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INTERNATIONAL NEWS

Impact of "Uyghur Forced Labor Prevention Act" on textile industry

Zhengzhou cotton futures market declined sharply last week. During the week from Jun 20 to Jun 24, Zhengzhou cotton futures market declined more significantly, with the largest fall on Friday, down by over 1,000yuan/mt only in the morning and by over 8% in one day. In addition to fundamental reasons, the sharp decline of cotton futures also had macro-factors. The US began to implement "Uyghur Forced Labor Prevention Act" on Jun 21, requiring companies importing goods from China's Xinjiang province to provide "clear and credible evidence" that no components are produced using slave labor.

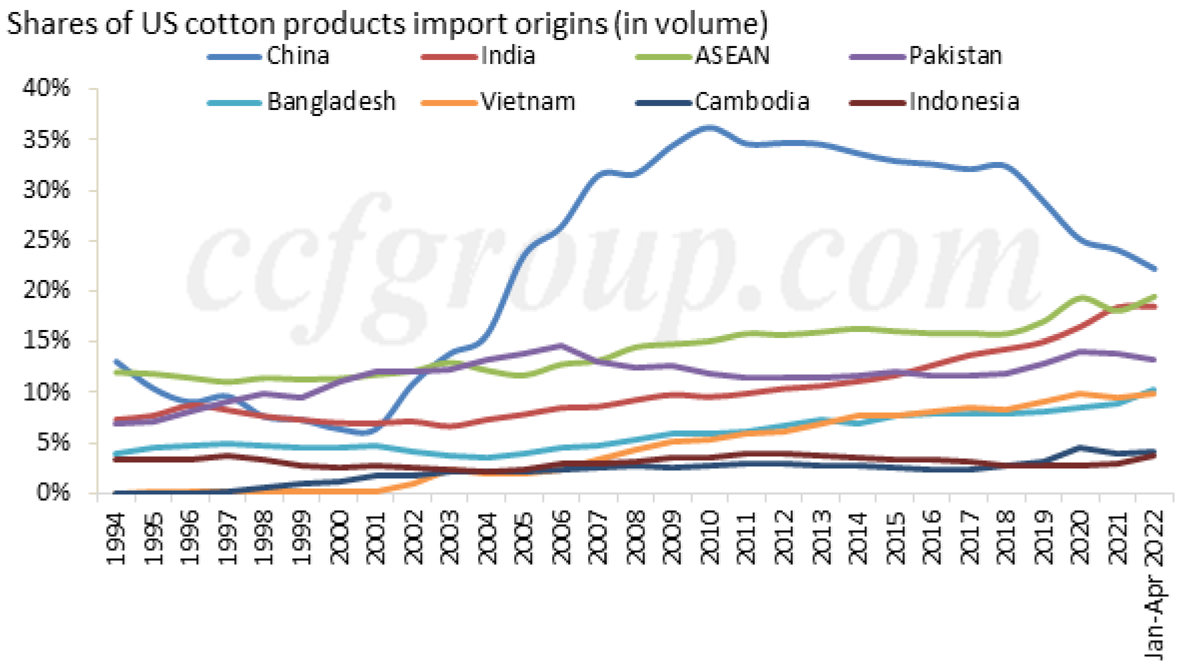
From the orders in upstream and downstream market, we can see that mills gradually avoided the risks brought by the act. Indeed, the formal implementation of this act has a certain impact on the market, and this impact is long term. If the ban exists for a long time, then China's cotton products exports will be greatly affected. How to digest cotton products in Xinjiang has become a market concern.

In 2022, most enterprises said that in export orders, non-Xinjiang cotton evidence was more stringent. China has an annual output of more than 5 million tons of Xinjiang cotton, and more downstream cotton products are involved. The act not only affected US orders, but also some Japanese and European clothing brands required non-Xinjiang cotton. Therefore, the scope of influence was greater.

The United States imported about 8.4 billion USD worth of cotton products from China in 2021 and around 11 billion USD in 2019. In terms of import volume, it was about 5.1 billion square meters in 2021 and 5.5 billion square meters in 2019, showing decline in recent years.

If the cotton fiber consumption is about 1 million tons according to the conversion of US imports of cotton products from China, even if there is a ban, China's cotton textile and apparel are not all exported to the United States, and the amount of cotton fiber consumption is actually less than 1 million tons.

However, it is important to see that this influence has been expanded to some clothing brands in Japan, the European Union and other regions. Judging from the US cotton products import origins, India has seen the most obvious growth in recent years.



At the beginning of the Sino-US trade war, the proportion of US's cotton textile and apparel imported from China dropped rapidly. Last year, the proportion dropped to 24.1%, down 12.1 percentage points from the 2010 high. During this period, ASEAN occupied the second largest origin for a long time. However, India has developed rapidly after the trade war. Last year, it overtook ASEAN to become the second largest import origin of US cotton products, accounting for 18.4%.

From January to April this year, ASEAN again surpassed India and its share reached 19.5%, 1 percentage point higher than India, which was related to the fact that Indian cotton prices have continued to rise to become the most expensive cotton in the world since the second half of last year, and orders were also shifting.

It is expected that the share of US's cotton products imported from China will continue to decline this year, while ASEAN and India ones will continue to rise. In addition, Bangladesh has also risen in recent years, gradually increasing its share, while Pakistan one was fluctuating, growing in the past two years.

China's cotton products exports are mainly apparel and finished products, and the proportion of semi-finished products is relatively small; the main markets for apparel exports are the United States and Japan; and the main export markets for textile products such as home textiles are Bangladesh, Vietnam and the United States.

According to CCFGroup, the proportion of China's cotton textile and apparel exports to the United States accounted for about 11% of the total cotton products exports. Although the proportion of direct exports is small, indirect exports or the exports to Japan, the European Union and others should not be underestimated. Trade between China and members of RCEP can alleviate the impact of the Sino-US trade war and US's ban on Xinjiang cotton to a certain extent, but the support is relatively limited.

Source: ccfgroup.com– Jun 27, 2022

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UK manufacturing production growth dips to lowest since Feb 2021

June data indicated that output growth across the UK private sector was unchanged from the 15-month low seen in May, according to S&P Global. Resilient business activity trends were seen across the service economy as a whole, but manufacturing production growth eased further to its lowest since February 2021.

Demand conditions remained subdued in June, with new order growth slowing for the fourth month running and to a greater extent than seen during May.

Worries about customer spending cutbacks and the impact of rapid inflation on the longer-term economic outlook led to another fall in business activity expectations, S&P Global said in a release.

Optimism at UK private sector companies has declined in each month since February and is now the lowest for just over two years, it noted.

June witnessed only marginal production growth amid widespread reports of weaker demand as well as ongoing supply issues. A sustained recovery in events and other areas of face-to-face consumer spending helped to boost business activity in the service economy.

However, many survey respondents also cited growth headwinds from the cost of living crisis and heightened economic uncertainty.

The seasonally-adjusted index measuring new order volumes across the UK private sector as a whole dropped from 53.8 in May to 50.8 in June, which signalled only a marginal overall expansion and the weakest rate of growth since the recovery began in March 2021.

Manufacturing order books were particularly subdued, with this index slightly below the 50 no-change threshold and pointing to the weakest performance for two years.

UK private sector firms cited hesitancy among clients and squeezed budgets due to rising inflation as key factors holding back demand.

The rate of inflation in the United Kingdom was still the second-fastest since the index began in January 1998.

The need to pass on higher energy, fuel and wage costs to customers was widely reported by manufacturers and service providers alike in June. Concerns about persistently high inflation, alongside impending cutbacks to non-essential spending by households and businesses, contributed to another drop in output growth projections for the year ahead.

The business expectations index fell by 4.6 points in June, which was the largest monthly decline since the start of the pandemic. Both manufacturers and service providers reported the lowest degree of business optimism since May 2020.

Source: fibre2fashion.com– Jun 28, 2022

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Moody's affirms Aaa rating for US, maintains stable outlook

Moody's Investors Service recently affirmed the US government's Aaa long-term issuer and senior unsecured ratings. The outlook remains stable and it expects the US economy and credit profile to stay resilient to shocks, including challenges to the global economy from persistently high inflation, tightening financial conditions and the Russian-Ukraine war.

The rating affirmation is driven by Moody's view that the United States is emerging from the pandemic shock with its credit strengths intact, underpinned by exceptional economic strength, high institutional and governance strength, and the unique and central roles of the US dollar and US Treasury bond market in the global financial system, which among other benefits provide extraordinary funding capacity, the rating agency said in a press note.

Risks to the US economy have materially increased and could lead to a sharper than expected slowdown, or potentially a recession, driven by increasing monetary policy tightening over the next few quarters, it noted.

If materialised, those risks would exert further pressure on the relatively weak US fiscal position. However, in Moody's view, US institutions, including the Federal Reserve, will effectively manage these challenges and the US economy will demonstrate its resilience.

The stable outlook reflects Moody's view that the diversity, dynamism, and competitiveness of the US economy, along with the US dollar's status as the preeminent international reserve currency and very large size and depth of the US Treasury market, will continue to offset rising fiscal pressures and periods of economic slowdown.

Following a sharp widening of fiscal deficits and a rise in the debt burden during the pandemic, deficit and debt ratios will improve in 2022 and 2023. However, the fiscal strength is expected to deteriorate at an increasing rate over time as higher ageing-related entitlement spending and interest payments drive persistent fiscal deficits, absent material revenue or entitlement reforms.

Diminishing confidence that US policymakers will take effective action in the coming years to reduce federal government budget deficits and the ongoing rise of the debt burden would signal erosion of both fiscal and institutional strength, which would weigh on the sovereign's credit profile.

Source: fibre2fashion.com– Jun 28, 2022

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G7 leaders launch $600 bn plan for global infrastructure development

G7 leaders have announced the Partnership for Global Infrastructure and Investment (PGII) that will deliver projects to close the infrastructure gap in developing countries, strengthen the global economy and supply chains, and advance US national security. The G7 partners together aim to mobilise $600 billion by 2027 in global infrastructure investments.

