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INTERNATIONAL NEWS

USA: Economists Sound Off on Recession Risks

The recent surge in inflation raises concerns over whether it could climb even higher, or if a recession is on the way.

Economists at Moody's Analytics believe that the odds of a recession after accounting for factors such as consumption and supply and demand rises to 50 percent. And recession risks currently appear more noticeable than the risk of runaway inflation, they said.

According to Ryan Sweet, senior director at Moody's Analytics, the U.S. labor market remains strong even as job growth is moderating. He expects that job growth, currently in the 400,000 to 450,000 range, needs to fall to 150,000 per month in order for the Federal Reserve to have a shot at engineering a soft landing. He doesn't expect that kind of decline until 2023. And first-quarter inventories rose $188.5 billion, more than the $149.6 billion estimated.

"This bodes ill for second-quarter GDP," Sweet said.

At a Retail Marketing Society webinar on Tuesday, Jason Trennert, chairman and CEO at institutional research and brokerage firm Strategas, said he doesn't expect a recession in the next six to 12 months, mostly because the Fed didn't start tinkering with rates until this past March and monetary policy operates on a lag between one event and the next. The currently high inflation rates make it even more difficult to avoid a recession.

"We think the recession odds are about 50 percent," he said.

Trennert predicts a recession is likeliest in the first half of next year if it occurs at all. He's worried about corporate profits through the end of the year, as well as companies shedding headcount to protect their margins.

Retailers begin reporting their second quarter results next month. Big-name companies like Walmart and Target earlier this year said they'd have to mark down their piled-up stock that accumulated as a result of changing consumer preferences and supply chain disruption. Some analysts speculate that second-quarter margins could get hammered, even as consumers with money to spend might score discounts on the items they were going to buy anyway.

“There is a fair amount of accumulated savings [on] corporate and consumer balance sheets, but the savings rate has declined,” Trennert said. “There is already some evidence that that people are dipping into their savings to make to make ends meet.”

Jonathan Pingle, UBS’ chief U.S. economist, said on a webinar Wednesday that he expects that the U.S. economy could avoid recession through the end of 2023, though he says the probability has spiked to 40 percent.

If consumers continue to reduce spending, “we assume that job loss follows the declines in consumer spending as businesses pull back” when demand falls, Pingle said.

Many expect the Fed will announce an interest rate hike on Wednesday of at least 75 basis points, although some see 100 points as possible.

The Fed isn’t the only central bank eyeing rate hikes. On Thursday, the European Central Bank (ECB) announced a 50 basis point rate increase, bringing its negative interest rate to 0.00 percent. The ECB said further action would be forthcoming at upcoming meetings. And Wells Fargo economist Brendan McKenna on Wednesday said that emerging Asian central banks are shifting their positioning, with the Bank of Indonesia and Bank of Thailand expected to adjust rates to curb inflation.

“We’re in the midst of a historically fast slowdown,” Arend Kapteyn, UBS’ global chief economist, said at the same company webinar.

Whether the slowdown turns into a recession is still up for debate. UBS expects 3 percent global growth.

He believes inflationary pressures, which will continue for the next several months, should ease a bit to the point of disinflation in 2023—likely in the second half—as the inflation rates start to decline to the Central Bank targets. But Kapteyn noted that if inflation fails to come down, there are two risks that could lead to a recession.

The first is the chance of a global consumer-led recession, and the second is the creation of a recession when Central Banks keep raising rates that eventually create a financial shock by exacerbating the deceleration that's already underway.

For Kapteyn, the one uncertainty in Europe is the state of gas supply. A preemptive rationing in Europe would be disruptive, giving rise to "a couple of negative quarters," while a gas shut-off would result in a "much more severe recession." Except for the immediate gas shut-off, all other scenarios historically would result in a mild recession, Kapteyn said.

Source: sourcingjournal.com– Jul 25, 2022

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USA: Crop Progress: Looking Pretty Good in Many Areas

Recent Crop Progress reports have highlighted the overall deterioration of the U.S. cotton crop. To a certain extent, the USDA report for the week ending July 24 shows the same trend, but also encouraging news for certain parts of the Cotton Belt.

Overall, 34% of the crop is rated good/excellent, 36% fair, and 30% poor/very poor. But take a closer look at individual states, and you'll find strong good/excellent ratings at or above 50% in 11 states – Alabama, Arizona, Arkansas, California, Georgia, Louisiana, Mississippi, Missouri, North Carolina, South Carolina, and Virginia. On the flip side, Oklahoma, Tennessee, and Texas continue to show the highest negative ratings.

The recent report also shows that 80% of the U.S. crop is squaring – up 6 percentage points in the past week – and that open bolls can now be found in 48% of the crop – up 17 points in the past week. The squaring total is equal to the 5-year average for this date, while the boll set total is 10 percentage points ahead of the 5-year average.

Source: cottongrower.com– Jul 25, 2022

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Indonesia's textile industry grows by 12.5% in Q1FY'22

Based on data from the Ministry of Industry (Kemenperin), Indonesia's textile industry grew 12.5 per cent in the first quarter of 2022. This achievement is quite significant as in 2020 and 2021, the industry grew 13 per cent and 8 per cent respectively, says Dody Widodo, Secretary General, Ministry of Industry.

The textile industry is still making a big contribution to the Indonesian economy and can even be called the pillar of the Indonesian economy, he adds. The Indonesian textile industry is currently facing many challenges including growing competition from neighboring countries. Moreover, products from abroad have begun to flood the domestic market with lower prices.

Widodo therefore urges education and industry players to develop their facilities to answer these challenges. Elis Masitoh, Director, Textile, Leather and Footwear Industry, Ministry of Industry, adds the industry has boosted the gross domestic product (GDP) of Indonesia to 6.35 per cent. In nominal terms, the export value of the textile industry is equivalent to $13 billion with a total workforce of approximately 3.56 million people in all industries. Hopefully in 2030 the export value can increase to 20 billion US dollars and even $30 billion, says Elis.

In addition, the Ministry of Industry targets that there are 5 to 6 million workers that can be absorbed by the textile industry. However, it requires cooperation from policy makers from the community, educational institutions, to the research and development sector.

Source: fashionatingworld.com– Jul 25, 2022

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Cotton exports from Brazil to reach 1.74 million tons next cycle

In the next cotton cycle, shipments from Brazil are expected to reach 1.74 million tons. From August 2021 to April 2022, the country exported 1.58 million tons of cotton. To increase its cotton production capacity, Brazil has launched Cotton Brazil, an international market development program to promote agricultural sustainability.

The program has striven to develop appropriate agricultural practices through research and innovation over the past two decades and ensuring sustainable cotton cultivation, says Marcelo Duarte, Director - International Relations, The Brazilian Cotton Growers Association (ABRAPA). The Indonesian textile industry, which imports 41 per cent cotton from Brazil, is seen to have positive growth potential. This will be improved in the future by utilizing sustainable raw materials.

Especially for Indonesia, Cotton Brazil plans to launch a Seller Mission in the fourth quarter, which will allow it to forge stronger partnerships with companies across the industry value chain, explains Marcelo.

Source: fashionatingworld.com– Jul 25, 2022

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Germany on cusp of recession as business sentiment drops: ifo

Sentiment in German business has cooled significantly and companies, which assessed their current situation as worse, are expecting business to become much more difficult in the coming months, according to the Leibniz Institute for Economic Research at the University of Munich (ifo), which recently said Germany is on the cusp of a recession.

The ifo business climate index fell to 88.6 points in July, down from 92.2 points (seasonally adjusted) in June to reach its lowest value since June 2020.

Higher energy prices and the threat of a gas shortage are weighing on the economy, ifo said.

The manufacturing index plummeted as well. Pessimism regarding the coming months reached its highest level since April 2020 and encompassed almost all industries. For the first time in two years, new orders fell slightly, ifo said in a press release.

In the service sector, the business climate worsened substantially. The collapse was particularly pronounced in companies' expectations. Service providers assessed their current business as worse.

In trade, the indicator once again took a nosedive. Businesses were less satisfied with their current situation. They are also increasingly concerned about the coming months. At the present time, not a single retail segment is optimistic about the future.

