said a call could be "soon."

The last talks between the two leaders was on March 18, when Biden warned Xi against assisting Russia in its invasion of Ukraine.

The tariffs set under former president Donald Trump imposed 25% duties on billions of dollars worth of Chinese imports.

The penalties were aimed at punishing what the United States said are China's unfair trade practices and protecting U.S. manufacturers.

The move was popular politically but with inflation at 40-year highs in the U.S., Biden is scrambling to find ways to relieve price pressure and he has said that lifting some tariffs is under consideration.

Treasury Secretary Janet Yellen is among officials saying that a tariff relaxation could help defuse inflation.

The Biden-Xi call would likely have to happen soon in part because the Trump tariffs are set to expire in July unless renewed.

Source: dailysabah.com– Jun 22, 2022

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# U.S. ban on Xinjiang products violates trade rules: Chinese association

The U.S. ban on all imports from China's Xinjiang Uygur Autonomous Region is in violation of international economic and trade rules, the China National Textile and Apparel Council (CNTAC) said Wednesday.

The CNTAC said it strongly opposes the U.S. ban, which has not only seriously damaged the overall interests of China's textile industry, but will also harm the normal order of the global textile industry.

The remarks came after a ban on imports of all products related to Xinjiang by the U.S. Customs and Border Protection on Tuesday, based on the so-called "Uyghur Forced Labor Prevention Act."

Xinjiang cotton, the quality of which is recognized globally, accounts for about 20 percent of the world's total cotton output and is a vital guarantee for the healthy and sustainable development of both the Chinese and global textile industries, the CNTAC said.

Noting that the U.S. move is a malicious suppression of China's textile industry, the council said it seriously jeopardizes the security and stability of the industrial and supply chains of the global textile industry, and hurts the interests of workers in the global textile industry.

Stressing that forced labor is explicitly prohibited under Chinese law, the CNTAC said that Chinese textile enterprises strictly abide by the laws, and that the so-called forced labor does not exist in China's textile industry.

The CNTAC said it believes that China's textile industry will respond effectively to various risks and challenges with the support of the Chinese government.

Source: china.org.cn– Jun 22, 2022

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# For first time in 10 years, Egyptian trade delegation arrives in Israel

For the first time in approximately a decade, a delegation of senior Egyptian industrialists operating within the framework of the QIZ (Qualifying Industrial Zone) agreement between Israel, Egypt, and the US, arrived in Israel on Sunday for several days of meetings.

The Egyptian delegation includes 12 industrialists and businesspeople in the field of textiles and clothing who will meet with senior officials from the Ministry of Foreign Affairs and Ministry of Economy and Industry, the Manufacturers Association, the Federation of Chambers of Commerce, and the Export Institute.

The delegation members will also visit industrial plants and meet with Israeli companies and businesspeople.

The visit of the Egyptian delegation was initiated by the Israeli Embassy in Cairo, the Ministry of Foreign Affairs and other official bodies "with the goal of increasing cooperation and trade volume between Israel and Egypt over the coming years," the Foreign Ministry stated Monday.

The Qualified Industrial Zone (QIZ) is a preferential trade zone agreement signed in 2004 and facilitates the export of duty and tax-free products from Egypt to the US as long as the Egyptian product includes 10.5 percent worth of inputs originating from Israel.

The Egyptian delegation arrived after having visited a delegation of economic organizations from Israel at the QIZ Conference in Cairo at the end of May.

This visit is "another step in the warming economic-civilian ties with Egypt, which follow a government decision to promote tangible moves to increase trade with Egypt and remove bureaucratic barriers," the Ministry noted.

Oded Yosef, Deputy Director-General of the Middle East Division at the Foreign Ministry, explained that economic cooperation "has always been a significant component in the promotion of relations, and the QIZ agreement has a special place in this. We expect that the visit will lead to the expansion of cooperation within the QIZ's industrial areas, as well as to the expansion of economic, business, and commercial cooperation between the countries".

Ohad Cohen, Head of the Foreign Trade Administration at the Ministry of Economy and Industry, further noted that the QIZ agreement "serves as a basic infrastructure for trade between Israel and Egypt. The market in Egypt is developing, and we welcome their willingness to visit as well as the Egyptian interest in Israeli industry, which represents a further warming of economic ties with Egypt, and we hope to expand cooperation between the countries."

Egypt is considered a significant trading partner for Israel in the Middle East.

The volume of trade between the countries stood at $330 million in 2021. The spectrum of exports from Israel to Egypt primarily includes textiles and their associated products, a majority of 78%, chemicals and chemical industry products with 11%, and rubber and plastics at 8%, totaling $120 million.

Imports from Egypt include chemicals and chemical industry products at 32%, fresh agricultural produce, and food products at 27%, and machines and electrical and mechanical machinery at 17%, totaling $210 million.