The US aims to mobilise $200 billion for PGII over the next 5 years through grants, Federal financing, and leveraging private sector investments, the White House said in a statement.

The United States and its G7 partners will seek to mobilise additional capital from other like-minded partners, multilateral development banks, development finance institutions, sovereign wealth funds, and more.

At the 2021 G7 Summit, American President Joe Biden and G7 leaders has announced their intent to develop a values-driven, high-impact and transparent infrastructure partnership to meet the enormous infrastructure needs of low- and middle-income countries and support the US' and its allies' economic and national security interests.

President Biden will release a Presidential Memorandum to execute the PGII across four priority pillars that will define the second half of the 21st century. This includes tackling the climate crisis and bolstering global energy security through investments in climate resilient infrastructure, transformational energy technologies, and developing clean energy supply chains across the full integrated lifecycle; developing, expanding and deploying secure information and communications technology (ICT) networks and infrastructure to power economic growth and facilitate open digital societies; advancing gender equality and equity in order to boost the global economic recovery; and developing and upgrading the infrastructure of health systems and contributing to global health security.

Source: fibre2fashion.com– Jun 27, 2022

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European fashion retailers adopt new digital features for consumers

European fashion apparel retailers are revamping their IT capabilities to keep up with changing consumer behaviour trends. These new retail technologies that are being implemented are enabling novel shopping experiences that allow for amenities like social commerce, voice commerce, curb-side pickup, and home delivery, a recent report has revealed.

Retailers that are based in northern and western Europe are undergoing a digital transformation in response to the increasing prevalence of e-commerce and the need for channel-agnostic shopping experiences. While these retailers are not yet on par with companies from countries like the US and China, they are already ahead of retailers from the eastern European markets, the US-headquartered Information Services Group (ISG) said in its report titled 'The 2022 ISG Provider Lens Retail Services report for Europe and the UK'.

"More European retailers are creating new sales channels, and we expect this trend to accelerate," said Sunder Pillai, director and leader, retail and CPG, at Information Services Group. "Service providers are helping companies create a unified shopping experience across all channels."

Another important consequence of the digital business boom is that retailers, who now possess an extraordinary amount of localised data on customer behaviour and preferences, are integrating this information into structured data platforms; thus, making it possible to create unique customer profiles, according to the ISG report. "With help from service providers, companies are ready to roll out more personalised marketing campaigns that increase loyalty," said Jan Erik Aase, partner and global leader, ISG Provider Lens Research.

Even brick-and-mortar stores of European retailers are incorporating services like cashless and check-out free shopping for a more customer-friendly experience. As increased digitisation would require robust supply chains for a more seamless customer experience, retailers are teaming up with service providers to employ stores as mini fulfilment centres for digital orders, the report said.

Source: fibre2fashion.com– Jun 27, 2022

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China's spandex imports decline 7.4%

Latest data from China Customs shows, China's spandex imports declined 7.4 per cent or 853 tons Y-o-Y to 10.6,000 tons during January-May period. Exports declined 15.8 per cent to 24.4000 tons on annual basis. Imports of spandex touched bottom in Feb and gradually increased, while exports of spandex kept falling month by month. Net exports also tended to decrease.

As per a CCF Group report, exports of spandex decreased 13.4 per cent Y-o-Y to 35.1000 tons in the January-May, 2022 period. The average export unit price increased to $9.007/kg during the period. Exports of spandex reduced month by month during January-May, 2022.

Although production of textiles and apparels recovered in Vietnam and India etc, replenishment of spandex dropped with rapidly declining spandex price. Spandex exports were especially low in May, at 5,417 tons, down 8 per cent M-o-M and 30.2 per cent Y-o-Y respectively, and the average export unit price at $8.715/kg, up $0.187/kg.

Spandex was exported to 91 nations or regions in Jan-May, 2022, flat on the month. Turkey remained the biggest export destination, followed by South Korea and Vietnam. The proportion of the top three nations amounted to 46.5 per cent of the total.

Exports to Brazil, Columbia, Bangladesh, Egypt, Taiwan, China and India all decreased by 30-70% on annual basis, down by 451-1,532 tons on the year. Vietnam, Singapore and South Korea remained major import origins of spandex, with proportion of these three nations as high as 80 per cent in January-May.

Imports from Vietnam rose by 11.5 per cent to 5,038 tons, those from Singapore reduced by 12.7 per cent, and those from South Korea and Japan apparently dropped by 15.1 per cent and 23.5 per cent Y-o-Y respectively.

Source: fashionatingworld.com– Jun 27, 2022

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Iran’s apparel exports increase 61.4% in March 2021-22

Iran’s apparel exports increased 61.4 per cent to $113 million in the last Iranian year spanning March 2021-22 compared to $70 million worth of garments exported the year before, informs Majid Nami, Head-Board of Directors, Iran Apparel and Textile Production and Exports Union.

Iraq, Afghanistan, the littoral states of Persian Gulf as well as Central Asian countries emerged the major export destination, adds Nami.

The strict sanctions imposed on Iran, makes import of raw materials, production lines and required machinery difficult and expensive. Hence, Iran has not been able to boost the quality and volume of its apparel exports and lower the end prices, Nami adds.

Source: fashionatingworld.com– Jun 27, 2022

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Eurozone growth slows sharply to 16-month low in June: S&P Global

Eurozone economic growth deteriorated sharply to a 16-month low in June, according to preliminary purchasing managers' index (PMI) data released by S&P Global, reflecting a stalling of demand growth. Manufacturing output contracted for the first time in two years and service sector growth cooled considerably, easing most notably for consumer-facing services.

Companies also scaled back their business expectations for output over the coming year to the lowest since October 2020. Both the stagnation of demand and worsening outlook were widely blamed on the rising cost of living, tighter financial conditions and concerns over energy and supply chains linked to the Ukraine war and ongoing pandemic disruptions, S&P Global said in a press release.

Price pressures, meanwhile, remained elevated at levels not seen prior to the pandemic, though a moderation of cost growth for a third successive month hinted at a peaking in the rate of inflation.

The seasonally adjusted S&P Global Eurozone PMI composite output index fell from 54.8 in May to 51.9 in June. While the latest reading indicates an expansion of business activity for the sixteenth straight month, the rate of growth has moderated for two consecutive months to its lowest in the current sequence of expansion.

New orders for goods and services meanwhile stagnated, failing to rise for the first time since the recovery of demand began in March 2021. Manufacturing led the deterioration, with output falling for the first time in two years.

Although only modest in June, the rate of decline of factory output looks set to accelerate in July given a steepening loss of new orders received during the month. New orders for goods have now fallen for two consecutive months, with June seeing the sharpest decline since May 2020.

Growth, meanwhile, slowed sharply in the service sector, down to its lowest since January to signal a marked deterioration of performance of the sector over the past two months. Inflows of new business in the service sector likewise rose at a much softer pace, with growth down to the second-lowest since the revival of demand began in May 2021.

Factory output continued to be constrained by widespread supply shortages, often linked to the Ukraine war and China's lockdowns, but the overall incidence of delays continued to moderate. Average suppliers' delivery times consequently lengthened to the least extent since December 2020.

However, this easing of supply delays could be in part traced to lower demand for inputs, which stalled in June, contrasting with surging growth seen throughout much of the past two years, in turn linked to the largest build-up of unsold warehouse inventories for over two years.

Business expectations for the year ahead fell to the lowest since October 2020. Manufacturing expectations worsened especially markedly, down to the lowest since May 2020, but future expectations also fell in the service sector to the lowest since October 2020.

The gloomier outlook reflected various factors, including headwinds from the rising cost of living, concerns over energy and food supply amid the Ukraine war, tightening financial conditions, ongoing supply chain shortages, often linked to China's lockdowns, and a broader diminishing of economic growth prospects, S&P Global said.

The average charges for goods and services rose sharply again in June. Although the rate of inflation eased further from April's all-time high to the lowest since February, it remained significantly higher than anything seen prior to the pandemic over the survey's 25-year history.

Companies again reported upward cost pressures from energy prices, transportation, broad supplier-driven price hikes and rising wage pressures. There was a divergence by sector, however, with manufacturing reporting the weakest input cost rise since March 2021 while the service sector saw the rate of increase accelerate to the steepest since April, in part reflecting the pass-through of prior raw material and energy cost increases to wages.

Source: fibre2fashion.com – Jun 27, 2022

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WTO needs to move from just an organisation to robust institution: CUTS International

Member countries of Geneva-based WTO need to work together to transform the global trade body into a robust institution from just an organisation, think tank CUTS International said on Monday.

The institutional inertia at the World Trade Organisation (WTO) has only just been broken, said Pradeep Mehta, Secretary General, CUTS International.

“Full restoration of the dispute settlement mechanism and consensus on what shape the WTO reform should take remains challenging. The WTO needs to move from just an organisation to a robust institution,” he said.

Mehta was speaking at a webinar to discuss the future of the WTO.

Discussions focused on whether the 12th ministerial conference, concluded in Geneva on June 17, could provide momentum to revive the institution’s negotiating, monitoring and dispute settlement functions.

The Ministerial Conference is the highest decision-making body of the WTO.

The 164-member World Trade Organisation (WTO) is a multilateral body which formulates rules for global exports and imports and adjudicates disputes between two or more than two countries on trade-related issues.

Source: financialexpress.com– Jun 27, 2022

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Garment makers in Asia face challenges as industry evolves

The ILO report calls Asia the "garment factory of the world," but also warns the sector faces an array of challenges many of which have been accelerated by the Covid-19 pandemic. Challenges include rising labour costs, production and process automation, 'reshoring' and 'nearshoring', as well as increased pressure to transition towards a more sustainable business model, with improved wages and working conditions.

'Employment, wages and productivity in the Asian garment sector: Taking stock of recent trends' reviews employment, wages and labour productivity in the Asian garment sector over the 2010-19 period and highlights how the industry still accounts for 55% of global textiles and clothing exports and employs some 60 million workers.

David Williams, manager of the ILO's Decent Work in Garment Supply Chains Asia programme, says that while in many countries the sector has seen growth in both wages and productivity, the relationship between government policies and external forces is not always clear and simple.