Source: fibre2fashion.com– Jul 26, 2022

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Cotton textile waste successfully diverted to Australian fields

A 12-month trial on a cotton farm just outside the rural town of Goondiwindi Queensland in Australia has shown it's possible to divert large amounts of cotton textile waste at end of life from landfill with no harm done to soil health or cotton yields. Project collaborators are confident that with a solid business plan and more research, returning shredded cotton products to cotton fields could soon offer benefits to soil health, and a scalable solution to the massive global problem of textile waste.

"At the very least the trial showed that no harm was done to soil health, with microbial activity slightly increased and at least 2,070 kg of carbon dioxide equivalents (CO2e) mitigated through the breakdown of these garments in soil rather than landfill. The trial diverted around two tonnes of textile waste from landfill with no negative impact on cotton planting, emergence, growth, or harvest.

Soil carbon levels remained stable, and the soil's bugs responded well to the added cotton material. There also appeared to be no adverse effect from dyes and finishes although more testing is needed on a wider range of chemicals to be absolutely sure of that," cotton industry supported soil scientist Dr Oliver Knox said.

According to farmer Sam Coulton, the cotton fields easily "swallowed up" the shredded cotton material, giving him confidence that this composting method has practical long-term potential. "We spread the cotton textile waste a few months before cotton planting in June 2021 and by January and the middle of the season the cotton waste had all but disappeared, even at the rate of 50 tonnes to the hectare.

I wouldn't expect to see improvements in soil health or yield for at least five years as the benefits need time to accumulate, but I was very encouraged that there was no detrimental impact on our soils. In the past we've spread cotton gin trash on other parts of the farm and have seen dramatic improvements in the moisture holding capacity on these fields so would expect the same using shredded cotton waste," Coulton said.

The project, under the guidance of circular economy specialists Coreo, was a partnership between the Queensland Government, Goondiwindi Cotton, Sheridan, Cotton Australia, Worn Up, and Cotton Research and Development Corporation supported soil scientist Dr Oliver Knox of UNE. Around two tonnes of end-of-life cotton textiles from Sheridan and State Emergency Service coveralls were processed at Worn Up in Sydney, transported to 'Alcheringa' farm, and spread onto a cotton field by local farmer, Sam Coulton.

According to Cotton Australia's Brooke Summers there is keen interest in further collaboration from industry groups, government, farmers, brands, and potential investors. "There's certainly a huge amount of interest in this idea and the trial results and while we don't want to get ahead of ourselves, we are hopeful that over time this will evolve to deliver a scalable solution for cotton textile waste here in Australia.

We're excited to announce the trial will be replicated in the 2022-23 cotton season, with cotton farmer Scott Morgan's Gunnedah property in NSW added as a second site. This will give us further confidence the results we've already seen can be replicated across time and geographies," Brooke said.

The project team will now set its sights on how best to collaborate on the way forward with a number of options already on the table. The Cotton Research and Development Corporation has committed to funding a three-year cotton textile composting research project by the University of Newcastle that will further investigate the effects of dyes and finishes and look at ways to pelletise cotton textiles so it can be spread on fields using existing farm machinery.

The trial at 'Alcheringa' will be repeated; Sam Coulton and his team are keen to develop a business case, purchase a shredder, and potentially provide a model for employment in regional cotton communities. The trial will also move to a second farm in Gunnedah NSW 'Kensal Green', owned by cotton grower Scott Morgan. Sheridan, together with parent company Hanes Australasia, has committed to provide additional end-of-life cotton textiles and offcuts for the trial in 2022-23.

"We're encouraged by the initial findings and results of the project and look forward to expanding the trial over the next 12 months. In this day and age, we should be part of the solution for taking cotton right back through the system. We grow it here and we should be able to bury it here with positive environmental and economic impact on the local community," said local farmer and Goondiwindi Cotton owner, Sam Coulton.

"I think we've proved this is a possible instant solution to a major waste issue. Scaling the concept and optimising the field application will hopefully be something we can undertake in the year ahead," said Dr Oliver Knox, UNE (supported by the Cotton Research and Development Corporation).

"These results show us that it's possible to find a scalable solution to cotton textile waste right here in Australia by returning these products to our farmlands. We know there's more research to be done and there are a lot of challenges still to overcome but the fact that it's possible is what's so exciting," said Brooke Summers, Cotton Australia.

"We're really encouraged by the results of the trial, essentially this has given us a green light to continue exploring circular economy opportunities for end-of-life cotton textiles. This project is such a meaningful demonstration of circular economy collaboration; benefitting rural communities whilst solving global challenges," said Ashleigh Morris, CEO of Coreo.

"We couldn't be more elated about the success of the trial in Goondiwindi. To think that we might have a scalable solution for textile waste on our shores is even more exciting. Hanes looks forward to finding ways to support the next phase of the trials and we hope that this paves the way for more innovative solutions to textile waste in our country," said Tanya Deans, President Hanes Australasia.

Source: fibre2fashion.com– Jul 26, 2022

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Global consumer spending strong in Q2 2022: Report

Despite ongoing supply chain issues and growing inflation, consumer spending in the second quarter (Q2) of 2022 remained strong compared to Q1 2022 as average order value increased by 19 per cent, according to a recent report. As brands are likely responding to increased prices for goods, they are sending 18 per cent fewer discounts than they did in Q1 2022.

The onset of the summer season appears to be a bullish force on consumer spending. Apparel and accessories sector climbed despite rising prices, as the number of orders were up by 13 per cent compared to Q1 2022, as per the Q2 2022 edition of the 'Business Trend Recap' by Klaviyo.

'Back in Stock' alerts are effective – in particular, companies with less than $5 million in revenue that sent 'Back in Stock' emails saw a 9 per cent increase in order value as compared to the last quarter.

American consumers are continuing to spend more than consumers in other countries; average order value in the Americas is up 24 per cent compared to 9 per cent in Europe, the Middle East and Africa (EMEA) quarter over quarter and just 2 per cent in Asia-Pacific (APAC), the report said.

"Despite the economic headwinds, consumer spending in certain categories continues to be consistent, particularly in categories like apparel and accessories as consumers start attending more events and returning to the office," said Andrew Bialecki, CEO and co-founder of Klaviyo. "While consumers might pare back on buying higher priced goods like electronics, or price shop for more 'essential' goods, they're still going to buy from the brands they love."

Klaviyo combined insights from over 300 million global shoppers across more than 80 countries and territories powered by the company's platform during Q2 2022 – between April 1, 2022, and June 30, 2022.

Source: fibre2fashion.com– Jul 25, 2022

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China represents 43% of $2.99-bn foreign investment in Cambodia in H1

In the first half (H1) of this year, Cambodia attracted fixed-asset investment from China worth $1.29 billion, the Council for the Development of Cambodia (CDC) reported recently. As the top foreign investor there, China accounting for 43 per cent of the total foreign investment worth $2.99 billion the country approved during the January-June period.

Other foreign investments during the first half came from Thailand, Samoa, British Virgin Islands, South Korea, Singapore, Cayman Islands, Malaysia, Japan and Australia, the CDC report said.

Investment projects were focused on agriculture and agro-industry sectors, manufacturing, tourism and infrastructure.

Meanwhile, Cambodia's general department of customs and excise registered a 19.7 per cent year-on-year growth in the trade volume with China to $5.98 billion during H1 2022.

Source: fibre2fashion.com– Jul 25, 2022

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Wage hike in South Africa's blanket textile sector from August 1

The COSATU-affiliated Southern African Clothing and Textile Workers' Union (SACTWU) has now settled its 2022 wage negotiations in the blankets textile sector. It was settled after three rounds of negotiations. The new wage increase for SACTWU's blanket textile sector members will come into effect on August 1, 2022, which is the normal implementation date.

The signature processes for the written wage agreement for the new blanket textile sector wage settlement were completed on July 22, 2022, according to a SACTWU press release.

The new agreement for the blanket textile sector is a two-year agreement, effective till July 31, 2024. As per the agreement, for the metro areas, wages will increase by 7 per cent for each of the two years of the agreement, while in the non-metro areas, there will be an increase of 9.05 per cent for the first year and 9.11 per cent for the second year.

The agreement was successfully concluded under the dispute processes and procedures of the National Textile Bargaining Council (NTBC), with employers represented by the South African Blankets Manufacturers' Employers Organisation (SABMEO), the release said.

The parties to the agreement also agreed that a minimum period of three months' work for workers employed on a contract will be implemented, but not linked to short time or retrenchments.

COVID-19 vaccination will remain voluntary in the sector unless the Department of Employment & Labour introduces non-variable legislation (beyond the employers' control) which makes vaccination compulsory.