Source: worldisraelnews.com– Jun 22, 2022

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# Bangladesh: BGMEA wants duty-free market access to Russia

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has requested the Russian government to give Bangladeshi apparel items duty-free access to its market.

"Since Bangladesh has graduated to a middle-income country, there will be certain changes in market access after 2026, we need to diversify our exports to markets where we have clear potential. For us, the topmost priority is to get preferential market access to Russia," said its president Faruque Hassan recently in a letter to Alexander Vikentyevich Mantytskiy, Russian ambassador to Bangladesh.

Talking to The Business Standard, Faruque Hassan said, "If we can get duty-free access to the Russian market, it will not only open a great opportunity for us to deepen our trade relationship, but also Russian consumers can benefit themselves by availing quality goods at competitive prices."

The BGMEA president mentioned, "You are aware of the fact that the clothing made in Bangladesh faces high tariffs in Russia. Our products face 5% to 20% (mostly 10%) customs duty while being exported to Russia."

Besides, there are some banking related difficulties in trade between Bangladesh and Russia, he also said, adding, "We are interested in working together to identify the barriers within the trade and commerce between two countries and resolve them."

"We are also keen to facilitate direct and joint investments in prospective sectors, such as high-end apparels, non-cotton yarns and fabrics, etc.," he added.

Talking to TBS, Habib Ullah Dawn, president at Commonwealth of Independent States-Bangladesh Chamber of Industry, said Bangladesh has already signed a memorandum of understanding with the Eurasian Economic Union, aiming to make a free trade agreement.

"If Russia gives duty-free market access, it will create a big opportunity for Bangladeshi exporters to explore markets of the Russian-led Eastern European economic union comprising Belarus, Kazakhstan, Armenia and Kyrgyzstan."

At the same time, it will also open markets of the Commonwealth of Independent States as well, he added.

At present, CIS unites are Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine.

The BGMEA president in his letter acknowledged the people of the Russian Federation's support to Bangladesh during the War of Liberation in 1971. Russia was one of the first few countries that officially recognised Bangladesh as an independent nation.

Throughout the journey of Bangladesh toward a developing nation, Russia has always remained as a trusted development partner and a source of investment. The relations between Bangladesh and Russia have grown in depth and dimension, but the bilateral trade is yet to reach its prospects. In fact, economic ties and cooperation are crucial for enhanced bilateral relations.

Russia is one of the major development partners for Bangladesh. "Given the contribution of Russia through development initiatives and infrastructure projects, our bilateral trade remains very insignificant," he noted.

In the fiscal year 2020-21, Bangladesh's total export to Russia was $665.32 million and import from Russia amounted to $481.88 million. So, bilateral trade was worth only $1.1 billion.

"We have a huge opportunity to improve trade. In 2020, Russia's apparel imports from the world stood at $6.91 billion, while the share of Bangladesh was only 11.72%, despite the fact that we are the second biggest source of apparel for Russia," said Faruque Hassan.

"Readymade garments constitute around 90% of our total exports to Russia," he also said.

In FY21, Bangladesh export of apparels to Russia was $593.66 million, which can be increased further, he added.

"From a neutral point of view, Russia can benefit by sourcing from Bangladesh since we produce quality apparels at a very competitive price," Faruque Hassan added.

The BGMEA letter also mentioned, "In the past decade, we have built tremendous capacities in the textile and garment sector in the area of sustainability, especially environmental sustainability, workers' well-being, and industrial relations."

Bangladesh is the home to the highest number of green garment factories in the world. "We have already made a huge investment in technology up-gradation, innovation, and value addition to make the industry more competitive. So Bangladesh is an ideal location for Russia to meet its fashion needs," the BGMEA president noted.

Bangladesh keen on FTA with Eurasian Economic Union

Earlier in January this year, Bangladesh expressed interest in signing a FTA with the Eurasian Economic Union (EAEU).

The commerce ministry requested the foreign ministry to make a formal proposal to the Eurasian Economic Commission regarding the signing of the FTA.

The countries belonging to the European Union, one of the largest economic blocs in the world, had a foreign trade volume of $7,311 billion in 2020. The gross domestic product of the countries is $1,634 trillion.

Bangladesh does not get duty free facilities to Eurasian markets that have huge potential for Bangladesh's export products. The country's exports to these countries have increased significantly over the past decade and the amount stands around $500 million.

According to the Export Promotion Bureau, Bangladesh's exports to the EAEU during July-December of the current financial year amounted to $382 million, which was $677 in the previous fiscal year. And, in FY20, Bangladesh exported goods worth $498 million to the EAEU.

Bangladesh has huge potential for the exports of frozen food, knitwear, jute goods and shrimp to countries in the region.

Exports are not growing at the desired level due to the lack of duty-free facilities and the complexity of direct banking transactions with Russia due to US sanctions, according to the commerce ministry officials.

That is why the Bangladesh Bank has taken initiative to ensure a duty-free export facility by signing FTA and swapping currency with the Central Bank of Russia.