"Backed up by genuine support for social dialogue and collective bargaining and concrete incentives from brands, the industry can create a virtuous cycle in which higher wages drive higher productivity, and vice-versa," Williams says.

The report highlights the sector's evolution following different trajectories across the region. While economic diversification and upgrading have reduced its importance in countries like China, Thailand and the Philippines, it remains the key economic driver in nations like Cambodia and Bangladesh.

Asia's share in global textiles and clothing exports has grown significantly since the early 2000s, peaking at 58% in 2015, before declining to about 55% in 2019 the report notes.

"These trends were largely driven by China," states the report, "which saw continuous export growth in both sub-sectors until 2015, after which its declining share in wearing apparel exports was only partly offset by an increase in the share of other Asian clothing exporters, specifically, Vietnam, Bangladesh, Myanmar and Cambodia."

This could suggest that nearshoring, rather than relocation to lower cost destinations, has taken place during these years. Despite the recent decline, China's dominance remains unmatched with 34% of global GTF exports in 2019, followed by Vietnam (5%), Bangladesh and India (4.3% each).

In recent years, the sector has relied heavily on low labour costs to secure global market advantages, the report says. Real wages in the sector have increased in most countries although working conditions remain challenging in general, including long and intense working hours, poor occupational safety and health as well as violations of fundamental rights at work.

Gender pay gaps persist across the Asian garment sector. Female employees are overrepresented among the sector's low pay workers, and countries with the lowest shares of female workers also have among the highest gender pay gaps in the garment sector. "Although women represent a large share of garment workers, gender pay gaps persist, and are particularly elevated in countries where there are broader systematic labour market challenges for women. In some contexts, women workers are victim to physical and sexual violence, due to the gendered nature of their workplaces," the report says.

While labour productivity in Asia's garment sector has risen in recent decades, it remains low relative to other manufacturing sectors. Few garment producing countries have successfully moved up the value-chain in apparel production, with most manufacturers remaining engaged in low-skilled 'cut-make-trim' operations.

Data in the report does reveal a positive association between growth in labour productivity and wages in the sector, suggesting that investments in labour productivity may play an important role in helping elevate worker pay.

The full report, produced under the International Labour Organization Decent Work in Garment Supply Chains project, and supported by the Government of Sweden, can be downloaded from here.

Source: just-style.com– Jun 27, 2022

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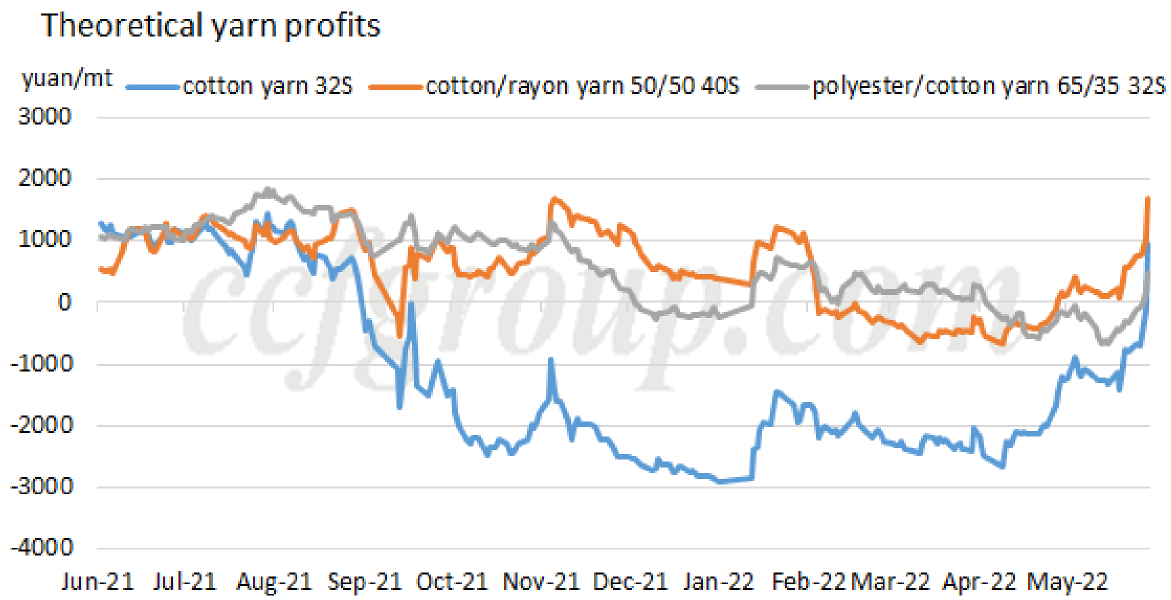
China: Yarn profit & spread with VSF and PSF apparently recover after cotton price tumbled

During the week from Jun 20 to Jun 24, Zhengzhou cotton futures market declined more significantly, with the largest fall on Friday, down by over 1,000yuan/mt only in the morning and by over 8% in one day. In addition to the weak fundamentals, the sharp decline of cotton futures within the week was mainly attributed to the macro environment.

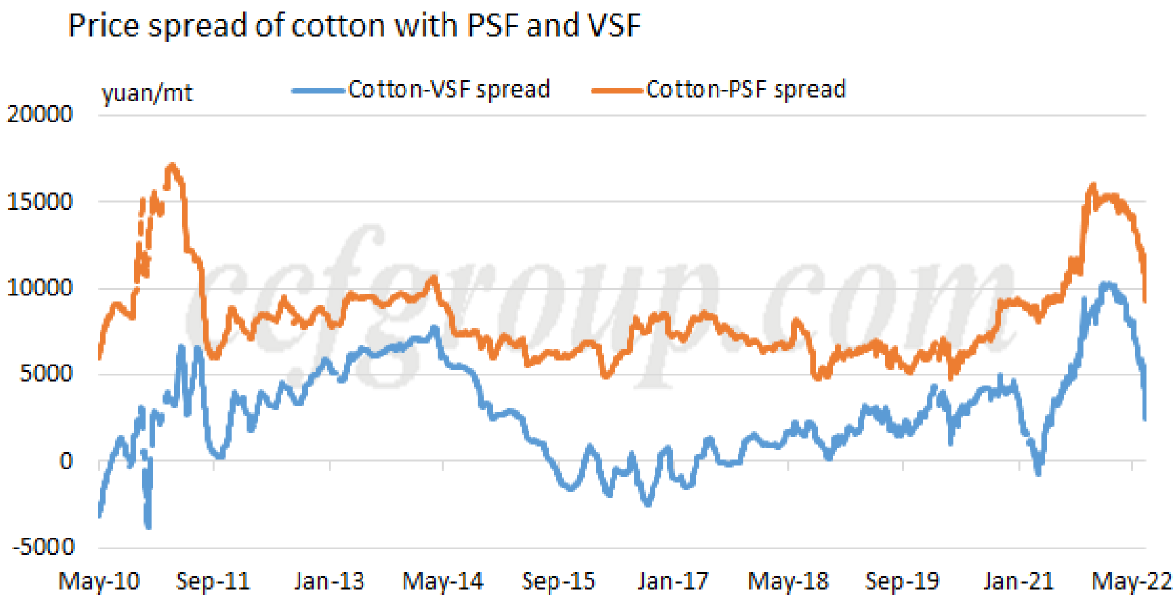
Jerome Powell said the central bank was "strongly committed" to maintain 2% inflation, and "soft landing" has become more challenging. Later, he said the central bank had no imminent plans for further interest rate cuts, and US Manufacturing PMI dipped to a two-year new low.

Under this macro sentiment, worries over the global economic recession intensified. Commodity prices stepped downward overall in both Chinese and international markets, and ICE cotton futures market also started to head south. The Dec contract slipped over 5% on Jun 22 and Jun 23. Both Chinese and international cotton prices declined. Meanwhile, the stop-loss of long positions in China also intensified the decline. Multiple factors affected the large decline of ZCE Sep cotton contract on Jun 24 and forward contract hit the down limit.



Since the cotton prices started to decline from late May, ZCE cotton futures have returned to the level before Oct, 2021. Theoretical profits of yarn have recovered apparently. On Jun 24, the theoretical profits of cotton yarn have recovered to 946yuan/mt, better than polyester/cotton yarn. Nevertheless, cotton yarn prices still have downward space with continual fall of cotton prices and difficulties in operation.

Price spread of cotton with PSF and VSF also narrowed largely, especially the price spread of cotton and VSF, which had returned to a normal level.



From the perspective of fundamentals, the bearish sentiment on the fundamentals has been released largely on cotton futures market, and the remaining influencing factors are mainly the macro sentiment, industrial policies, Xinjiang cotton ban and recovery of downstream demand.

The major influencing factor for the sharp decline of cotton futures last week was mainly the macro sentiment. ICE cotton futures started to slump, making Chinese cotton market weaker.

Of course, the fundamental of Chinese cotton market is poor, but if macro environment eases, the Chinese cotton market may improve. If the macro sentiment keeps bearish, cotton prices still have downward space.

For the industrial policies, there are rumors that Chinese government may sell reserved imported cotton and purchase Xinjiang cotton into state warehouse, with a reserving volume of 500kt. But the influences depend on the volumes, price, and reserving and selling method. There is still no official news yet.

Xinjiang cotton ban and downstream demand is the similar influencing factor, that is the influence of downstream demand on cotton consumption. ZCE cotton futures market has slumped, and this bearish factor has been released somewhat. Whether the Xinjiang cotton ban will continue to pose negative impact on cotton price needs to be seen from the end-user product import and export. In short, the continual large fall of cotton prices has led to limited downstream orders. If cotton prices stabilize, orders may be concluded with recovery of yarn profits and narrower price spread with PSF and VSF.

ZCE cotton futures have started to decline from late May, and Sep contract once reached the lowest of 16,885yuan/mt, down by 5,150yuan/mt from the high of 22,035yuan/mt in May. The most part of bearish factors from the fundamental have been released, but the macro environment and downstream demand is still unclear, which may make cotton prices hard to rebound strongly.