Source: fibre2fashion.com– Jul 25, 2022

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Sri Lanka asks China for help with trade, investment and tourism

Sri Lanka has asked China to help with trade, investment and tourism to help it grow sustainably, Colombo's envoy to Beijing said on Monday as it negotiates for an emergency $4 billion package to help it emerge from an economic meltdown.

The island nation of 22 million people is suffering its worst economic crisis since independence in 1948 after running out of foreign reserves. Protesters angry about the shortages of fuel, food and medicine toppled the Rajapaksa ruling family.

Ambassador Palitha Kohona's emphasis on China as a key to Sri Lanka's economic recovery reflects Beijing's status as one of Sri Lanka's two largest foreign creditors, along with Japan. China also holds some 10% of Sri Lanka's external debt,

In an interview with Reuters at Sri Lanka's Beijing embassy, Kohona said Colombo wants China to ask its companies to buy more Sri Lankan black tea, sapphire, spices and garments and to make Chinese import rules more transparent and easier to navigate.

He said Beijing could also help by pouring further investment into vast China-backed port projects in Colombo and Hambantota. Major Chinese investment plans had not materialised because of the COVID-19 pandemic, Kohona said.

In addition, Sri Lanka would like to see more Chinese tourists, whose numbers fell from 265,000 in 2018 to almost zero after the 2019 suicide attacks and the pandemic.

Kohona said new Sri Lankan President Ranil Wickremesinghe has plans to visit China to discuss cooperation on matters including trade, investment and tourism.

Wickremesinghe is no stranger to China. A photo of him shaking hands with Chinese President Xi Jinping when he visited Beijing in 2016 as prime minister hangs in the hallway of the embassy where Reuters interviews Kohona.

Kohona said he expects no fundamental change in the new government's policy towards China.

He said he understands China is finding it hard to act quickly to help Sri Lanka now because as a major global creditor it is also financially exposed to many other countries in financial difficulty. "Maybe if it was only Sri Lanka, then the decision-making would've been much easier."

For several months Sri Lanka had been in talks in China for a $4 billion aid package, consisting of a loan of $1 billion to repay a roughly equivalent amount of Chinese debt due this year.

It is also asking for a $1.5 billion credit line to pay for Chinese imports. Kohona said these imports are mainly inputs needed by his country's lucrative garment industry such as buttons and zippers.

Sri Lanka also hopes to persuade China to activate a $1.5 billion bilateral currency swap.

Kohona said discussions on financial aid with China are still underway but no date for the next meeting has been set.

The Chinese foreign ministry said this month that Beijing is willing to work with other countries and international financial institutions to "play a positive role" to help Sri Lanka.

Beyond financial aid, Sri Lanka also hopes China can help it buy fuel, fertilizer and other urgently needed supplies.

China pledged 500 million yuan ($74.09 million) of emergency support for Sri Lanka in April and May. "We need a lot more," Kohona said.

Source: brecorder.com– Jul 25, 2022

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Walmart's Warning Says Retail's Back Is Against the Wall

Walmart slashed its outlook Monday afternoon as Olympia Sports' 35-store shutdown triggers a liquidation and new data suggests a troubling picture for retail debt.

The mega-retailer's move highlights the challenges facing retailers forced to contend with sky-high inflation and consumers cutting back on niceties so they can pay for the bare necessities. Target already rattled the industry and investors alike when it admitted last month it had gotten itself into an inventory pickle forcing the retailer to discount products and cut orders.

Merchants lacking Walmart's and Target's deep pockets might find themselves up a creek without a paddle.

Retail, coupled with the restaurant sector, holds the dubious distinction of having the highest distress ratio—17.7 percent—of sectors tracked by S&P Global Ratings' credit markets research group, which found the overall U.S. corporate rate more than doubled over the past month to 9.2 percent as of July 5.

According to Nicole Serino, S&P's associate director of credit markets research, certain consumer-facing companies "are showing signs of stress." The distress signal is now a level not seen since October 2020, when Zac Posen's parent and True Religion were exiting bankruptcy while JCPenney was still in the throes.

"Roughly, movements in the distress ratio run parallel to movements in the U.S. default rate with several months lead time," S&P said in a report on Monday. "Multiple headwinds including tighter financing, lower growth prospects, and geopolitical tensions intensifying supply chain pressures all weigh on lower-rated U.S. issuers and is expected to push the U.S. default rate to 3 percent by the first quarter of 2023."

Of the 10 distressed-debt companies under retail and restaurants, where the ratio rose from 16 percent in June, Fossil and Michaels are rated stable while QVC, 99 Cents Only, At Home Group, and Rite Aid got a negative rating. The outlook is equally grim for Bed Bath & Beyond, which recently tossed CEO Mark Tritton in an attempt to stop the bleeding.

The sector seems to be facing factors beyond its control.

"What I am seeing is that the cost of higher interest makes banks want to cut back [and] be less willing to work with [certain] borrowers," said Paul H. Aloe, who chairs the litigation and bankruptcy practices at New York City-based law firm Kudman Trachten Aloe Posner LLP.

Rising interest rates could spark new bankruptcy filings, he warned.

"Changes in interest rates and business swings tend to be a major driver of bankruptcies," he said. "I would expect as the Fed tightens interest and slows the economy, there will be more filings." He went on to say that companies whose landlords or banks extended a lifeline during the pandemic might be "unwilling to grant further forbearance," and demand to collect what they're owed.

Ron Johnson's eight-year-old company recently filed for bankruptcy in a sign of the challenges for new retail concepts and the onetime Apple guru's fading Midas touch. Though he created the popular Michael Graves product lines during his stint as Target's merchandising VP, Johnson failed to convert any success he cultivated as the brainchild behind Apple stores during a disastrous two-year tenure as JCPenney CEO that alienated many of the chain's longtime customers. Enjoy Technology filed for Chapter 11 bankruptcy on June 30, less than a year after it went public through a special purpose acquisition company deal in October. With assets of $111.7 million and liabilities of $70 million as of March 31, it now plans to link up with Asurion, a technology repair firm, according to the bankruptcy filing.

Now, Olympia Sports is going out of business after Nike's decision to stop wholesaling to the sporting goods chain only compounded the company's long-standing problems. JackRabbit, the running-focused retailer, closed 76 Olympia stores after purchasing the chain, which once operated 200-plus locations, in 2019. Olympia said Friday it's shuttering its remaining 35 stores. Its website says "everything must go" at liquidation sales underway at all of its locations.

Companies in fashion and retail are about to trot out second-quarter reports, with Steve Madden up Wednesday morning. Wall Street insiders expect many firms will bring overly optimistic profit and earnings outlooks back to reality given what's going on with inflation, consumer spending, supply chain hiccups and fears of a recession.

Though Walmart has considerable financial firepower at its disposal, the fact that it said growth is likely to slow down could chill the broader retail sector and serve as a sign of what's to come.

Walmart sees second-quarter comps outside of fuel coming in at 6 percent, or 1 percent higher that what it announced in May.

But the company said it's now marking down apparel to get customers to buy clothing, largely because they're spending more of their dollars on food, where inflation is up by double digits.

"We're now anticipating more pressure on general merchandise in the back half; however, we're encouraged by the start we're seeing on school supplies in Walmart U.S.," Walmart Inc. president and CEO Doug McMillon said.

For the year, Walmart expects consolidated net sales growth at 4.5 percent, with adjusted earnings per share declining between 11 percent to 13 percent. When it reported first-quarter results, the company raised net sales growth to 4.5 and 5 percent. But even with the lowered guidance to 4.5 percent, that's still above the original guidance of 3 percent in February.

Source: sourcingjournal.com– Jul 25, 2022

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Maersk Invests in India-Bangladesh Logistics

Maersk has successfully completed the first India-Bangladesh cross-border logistics of containerized cargo using the inland waterways of the Indo-Bangladesh Protocol Route for Coca-Cola Bangladesh Beverages.

By transporting 50 Twenty-foot equivalent unit (TEU) containers from Kolkata in India to a river port near Dhaka, Bangladesh, on a barge on the National Waterways on the India side, Maersk established a new opportunity for customers to use the faster, more reliable inland waterways solution that connects the two countries.