Following the signing of the Trade and Investment Framework Agreement or TIFA with the United States in 2014, Russia also proposed the formation of an intergovernmental commission with Bangladesh to enhance trade, investment, scientific and technical assistance, which the two countries signed in 2017.

During the last decade, the trade volume has increased substantially. In this context, the commerce minister signed a Memorandum of Cooperation between Bangladesh and Eurasian Economic Commission in Moscow in May 2019.

To face post-LDC challenges, the commerce ministry has taken a strategic policy of signing FTA and Preferential Trade Agreement (PTA) with its important trading partners, including the EAEU, for ensuring smooth and sustainable graduation.

Source: tbsnews.net – Jun 22, 2022

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# Vietnam's textile-garment exports may face challenges in H2 2022

Vietnam's textile-garment exports are expected to witness several challenges in market and supply chain in the second half this year despite positive results in the first, a recent seminar in Ho Chi Minh City was told. Vietnam Textile and Apparel Association (VITAS) chairman Vu Duc Giang said such exports in the first six months this year were estimated at $22 billion, up by 23 per cent year on year (YoY).

The seminar on sustainable cotton supplies was jointly held by VITAS and Cotton USA.

Giang attributed the results to the utilisation of free trade agreements, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) that has boosted the domestic industry over the past five years with its regulations on product origin.

Vietnam has emerged from a yarn importer to exporter, shipping abroad $5.6 billion worth of yarn last year, and some $3 billion in the first half of this year, he continued, noting that the shift was thanks to investments in technology and digital management.

The sector has also shifted towards green energy and water resources, thus better meeting international standards and winning confidence of customers.

Giang, however, said escalating inflation in the US and Europe would affect orders in the third and fourth quarters of the year, a news agency reported. Meanwhile, the ongoing Russia-Ukraine conflict, along with surging oil and gas prices and transportation costs, would push up production prices.

Domestic enterprises said they have kept a close watch on the market to adjust their production plans, diversified material supplies and are seeking new clients to maintain production.

Source: fibre2fashion.com– Jun 22, 2022

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# Foreign businesses seek investment in eco-industrial parks in Vietnam

Foreign investors seeking to invest in industrial parks in Vietnam want infrastructure along with environmental protection. With a rise in focus on circular economy, domestic and foreign firms want eco-industrial parks in the country that can reduce waste and promote sustainable growth. Several such parks now are operating without wastewater treatment plants.

Eco-industrial parks would help manufacturers overcome non-tariff barriers after Vietnam joined international trade agreements.

These issues were recently discussed at a conference on 'Developing eco-industrial parks towards the goal of reducing net emissions to zero' organised by Mekong ASEAN magazine in Haiphong City, a Vietnamese English-language daily reported.

Vietnam is gradually transforming its development model towards sustainability under the National Green Growth Strategy.

Transitioning from traditional industrial parks to eco-industrial parks requires support from many stakeholders, not a decree, it was concluded.

Source: fibre2fashion.com– Jun 23, 2022

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# NATIONAL NEWS

## Expecting 7.5 pc economic growth rate this year: PM Modi

The government expects the Indian economy to grow by 7.5 per cent this year, Prime Minister Narendra Modi said on Wednesday.

In a virtual address at the BRICS Business Forum, Modi also said the value of the Indian digital economy will reach USD 1 trillion by 2025.

Highlighting the strength of the Indian economy, he said there is an opportunity to invest USD 1.5 trillion under the country's national infrastructure pipeline.

"We are expecting a 7.5-per cent growth rate this year that will make us the fastest growing major economy," Modi said in his address.

In a "New India", transformative changes are taking place in every sector, he said, adding that a key pillar of the country's economic recovery is technology-led growth.

"We are supporting innovation in every sector," the prime minister said. The BRICS Business Forum took place a day ahead of a virtual summit of the five-nation bloc.

The BRICS (Brazil-Russia-India-China-South Africa) brings together five of the largest developing countries of the world, representing 41 per cent of the global population, 24 per cent of the global GDP and 16 per cent of the global trade.

Source: financialexpress.com– Jun 22, 2022

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# Commerce Ministry speeds up work on new legislation to replace SEZ Act

The Commerce and Industry Ministry's efforts to recast the SEZ Act into a new law, that will allow units located in the so-called new 'Development of Enterprise and Service Hubs' (DESH) to produce both for the domestic and international markets without constraints, is gaining momentum with discussions on around a draft legislation.

"Finance Minister Nirmala Sitharaman had announced in this year's Budget that the SEZ Act will be replaced with new legislation for DESH by around September 2022. A draft has been put together by the Commerce department with the help of legal advise. But it is still under discussion," a person tracking the matter told BusinessLine.

No constraints

Per the plans under discussion, producers in DESH will be allowed to sell in the domestic market as well as export without constraints. "However, if goods from the hubs are sold in the domestic market, they are likely to be subjected to customs duties, including anti-dumping, countervailing and safeguard duties, where applicable," the source said.