Source: ccfgroup.com– Jun 27, 2022

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Apparel exporting countries feel heat of Russia-Ukraine war

Major apparel exporting countries like China, Bangladesh, Turkey, India and Sri Lanka saw their exports to Russia decline post the commencement of Russia-Ukraine war in last week of February this year. The SWIFT ban on Russian banks created new hurdles for financial transaction with that country. The disturbed global ship movements was also a key factor.

China's apparel exports to Russia fell to $122.165 million in March from $151.089 million in February 2022. But the export improved to $129.828 million in April, according to Fibre2Fashion's market insight tool TexPro. The export was $255.786 million in January 2022, $288.413 million in December 2021 and $203.901 million in November 2021.

Likewise, China's home textiles exports to Russia fell to $26.543 million in March from $38.499 million of February 2022. The export was $38.221 million in April. The export stood at $50.057 million in January 2022, $57.030 million in December 2021 and $63.931 million in November 2021.

Bangladesh's earnings from garment export to Russia stood at $482.23 million during July 2021-February 2022, with an average monthly earning of $60.15 million. However, the average monthly earning during March to May 2022 from the Russian market declined significantly to $27.05 million.

Similarly, apparel export from Turkiye to Russia fell to $17.483 million in March from $30.441 million in February 2022. But it improved to $21.212 million in April 2022, as per TexPro.

The export was $22.322 million in January 2022, $17.476 million in December and $18.836 million in November 2021. Turkish home textiles export to Russia fell to $2.353 million in March from $5.935 million in February 2022. The export stood at $4.878 million in April 2022. The export was $6.051 million in January 2022, $5.128 million in December and $8.677 million in November 2021.

India's apparel exports to Russia too registered steep decline after February 2022. The export declined to $2.056 million in March from $8.561 million of February.

The export was $5.304 million in January 2022, $6.475 million in December, $5.452 million in November and $5.790 million in October 2021. India's monthly home textile export declined to $0.197 million in March from $1.814 million in February 2022. The monthly export was $2.121 million in January 2022, $2.141 million in December, $1.709 million in November and $2.743 million in October 2021.

Sri Lankan apparel export to Russia also registered a drop in value. The export reduced to $0.112 million in April from $0.717 million of February 2022. However, the export recovered in April from March 2022 when it came to almost standstill and stood at mere $24,528. The export was $1.060 million in January 2022, $0.960 million in December and $1.003 million in November 2021.

Source: fibre2fashion.com– Jun 28, 2022

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Sri Lanka's exports record USD 5 billion mark in five months

Sri Lanka's exports recorded the USD 5 billion mark in the first five months of this year, according to the Export Development Board (EDB).

Earnings from the merchandise exports increased by 9.9 % y-o-y to US$ 980.2 million in May 2022 as per the data released by the Sri Lanka Customs.

This was mainly due to the increase in earnings from export of Apparel & Textiles, Coconut based products and Electrical & Electronic Components.

Major product sectors except Spices & Concentrates, Tea and Rubber-based products; Apparel & Textiles, Coconut based products, Electrical & Electronic components and Food & Beverages, Seafood and Ornamental fish, recorded increased exports in May 2022.

Exports of Apparel & Textiles increased by 30.1% y-o-y to US$ 482.7 million in May 2022. The increase was driven by both Apparel and Textiles.

For the first five months of 2022, merchandise exports increased by 9.7% to US$ 2,400.6 Million compared to the corresponding period of 2021.

Major product sectors except Tea, Rubber-based products and Spices & Concentrates; Apparel & Textiles, Coconut based products, Electronics & Electronic Components, Food & Beverages, Seafood and Ornamental fish, recorded increased exports.

Apparel & Textile exports increased by 16.3% to US$ 2,400.6 Mn during the period of January to May 2022 compared to the same period of 2021.

Except Gloves, Mitts & Mittens of Textile (-2.61%) and Made-up Clothing Accessories (-9.99%), Yarn (-32.7%) and Made-up Textile Articles (-3.04%), exports of other sub categories of Apparel & Textiles sector increased.

Strong Export Growth recorded for top 5 export markets in the month of May 2022 and the period of January to May 2022.

During the month of May 2022, exports to United States, Sri Lanka's single largest export destination, increased by 25.02% to US$ 266.42 Mn compared to the month of May 2021. The better performance led by increase in exports of Apparel & Textile (40.83%) and Coconut based products (29.69%).

The single largest export destination of United States of America recorded US$ 1,364.08 Mn worth of exports in the period of January to May 2022 – a significant year on year increase of 20.32 % in comparison to US$ 1,133.71 Mn recorded in 2021.

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Source: lankaweb.com– Jun 27, 2022

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Preferred Cotton Usage at 65%, Textile Exchange Report Finds

Textile Exchange has published the "Material Change Insights Report 2021," showing that 78 percent of returning companies improved their Material Change Index (MCI) score, as participation in the MCI grew 53 percent–to 292 brands and retailers from 191–over the previous year.

In addition, the biodiversity benchmark attracted 157 companies in its first "beta" version. Measuring performance, the index average remained in Level 3 (Maturing), falling only slightly to 68.5 from 69.1, despite the arrival of 24 new companies. The range of scores spanned from 28.4 to 87.2 out of a possible 100 points.

"The last few years have taught us that right at the core of everything we do lies the need for humanity and a just transition that promotes cultural and intergenerational equity as we transition to a decarbonized, regenerative and circular economy," Liesl Truscott, corporate benchmarking director at Textile Exchange, said. "Our hope is that the benchmark can capture the learnings and amplify the opportunities to move faster and at scale toward a better world."

The Corporate Fiber & Materials Benchmark program is considered the largest peer-to-peer comparison initiative in the textile industry, generating the MCI among its benchmarks. It tracks the apparel, footwear and home textile sector's progress toward more sustainable materials sourcing, as well as alignment with global efforts like the Sustainable Development Goals and the transition to a circular economy.

For the first time, the index reached 50 percent preferred materials use in 2021, up from 44 percent the previous year, the report revealed. Preferred cotton now represents 65 percent of overall cotton used by participating brands and recycled polyester jumped to 32 percent of polyester use compared to 21 percent the year before.

Covid-19 impacted participants' sourcing patterns, meaning that overall consumption of materials was only 1.3 percent higher last year despite increased participation, yet preferred materials increased 15 percent.

The report said progress was made in the uptake of recycled inputs, which now represent 29 percent of synthetic fibers and 12 percent of materials overall. This growth in recycled was mainly in plastic packaging waste.

‘While in the short term the substitution of virgin polyester by recycled has merit, the push must continue from plastic packaging waste to textile-to-textile,” Textile Exchange said. “Our data shows that there was only a slight increase in the textile-to-textile share.”

Post-consumer textile waste is now at 1.49 percent of recycled inputs and 0.18 percent of textile use overall, as reported by participating brands.

Greenhouse gas (GHG) emissions fell 5 percent last year, which reflects a saving of 1.9 million tons of CO2 equivalent emissions when compared to a conventional materials portfolio. This decline was influenced by the Covid-19 “low-growth” scenario, as well as from the conversion to preferred materials, particularly recycled polyester.

The MCI now represents more than 5 million hectares of cropland, grazing and forestry under improved practices, such as sustainability programs and certification. This was 1 million more hectares than last year, but still only 17 percent of the total land area from which land-based materials were sourced by Index participants in 2020.

Index results indicated that knowledge of country-of-origin was around 48 percent of materials sourced, with textile raw materials being traced back to 49 companies, dominated by India, China, Turkey, the U.S. and Pakistan.

“As the sourcing of recycled materials increases, origins and circumstances of “waste origins” (secondary inputs) will become more important for integrity and monitoring impact,” the report said.

The transition to a circular system has the potential to unlock “huge economic, social and environmental opportunities for brands willing to innovate and invest in new ways of doing business,” Textile Exchange said.

Textile Exchange spoke to 23 leaders about the future priorities they see for material sourcing and how the industry can prepare.

What they said was all materials will need to deliver sustainability benefits, and with a lot of the tools, resources and innovation needed already available, "it's time to focus on action." Companies will also need to dematerialize and start decoupling value creation from the extraction of resources to create new products. Leaders called for more laws and controls to raise the minimum bar, leveling the playing field for brands and retailers that want to be better.

Sourcing experiences were polarized with half of the companies having experienced significant disruptions and cut back everywhere, while others doubled down on preferred materials or were resilient enough in their supply relationships to navigate the shocks. There was also a radical pivot to digital, from buying and selling platforms to innovation in 3D printing and the use of traceability tech.

"If we are to dramatically reduce the impacts of our textile world–that is, to make a material difference– we'll need to think big and to implement change at scale," Joel Makower, co-founder and chairman of Greenbiz Group, said in the report. "To do that, we need real-world data and insights that show how, and how well, the industry is transitioning to sustainable products and processes, from farm and field to factory and beyond. Textile Exchange is providing that critical evidence-based data that points the way to the changes we all want to see in the world."

Textile Exchange noted that 2021 results marked the end of a three-year cycle, which means the methodology has remained consistent year-on-year, allowing for a clear trend analysis of how companies are doing against the benchmark framework. Over the next 18 months, the framework will be under revision, with the goal of increasing ambition, future-fitting and enhancing the program's value proposition.

"We will also be aligning progress tracking more closely with the Sustainable Development Goals and working to coordinate with other important disclosure programs," Textile Exchange added. "We aim to build a stronger emphasis on tracking progress toward impacts aligned with Textile Exchange's Climate+ strategy, in line with our three core impact levers–materials, innovation and degrowth."

Source: sourcingjournal.com– Jun 27, 2022

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Vietnam's cotton imports decline 23.8% Y-o-Y in May

In May 2022, Vietnam's cotton imports declined by 23.8 per cent Y-o-Y but increased 24.1 per cent M-o-M to 120,400 tons from the previous month. As per a CCF Group report, Vietnam's yarn imports increased 9.1 per cent Y-o-Y during the month and 22.4 per cent M-o-M while exports declined 18.3 per cent Y-o-Y and 6.7 per cent M-o-M, respectively. Vietnam's fabrics imports increased by 5.9 per cent Y-o-Y and 9.9 per cent M-o-M.