"The Indo-Bangladesh Protocol Route has created great trade opportunities for the two countries over the last decades," Vikash Agarwal, managing director, Maersk South Asia, said. "By advancing into containerized transport on this route, we are expanding the opportunities for importers and exporters from the two countries with a faster, more reliable and safer option for their cargo."

Maersk noted that the cargo movement on inland waterways or rivers is much more reliable, especially in monsoons, when the turbulent weather can cause delays while transporting goods over the ocean. With the ocean network running under capacity pressure, the alternative inland waterways route is also quicker and more reliable and has received a warm welcome from shippers. This solution also addresses the bottleneck at the land border between the two countries.

"The maiden barge voyage has been successfully executed, where there has been a significant reduction of transit time," Soumyendu Sen Sarma, director of finance at Coca-Cola Bangladesh Beverages, said. "The delivery schedule of the cargo, which used to be routed through the transhipment hub and then arrive in Chittagong and further to the destination, used to be impacted severely with delays. The speed of delivery with the new solution offered by Maersk over inland waterways is going to be extremely beneficial for us."

The governments of both countries have long encouraged trade on the Indo-Bangladesh Protocol Route and recently strengthened the customs processes further to enhance the ease of doing business, Maersk said.

"Our solution to move cargo across the Indo-Bangladesh border has a saving of over 60 percent in terms of transit time," Angshuman Mustafi, head of Maersk Bangladesh, said. "In addition to the faster mode of transport, we are able to give end-to-end visibility to our customers through daily status reports, which give a comparison between the estimated timelines against actual timelines. The negligible variations in these comparisons prove high reliability and have been thoroughly appreciated by our customers."

The Indo-Bangladesh Protocol Route is not only a benefit for trade between India and Bangladesh but also extends the connection to landlocked Bhutan. With the option of providing an end-to-end integrated logistics solution, Maersk's customers can move their cargo from origin to destination using first-mile and last-mile services, including landside transportation by road or rail, customs clearance, warehousing and distribution, and supply chain management.

Source: sourcingjournal.com– Jul 25, 2022

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MoU to boost Brazil-Bangladesh textile-apparel trade

The two-way Brazil-Bangladesh textile-apparel trade is likely to get a boost after the recent signing of memorandum of understanding (MoU) between Rio de Janeiro Chamber of Commerce and the Federation of Bangladesh Chamber of Commerce and Industry (FBCCI). While Brazil is a major cotton exporter, Bangladesh is the second largest garments exporter.

Bangladesh is an import dependent country, and gets is supply of cotton from several countries, including Brazil, which annually produces 12.7 million bales of 480 pounds each. On the other hand, the South American country imports readymade garments from Bangladesh. With the signing of the MoU, Bangladesh can explore deeper penetration in Brazil for its textile products, while it can increase import of cotton from Brazil.

However, Brazil's import of apparel is showing declining trend since March 2022. The import decreased to $8.15 million in June from $10.379 million of May 2022. The import was $11.806 million in April and $16.534 million in March 2022, as per Fibre2Fashion's market insight tool TexPro.

Annually, Brazilian import of apparel from Bangladesh decreased to $99.700 million in 2021 from 111. 984 million in 2022. The import peaked at $193.407 million in 2018. However, home textiles import of Brazil from Bangladesh was negligible at $1.125 million in 2021.

On the other hand, Brazil's export of cotton to Bangladesh was $44.633 million in June, which was down from $46.387 of May 2022. The export was $41.502 million in April, $54.175 million in March and $32.664 million in March 2022.

Brazilian export of cotton to Bangladesh increased to $437.492 million in 2021 from $323.441 million in 2020. The export was noted at $309.232 million in 2019 and $163.348 million in 2018, as per TexPro.

Source: fibre2fashion.com– Jul 26, 2022

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NATIONAL NEWS

Branding India-grown cotton need of the hour: Texprocil chief

The Government plans to set up modern laboratories to test quality of cotton and encourage farmers to use good quality seeds to improve the quality of exports, whihch willenable the entire value chain of textile industry to achieve export target of $100 billion by 2030 by taking advantage of the free trade agreement signed by the Government.

Participating in the interactive meeting with the government officials and value chain participants, Manoj Patodia, Chairman, the Cotton Textile Export Promotion Council said the time has come to adopt an integrated and industry-driven approach so that India's pre-eminence in the Cotton sector in world markets is not only maintained but also, enhanced.

Towards this end, public-private partnership to improve cotton productivity, encouraging the adoption of drip irrigation by farmers by setting up a corpus fund, popularising high density plantation, and taking concrete steps to brand Indian Cotton were the need of the hour.

Patodia mentioned these steps would benefit the entire textile value chain from 'Farm to Fashion'.

Highlighting the support extended by the Ministers of Agriculture and Textiles to all the industry initiatives, Patodia said these moves will go a long way in enabling the textile exporters to take full advantage of the free trade agreements being signed by the Government and facilitate achievement of the target of $100 billion by year 2030.

The Cotton Association of India has shown keen interest to join hands in farmers' training, improvement in quality and branding.

Source: thehindubusinessline.com- Jul 25, 2022

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Indian economy on track to touch USD 30 trillion in next 30 years: Piyush Goyal

Commerce Minister Piyush Goyal on Monday said that India is on the right path to become a USD 30 trillion economy in the next 30 years on the back strong GDP growth. While addressing an event organised Ficci Ladies Organisation, the Commerce Minister said, India is currently USD 3-3.5 trillion economy and soon will achieve USD 5 trillion, according to news agency PTI report.

"As we move to a USD 5 trillion economy...we are well poised on track to aspire to be a USD 30 trillion economy in the next 30 years. It doesn't need any rocket science. All it needs is understanding that the power of our demographic dividend, the youth power and the power of democracy, which India proudly represents," Goyal said.

Additionally, Piyush Goyal said that at a compounded annual growth rate of 8%, the goal of USD 30 trillion economy would be achieved sooner or later. The Commerce Minister said that women would play an important role in the growth of India and there is always space for them on the high table, while acknowledging Droupadi Murmu taking over as President of India on Monday, he said, "she has struggled a lot and her elevation as the head of the country is a matter of pride not only for tribals of the country but for everyone."

Meanwhile, the Commerce Minister on Sunday called for the contribution of the private sector in promoting research in productivity, farmers' education as well as branding of Indian cotton, additionally emphasising on the need to adopt global best standards in cotton productivity. While speaking at an interactive meeting with stakeholders of the cotton textile value chain held at Vanijya Bhawan, New Delhi on Sunday, the Commerce Minister who also holds the portfolio of the Ministry of Textiles, said, "it is time for India to adopt world standards in cotton productivity.

All stakeholders must share best practices to boost cotton productivity in India to boost farmer incomes. The private sector must contribute to boost research in productivity, farmers education as well as branding to which Government would provide matching support."

Source: livemint.com– Jul 25, 2022

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New Wage Code

The Code on Wages, 2019, has been notified on 08 August 2019, and the provisions of the Payment of Wages Act, 1936, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965 and the Equal Remuneration Act, 1976, have been rationalised and subsumed therein. The Code provides for universal minimum wage across employments in organized and unorganized sector. The Code mandates the Central Government to fix floor wage and that the minimum rates of wages fixed by the appropriate Governments shall not be less than the floor wage.

The Code prohibits gender discrimination in matters related to wages and recruitment of employees for the same work or work of similar nature done by an employee. Every employee, drawing wages not exceeding a monthly amount as notified by the Central or State Government, and having put in at least 30 days of work in an accounting year, will be entitled to an annual bonus at the rate of 8.33% of wages earned or Rs. 100, whichever is higher.

“Labour” as a subject is in the Concurrent List of the Constitution of India and under the Codes, the power to make rules is vested with the Central Government as well as the State Governments as appropriate Government.

As a step towards implementation of the four Labour Codes, the Central Government has pre-published the draft Rules, inviting comments of all stakeholders. As per available information, 31, 26, 25 and 25 States/Union Territories have pre-published the draft Rules under the Code on Wages, 2019, the Industrial Relations Code, 2020, the Code on Social Security, 2020 and the Occupational Safety Health and working Conditions Code, 2020 respectively.

The Labour Codes were drafted after wide consultations including nine tripartite meetings involving employers’ and workers’ representatives, regional Labour Conferences, inter-Ministerial consultations and based on reports of the Parliamentary Standing Committee on Labour. The endeavor has been to align the Labour Codes with the present economic scenario and technological advancements along with reduction in multiplicity of definitions & authorities.

