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INTERNATIONAL NEWS

China trade: US' Xinjiang ban looms large even as textile, garment exports surge to record US$33 billion in July

China's textile and garment industry recorded a surprising surge in export value last month, despite the sweeping United States ban on products from the region that produces 90 per cent of the nation's cotton.

Monthly exports of textiles and garments beat expectations and increased by 17.5 per cent compared with a year earlier to a record high of US$33.22 billion in July, according to data released by China Customs on Sunday.

The value also increased by 5.3 per cent from June, when Washington's Uygur Forced Labour Prevention Act came into effect.

But industry insiders said the momentum is not a true reflection of the strength of the industry, as July's exports were largely from the orders placed months earlier, while the surge may also have been caused by rising prices.

"Exports are a lagging indicator of the industry," said Alex Chen, secretary general of Wenzhou Garment Chamber of Commerce.
"The garments exported in July were finished in June or earlier, while the orders might have been placed by downstream clients in the second half of last year."

Garment exports from Wenzhou, a manufacturing hub in eastern China, increased by 42.55 per cent in the first five months of 2022 compared with the same time last year, according to Chen, but he anticipates increased challenges for the rest of the year.

"The whole industry has been impacted [by the US law], and in the future, with some other issues such as tensions around Taiwan, the continuation of the conflicts between Russia and Ukraine, the Sino-US relationship may become more subtle, then it may further affect [the garment exports to the US]," he added.

The rising prices of cotton products passed down by soaring raw material prices may also have contributed to the surge in export value.

China exported 3.62 million tonnes of cotton products in the first half of the year, a 2.73 per cent year-on-year increase, while the export value increased by 15.05 per cent to US$43.07 billion, according to Beijing Cotton Outlook Consulting on Monday.

The smothering effect of the US ban on the world's top textile maker might have already surfaced, recent industry statistics showed.

As China's official manufacturing purchasing managers' index fell to 49 in July, it was mainly driven by textile and other industries that continued to be in the contraction range and significantly lower than the overall level of the manufacturing industry, according to Zhao Qinghe, a senior statistician at the National Bureau of Statistics.

Meanwhile, in the first six months of the year, the value added of China's textile industry decreased by 1.1 per cent year on year, lower than the growth rate of industrial enterprises in general, according to data from AskCI Consulting, an industry research and consulting services supplier based in Shenzhen.

The total profits for China's textile industry dropped by 5.3 per cent compared with last year to 42.63 billion yuan (US$6.3 billion) in the first half of 2022, figures from AskCI Consulting showed.

As one-fifth of global cotton is effectively banned from entering the US market, the price has been pushed up further on top of the pressure caused by the Ukraine war.

But the price of Xinjiang cotton has continued to fall as it has been increasingly shunned by downstream manufacturers who are wary of running afoul of the US ban, despite state stockpiling having started last month.

Under the terms of the act, US imports of all products from Xinjiang are banned unless "clear and convincing" evidence shows that no forced labour was involved in their production.

The price of cotton futures trading on the Zhengzhou Commodity Exchange has been slashed by over 30 per cent since May, closing at 14,225 yuan (US$2,106) per tonne on Wednesday.

"The pressure is huge," said the owner of a cotton-ginning mill in southern Xinjiang, who spoke on the condition of anonymity due to the sensitivity of the issue.

"Over 2 million tonnes of Xinjiang cotton are currently taking up the inventory space, and the new harvest season is looming, which will add 6 million more tonnes to the unsold inventory."

Source: scmp.com– Aug 11, 2022

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China's domestic logistics costs to come down as govt cuts fuel prices

China's logistics sector costs will reduce further as the National Development and Reform Commission (NDRC) announced it will cut retail prices of gasoline and diesel beginning August 10.

The prices will go down by 130 yuan ($19) per tonne and 125 yuan per tonne respectively. It is the fifth reduction in gasoline and diesel prices this year and the fourth in a row since June 28.

Under the pricing mechanism applicable now in the country, if international crude oil prices change by more than 50 yuan per tonne and remain at that level for 10 working days, the prices of refined oil products like gasoline and diesel will be adjusted accordingly.

The country's three biggest oil companies—the China National Petroleum Corporation, the China Petrochemical Corporation and the China National Offshore Oil Corporation—and other oil processing companies, should maintain oil production and facilitate transportation to ensure stable supplies, NDRC was quoted as saying by an official news agency.

International oil prices will likely remain weak in the short term, NDRC's price monitoring centre said.