The government is set to overhaul SEZs as they have lost much of their sheen following the exhaustion of income tax exemptions for both developers and units. A single-window clearance system and world-class infrastructure will be key points in the new legislation, ministry officials had earlier said.

Developers and units in the hubs are likely to be exempted from any duty of customs on goods exported from, or services rendered, from the hub to any place outside India. There are also provisions for exemptions from excise and other taxes for supplies from the domestic market to units in the hubs.

"There are a lot of conditions and clauses attached to tax exemptions based on whether items are being exported or sold in the domestic market. There would be more certainty on these as discussions move towards finalisation," the source said.

Approval process

The Board to be set up to notify the hubs will be required to follow certain proposed principles while giving approval.

These include generation of additional economic activity; creation of employment opportunities; promotion of investment from domestic and foreign sources; promotion of innovation, and investment in research and development; development of infrastructure facilities; integration with global supply and value chains and maintenance of manufacturing and export competitiveness and maintenance of sovereignty and integrity of India, the security of the state and friendly relations with foreign states.

Source: thehindubusinessline.com– Jun 22, 2022

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# India, Australia hold talks to cement strategic partnership

India and Australia discussed China's dominance in the Indo-pacific region during a bilateral meeting on Wednesday and issued a joint statement that reaffirmed commitment towards implementation of the comprehensive strategic partnership, based on mutual trust and understanding, common interests and shared values of democracy and the rule of law.

China figured in the talks between Defence Minister Rajnath Singh and his Australian counterpart Richard Marles, said sources, given both the countries have a common threat perception from the Communist-ruled country. Marles is also the Deputy Prime Minister of Australia, which is a strategic partner of New Delhi. The two nations are members of Quad as well.

"The ministers reviewed strategic challenges and the regional security situation and reaffirmed their shared objective of an open, free, inclusive, prosperous and rules-based Indo-Pacific region," said the joint press statement. India will also participate in Australia's Indo Pacific Endeavour exercise in October.

Defence partnership

The ministers also assessed defence and security pillars of the India-Australia comprehensive strategic partnership and welcomed the growing diversity and frequency of defence exercises and exchanges between the two countries, said the statement. They also undertook to build upon operational engagements through the India-Australia Mutual Logistics Support Arrangement.

The India-Australia Joint Working Group (JWG) on defence research and materiel cooperation will meet in Australia later this year. Ministry sources said the Australians have shown interest in visiting defence corridors to explore indigenous defence production. The statement said both the ministers discussed further opportunities for industrial cooperation between the two sides to increase the resilience of supply chains and deliver capabilities to their respective defence forces.

Later this year, General Rawat Young Officer Exchange Programme will commence which would enhance mutual understanding and trust between the two armed forces in particular.

This programme was announced during the virtual summit meeting between the Prime Ministers of the two countries on March 21, 2022.

Source: thehindubusinessline.com– Jun 22, 2022

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# Textile Ministry plans beneficiary sentiment survey of important schemes

A group of ministers (GoM) reviewing goods and services tax (GST) rates has proposed removal of exemptions on a host of services, including for stay in relatively cheaper hotel rooms, hospital rooms above a tariff threshold and services provided by financial sector and food safety regulators.

In line with a mandate to raise the revenue neutral rate (RNR) from a little above 11% now, the group headed by Karnataka chief minister Basavaraj Bommai also proposed raising the GST rate on electronics waste steeply from 5% to 18%. Also, a rate hike is proposed for goods and services related to exploration of petroleum and coal-bed methane. These activities are now taxed at the lowest GST slab of 5%.

The GoM also proposed removal of exemptions for reinsurance of exempted insurance schemes such as weather-based crop insurance schemes and the GST Network services to the government. A few proposals aimed at correcting residual cases of inverted duty structures have also been made. These changes are proposed even as the GoM is yet to firm up its views on GST slabs restructuring. An overhaul of the GST slabs – mainly four now, 5%, 12%, 18% and 28% – is expected to lead to a reduction in the number of slabs and an increase in the RNR.

The proposals will be considered by the GST Council, which comprises the Union finance minister and state finance ministers, as it meets in Chandigarh on June 28-29. The slabs recast, however, is likely to get delayed in the wake of persistently high inflation. The restructuring with the objective of raising the RNR will inevitably lead to rate increases on a large number of goods and services and thereby stoke inflation.

The GoM, which met virtually on June 17, decided to seek more time from the GST Council to finalise its main report concerning restructuring of the GST slabs.

Sources said the GoM suggested levying GST at the rate of 12% on hotel accommodation below Rs 1,000, a move that would bring a large segment of the hotel industry under the GST purview. Currently, no GST is levied on hotel rooms with tariff below Rs 1,000, while the tax is 12% on rooms with tariffs between 1,001 and7,500, and 18% on more expensive rooms.