The Codes tend to ease compliance mechanism aiming to promote ease of doing business/setting up of enterprises, attract investment and catalyze creation of employment opportunities while ensuring safety, health and social security of every worker. Use of technology has been introduced in order to ensure transparency & accountability in enforcement. Decriminalization of minor offences has also been provided in the Labour Codes.

This information was given by the Minister of State for Labour & Employment, Shri Rameswar Teli in a written reply in Lok Sabha today.

Source: pib.gov.in– Jul 25, 2022

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25 years of PPP model - boosts India's port sector

It's been 25 years since the public-private-partnership (PPP) model was introduced in India's major ports. In July 1997, the Jawaharlal Nehru Port entered into the first agreement with the private player Nhava-Sheva International Container Terminal within the Jawaharlal Nehru Port in Mumbai.

The Centre and all the major ports are celebrating this landmark. The PPP has enabled managing port operations and new port infrastructure development that was exclusively the functions of the government. The port sector was constrained by limited capacity, traditional infrastructure and poor equipment levels. These were resolved by roping in the private sector to make ports globally competitive.

PPP projects

The PPP investment numbers are mind-boggling in the port sector with nearly 300 PPP projects costing ₹3,47 lakh crore taken up as of December 2019. The Sagarmala Programme has identified 123 PPP projects at an estimated investment of ₹2.63 lakh crore. Of this, 29 PPP projects with investment of ₹44,961 crore have been completed and additional 31 PPP projects worth ₹50,942 crore are currently under implementation. Remaining projects are at various stages of development. The Ministry of Ports, Shipping and Waterways has identified 81 PPP projects costing ₹42,300 crore till 2024-25 for developing major ports' berths, terminals and oil jetties.

Structures and models

Various structures and models used for facilitating PPP projects include Build-Operate Transfer; Build-Own-Operate-Transfer and Build-Own-Lease-Transfer. The type of model used is determined by the nature of the contract.

The PPP model brought in a paradigm change with port business becoming competitive; more terminals chasing users, said A Balasubramanian, Project Financier and PPP Lawyer with maritime focus. The World Bank too praised India's PPP model, saying the country witnessed considerable growth in PPPs in the last one and a half decade. India has emerged as one of the leading PPP markets in the world, due to several policy and institutional initiatives taken by the central as well as many state governments. PPPs are now seen as the preferred execution mode in many sectors such as highways, ports and airports, it said.

According to Chennai Port Authority's chairman Sunil Paliwal, the PPP model has been a success not only in the maritime sector, but also in other infrastructure sectors like roads, airports and power.

Learning process

When the PPP started, there was nothing like a Model Concession Agreement. The Centre has been coming up with various templates and through learning along the way, these agreements are being suitably modified to take care of the concerns of the government sector and the private sector. It is a continuous learning process, he said at Maritime Public Private Partnership 2022.

G Raghu Sankar of International Clearing and Shipping Agency said, the PPP model has hastened the economic growth by introducing international level infrastructure in the port - a missing link for decades. If the PPP model had not been implemented, balancing the volume with handling capacity and capability at ports/terminals would have thrown a huge challenge, he said.

Tamil Nadu Finance Secretary, N Muruganandam said, while a lot of positive developments have happened in the PPP model, there is no level playing field between the old and new PPP projects in different regimes. "The new guys will be flying while the old guys will be crying," he said. This has been there for a long time and needs to be resolved and a decision should be taken to bring all of them under one regime," he added.

Source: thehindubusinessline.com– Jul 24, 2022

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Indian apparel industry to grow 10 to 12% p.a.

Rahul Mehta has a dynamic and multi-dimensional personality. He was the Past President of the Clothing Manufacturers Association of India (CMAI) and is currently the Chief Mentor of CMAI since 2020. He is also a member of the Executive Committee of the Apparel Export Promotion Council. Today he is acknowledged as one of the leaders of the Domestic Garment Industry.

He is also the Immediate Past President of the International Apparel Federation (IAF) based out of the Netherlands. The IAF is a Federation of the National Associations of 47 countries including the USA, China, Germany, France, Italy, Bangladesh, Pakistan, Sri Lanka, Korea, Taiwan, etc. He is the first Indian to be elected as President of the IAF, and only the second Asian to be in this position in the 40 years of history of IAF.

In an insightful interaction with Dominic Rebello and RN Bhaskar, both from the Free Press Journal, Mehta discusses the current state of the apparel sector, shares his views on why Bangladesh and China are ahead of India, and how the domestic market of India has helped the industry to survive.

Edited Excerpts:

Your view on the Indian textile and apparels industry

India’s future lies in apparel. Some of the errors that media often makes are to over-emphasize the export segment compared to the domestic segment. The apparel exports of India are to the tune of $15 billion to $16 billion, whereas, the domestic market of apparel is close to $80 billion to $85 billion. Despite the difference in size, the government and the media always talk about just the exports.

The media needs to realise and appreciate that even during the worst world economic crisis, it was the domestic industry of India which helped it to survive, else it would have crashed like many other economies. However, the estimated value may vary, as there is very little authentic data available in the domestic market, unlike exports where every invoice that is sent out has to be recorded in the government's books. In the domestic market, all data are estimates.

Has any study been done on the domestic apparel sector?

CMAI, that is the Clothing Manufacturers Association of India has for the first time conducted an extremely accurate and professionally researched survey of the Indian market through Nielsen. The research firm was doing its Indian readership survey and we surveyed nearly 80,000 to 85,000 households and collected some very authentic data. The data offers major city-wise, product category-wise, men's wear women's wear, kids wear, and within each of these broad segments, shirts, T-shirts, trousers, and so on.

What is the history of this industry?

The birth of the Indian domestic industry began with the tailoring section. People who were tailors with one machine or two machines, then they set up five or 10 machines, and those who were traders too set up some machines. So, traditionally, the Indian domestic industry is hugely fragmented and consists of not just MSMEs but also people belonging to the Micro sector.

Today, CMAI has about 4,000 members. Every leading industrial house is our member. We have Arvind, Aditya Birla Group, Raymond's, Reliance, Shoppers Stop Group, and every major player in the industry as our members. But all these members put together constitute less than 5% of our total membership. 95% of our members have an annual turnover of between Rs 1 crore to Rs 15 crore.

So the domestic industry is fragmented...

The fragmentation in the domestic industry is the strength as well as weakness of the sector. Strength because it gives us the nimbleness, it gives us the flexibility and it gives us the geographical spread. Typically, an industry will have three or four centers where the industry is situated. However, in the case of the garment industry, it is spread all across the country.

The major centers could be Mumbai, Delhi, Ahmedabad, Bangalore, Surat, and Indore, but garment factories are available everywhere.

The other reason for the industry being so fragmented is that the capital investment required to set up a garment factory is minuscule. However, it is the working capital that becomes the obstacle or the speed breaker. What typically happens is that suppose I have a factory of 50 machines, four masters, and three supervisors. One fine day the master will come to me and say I wish to start my own garment factory and he will quit. That's the way it has been.

So the industry encourages entrepreneurship...

Yes, but what happened is that especially the first generation of entrepreneurs was not educated. They were knowledgeable, they knew how to cut, and they knew how to sew. They had functioning knowledge but no technical knowledge.

Therefore, the level of technological development in the Indian domestic industry has been far slower or weaker than what it should have been or could have been. These are some of the sorts of features or characteristics of the garment industry.

Why has Bangladesh seen such rapid growth, while India with the entire supply chain is lagging behind?

Yes, people often ask this question. The point is, for many years, it was extremely difficult to transport cotton or yarn or fabric from place X to place Y? Today it is extremely simple and extremely cheap. So, today Bangladesh, because of its mastery in sewing, is not finding it a big obstacle in not having a supply chain to back it up, as it was 25 years ago.

Today Bangladesh can import whatever it wants from China within seven days. So, what was imagined at one time to be a very big weakness in Bangladesh was not actually there to such an extent.

The other issue and probably far more important is that garment exports from Bangladesh constituted between 85 to 90% of its total exports. So, anything that the garment industry wanted, the government would approve that demand. And so the support for the garment industry was massive in Bangladesh.

In India, the garment industry stood in the queue with 100 other industries with their demands. Here the government's hands were also tied to some extent in giving that kind of support to the textile or garment industry.

However, Bangladesh's preferential tariffs as an underdeveloped country could be coming to an end in two years time. That is when India will be more competitive, and Bangladesh less so.