Source: fibre2fashion.com– Aug 10, 2022

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80% of US consumers are reluctant to spend due to inflation fears

Around four out of five consumers (80 per cent) in the US say that they are less confident about spending, while 62 per cent of them believe that the county is currently experiencing a recession. Rising food prices are the biggest recessionary concern for 68 per cent of consumers, with nearly half (48 per cent) also concerned about food shortages.

The new First Insight Report titled 'The State of Consumer Spending: Inflation Fuelling Recession Fears' revealed some profound changes in consumer sentiment and behaviour in just three months since First Insight's April inflation survey was conducted, according to a press release. Consumer confidence has dropped lower, with now 80 per cent of consumers saying they have less confidence to spend, versus 74 per cent in April.

Moreover, 28 percent say that they are saving less, with 18 per cent tapping into existing savings to pay for higher cost of living expenses. Dining out, household goods, healthcare, housing, and education costs all increased by double digits in terms of their impact on consumers' daily lives.

"As inflation remains at the highest levels seen in the US since 1981, consumers continue to find different ways to afford things," Greg Petro, CEO, First Insight was quoted saying in the media release. "Putting food on the table remains consumers' top priority. We are seeing reallocation of food budgets, with many consumers cutting back on fresh produce and spending less on name brand products. One bright spot since our April survey is an increase in spending on work-related apparel now that more consumers are returning to in-office work."

While dining out remains the top discretionary spending reduction for 54 per cent of consumers, up 13 per cent since April, 44 per cent more consumers say that they will cut back on gym memberships due to higher prices. Half of all consumers surveyed also believe that high prices will remain for the next 6 to 18 months.

Source: fibre2fashion.com- Aug 11, 2022

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China's retail sector reaches 49.8% in July 2022: Report

China's retail sector remains steady in its path to recovery as its operations rose 0.8 percentage points over June 2022 to touch 49.8 per cent in July 2022, according to a report released by the China General Chamber of Commerce.

The industrial survey's results imply the Chinese market's confidence regarding business stability in the future.

The China Retail Performance Index, which is the China General Chamber of Commerce's other market confidence indicator, was at 50.2 per cent for August 2022 — staying flat in the month of July.

Expectations for consumption recovery continue to be stable as a result of COVID-19 prevention and control policies and pro-consumption measures, said the commerce chamber as per Chinese media reports.

Source: fibre2fashion.com- Aug 11, 2022

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After reaching 'peak cotton,' a declining role for China

At the end of this decade, Vietnam, Bangladesh, Indonesia, Turkey and Pakistan would account for a combined 47% of world cotton imports, according to USDA's long-term baseline. China's share would be 24%, about the same as in recent years.

"Nevertheless, barring unforeseen policy changes, China should — for the foreseeable future — remain a major market for U.S. cotton exports," said the Economic Research Service report. "China's role as a cotton importer appears to have peaked, while other countries are increasing their share of imports."

Imports crested at 24.5 million bales in 2011, fell to 5 million bales in 2015 and are projected by USDA for 10 million bales in the trade year that began on August 1.

"China's cotton production, consumption and imports peaked between 2005 and 2013," wrote ERS economists Fred Gale and Eric Davis. Beijing uses a tariff-rate quota (TRQ) to restrict imports, as a step to avoid reliance on foreign-grown cotton, and it depends heavily on production in the Xinjiang region, more than 2,000 miles from textile manufacturers in coastal and central China. Some Chinese officials envision cotton production and consumption holding steady in the near term.

"The lack of growth in the textile industry may not only be due to limits on imports but also to the changing economics of China's cotton-textile-clothing industry chain," said Gale and Davis. "Use of cotton has been constrained by factors such as rising production costs in many parts of China and the growing use of synthetic fibers. The trend also reflects strategic plans espoused by Chinese planners, including 'high-quality opening' and 'One Belt One Road' strategies, which are responses to the changing economics of the industry."

China shifted cotton production to Xinjiang as growers abandoned the labor-intensive crop in eastern and central China in favor of more profitable crops or higher-paying jobs in factories. About 12 million Uyghurs, an ethnic minority, live in Xinjiang. Human rights groups accuse China of abuses that include unfairly detaining more than a million Uyghurs. Complaints include conscripting Uyghurs to harvest cotton.

"China's use of forced labor in Xinjiang attracted more attention to the textile industry," said the ERS report. During 2020-21, the United States barred imports of cotton and cotton products from entities in Xinjiang using forced labor, and in January, the Uyghur Forced Labor Prevention Act instituted a broader ban on cotton grown in Xinjiang and on products made with the cotton.