Vietnam's textiles and apparel exports surged 23.2 per cent Y-o-Y and 0.6 per cent M-o-M. From April, Vietnam's textile and garment exports declined 3.6 percentage points Y-o-Y while they declined by 2.7 percentage points on a M-o-M basis

The CCF Group report concludes, Vietnam's textile and apparel exports growth remained positive in May. However, Year-on-Year and Month-on-Month declined compared to April. Profits of Vietnamese cotton yarn mills also reduced on account of high cotton prices and burden from weak downstream consumption.

Source: fashionatingworld.com– Jun 27, 2022

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Pakistan: Weekly Cotton Review: Rates fall as bears rule market

Cotton production target in Punjab will not be achieved; however, rains have positive effects on cotton production. Buyers are less interested in Heimtextil. The 17% sales tax on cotton, Banola and Khal has been abolished due to the efforts of Pakistan Cotton Ginners Association.

After the fluctuations in the local cotton market during the last week an extraordinary bearish trend was witnessed. The international cotton markets also saw an extraordinary decline.

The textile mills are hesitant to buy because of decrease in the rate of US dollar, as well as, due to decline in the rate of Future Trading of New York Cotton for the month of December which after decreasing reached at 98 American cents.

Ginners, who had already oversold cotton, started selling cotton out of sheer panic. As a result, the price of cotton fell by about Rs 2,500 per maund and reached at the lowest level of Rs 18,500 to Rs 19,000 per maund. Later, the price continued to decline and the price of cotton fell to a low of Rs. 18,500 per maund. The price of Phutti also come down by Rs1000 to Rs1200 per 40 kg and was in between Rs.8200 to Rs 8600. There is a pressure in the market.

In Sindh province, the price of cotton was in between Rs. 18,500 to Rs 19,000 per maund. The rate of Phutti was in between Rs 8200 to Rs 8600 per 40 kg.

Due to rains in Punjab province, very few cotton factories are functional. However, the price of cotton in Punjab was in between Rs19,000 to Rs 19,500 per maund. The rate of Phutti was in between Rs 7000 to Rs 8200 per 40 kg.

In Balochistan, the price of cotton was Rs. 18,500 to Rs. 19,000 per maund while the rate of Phutti was in between Rs 8400 to Rs 8500 per 40 kg.

The spot rate committee of Karachi Cotton Association has reduced the spot rate by Rs. 17,00 per maund and fixed the spot rate at Rs. 18,800 per maund.

Naseem Usman, Chairman, Karachi Cotton Brokers Forum, said that the business volume has declined due to the continuous decline in demand for textile products due to the recession in the international markets. As a result, the demand for goods of exporters of local textile products has also declined and some importers are not abiding by the agreements reached earlier. Many importers are delaying delivery due to which there is a severe financial crisis in the market.

According to the USDA's weekly export and sales report, 16,200 bales were sold for the year 2021-22 which is 39 percent less as compared from the previous week.

Vietnam topped the list with 6,300 bales. China came in second with 4,500 bales. Mexico came in third with 2,800 bales.

For 2022-23, two lac seventy seven thousand and three hundred bales were sold out of which China bought two lac thirty eight thousand and one hundred bales and Mexico bought thirty two thousand and six hundred bales.

According to reports, buyers are less interested in Heimtextil, a global exhibition of textile products held in Frankfurt, Germany.

Due to the efforts of Pakistan Cotton Ginners Association (PCGA), 17% sales tax on cotton, Banola and Khal was abolished.

Punjab may miss cotton sowing target for the year 2022-23 by around 340,000 acres as the provincial agriculture department is expecting that it will be sown over an area of slightly over 3.6 million acres of land against the target of 4 million acres.

According to the sowing position survey of cotton area 2022-23, the Crop Reporting Survey (CRS) wing of the Punjab Agriculture Department by June 01, 2022, the area brought under cotton sowing was 3.583 million acres against the target of 4 million acres. The department has also estimated that the expected area under cotton sowing will be at 3.645 million acres by June 30, 2022 when the survey will be completed.

The CRS report; however, said that 98.3 per cent of the expected area under sowing of cotton was achieved in the province by June 01, 2022 and break-up of it reveal that 97.7 per cent of the expected area was achieved in North Punjab and 98.3 per cent of the expected area crop sowing this year was achieved in South Punjab.

Director General Agriculture (Extension) Dr Anjum Ali Buttar while talking to Business Recorder on Friday confirmed that cotton sowing in the province would fell short against the target area which might also make difficult to achieve the production target of 6.6 million bales of the white gold crop.

He; however, said that the figures may reach 3.7 million acres by the time final figures would be tabulated as in some areas growers took the advantage of heavy pre-monsoon rains by re-sowing the crop on their land. Last year 2021-22, he said the total area brought under cotton cultivation was 3.161 million acres of land.

While talking about the major reason in not achieving the targeted sowing area despite good price of cotton during the last season, Dr Anjum said severe heat wave and unprecedented water shortage experienced by the country due to climate change at the time of sowing (March onward) were the main reasons behind shortfall in cotton sowing area.

As per the CRS data, Sargodha Division is expected to bring 111,000 acres of land under sowing of cotton, Faisalabad Division 63,000 acres, 3,000 acres in Kasur (Lahore Division), 72,000 acres of land in Sahiwal Division, 1.017 million acres of land in Multan, 727,000 acres of land in DG Khan and 1.653 million acres of land is expected to be brought under the cotton sowing in Bahawalpur Division.

Rapid depreciation in the value of the rupee and growing global demand led to Pakistan’s textile and clothing exports growing 28.26 per cent Y-o-Y to $17.62 billion in the first 11 months of this fiscal year (11MFY22). As per Pakistan Bureau of Statistics (PBS), Pakistan’s textile and clothing exports grew 56.02 per cent Y-o-Y during May this year. RMG exports grew 30.63 per cent in value and 49.70 per cent in quantity during July-May, while knitwear exports increased 36.44 per cent in value but dipped 4.34 per cent in quantity. Value of bedwear exports grew 21.68 per cent. However, its quantity decreased by 15.19 per cent. Pakistan’s towel exports increased 21.66 per cent in value and 7.17 per cent in quantity, whereas exports of cotton cloth rose by 26.81 per cent in value and 7.14 per cent in quantity.

Exports of cotton yarn increased 24.18 per cent, and those of yarn made from material other than cotton increased by 109.68 per cent. Pakistan's made-up article exports excluding towels surged by 15.19 per cent, while exports of tents, canvas, and tarpaulin dipped by 2.16 per cent during the period under review. During the review period, the export of art, silk, and synthetic textiles increased by 29.36 per cent.

Textile machinery imports increased 47.24 per cent Y-o-Y to $722.605 million in July-May. Import of raw cotton increased 25.28 per cent while the import value of synthetic fibres rose 19.29 per cent followed by import of synthetic and artificial silk, whose imports rose by 28.80 per cent during the period. In 11MFY22, imports of used clothing increased by 46.90 per cent compared to the same period last year.

However, Pakistan Hosiery Manufacturers & Exporters Association (PHMA) Central Chairman Shahzad Azam Khan has said the commitment of the Federal Board of Revenue (FBR) to instantly release exporters' tax refund claims seems to be just an eyewash, as inordinate delays in the payment of sales tax refund claims under FASTER system continues.

In a press statement, Shahzad Azam Khan observed that the value-added textile exporters are facing severe liquidity crunch and they need the refunds payment like government required IMF loan.

"It's a question of survival amidst acute liquidity crunch and we need the help of the finance minister. Like government is pursuing the IMF in search of dollars in the same way we also need the government's help to save the industry from bankruptcy by releasing its refunds," he appealed.

He said that the PHMA has been approached by various members informing that they have been facing inconvenience owing to delay in refunds payment despite the fact that their refund payment orders (RPOs) were generated as well as approved during the month of May 2022.

He called for release of sales tax refunds within the specified timeline as per law and rules, as any further delays will cause them financial hardships and liquidity crunch owing to high sales tax rates.

He said that the matter has also been brought to the immediate attention of Federal Minister for Finance & Revenue Miftah Ismail as well as the FBR officials during exporters' recent meetings in Islamabad.

He termed the new system slower, arguing that nothing has changed in the newer system. He said that the PHMA took lead in assisting the FBR to upgrade and streamline the FBR's Sales Tax Returns' Faster System which was launched subsequent to the imposition of Sales Tax on textile industry which was previously regulated under SRO 1125 under "No-Sales Tax, No-Refund" regime.

He said that the core objective of the FBR's Sales Tax Faster system is to expedite refunds payment of export-oriented sectors within 72 hours of submission of relevant claims under the law to avoid any liquidity pressure on the exporters. The system, previously, had many glitches upon its launching which were improved and streamlined in consultation with the PHMA and other stakeholders' associations.

Source: brecorder.com– Jun 27, 2022

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Increase in source tax may lead to huge losses in the industry, warn Bangladesh RMG exporters

Bangladesh apparel industry may face huge losses despite incorporating some initiatives to support businesses if the source tax on export proceeds is doubled as proposed in the fiscal budget for 2022-23, warned RMG exporters in webinar organized by The Business Standard. Exporters argued, a two-fold hike in source tax amidst rising production costs, may add more stress on already ailing businesses. It may compel garment factories to shut down, the exporters added.

The webinar was attended by Mohammad Hatem, Executive President, Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), and Fazlul Hoque, Managing Director, Plummy Fashion. It was moderated by Sharier Khan, Executive Editor. The Business Standard

Hoque said, rising product costs may lead to buyers from America and Europe buying fewer products from Bangladesh exporters. It may also lead to future recession, affecting the exporters' production costs. He urged the government to consider the issues judiciously. Terming the move as a big blow to export trade, Hatem said, the proposal has overshadowed many other good aspects of the budget.

He alleged, Bangladesh taxation system is not conducive to investment and business. That is why exporters are unable to attract foreign investments despite efforts. The two entrepreneurs, however, hailed the continuation of export cash assistance.