Was the unfairly high import tariff on synthetic also one of the reasons...

Yes, this is valid up to a point. We sort of out-priced ourselves in the world market because of our high cost of inputs. Full marks to the current government as they have tried to address this issue and the direction is very clear.

What is the biggest weakness of the industry?

I think the biggest weakness of our industry is productivity. One of the major reasons is due to historical factors regarding the small sizes of our factories and the other factor is the lack of foresight and vision. Also, probably due to the educational background of the first generation of entrepreneurs, the manufacturers were all very small. So, the introduction of technology was perforce limited.

First, it was the inability of the entrepreneurs to understand the advantages of technology and the second factor was the physical limitations. Today, we have machinery which can cut 5,000 pieces a day, whereas typically one master would probably cut 100 to 200 pieces per day. Due to the limited size of the factory, the issue was where would you place that machine and also how to utilize those 5000 pieces a day? So in such a scenario, entrepreneurs will not use the latest technology.

So there was an aversion to making large investments...

There were two big factors for this. One was the government policies that lasted till the late 90s or early 20s of reserving the garment sector in the small-scale sector. That was a major factor as companies were encouraged to remain small. Companies were encouraged to break up their operations into 2, 5, or 10 companies, each situated at different localities. This helped the industry to be covered under the government's reservation policy. The other reason was the challenging environment as far as the labor practices and the labor laws were concerned. Therefore people did not want to build large factories and get involved in unions.

Many large industries have trade unions and they deal with it. Why was the garment sector trying to avoid it?

At one point in time, I too argued about why can't we live with trade unions. But there was a very logical explanation given that to most of the other industries, the labour costs would comprise about five to seven to 10% of the total cost. Whereas in the garment industry, it could be as high as 30 to 35%. So that's where the criticality of labor became much more and therefore the industry did not want to take any chances.

Generally, India had a big disadvantage when it came to capital-intensive industries because of the high cost of capital there was a huge advantage in being labour intensive because it reduced the cost. Your views...

That factor is increasingly diminishing? There are two reasons. One is that the cost of labor is going up and it is a one-way street. India is not going to become poor again. You can argue the toss depending on which side of the political spectrum you are but the fact is that we are still growing at a healthy pace and with that, income levels, especially of the blue-collar and labour are going up.

And even more importantly, their aspirations are going up. So today, for example, a person would rather earn that same Rs 15,000 or Rs 20,000 but be in a retail outlet than work in a factory. In the retail outlet, he is well dressed but in a factory, he will be sitting with his shirt open and trying to physically work all the time.

And within the retail outlet, he would rather work under a Shopper Stop or a Pantaloons or a Lifestyle brand rather than Mom and Pop or Multi-brand outlets (MBO) because the respect that you get in society is much more.

I'm involved in a Trust called TRRAIN (Trust for Retailers & Retail Associates of India). We do a lot of things for the retail associates, whom we called salesman in our days. Shopper Stop started an experiment and they call them Customer Care Associates. The attrition fell down and also the demand for employment in Shopper Stop went up. The satisfaction level of the laborers went up for the simple reason that they are now executives, and customer care associates.

So people would rather be in retail stores than within the factories. With that, the wages started going up because the demand for workers far outstripped the supply. So the costs, the criticality of the cost of labor are going up. And with that, the so-called advantage of India being a low-cost producing country is also disappearing, and it is made worse by the other factor which is productivity.

How does China fare?

China is far cheaper than India, and yet their wages are higher than their Indian counterparts. So how do you explain that? Yes, there is government support and everything else is fine. But one of the major factors is the fact that whilst an Indian tailor produces say 10 shirts a day per machine, the Chinese workman produces 15 or 17 shirts. So as far as the cost of labor is concerned, that guy is actually far cheaper. So these are some of the reasons why the Indian industry did not succeed as much as it could have.

How has e-commerce affected the apparel sector?

The kind of churn that is happening in the Indian domestic market is huge. Here there are two aspects that need to be emphasized. Number one, there was a fear at one point in time or even today, about how online e-commerce will destroy offline retail. That is never going to happen. Even in the most developed of countries i.e. the US and the UK, online sales have still not gone beyond 10% to 12%.

Online sales are growing at a much faster pace. It has changed the way consumers make their purchases. And very few brands or companies can today afford to ignore e-commerce.

What are the challenges and potential of the sector?

I personally believe that there is unlimited potential for the domestic industry to grow. The reason is that India's demographic is changing and the entire population is becoming younger. People in their 20s to 40s today form 60-65% of consumers of garments and readymade clothes. The other reason is the social factors. The semi-rural and rural markets are becoming more and more exposed to international fashion and international trends and therefore, the shift from traditional wear to the so-called modern wear is an unstoppable consequence and that is going to drive the growth of the garment industry.

What is the expected growth for the domestic and export sector?

The domestic sector is likely to grow at 10% to 12% per annum unless COVID-19 strikes again in some different form or in a far more violent form. But those too will only be temporary setbacks in the long run. I believe 10% to 12% growth is a given factor in the garment industry. As far as exports are concerned, it is a little less predictable, because various other international factors also play a role. I personally feel that China is very definitively moving out of the low-skilled segments and China today is about 10 times the size of India. Even a 10% reduction of orders to China and those export orders coming to India, can double our exports.

Source: freepressjournal.in– Jul 26, 2022

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Bihar industry minister woos textile manufacturers from Punjab

Bihar industry minister Shahnawaz Hussain on Monday called on the industrialists from Punjab to invest in the state, saying that Bihar is now a changed state and changing perception is the need of the hour.

“Bihar is the birthplace of Guru Gobind Singh. People are hard working here. For Punjab’s success, people from Bihar have played a significant role always,” Hussain said.

Calling upon textile manufacturers to invest in Bihar as they have recently announced a new textile policy, Hussain said industry in Punjab has been selling a major chunk of their produce in Bihar. “Why only sell? Come and manufacture here. Don’t make Bihar a godown, make and sell on our state,” he said.

In addition, ample and cheap manpower, more water, land at affordable rates plus government incentives are other reasons which make Bihar an attractive option for investors, he said.

“Why should anyone from Punjab come all the way to Bihar to set up a textile unit? Bihar has changed and is changing, it’s not the same anymore. I am here to change your perception of the state,” said principal secretary, industries, Bihar, Sandeep Poundrik, who also gave a presentation on new textile policy in their state.

Hussain said Bihar has a large pool of skilled human resources.

Announcing a new textile policy with ₹10 crore capital subsidy, Hussain said that it is our commitment that the subsidy will be disbursed on time.

Source: hindustantimes.com– Jul 26, 2022

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Unorganized Workers Registered on E-Shram Portal

As on 31st December, 2021, 17,77,73,595 unorganized workers were registered on e-Shram portal. Ministry envisages to provide benefits of various social welfare schemes to the unorganized workers registered on the e-Shram portal. The registered workers are also nudged to take benefit of Pradhan Mantri Shram Yogi Maandhan Yojna (PM-SYM) & National Pension Scheme for Traders (NPS-Traders) Pension Schemes.

The percentage of enrolled workers belonging to SC and ST category (as on 31st December, 2021) was 22.2% and 7.2 % respectively.

The Ministry has on boarded Common Service Centre (CSC) and State Seva Kendras (SSKs) to facilitate registration on e-Shram portal. Any unorganised worker can easily register on the portal through self-registration, CSCs or SSKs. The CSC has undertaken various camps, including night camps to facilitate registration on the e-Shram portal. Further, the Ministry has provided a dedicated National Helpdesk with toll free number 14434 to help and guide unorganised workers in registration on the e-Shram. Besides, print and social media has been used to create awareness about e-Shram. Based on these efforts of the Ministry, as on 20th July, 2022, over 27.99 crore Unorganised workers have been registered on e-Shram. Information regarding income on e-SHRAM portal is based on self-declaration basis.
As on 20th July, 2022, 3.71 crore unorganized workers above age of 50 years have been registered on e-Shram portal. Further, out of total registration on e-Shram, about 47.16% are male and 52.84% are female.

e-Shram portal has been integrated with National Career Services (NCS) portal. Any unorganized worker registered on eShram portal can seamlessly register on NCS portal to search and apply various job opportunities available on NCS.

This information was given by the Minister of State for Labour & Employment, Shri Rameswar Teli in a written reply in Lok Sabha today.