One of the world's largest producers, the United States is the number-one cotton exporter, with shipments forecast for 14 million bales during the new trade year. The exports would amount to 90% of this year's crop.
The report, Chinese Cotton: Textiles, Imports and Xinjiang, is available here.

Source: agriculture.com- Aug 11, 2022

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E-commerce spending in US dips for first time in 2 years: Report

In July 2022, online prices decreased 1 per cent year-on-year —after increasing 0.3 per cent year-on-year in June and 2 per cent year-on-year in May—and dropped 2 per cent on a monthly basis. July is the first month where e-commerce entered deflation, after 25 consecutive months of persistent inflation online. During the month, consumers in the US spent $73.7 billion online, $400 million less than the prior month ($74.1 billion).

On a year-on-year basis however, e-commerce spend in July grew 20.9 per cent, with Prime Day driving record online sales for the retail industry overall, according to an Adobe Analytics report. Online spending in July also decreased compared to May ($78.8 billion) and April ($77.8 billion). E-commerce demand remains resilient on a year-to-date basis, with consumers spending $525.4 billion online in 2022 so far, growing 9.2 per cent year-on-year.

Prices for apparel fell 1 per cent year-on-year (down 6.3 per cent month-on-month), marking the second consecutive month where prices fell after dropping 0.1 per cent year-on-year in June. Apparel prices had increased for 14 consecutive months since April 2021, with prices having spiked in recent months (up 9 per cent year-on-year in May, 12.3 per cent year-on-year in April, and 16.3 per cent year-on-year in March).

"Wavering consumer confidence and a pullback in spending, coupled with oversupply for some retailers, is driving prices down in major online categories like electronics and apparel," said Patrick Brown, vice president of growth marketing and insights, Adobe. "It provides a bit of relief for consumers, as the cost of food continues to rise both online and in stores."

The DPI (digital price index), powered by data analytics solutions provider Adobe Analytics, provides the most comprehensive view into how much consumers pay for goods online, as e-commerce expands to new categories and as brands focus on making the digital economy personal.

Source: fibre2fashion.com- Aug 10, 2022

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Africa's cotton exports account for 16% global exports

Cotton remains an important export crop for Sub-Saharan Africa, and currently accounts for 16% of global exports.

According to Organisation for Economic Co-operation and Development (OECD) and the Food and Agriculture Organisation's (FAO), the overall cotton production in the region has increased in the past years, because of both increased area and improved yields.

This is contained in FAO's market developments and mid-term projections for world cotton markets for the period 2022 to 2031.

"In the current season, higher prices have led to a significant increase in area, which fully recovered from the drop in 2020. However, spinning mill consumption remains limited throughout Sub-Saharan Africa, as many countries export most of their produce," the projection noted.

"Sub-Saharan African exports are projected to continue growing at around 1.7% p.a. (per annum) in the coming decade, with the region's market share increasing by more than 1% point to nearly 18% compared to the base period, with South and Southeast Asia the major export destinations.

"However, the textile and apparel industry is growing in some other countries, especially Ethiopia, where efforts are being made to enhance the processing capacities across the region.

The expansion has been driven by favourable economic conditions, resulting in significant FDI in the sector. In the long run, this could imply an increase in mill use and affect the net export status of Sub-Saharan Africa.

International cotton prices are expected to remain elevated in 2022 supported by rising consumption and overall higher commodity prices but then to decrease in real terms throughout the outlook period. Global cotton demand remains under pressure from synthetic fibres, notably polyester.

FAO added economic growth and urbanisation will continue to be the main factors affecting the per capita demand for cotton textiles in developing and emerging economies. Since the consumption of textiles and apparel is more income responsive than the consumption of food commodities, deviations from the economic conditions assumed for the developing world could lead to important changes in global cotton consumption, production, and trade projections.

"In the short term, projections will likely be affected by rising energy prices coupled with the impact of Russia's war against Ukraine, which may slow the global economic growth. In addition, the emergence of new Covid-19 variants and subsequent movement restrictions may further hamper overall economic recovery."

It added: "Moreover, rising energy prices and supply chain disruptions have resulted in higher inflation. The extent to which interest rates will be raised to contain inflation could also alter the cost of borrowing and hence investment plans in the sector.

Other demand trends could affect the projections. For example, recycling by the textile industry is creating a competitive secondary market that provides raw material to producers of lower-quality textiles and non-textile products.