They said, although orders for garments products from the main export destinations of the country are declining due to inflation and recession, there is a possibility of orders being diverted from China to Bangladesh in future. Hatem urged the authorities, including the NBR, to be business friendly in capturing these possibilities.

Source: fashionatingworld.com– Jun 27, 2022

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NATIONAL NEWS

India, EU begin first round of FTA negotiations

Both sides have decided that the effort would be to conclude them all simultaneously, preferably by 2023-end

India and the EU kicked off the first round of negotiations on a bilateral free trade agreement (FTA) in New Delhi on Monday, aiming for a speedy conclusion of three separate pacts in the areas of goods, geographical indications (GIs) and investment protection.

"Opening a new chapter in EU-India relations. Today is the first round of negotiations for comprehensive trade and investment agreements between the EU and India," according to a tweet from the International Trade Department of the EU.

While negotiations on goods, investment protection and GIs would be held on different tracks, both sides have decided that the effort would be to conclude them all simultaneously, preferably by 2023-end.

After nine years

Negotiations on the India-EU FTA have re-started nine years after the first attempt to get into an FTA, initiated in 2007 and abandoned in 2013 over a multitude of issues. These included market access in India for automobiles and wines, the EU's insistence on inclusion of non-trade issues such as environment and labour in the agreement and India's demand for more liberal work visa rules.

While India has now agreed to include areas such as labour and sustainable development in the pact, officials say that the country is in a comfortable zone because of efficient domestic laws and high international commitments already undertaken.

"As is the case in all EU trade agreements, the future arrangement with India would also include ambitious and enforceable provisions on trade and sustainable development, helping us to reach our climate goals under the European Green Deal and promote high environmental and labour standards in the EU and India," the EU said in a statement earlier this month.

The first round of FTA negotiations will be held between June 27 and July 1.

India hopeful

India is hopeful of making gains in areas such as textiles, leather, sports goods, and processed food as the proposed FTA could place Indian exporters on par with exporters from competing countries such as Bangladesh and Vietnam that already have preferential access into EU markets.

The EU hopes to get higher market access in products such as automobiles and wines and spirits, where customs duties in India are relatively high.

India-EU trade in goods posted a growth of 43.5 per cent to reach a high of $116.36 billion in 2021-22 . India's exports to the EU increased 57 per cent in 2021-22 to $65 billion, according to government figures.

Source: thehindubusinessline.com– Jun 27, 2022

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India-UK to start fifth round of FTA negotiations in July

India and UK concluded the fourth round of Free Trade Agreement (FTA) negotiations closing 11 out of the 26 chapters, a commerce ministry official said on Monday, adding that both the countries will begin the fifth round next month.

The trade negotiations with the UK assume special significance for the domestic textile sectors as duty-free textile exports would bring the Indian textile industry at par with major textile exporters such as Bangladesh and Vietnam.

Government officials said that the India and UK FTA trade negotiations that began in January this year will for the first time cover issues ranging from gender, labour and environment and not tariffs on merchandise goods.

“For this round of negotiations, detailed draft treaty text was advanced across the majority of chapters. Technical experts from both sides came together for discussions in 71 separate sessions covering 20 policy areas," the joint statement released by the British High Commission stated.

The commission added that the negotiation officials undertook these technical talks in a hybrid fashion – with some of the teams meeting in London and most officials joining virtually. The agreement is estimated to double India-UK bilateral trade to about $100 billion by 2030. Besides, the pact aims to cover 65% of goods and up to 40% of services, with the coverage in goods expected to go up to 90% in the full agreement.

Mint had reported that India and the UK had covered significant ground in the last two rounds with the UK agreeing to eliminate duty on rice and textile goods, while India is likely to allow the duty-free entry of British apples, and UK-manufactured medical devices, and machinery. India had a $3.3 billion trade surplus with the UK in 2020-21. The UK is India’s seventh-largest export market, accounting for 2.8% of its total exports, as of June 2021.

Source: livemint.com– Jun 27, 2022

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GST Council meeting to begin on Tuesday

The GST Council is scheduled to meet over two successive days starting Tuesday for the first time after the introduction of the new indirect tax regime. It will also be the first meeting in the current calendar year.

It has detailed agenda which mainly involves exemptions on goods and services, some rate rejig, bringing online gaming casinos and horse racing under one rate (28 per cent), strengthening compliance, improved norms for scrutiny, relief to small businesses wanting to sell through e-commerce operators, e-way bill for gold beside others. However, the issue of compensation to States and Union Territories (with legislature) beyond June 30 is expected to be vehemently debated

Just two days before the meeting, the Finance Ministry notified the extension of levying compensation cess under the GST regime till 2026. However, this does not mean States will continue to get a compensation till that period. Money collected through cess between July 1, 2022 and March 31, 2026 will be used to repay principal interest and pay interest for borrowing ₹2.69 lakh crore, that is taken to compensate for revenue shortfall in FY2020-21 and FY 2021-22.

Recommendations

As per Section 18 of the Constitution (101st) Act, 2016, Parliament “shall, by law, on the recommendation of the GST Council, provide compensation to States for loss of revenue arising on account of implementation of the Goods and Services Tax for five years from the date of its implementation.” During the transition period, States’ revenue is protected at 14 per cent per annum over the base year revenue of 2015-16. That period is coming to end on June 30

Bi-monthly GST compensation to States for 2017-18 and 2018-19 was released on time out of the compensation fund. States’ protected revenue has been growing at 14 per cent CAGR, but the cess collection did not rise in the same proportion. Covid-19 further increased the gap between the protected and the actual revenue receipt, including a reduction in cess collection. Now, States are seeking an extension of compensation for at least three more years beyond the June 30 deadline. This issue had surfaced at the Lucknow meeting of the GST Council last year, too, but no consensus was arrived at. Subsequently, during the pre-budget meeting and also at the last Council meeting in December, States had raised the demand again.

There could be three options, extending the compensation to States/UTs after lowering the rate of protected revenue, provide compensation to few of the States which have been affected severely due to Covid or reject the demand totally. Now, the Council will take a final call.

GoM reports

The Council is scheduled to consider reports by four Group of Ministers (GoMs). One is on online gaming, casinos and horse racing, second one is on on high-risk tax payers, third one is on e-way bill for gold and fourth one (only interim) on rate rationalisation. Among the four, eyes will be on first GoM which has recommended 28 per cent GST for online gaming, casinos and horse racing.

It also recommended uniform valuation norms. GoM on high-risk tax payers suggested various measures such as making biometric authentication mandatory for the registration of high-risk applicants under GST, using Artificial Intelligence. These measures would aim at identifying risky behaviour by new registrants or applicants, and sharing the information with the back office of the field officer to enable physical verification of such applications. It also recommended AI-based interdiction to generate reports that would enable officers to make post-registration verification and take other necessary actions for high-risk taxpayers.

With inflation at high along with revenue consideration, not much action is expected on rate restructuring. In fact, GoM on rate rationalisation is yet to finalise its report but has readied an interim report which has suggested doing away with exemptions.

On the table

- Rejig of tax rate, clarification for 14 goods including cut and polished diamond, tetra packs, EV, etc.
- No change in GST rate, classification for 113 goods including dairy products such as ghee, butter, flavoured milk, tobacco products, Carbonated Beverages of Fruit Drink or Carbonated Beverages with Fruit Juice, khadi products, etc

- Circular for clarification about 18 per cent GST on ice cream parlour
- Lowering of GST on ropeway ticket to 5 per cent
- Margin scheme for tour operators
- GoM report on online gaming, casinos and horse racing
- Interim GoM report on exemption
- GoM report on e way bill for gold etc
- Relaxation for small businesses from registration for selling goods through e commerce
- Discussion on Compensation to States beyond June 30, 2022

Source: thehindubusinessline.com– Jun 28, 2022

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Trustworthiness, decisive leadership has led to India's growth: Piyush Goyal

India's economy has grown due to its trustworthiness, decisive leadership and democratic structure favouring transparency at all levels, Union Commerce, Industry and Textile Minister Piyush Goyal has said.

The country, which is now a $3 trillion economy, has announced a stable policy framework and respected every investment made across sectors, Goyal said during an exclusive interaction meeting with members of CII in association with the Department for Promotion of Industry and Internal Trade (DPIIT), Government of India and Invest India organised here on Saturday evening.

Members from the textile, light engineering and ICT sectors participated in the meeting.

Stating that DPIIT reforms are empowering Indian industries to bring about global growth, Goyal said the importance of launching the ONDC network (Open Network for Digital Commerce) has the potential to break barriers by enabling and empowering customers to engage with sellers of their choice seamlessly.

Goyal said current e-commerce platforms were restrictive and favour products of the platform developers' choice but through ONDC, MSMEs and startups can harness opportunities provided by digital advancement in connecting with their costumers, an official release said here on Sunday.

Suggestions on importance of diversification and expansion to advanced economies like Japan for textiles was a welcome step and the ministry will support this endeavour, the Union minister said.

He assured to resolve representations on integrating multiple accreditations necessitated for the pump industry within a few days and assured that all the suggestions provided by the sectoral representatives will be duly considered and wherever possible will be resolved in a month's time.

Kamal Bali, Deputy Chairman, CII Southern Region and Managing Director, Volvo Group (India) Pvt Ltd and CII Tamil Nadu leadership Shankar Vanavarayar and CII Coimbatore leadership, Prashanth and

Arjun Prakash highlighted some special needs for industrial development such as, design capacity augmentation, creating high-value added jobs, high-value products and enriching innovation capacity for capturing global markets, the release said.

Rajendra Ratnoo, Joint Secretary, DPIIT, Ministry of Commerce, and V K Singh, Special Secretary, Ministry of Textiles, spoke on the various reforms launched by their respective ministries for the benefit of industry.

Source: economictimes.com– Jun 26, 2022

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Five Years of GST: Sectoral impact

GST has had a positive impact on the manufacturing sector by removing the cascading effect of taxes. Further, with the embargo on input tax credit being removed, there has been a reduction in manufacturing costs, says Achal Chawla, tax partner, EY India. Post-GST, contribution of the sector to the GDP has, however, been constant from 15%-17%. The Aatmanirbhar Bharat programme and the PLI schemes are going to be pivotal in the post-pandemic era, when companies will reconfigure their sourcing, manufacturing, and distribution patterns.