Source: pib.gov.in– Jul 25, 2022

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RBI 'correct' to use FX reserves to tackle rupee volatility: Econ adviser

The Reserve Bank of India (RBI) is justified in using the country's foreign exchange reserves to smooth out volatility in the rupee's moves against the dollar, a member of the Economic Advisory Council said on Monday.

"I think that the RBI is correct to use the FX reserves to smooth movement in the INR/USD... There is no point targeting a INR/USD level when USD is appreciating against all other majors," Sanjeev Sanyal told the Reuters Global Markets Forum (GMF) in an interview.

"Longer term, we need to maintain overall macro-stability and allow the cycle to play itself out," said Sanyal, who was previously India's chief economic adviser.

The Council he now sits on advises Prime Minister Narendra Modi and his government on economic policy. The Indian rupee has fallen around 7.4% against the dollar year-to-date, to trade near a record low of 80.0650.

The dollar has risen about 11.2% against a basket of currencies as markets brace for more U.S. interest rate hikes amid surging inflationary pressures and signs a weakening global economy.

Sanyal also said India's inflation was almost entirely imported and, as an oil importer, something it could do little in the short term to control. Global oil and other energy costs have spiked this year, driven higher by the impact of the war in Ukraine and broader supply chain issues.

Sanyal said he believed India's current account deficit was in a comfortable position and, asked if a curb on non-essential imports was being considered, added: "The government will respond flexibly to the situation as it evolves."

Sanyal also said India was treating crypto instruments as assets not currencies, and that their regulation would need global coordination.

Source: business-standard.com– Jul 25, 2022

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Rethinking our external sector policy

In July, the Reserve Bank of India (RBI) announced policies to encourage capital inflows and also took a step towards the internationalisation of the Indian Rupee (INR). Both the announcements were seen as India's steps towards adopting a liberal policy stance towards the capital account. However, an economist friend drew attention to an interesting puzzle—why are we restricting the trade account while opening the capital account?

International trade comprises two accounts—the current account and the capital account. The current account includes trade flows (exports and imports) and remittances. The capital account includes financial flows such as foreign direct investment (FDI), foreign portfolio investment (FPI), non-resident Indian (NRI) deposits, and external commercial borrowings (ECB).

While most economists are united on benefits of current account liberalisation, they are divided on the capital account. Economists in the support camp say capital inflows are foreign savings that can help economies with lower savings. The foreign savings, along with domestic savings, can help increase investments, which, in turn, leads to higher growth & productivity.

The opposition camp says capital flows are a fair-weather friend, coming like a flood in good times and becoming barren like a desert in bad times. The reversal causes sharp currency depreciation and the financial crisis seen in Latin American and Southeast Asian (SE-Asian) economies. Jagdish Bhagwati, in a highly-cited essay titled The Capital Myth blamed the IMF and Wall Street for pushing policies to liberalise the capital account.

A third camp says capital flows bring both returns and risks. Hence, rather than taking an extreme approach of full liberalisation or a complete ban, one needs to take a middle path of sequencing capital flows. The capital flows in equity markets are less risky when compared to flows in debt markets. Therefore, policymakers should first liberalise equity flows (FII in equity and FDI) and gradually open up debt markets (FII in debt and ECB).

India started to open its economy post the 1991 crisis and opened both current and capital accounts. The SE-Asian crisis led Indian policymakers to be in the third camp. In the high-growth years of 2004-08, multiple committees proposed faster and fuller liberalisation of capital account, but policymakers remained steadfast.

The cautious approach was criticised back then, but earned high praise during the 2008 global financial crisis. The 2008 crisis was a result of history repeating itself, with the crisis changing shores from the developing to the developed world. The US and European countries received a flood of capital in growth years and then hit the desert. The 2008 crisis experience only cemented the approach adopted by Indian policymakers.

All this while, the current account did not feature in policy discussions as it was believed that it would remain open. However, we have seen a reversal in this sentiment since 2019. The government has increasingly adopted policies to restrict transactions in the current account to protect local industries. The government banned imports and increased import duties. It has also pulled out of the Regional Comprehensive Economic Partnership (RCEP) signed by 11 countries to create the world's largest free-trade area (FTA).

During the pandemic, global supply chains were disrupted, leading most countries including India, to restrict trade. The buzzword was to be atmanirbhar or self-reliant. As the pandemic eased, the Russia-Ukraine war disrupted the oil and food commodity markets, leading to high inflation. The high inflation led the Indian government to ban exports of wheat, a move that was criticised by many economists.

Amidst all these restrictions on the trade account, the capital account is being liberalised, which is at odds with the strategy followed so far. It is even odder in times of crisis, such as the present day.

The world economy is facing high inflation, leading central banks to increase policy rates. The higher policy rates and the search for a safe haven have once again led to capital flowing to the US. This has led to the deprecation of currencies.

The rupee has depreciated by 5% since January 2022. In order to encourage capital flows and stem depreciation, RBI has taken steps to liberalise the capital account. Apart from the safer option of NRI deposits, RBI has also incentivised FII in debt markets and borrowings under ECB route.

What explains this change in policy stance towards the two accounts? One might reject this claim saying the recent measures are for the short term, to alleviate pressure on the rupee.

One can also say policymakers are confident about the capital account liberalisation, which is a good thing. The experiences since 1991 suggest that the Indian economy has mainly gained a lot owing to the liberalisation of the current account. The global supply chain is in tatters, and India could become a major player by reorienting its strategy. On the 25th anniversary of the SE Asian crisis, we should reflect and take home the right lessons.

Source: financialexpress.com– Jul 26, 2022

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Despite trade ban, Pakistan imports from India jump 2x in April-May

Coinciding with the change in government in Pakistan in April, the country ramped up its imports from India despite Islamabad's ban on trade with its eastern neighbour.

India's exports to Pakistan more than doubled to $142 million in the April-May period, from $70 million during the same period a year ago, trade data available on the commerce ministry website showed. There were sugar exports worth $86 million during the period under review.

During the first two months of FY23, Pakistan imported 282 items from India, of which 67 were pharmaceutical products. Besides sugar and pharmaceutical products, Pakistan imported organic chemicals, apparel and textiles, mineral fuels, coffee, tea, spices, rubber, fruits and vegetables, plastics, iron and steel, and matchboxes, among others.

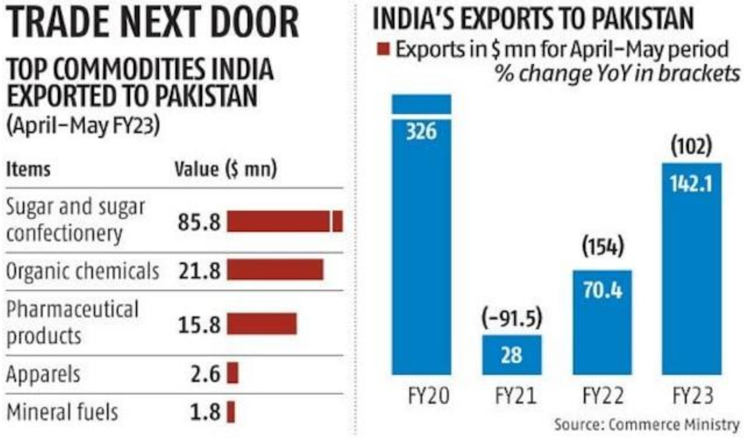
The president of Pakistan Muslim League-Nawaz (PML-N), Shehbaz Sharif, took over as prime minister of Pakistan on April 11, after the Imran Khan-led Pakistan Tehreek-e-Insaf (PTI) government was ousted from power following the no-confidence motion in the National Assembly.

In May, the new Pakistan government appointed a senior official as "trade minister" in the Pakistan embassy in New Delhi. However, Pakistan's Dawn newspaper reported, quoting unnamed officials, that the appointment was routine and "there is no change in Pakistan's policy on trade with India".

After India revoked the special status of Jammu and Kashmir in August 2019 by removing sections of Article 370, the Imran Khan government suspended all kinds of trade with India. But after the coronavirus pandemic, Pakistan allowed the import of drugs and pharmaceuticals from India in May 2020.

India in February 2019 had withdrawn the most-favoured-nation (MFN) status for Pakistan and imposed a 200 per cent tariff on all imports from Pakistan after the Pulwama terror attack. But it didn't ban either exports or imports to Pakistan.