Similarly, while all hospital services are currently exempt from GST, the GoM has suggested a 5% levy without input tax credit on hospital rooms with a daily tariff of `5,000 or above. The move is in view of the fact that high-end hospitals are now providing premium accommodation to patients. However, ICU-related room tariff will continue to be exempt.

Another hospital services provided by cord blood banks may be covered under the tax net as well. The rate could be either under 5% or 12% bracket. The exemption provided to business class travels from airports in the north-eastern states will end soon if the Council accepts the GoM proposal to cover it under the tax net. Currently, GST is levied at the rate of 12% on business travel by air in rest of the country.

The GoM also recommended that services provided by the Reserve Bank of India to banks and financial institutions, IRDAI to insurers and intermediaries and Sebi to companies be brought under the tax ambit. It also suggested withdrawing exemption on services provided by FSSAI to food business operators. While the rate at which these will be taxed is not yet clear, most services attract 18% GST now.

“While the progressive removal of exemptions under GST has been one of the stated objectives, it is essential to implement such removal of exemptions in a phased manner without having any adverse consequences on the impacted businesses, which are recovering from two years of business uncertainty and supply chain challenges,” MS Mani, partner, Deloitte India, said.

Retail inflation eased to 7.04% in May from a 95-month high of 7.79% in April. It still breached the upper band of the central bank’s medium-term target (2-6%) for a fifth straight month. The RBI is still widely expected to go for a third round of rate hike in August but the moderation in inflation substantially reduces the possibility of any out-of-cycle rate action in between.

Source: thehindubusinessline.com– Jun 22, 2022

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# GoM proposes removal of many GST exemptions

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Source: financialexpress.com– Jun 22, 2022

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# Majority of companies expect labour code changes will impact profit and loss account: WTW study

A majority of 64 per cent of companies in India expect the anticipated changes in the labour code to have a significant impact on their profit and loss account.

In light of regulatory changes, labour reforms and increasing cost of providing retirement benefits, 53 per cent of organisations in India are considering or plan to review their retirement or long-term benefits design in the next two years.

These are among the findings of the 'State of Retirement Benefits' study in India by the Nasdaq-listed WTW (Willis Towers Watson), a global advisory, broking and solutions company. The study covered the top 75 companies in India.

The study also revealed that employee experience (49 per cent) is the top influencer of the long-term employee benefits strategy, followed by regulatory complexity (45 per cent). Digitalisation of benefits is also ranked amongst the top influencing factors, at 26 per cent.

Ritobrata Sarkar, Head of Retirement, WTW India, said: "Organisations are gradually coming out of the pandemic survival mode and focusing on issues such as the long-term implications of retirement adequacy and employee benefits. Our study shows that the retirement benefit landscape in India is evolving, with organisations retaining superannuation as an option, in addition to promoting NPS.

While both these avenues co-exist, it will be critical for organisations to consider the regulatory environment, flexibility for employees, cost-benefit analysis and, most importantly, employee experience, as they review their long-term employee benefits strategy and mix. That said, NPS continues to be a focus area, with a large majority exploring strategies to increase employee participation rates."

Labour Codes

Considering the anticipated Labour Code related changes, 71 per cent of companies have taken some action to assess the implications. On the other hand, 34 per cent are unsure of making changes to their compensation structure in response to the new definition of wages, while 23 per cent are planning to include variable pay in the wage definition.

In addition, 46 per cent of companies plan to continue to contribute 12 per cent of their basic salary towards provident fund in line with the prevailing regulations, while almost one-third (32 per cent) are unsure of their response.

Employees' Provident Fund

According to the study, approximately 7 in 10 Employee's Provident Funds are managed by a regulator. An equal number of respondents believe that EPFO services have significantly improved, with increased administration efficiency and digital enablement. A large number (73 per cent) also feel that market volatility and the current bond defaults or downgrades are a cause of concern for their self-managed provident fund. Half the surveyed companies report that regulatory compliance has become a significant burden, and a similar number said managing their own provident fund trust is not a sustainable option in the long-term.

National Pension System

The study found that 73 per cent of the surveyed companies currently provide or plan to implement Corporate NPS and amongst those that already provide it, 61 per cent are exploring strategies to increase the participation rate. Further, 13 per cent have ported from the superannuation scheme to NPS, 25 per cent are in the process of or are considering to port, and 36 per cent offer or plan to offer both.

On the other hand, 44 per cent of organisations plan to continue to offer legacy superannuation plans and almost half have retained or are planning to retain the scheme for new entrants. The study also found that 71 per cent are not considering winding up their superannuation scheme. The companies rank complexity (56 per cent), employee communication (47 per cent) and securing employee consent as top barriers in porting from superannuation to NPS.