Particulars	Comparable scenarios' (amount in ₹) Scenario I	Scenario II	Scenario III
Selling price*	10,000	7,500	5,000
Construction cost**	2,800	2,800	2,800
GST on sale of units			
- up to March 31, 2019 @ 12% (a)	1,200	900	600
- post March 31, 2019 @ 5% (b)	500	375	250
GST on construction cost (c)***	420	420	420
Net GST cost in hands of home buyer			
- up to March 31, 2019 (a)	1,200	900	600
- post March 31, 2019 (b+c)	920	795	670

*Selling price/construction cost mentioned are per sq. ft. and exclusive of taxes; ** assuming all units in the project are sold prior to receipt of completion certificate; *** considering developer would pass on the burden of GST on construction cost by way of increase in selling price

Real estate: GST rates since FY20 is 5%/1% sans ITC. This added to the cost of developers, as ITC gets passed on to the homebuyers. An option to choose between GST rates with ITC and without ITC in the hands of developers is worth considering, says Sagar Shah, tax partner at EY India.

He adds developers should have option to consider land value at actuals or adopt deemed valuation. Actual land valuation could have a positive impact and may reduce the GST burden on buyers. "It's high time that the real estate sector is fully brought under GST and stamp duty is also subsumed under GST law at the earliest," he says.

Source: financialexpress.com– Jun 28, 2022

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Procedural issues continue to hinder commercialisation of GM crops in India

Last month, after a considerable gap, the Haryana government gave Mahyco a no-objection certificate (NOC) to seed major field trials of a herbicide-tolerant (HT) and insect-resistant BT cotton variety, called BG-3 RRF.

In a normal world, field trials of a new variant would have been a routine exercise that seed companies need to conduct to test a variant before its commercial release or further evaluation.

But given the complexities, delays and political controversy that have marked the commercialisation of genetically modified (GM) crops in India, this relatively small move is being seen as a significant step forward in some quarters.

Seed industry players said the latest application for BG-3 RRF field trials was first submitted in 2016 to the Genetic Engineering Appraisal Committee (GEAC), but was subsequently withdrawn because things weren't moving forward.

Mahyco re-submitted its application in December 2021, after which the company, according to current procedures, had to get an NOC from each state where it wanted to conduct field trials.

The company approached Haryana for trials to be conducted in Kharif 2022. Field trial data for Punjab was already available with the authorities (having been conducted before 2016).

"But, it seems, this year too will be wasted because cotton sowing has already started in several places in north India and after this trial, the data will have to be submitted to GEAC, which will take its own time since the Committee, according to our information, hasn't met for a long time. This means practically another year lost," Ram Kaundinya, director general of Federation of Seed Industry of India (FSII), told Business Standard.

The seed association and some experts said the approval process has been made this complicated so as to deter companies from developing GM variants, putting the whole science into turmoil. The irony of this, however, is that illegal sales of HTbt cotton have grown.

STRONG FIBRE

India cotton yield since 2002

Years	Area under cotton* (in million hectares)	Area under Bt cotton** (in million hectares)	Production (in million bales)	Yield (kg per hectare)
2002-03	8.62	0.029	8.62	191
2010-11	11.12	9.63	33	499
2015-16	12.29	10.68	30	415
2019-20	12.58	11.74	32.26	436

Note: All years have not been included; table indicates only major periods in the journey of Bt cotton; cotton marketing year runs from October to September
*Source: Directorate of Economics and Statistics, a bale is equal to 170 kg
**Source: DAC&FW, state governments and Directorate of Cotton Development, Nagpur

"Farmers won't wait for the official release of new Bt cotton variants, which is why around 20 per cent of the total cotton acreage in the country is under illegally grown HTbt cotton," Kaundinya said.

For seed companies, the trouble started back in 2010, when the then government, while putting a moratorium on further trials of Bt brinjal, had issued two other notifications.

One was to change the nomenclature of GEAC from Genetic Engineering Approval Committee to Genetic Engineering Appraisal Committee. The second was to make it mandatory for all applicants to get NOCs from each state in which they want to conduct field trials of GM crop variants cleared by GEAC.

The first change, pro-GM scientists said, made political interference in the final approval of GM crops more pronounced. The second pushed the entire burden of GM approvals to the states, which do not have the expertise to handle such complicated and technical issues as GM technology.

As a result, the entire structure of GM approvals and trials was stalled. Though some progressive states did approve field trials, those were few and far between. Subsequently, with little forward movement, several companies withdrew their applications for field trials. Thereafter, in 2017, the entire clearance process underwent another change.

Pro-GM groups said that the government, through an informal directive, said that unlike the earlier system of GEAC clearance being subject to NOCs from state governments, the new system required companies and institutes to first get an NOC for field trials from states <before> seeking GEAC approval.

“This overturned the entire process and states, being ill-equipped to handle issues related to field trials of GM crops in the first place, particularly when the GEAC had not cleared them, stopped giving NOCs altogether.

As a result, for the past five or six years, no field trial of any GM crop has taken place in the country,” said Bhagirath Choudhary, founder director of the South Asia Biotechnology Centre (SABC).

He said the entire process has been made so complicated and slow that companies fear venturing into this. “That is why in the last 33 years, just one crop (cotton) has been approved for commercial usage,” Choudhury said.

Meanwhile, demand from farmers is growing as attacks of pink bollworm, one of the biggest pest infestations facing cotton farmers in India, are rising by the day.

The result, Choudhury pointed out, is that cheap fakes of BG-3 are proliferating the market, causing losses to all.

He said a strong regulatory mechanism proposed under the draft Biotechnology Regulatory Authority of India Bill should be again considered to ensure that science does not suffer. But the Bill has been in cold storage since 2008.

On the other hand, G V Ramanjaneyulu, executive director, Centre for Sustainable Agriculture (CSA), feels that unless there is a regulatory system that caters to the requirements of 21st-century India, curtailing field trials is the only way to ensure that biosafety protocols and norms as far as GM crops are concerned are not violated with impunity by seed companies.

“Also, one must remember that the Supreme Court-appointed high-powered committee on GM crops and subsequent parliamentary panels had found that there is no need for HT crops in the country. So, unless there is an intention to bypass the panel’s recommendations, states should not allow field trials of GM crops,” Ramanjaneyulu said.

The SC panel had said that over time, HT crops would most likely exert a highly adverse impact on sustainable agriculture, rural livelihoods, and environment, and that the panel found them completely unsuitable in the Indian context.

Kaundinya of FSII said that as a middle path, the Centre could explore the possibility of notifying some sites within ICAR-Centres or agriculture universities where field trials of GM crops can be conducted.

“We at FSII have asked for NFTS—notified field testing sites – for the last two years to at least move things forward; otherwise, there is no end to the stalemate,” he said.

Source: business-standard.com– Jun 27, 2022

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Shri Narayan Rane says Government is committed to achieve the goals of holistic development and self-reliance of MSMEs

Union Minister for MSME Shri Narayan Rane has said under the able leadership of Prime Minister Shri Narendra Modi MSME Ministry is committed to achieve the goals of holistic development and self-reliance of MSMEs.

In his message on the occasion of International MSME Day he said while recovering from the adverse conditions arising out of the Covid-19 pandemic and the subsequent Ukraine war, the MSME sector not only digitized its business operations but also cut downed their input cost and started a new tradition by domestically producing essential products curtailing import and also started export of those products with the support of various schemes of the Government. He said during this time, MSMEs focused their online services to reach the wider market, consequently they have been able to overcome the adversity.

Shri Rane said MSMEs are the backbone of the Indian economy and global sustainable developments. MSMEs are contributing in providing livelihood opportunities to local communities. To achieve these goals and encourage innovation, “International MSME Day” is celebrated every year on 27 June under the auspices of the United Nations.

The Minister said this year MSME Day is being celebrated under the theme “Resilience and Rebuilding: MSMEs for Sustainable Development”. World MSME Day serves to remind the Governments to maintain a business environment in which small rural, cottage and traditional industries also get the opportunity to flourish, he added.

Shri Rane conveyed Hearty Congratulations and Best Wishes to all the MSMEs who have become an integral part of every citizen's life.

Source: pib.gov.in– Jun 27, 2022

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Yarn prices continue to slip in north India as cotton declines

The downward trend in cotton yarn prices continued in north Indian markets today as the price of natural fibre dropped. Yarn prices decreased by ₹5-15 per kg in Delhi and Ludhiana markets. While better demand was noted in Delhi as weaving industry was keen for buying, Ludhiana continued to see weak demand. Panipat noted steady trend in recycled yarn prices.

In Ludhiana, cotton yarn prices slipped by ₹10-15 per kg as millers and stockists came into pressure after fall in cotton prices. However, traders said that demand is yet to improve. A Ludhiana based trader told Fibre2Fashion, "Cotton yarn demand was still weak as buyers were waiting for bottom line in the prices. If the demand improved from downstream industry, buyers would have to come ahead in the market. They do not want to take risk at this point of time."

Traders said that cotton yarn demand may improve in next month, but some people are still sceptical. In Ludhiana, 30 count cotton combed yarn was sold at ₹400-405 per kg (GST inclusive), according to Fibre2Fashion's market insight tool TexPro. 20 and 25 count combed yarn were traded at ₹390-395 per kg and ₹395-400 per kg respectively. Carded yarn of 30 count was quoted at ₹340-345 per kg.

Delhi market also saw fall in prices as mills and stockists were offering lower prices because cotton prices are feeling pressure globally. Cotton yarn prices fell by ₹5-15 per kg prompting buyers to have new deals. According to trade sources, weaving industry and downstream manufacturers were encouraged for fresh buying after easing in prices. Garment manufacturers have to begin production after securing orders from big brands for next summer season.