While total trade between the two countries stood at $2.6 billion in FY19 before disruptions, it plunged to $831 million, $329 million, and $516 million in FY20, FY21, and FY22, respectively. There were negligible imports by India from Pakistan.



In March 2021, the Economic Coordination Committee chaired by then Pakistan finance minister decided to allow the import of sugar and cotton from India amid soaring domestic prices. But the decision was reversed by the Pakistani Cabinet in less than 24 hours following political backlash. Nisha Taneja, professor and lead for trade, investment and external relations (TIER) at the New Delhi-based think tank Indian Council for Research on International Economic Relations (ICRIER), said the fact that trade was taking place in a number of items showed that there remained a strong interdependence between the two countries. “Going forward, this lays the ground for opening up of trade which will benefit both countries. A cautious approach would be for the two countries to start with a positive list and then expand it gradually,” she said.

Another trade expert said the Pakistan government is overlooking imports from India because the country desperately needs those items. “Exports from India is happening because Pakistan is permitting those items to come in. Trade is going to continue. It seems both countries will normalise their trade relationship after the general elections in India in 2024,” he added.

The Sharif government announced a complete ban on the export of sugar from Pakistan in May amid soaring food prices in the country. Pakistan averted bankruptcy by striking a $6-billion deal with the International Monetary Fund earlier this month.

Source: business-standard.com– Jul 26, 2022

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Latest Data on MSMEs

The Ministry of MSME, maintains data of registration of MSMEs, cancellation of registration and employment on Udyam Registration Portal.

The data on credit outstanding to the MSME sector by Scheduled Commercial Banks for the last three financial years indicates an increasing trend, as shown below:

Amount in Rs. in Crore

Year/Quarter ended	Amt. O/s
March 2020	16,13,582.17
March 2021	17,83,924.80
March 2022*	20,22,634.29

Source: Priority Sector Return submitted by SCBs

*Date is provisional

The Government of India, under Aatma Nirbhar Bharat, has announced measures to help micro, small and medium enterprises in the country. These include (i) Subordinate Debt for stressed MSMEs; (ii) Rs. 3 lakh crore Emergency Credit Line Guarantee Scheme (ECLGS) for business, including MSMEs, which has subsequently been increased to Rs. 5 lakh crore; (iii) Rs. 50,000 crore equity infusion through Self-Reliant India Fund; (iv) New revised criteria of classification of MSMEs; (v) New registration of MSMEs through 'Udyam Registration' for Ease of Doing Business; (vi) No global tenders for procurement up to Rs. 200 crore.

This information was given by Minister of State for Micro Small and Medium Enterprises, Shri Bhanu Pratap Singh Verma in a written reply to the Rajya Sabha.

Source: pib.gov.in– Jul 25, 2022

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Initiatives Under the Atmanirbhar Bharat Package

The Government has taken a number of recent initiatives under the Aatma Nirbhar Bharat Abhiyan to mitigate the negative impact of Covid-19 on small businesses including revival of demand for products and services in the country. Some of them are:

i. Credit Guarantee Scheme Subordinate Debt (CGSSD)for stressed MSMEs. As on 19.07.2022, Rs. 90.47 Crore has been extended to 782 accounts under CGSSD.

ii. Guaranteed Emergency Credit Line (GECL) / Emergency Credit Line Guarantee Scheme (ECLGS) for Businesses, including MSMEs. As on 30.06.2022, around 1.19 crore businesses (including 1.13 crore MSMEs) have been provided collateral free loans amounting to Rs.3.48 lakh crore (Rs.2.32 lakh crore to MSMEs) under ECLGS scheme.

iii. Equity infusion through Self-Reliant India (SRI)Fund. SRI Fund has been operationalised, daughter funds are being empanelled and through them MSMEs are benefitting.

iv. New revised criteria of classification of MSMEs.

v. New registration of MSMEs through 'Udyam Registration' for Ease of Doing Business. As many 98,00,560 MSMEs with an employment of 7.46 crore have registered on the Udyam Portal.

vi. No global tenders for procurement up to Rs. 200 crores.

This information was given by Minister of State for Micro Small and Medium Enterprises, Shri Bhanu Pratap Singh Verma in a written reply to the Rajya Sabha.

Source: pib.gov.in– Jul 25, 2022

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Scheme Launched by Government for MSMEs

Government has launched a World Bank supported Central Sector Scheme called Raising and Accelerating MSME Performance (RAMP). The scheme aims at strengthening institutions and governance at the Centre and State, improving Centre-State linkages and partnerships and improving access of MSMEs to market and credit, technology upgradation and addressing issues of delayed payments and greening of MSMEs.

RAMP programme will be implemented over a period of five years. The total outlay for the scheme is ₹6,062.45 crore or USD 808 Million, out of which ₹3750 crore or USD 500 Million would be a loan from the World Bank and the remaining ₹2312.45 crore or USD 308 Million would be funded by the Government of India (GoI).

Interventions under RAMP programme, by way of increasing access of MSMEs to market, technology and credit, increasing outreach to more MSMEs, inclusion of service sector, gender and greening initiatives etc., are aimed at increasing the performance of the MSME sector, thus resulting in more employment opportunities.

This information was given by Minister of State for Micro Small and Medium Enterprises, Shri Bhanu Pratap Singh Verma in a written reply to the Rajya Sabha.

Source: pib.gov.in– Jul 25, 2022

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Cotton yarn prices yet to see positive movement in north India

North India's cotton yarn markets are yet to see positive movement as witnessed in south India. According to the traders, export demand was better in south India, but more domestic segment focused Ludhiana did not see any movement in prices. Delhi market was under pressure due to weaker demand. Recycled yarn used in home textiles also steadied in Panipat.

Cotton yarn prices remained stable in Ludhiana market. Buyers are still away from the market as they are taking cautious approach for buying. A trader from Ludhiana told Fibre2Fashion, "Cotton yarn demand was still weak. Ludhiana is more focused on domestic market which remained unmoved. Export market will register some improvement after production will begin for next export orders." In Ludhiana, 30 count cotton combed yarn was sold at ₹370-375 per kg (GST inclusive), according to Fibre2Fashion's market insight tool TexPro. 20 and 25 count combed yarn were traded at ₹360-365 per kg and ₹365-370 per kg respectively. Carded yarn of 30 count was quoted at ₹330-335 per kg.

Delhi market also registered down trend amid weak buying. Buyers were very vigilant amid uncertainty. Recent reports of recession were also worrisome for the market. A trader from Delhi market said that many traders, stockists and millers had to bear heavy losses. Therefore, buyers wanted to be doubly sure to avoid any further loss. In Delhi, cotton yarn prices eased by ₹10-15 per kg as the market was still feeling pressure amid weaker buying. 30 count combed yarn was traded at ₹360-365 per kg (GST extra), 40 count combed at ₹395-400 per kg, 30 count carded at ₹310-315 per kg and 40 count carded at ₹350-355 per kg.

Recycled yarn of various counts and varieties was traded at previous prices as the market is yet to see better buying from home textiles segment. According to the traders, local and export demand for recycled yarn did not see any improvement. Therefore, the prices remained stable. But better buying of fresh cotton yarn was noted in some markets of Haryana. It shows some movement in dress and wear segments. Panipat market was also depressed due to traffic restrictions in many cities of western Uttar Pradesh on account of annual Kawad yatra.

In Panipat market, 10s recycled yarn (white) was traded at ₹90-95 per kg (excluding GST), 10s recycled yarn (coloured - high quality) at ₹110-115 per kg, 10s recycled yarn (coloured - low quality) at ₹80-85 per kg and 20s recycled high quality PC yarn (coloured) at ₹125-130 per kg. 10s optical yarn was traded at ₹100-110 per kg in the market. Comber prices gained ₹10 to ₹110-115 per kg. Recycled polyester fibre (PET bottle fibre) was noted at ₹85 per kg.

In north India, cotton prices remained stable amid thin trade. According to the traders, cotton arrivals were negligible as season is about to get over. The market will not see much fluctuation in such scenario. However, prices may inch up if yarn prices improve on buying support. Cotton was traded at ₹8,400-8,800 per maund of 37.2 kg in Punjab, ₹8,000-8,400 per maund in Haryana and ₹8,600-8,800 per maund in upper Rajasthan and ₹8,100-8,300 per maund in lower Rajasthan.

Source: fibre2fashion.com– Jul 25, 2022

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