Source: thehindubusinessline.com– Jun 20, 2022

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## GST compensation to States can stop

While the June GST Council meeting is scheduled in Chandigarh, the initial choice of Srinagar was more apt. The verdant settings and cool climate could have mellowed the mood of the Council members getting ready for a fiery battle over extension of the GST compensation payments beyond the June 30 deadline.

It’s not difficult to see why many States want extension of these payments. The promise made by the Centre to compensate States for shortfall in GST revenue (if it did not grow at compounded rate of 14 per cent annually) in the first five years after transition to the GST regime, has so far worked well in States’ favour. It has helped buttress revenue during the pandemic as well as in the slowdown in 2019-20.

But there are several reasons why it is best to stop these payments. The targeted increase in annual revenue is unreasonably high, going by pre-GST growth rates in tax revenue across States. Uneven tax revenue growth across States has further led to anomalies in GST compensation claims. With some States getting too dependent on compensation payments in recent years, it may be a good idea to wean them from this revenue stream at the earliest.

Faulty design

There are two fundamental flaws in the design of compensation payment. One, expecting that State indirect tax revenue will grow 14 per cent annually in the post-GST period was too optimistic. Annual average growth rate in taxes subsumed by GST between FY13 to FY17 in 28 States was only 8.09 per cent. Data is not available for other States.

If we consider the pre-GST revenue growth in the larger States, only Bihar recorded growth of over 14 per cent. In fact, the largest States such as Maharashtra, Uttar Pradesh and Tamil Nadu grew their indirect tax revenue between just 5-7 per cent in the pre-GST period.

It’s true that States had to forego their right to tax goods produced and shipped to other States under the new GST regime, which is a consumption-based. But they have driven a hard bargain while transiting to the new system. Pre-GST growth in taxes in Odisha, which is among the States that stood to lose in the transition, was only 8.9 per cent.

Now, the varying rate of growth in tax revenue across States has meant that States with lower revenue growth tend to get higher compensation payments, since the targeted growth is same for all States. Instead of a single growth target, different targets could have been fixed for each State based on the consumption pattern and nature of industrial and infrastructure activity.

With the economy of each State being different — some States such as Punjab have a greater share of agriculture in the economy, which typically grows at a lower rate, while others such as Karnataka have a large contribution from fast-growing services sector — pencilling in a single growth rate has led to a great deal of anomaly. The pre-GST rate of growth in taxes in Punjab was 6 per cent, while it was a more robust 12 per cent in Karnataka.

Some States and Union Territories such as Punjab and Delhi started requiring high compensation payments even before the pandemic set in, underlining the discrepancy due to single growth rate for GST revenue. According to PRSIndia, requirement for GST compensation for Punjab accounted for 13 per cent of tax revenue in FY19 and 20 per cent in FY20. Delhi required 12 per cent and 16 per cent in those years.

A moral hazard

This protected increase in GST revenue could be leading to fiscal profligacy in some States. According to PRSIndia, most States were able to achieve 88 per cent of the targeted increase in GST revenue on their own in FY19. This slipped to 77 per cent in FY20 and further to 64 per cent in FY21. Needless to say that the dependence on compensation cess is higher in some States such as Himachal Pradesh, Punjab, and Uttarakhand while others such as Arunachal Pradesh, Manipur and Mizoram have not required any compensation.

Of concern is the fact that compensation payment accounted for more than 20 per cent of tax revenue in FY22 for States/UTs such as Punjab, Bihar, Delhi and Karnataka. States such as Bihar and Punjab have also been recording high fiscal deficits as per cent of GSDP and their borrowings have also been hitting record levels.

The protected revenue could be emboldening them to increase expenditure. Surprisingly, Kerala (5 per cent of tax revenue from GST compensation), which is at the forefront in asking for compensation extension is not too dependent on these payments.

Should the payments continue?

The moot point is whether the compensation payments need to continue. There are several reasons why this is unnecessary. One, all-India growth in GST collections in FY22 over FY21 was a robust 19 per cent. Odisha recorded revenue growth of 42 per cent while Punjab grew its GST revenue 24 per cent.

It's clear that the GST system is well on the recovery path and the pandemic related travails seem to be behind, at least as far as GST is concerned. States which produce more than they consume have also recorded high growth in collections. As the economy recovers further, there would no longer be any need to hand-hold the States.

Two, States need to be weaned away from the dependence on the compensation payments to meet their fiscal shortfall. Many States have continued to dole out freebies and unnecessary subsidies even during the pandemic, taking their finances to a dire state. Clearly, the committed payments are giving them room to continue in this manner.

Three, States should in fact be nudged to increase collections through plugging of leakages and improved compliance rather than continuing to depend on these payments.

Four, continuation of the payments can require higher borrowing by the government, which has consequences for bond yields and financial markets.

It may be best to bring the compensation payments to an end now, rather than two or three years later, when States will have another set of arguments, for why it needs to be continued.