Cotton yarn demand is improving continuously. In Delhi, 30 count combed yarn was traded at ₹385-395 per kg (GST extra), 40 count combed at ₹425-435 per kg, 30 count carded at ₹350-360 per kg and 40 count carded at ₹390-400 per kg.

The price of recycled yarn in Panipat market noted steady trend amid poor demand from weaving industry. According to a trader, mills and traders were trying to hold recycled yarn prices at higher level as they wanted to ensure their margins. Recycle fibred and yarn prices are likely to fall in line with fresh cotton and cotton yarn. In Panipat market, 10s recycled yarn (white) was traded at ₹95-100 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 ₹160-170 per kg. 10s optical yarn was traded at ₹125-130 per kg in the market. Comber was sold at ₹125 per kg. Recycled polyester fibre (PET bottle fibre) was noted at ₹98 per kg.

Meanwhile, cotton prices dropped by ₹800-1,000 per maund of 37.2 kg compared to last week in north India. According to traders, cotton was sold at ₹8,300-8,700 in Bathinda, ₹8,000-8,300 in Hissar and ₹8,600-8,800 per maund in Sriganganagar market. The consecutive decline in domestic and global cotton futures led to losses in spot prices in north India.

Source: fibre2fashion.com– Jun 27, 2022

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A case for extending GST compensation period

A major concern before the States was revenue foregone from loss of fiscal autonomy, as they decided to subsume their taxing powers under GST. The States came on board as revenue compensation was guaranteed in full for five years. As the compensation period is about to end this month, States, especially non-BJP ruled ones, have demanded its extension. The issue is likely to figure at the forthcoming 45th GST Council meeting.

A major argument against extension of compensation is that it would induce a moral hazard problem. Some say there is no sanctity with respect to the 14 per cent protected revenue when subsumed taxes between 2013-14 and 2016-17 grew at 8.1 per cent per annum. Others argue that the guaranteed income provide no incentive for States to explore ways to tap potential GST revenue.

However, there are many reasons why the compensation must continue for some more years. First, many States' revenue receipts have dried up, expenditure has shot up, and debt has ballooned owing to Covid-19. Since the previous two years were Covid affected, when States had limited space for increasing revenues, extending compensation for two-three years would help stabilise the economy.

A study by Kavita Rao, a professor at NIPFP, shows that 14 States are likely to face a revenue shortfall in 2022-23 if 14 per cent growth is applied. Another study by Renjith PS of Gulati Institute of Finance and Taxation shows that the debt position in most States would be unsustainable in the absence of GST compensation. Thus, failure to extend compensation may worsen the States' fiscal capacity, which is already in bad shape as a recent RBI Bulletin paper shows.

Second, the technology platform was not ready in the initial years. This resulted in the misuse of input tax credit using fake invoices, which affected revenue collections and tax compliance/buoyancy of States. On the other hand, the complex return filing process through GSTN has also been a significant challenge for small businesses. As the system is still stabilising, an extension of compensation could cushion State finances during the transitory phase.

Third, even if the compensation is extended, it does not imply that all States will require it. Only States falling short of the assured revenue are entitled to it. Given that the recent GST collection figures show promising growth, not many States are going to ask for it. But the very presence of guaranteed compensation gives the States a sense of comfort.

Fourth, some commentators have pointed out that the GST revenue growth has picked up and shown resilience. There are two holes in this argument. First, the growth in 2021-22 came over a low base of 2020-21. Second, the high GST figures are inflated by rising inflation.

Fifth, we still don't know how the rate restructuring will affect States' revenue. Going by media reports, it's likely to happen in the next couple of years. It would be better if this could be finished before three years so that the States, in case they lose revenue, are protected by the compensation guarantee.

Sixth, it is useful to ask who pays the compensation amount. The Centre does not pay from the Union Budget but from a compensation fund paid by taxpayers when purchasing sin and super-luxury goods. Since GST cess has already been extended to 2026 for repaying the borrowings, extension of compensation by proposing a new win-win formula will maintain the spirit of cooperative federalism. Thus, the Center does not lose a penny by extending the compensation period.

Finally, an extended compensation window can be used for a reform agenda such as rate restructuring, pruning exemption, widening the tax base, bringing electricity duty, motor vehicle taxes, fuel items, and the entire real estate supply chain under GST, and streamlining the ITC in the entire supply chain, and so on.

Rework compensation formula

If the demand for extending compensation is reached, both the States and the Center must renegotiate the terms of the new compensation formula. Four issues come before the GST Council. First, by how many years should it be extended? Three years is a reasonable demand by States.

Second, what should be the assured revenue growth? When 14 per cent growth in States' revenue was guaranteed, the Indian economy was clocking a growth rate of 6.5 per cent per annum. Considering the ongoing inflationary pressures, the protected revenue could equate with the rate of inflation. Third, a new compensation formula could be arrived at by using 2018-19, a normal year, as the new base year.

The new compensation formula must take into account the possibility of moral hazard, on the one hand, and reduce the dependency on compensation, on the other.

Considering the Indianised GST paradigm has been designed to foster cooperative federalism, extending compensation beyond June would be a win-win for the States, the Center and, above all, fiscal federalism. Canada took more than a decade to stabilise its GST system. Failure on the part of the Centre to realise this would lead to non-cooperation by States in the GST Council — more so after the recent Supreme Court ruling that says GST Council only has a recommendatory value.

Source: thehindubusinessline.com – Jun 27, 2022

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Don't put off rationalisation of GST rates

The nation is on the cusp of celebrating the 5th anniversary of the Goods and Services Tax (GST) regime. The proposal to overhaul the regime to simplify its complex rate structure has been making headlines lately.

The GST Council has constituted a Group of Ministers (GoM) to consider matters related to rate rationalisation and provide a report on the way forward. The mandate vested with the GoM is useful in understanding the intention of the lawmakers. It is expected to follow a four-fold approach.

The GoM is expected to review the list of goods and services exempt from GST with the objective of expanding the tax base; review the instances of inverted duty structure and recommend suitable rates to minimise the issue; review the current rate slabs and recommend changes to garner the required resources; and review the current rate structure and recommend rationalisation measures.

It is evident from this directive that the government feels a need to revisit the current rate structure and implement a more efficient model that not only ensures higher revenue collections but also benefits industry/trade through free flow of input tax credit and reduced scenarios of inverted duty structure.

According to a World Bank study, India is only one of the five countries to adopt a four-tier rate structure.

While there is no doubt that the government would be undertaking a massive number crunching exercise to determine the most appropriate way forward, a few suggestions would be in order.

The classification issue

An issue that has plagued industry since the inception of GST pertains to classification of various goods and services. Due to the existence of differential rates, the taxman and taxpayers have been at loggerheads on the appropriateness of classifications adopted.

For instance, parts of motor vehicles attracted a common duty of 12.5 per cent under the erstwhile excise regime irrespective of whether the supplier classified the goods under Chapter 84/85 or 87. However, after transitioning into GST, if the parts are classified under Chapter 84/85, they generally attract a GST rate of 18 per cent and if they are classified under Chapter 87, they attract 28 per cent. With many assessees opting to continue with their extant classifications and with the new problem of a tax arbitrage, disputes are now aplenty.

If the intention of the government is to levy a premium rate on goods such as motor vehicle parts, rather than prescribing rates of 18 per cent and 28 per cent for different products, a single slab rate can be accorded for all such goods.

Such an exercise is required to be carried out immediately for scenarios where the final products (like automobiles) attract a higher rate of tax compared to the inputs used in their manufacture.

Such a reform would assist in not only mitigating unwarranted litigation, it may also help in securing higher revenues for the government. A similar exercise is warranted for various other goods and services as well. Further, essential goods such as ‘electricity’ is currently exempt from GST — that is, it falls under the 0 per cent tax slab. As a result, when electricity is supplied to industrial consumers, the credit chain is disrupted. All taxes suffered on procurements made in the course of generation of electricity become part of the cost of the final product.

While the present treatment of exempting electricity can continue for supplies made to non-industrial consumers, the government can tax electricity at an appropriate rate for supplies made to industrial consumers as that would ensure a free flow of credit and thereby, reduce the price of electricity and the ultimate products manufactured using electricity.

Credit flow

Such an exercise is necessary for various other essential products as well which are currently under the exempt category. This would not only expand the tax base, but also achieve the objective of ‘seamless flow of credit’.

Furthermore, several goods such as railways’ parts attract a lower rate of 5 per cent/12 per cent on their output, while their inputs attract much higher rates. This results in accumulation of input tax credit because of inverted duty structure.

Further, recourse to refund of such accumulated credit has been specifically barred in some of these cases. In such scenarios, either a higher rate of tax may be prescribed on the output supplies or the rates applicable on the input end can be lowered.

There is no doubt that the government has a herculean task of revamping the current tax slabs and determine the best approach forward while balancing between revenue collections, a seamless credit chain and specific industry issues.

As each industry is best placed to address its concerns, it is incumbent to make appropriate representations to the GST Council/Fitment Committee airing the same and suggest approaches to assist in informed decision-making.

Source: thehindubusinessline.com– Jun 27, 2022

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GHCL inaugurates new spinning unit in Madhurai

India's leading Chemical & Textile Company, GHCL has inaugurated its new spinning unit at Manaparai in Madurai district of Tamil Nadu.

Equipped with 39,600 ring spindles, the unit produces23 tons per day of synthetic and synthetic blend compact yarn. It is equipped with state-of-the-art textile machinery and the latest online quality control equipment combined with computerized information systems to enhance productivity and product quality.

The unit will produce Cotton/Polyester blend yarn; Cotton/Modal and Cotton/Excel blend yarn; Supima/Modal and Supima/Tencel yarn; 100 per cent VSF, Micro Modal and Tencel yarn; 100 per cent bamboo and its blend yarn; Tri-blend yarns (Cotton/Polyester/Cellulosic).

RS Jalan, Managing Director, GHCL says, with its state-of-art machinery, this facility will produce the best quality and the perfect blend of yarn. The commencement of operations at the unit will help us create more value for our customers, add value to our product basket and generate more employment opportunities in the region.

Source: fashionatingworld.com– Jun 27, 2022

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