Source: thehindubusinessline.com– Jun 22, 2022

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# Firm cotton prices to keep yarn-spinning stocks in check: Analysts

The double whammy of increased freight expenses and higher inflation has seen cotton prices rising over 30 per cent to Rs 46,700 per bale from Rs 35,829 in calendar year 2022 (CY22). This, according to analysts, is slowly eating into the margin and volume growth of the home-grown textile industry. Moreover, with rising interest rates skewing purchasing power of consumers, analysts expect muted demand for their products in the near-term.

India is the second-largest producer of cotton after China with 25 per cent share of overall production. In the past few months, the global demand has shifted away from China due to the ban on cotton cultivated in the Xinjiang region. With a change in global supply-chain patterns, demand of this highly sought-after commodity has multiplied, inflating its prices.

The rise in yarn and fabric prices, in tandem with the international market has led to the halt of local spinning mills. According to a report by India Ratings, nearly 10 per cent of 2,100 spinning units across the southern parts of India are shut, as they cannot afford the local-produced cotton. Likewise, Gujarat and Ludhiana-based spinning mills are also operating at less than 50 per cent capacities on average, reports suggest.

Analysts expect that the inflated cotton prices will continue to haunt small-sized yarn spinners during the first half of FY23 (H1-FY23). However, a correction in cotton prices after a good monsoon can paint a different story for yarn spinners in the later part of FY23. “We expect domestic cotton prices to cool off after a good monsoon season; however, the near-term is likely to be volatile for the cotton textile industry,” said Gaurang Shah, head investment strategist at Geojit Financial Services.

That said, the slow start to monsoon has led to an 8 per cent decline in the cultivation area of kharif crops this season over the same period last year. The forecast of lower crop yield due to delayed monsoon also made the Cotton Association of India (CIA) trim their estimates for cotton crop output for the current season to 315.32 lakh bales (of 170 kilograms each), a reduction of 8.31 lakh bales from its previous estimate.

Despite numerous dark clouds over textile companies, analysts at ICICI Securities expect companies with stronger balance-sheet and a comfortable liquidity position to storm through the challenging scenario. AK Prabhakar, head of research, IDBI Capital, too, believes that the companies with healthy inventory levels can survive through the calamity. “Among textile companies, we expect KPR Mills to perform well because they were able to procure cotton inventory at the right time. However, Welspun is likely to widen losses due to untimely procurement,” he added.

In a bid to cool off prices of cotton and lift domestic demand, the government has increased minimum support prices (MSPs) of kharif crops, with MSP of cotton up 6.18 per cent to Rs 6,080 per quintal and restricted exports unless domestic demand is met.

Despite the government's concentrated efforts, analysts remain speculative of margin pressure looming over the textile industry as companies hesitate to pass on complete price hikes to consumers. “Though the government's increased MSP support to cotton prices can bring some relief to the farmers, the quantum of costs passed on by textile companies to consumers have to be watched out,” added Shah.

Meanwhile, stocks of cotton yarn spinning mills have been under pressure in CY22. KPR Mills, Ambika Cotton, Trident, Nahar Spinning, Nitin Spinners, Vardhman Textiles, Lakshmi Mills have slipped in the range of 14 per cent to 46 per cent thus far in CY22. In comparison, the S&P BSE Sensex lost over 11 per cent, during the same period, ACE Equity data show.

Source: business-standard.com– Jun 22, 2022

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# Cotton shortage pushes most ginning, pressing mills to halt operations

Due to the limited availability of cotton, majority of ginning and pressing mills across India have halted operations till fresh cotton crop arrives in the market in October this year.

Of the nearly 3,500 ginning and pressing units across the country, hardly 5-7% are operational as cotton prices are extremely high in domestic market, says Atul Ganatra, president of Cotton Association of India (CAI).

"Prices of cotton are artificially high in Indian market due to speculative activities. In the last one week, price of December futures has gone down from 123 cent to 112 cent (Rs 68,000 per candy) at US based Intercontinental Exchange (ICE). Despite this global trend, prices of cotton in India are ranging around Rs 98,000 to Rs 100,000 per candy (356 kg per candy). As a result, operation of ginning and pressing mills have become completely unviable," Ganatra said.

Generally, ginners sell their end products to spinners. But spinning mills' consumption has drastically reduced by 30-35% from as high as 2.9 million bales (170 kg per bale) to 2.2 million bales monthly, says Ganatra. Due to high prices of raw-material, demand from spinners would continue to reduce day by day, he claimed.

The owner of a ginning and pressing mill in Gujarat said that farmers don't have raw cotton to sell and those traders who have accumulated cotton stock in their warehouses are not willing to sell at lower prices.

Of the total ginning and pressing mills in the country, nearly 650 are situated in Gujarat. Nearly 500 mills are in Maharashtra while Andhra Pradesh and Telangana together have around 400 mills. Haryana, Punjab and Rajasthan have 350 odd mills. In Karnataka and Tamil Nadu, there are 250 and 125 mills respectively.

Arvind Patel, secretary of Saurashtra Ginners Association says that hardly 20-25 ginning mills in Gujarat are operational and these mills would also close down by the first week of July due to scarcity of raw material and higher input prices.

According to Gujarat State Co-Operative Cotton Federation (GUJCOT), from October 2021 to May 2022 nearly 7.35 million bales of cotton was processed in ginning and pressing mills of Gujarat compared to 8.82 million bales last season in the same period.

Interestingly, in last month hardly 350,000 bales of cotton processed in Gujarat compared to 1.36 million bales in May 2021. "Ginning units do small value addition in the entire textile chain. Hence, they work for a small margin. But higher cotton prices have further squeezed their margins. Now they will have to wait for fresh cotton harvest to hit the market," opines Mahavir Jain, director (Textile), India Ratings & Research (Ind-Ra).

Source: financialexpress.com– Jun 23, 2022

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## Panipat exporters in trouble as US, European buyers postpone orders

Hundreds of exporters of home furnishings from north Indian textile hub of Panipat are facing a serious problem as large number of importers from the US and Europe have postponed procurement of their previously placed orders for indefinite period. Export goods worth ₹200 crore are stuck at ports, under transportation, production and warehouses.

The goods stuck are mainly home furnishing items like bed sheets, curtains, carpets, pillow cover, sofa cover, etc.

Vibhu Paliwal, Secretary, Panipat Exporters Association, told Fibre2Fashion, "Large number of small exporters have run into trouble due to postponement of export consignments. They have very limited capital." He estimated that goods worth about ₹200 crore are stuck at various levels. Buyers have postponed the supply citing the reason of limited capacity in their warehouses. Importers' warehouses are full because of weaker demand at retail stores in the US and Europe.

According to industry sources, economic activity picked up after the COVID-19 pandemic, resulting in flow of orders. However, high inflation sucked liquidity in hand in the US and Europe, and consumers started spending only for their essential needs, and are deferring buying of non-essential items.

Pradeep Tayal, another exporter from Panipat, said that the goods stuck at ports and under transportation create more serious problem for exporters, who are unable to find a solution to the current crisis.

According to industry sources, hundreds of small exporters in Panipat export to the US and Europe without getting letter of credit (LC). They need to wait for payment for up to 60 days after receiving the consignments by importers. About 70-80 per cent stuck consignments belong to such exporters.

Paliwal said that exporters who had received advance payment or LC, their consignments are being accepted by the importers sooner or later. But orders received without advance payment are stuck for indefinite period.

It is also not easy for the exporters to find alternative buyers for the goods. According to sources, most of the home furnishing items in the domestic market are made of polyester yarn as buyers prefer low-priced items. In contrast, cotton home furnishing products are popular with consumers in America and Europe. These products are quite expensive for the domestic market.

Exporters have very limited options, according to Paliwal. “It is not easy to find foreign buyers, but it is the only alternative for them. It is also difficult for them to get a fair price from the buyer when they are under pressure.”

When asked about the role of the Indian government, Paliwal said, “The government has no role in export transaction as it is individual exporters’ problem. But small exporters are stuck in financial crisis due to the development.

They need support from the government in terms of additional capital and interest subvention. Our association is planning to approach the government as large number of small exporters are facing an existential crisis.”

Source: fibre2fashion.com– Jun 22, 2022

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# India's Odisha state signs pact with AMHSSC to train SHGs on tailoring

India's Odisha state government's department of Mission Shakti recently signed an agreement with New Delhi-based Apparel Made-ups and Home Furnishing Sector Skill Council (AMHSSC) for skill development of 10,000 members of Mission Shakti self-help groups (SHGs) on apparel manufacturing. The initiative will enhance the tailoring abilities of the SHG members.

The move will raise skilled manpower in the apparel sector, provide self-employment opportunities and create organised micro-enterprises in the local apparel industry through participation of skilled SHG members, media reports from the state said.

SHGs have been engaged in stitching and supply of uniforms for pre-schools, schools and other academic institutions under the unique livelihood convergence model of Mission Shakti.

The project will be executed over a period of 18 months. Post-training, AMHSSC will assist the SHG members in establishing their tailoring units and offer hand-holding support. More than 1,500 non-governmental organisations in the districts have been engaged by the Women and Child Development and Mission Shakti departments for stitching and supply of pre-school uniforms.

"The State government is committed to the promotion of entrepreneurship among women. The collaboration with AMHSSC aims at improving livelihood opportunities of 10,000 SHG members through skilling on market-focused skills and entrepreneurship promotion on apparel," said commissioner-cum-secretary of Mission Shakti department Sujata R Karthikeyan.

"AMHSSC will also facilitate strategic and feasible industry partnership with the apparel sector as part of this collaboration," chief executive officer and director general of AMHSSC Roopak Vasishtha said.

Source: fibre2fashion.com– Jun 21, 2022

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