"This trend could further reduce the demand for cotton and other fibres. On the other hand, greater adoption of sustainability standards in supply chains could provide additional stimulus to the demand for cotton. Like other crops, cotton production is sensitive to pests and weather conditions. These projections are therefore sensitive to climate change, which could lead to increasing frequency of droughts and other adverse weather conditions."

Source: farmersreviewafrica.com- Aug 11, 2022

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Brazil farmers bet on environmentally friendly cotton

The road through Cristalina, Brazil is in the middle of the tropics, but the fields on either side look like they are covered in snow -- little white puffs of cotton stretching to the horizon.

The alabaster plants interspersed with the corn and soybean fields outside the central-western town are part of a silent revolution in Brazil: facing negative attention over the agribusiness industry's environmental impact, farmers are increasingly turning to cotton and adopting sustainable techniques to produce it.

After increasing exports 15-fold in the past two decades, Brazil is now the world's second-biggest cotton supplier, after the United States -- and the biggest producer of sustainable cotton.

No less than 84 percent of the cotton grown in the South American agricultural giant is certified by the Better Cotton Initiative (BCI), an international non-profit group to promote sustainable cotton farming.

"Consumers have changed. People don't want to buy products any more that don't respect nature and its cycles," says entomologist Cristina Schetino of the University of Brasilia, who specializes in cotton farming.

The industry is trying to improve the international image of Brazilian farming, tarnished by a history of slave labor, heavy pesticide use and the destruction of the Amazon rainforest for agriculture, a trend that has accelerated under far-right President Jair Bolsonaro -- an agribusiness ally.

In 2005, the Brazilian Cotton Producers' Association (Abrapa) launched a sustainability training program for farmers and introduced protocols on efficiently using water and pesticides and phasing out toxic products in favor of biological fertilizers.

A new tracing program launched with Brazilian clothing brands, meanwhile, lets consumers check how cotton goods were produced.

Last season, cotton farmers in Brazil replaced 34 percent of chemical pesticides with biological ones, Abrapa says.

They have also started using drones to apply pesticides more efficiently. Switching to sustainable techniques is "a re-education process," says Abrapa's executive director, Marcio Portocarreiro.

"At first, farmers tend to think mainly about the impact on their bottom line. But when they get past that phase... they realize that farming sustainably gives them a guaranteed market," he told AFP.

Added value

Located outside Cristalina, around 130 kilometers (80 miles) south of Brasilia, the capital, Fazenda Pamplona is one of Brazil's biggest proponents of sustainable cotton.

The 27,000-hectare (67,000-acre) operation, run by agribusiness giant SLC Agricola, is like a small city in the middle of the countryside, with a banquet hall, a children's park, sports fields and housing for employees.

The farm aims to retain workers by creating a home where they will want to stay, says production coordinator Diego Goldschmidt.

He stands in front of two enormous bales of cotton, labeled with QR codes that detail their harvest.

"These are already sold," he beams.

The farm produced more than 600,000 tonnes last year, 99 percent of it for export.

Sustainable cotton sells for prices up to 10 percent higher than conventional cotton.

"Besides being the right thing to do for society and the environment, it provides added value," says Goldschmidt.

Aiming high

But cotton remains one of the most pesticide-intensive crops, using more than double that of soy per hectare.

The problem is the prevalence of pests such as boll weevils and the absence of organic products to stop them, says Schetino.

"There's still a lot of dependence on chemical products, which have a negative environmental impact," says the entomologist, who is researching alternatives.

Brazil cultivates around 1.6 million hectares of cotton a year. It is a key supplier for the global garment industry, exporting to the likes of China, Vietnam, Pakistan and Turkey.

Abrapa has set itself the ambitious goal of surpassing the US to become the world's biggest cotton supplier in 2030.

"Brazil may not have a good image on sustainable farming yet," says Goldschmidt.

"But we will soon. There's a lot of potential."

Source: livemint.com- Aug 11, 2022

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Brands Urged Not to 'Disengage Abruptly' from Sri Lanka

Organizations representing many of the world's biggest brands and retailers have expressed their solidarity with Sri Lanka's garment industry, which is girding its loins for a drop in orders amid the island nation's worst financial and political crisis in decades.

In a letter dated Tuesday, American Apparel & Footwear Association president and CEO Steve Lamar applauded the Joint Apparel Association Forum (JAAF)'s "relentless efforts" to keep workers "employed, safe and healthy" during an unprecedented time.

"Your continued work has kept the industry moving forward, preserved jobs in Sri Lanka's garment industry and supported the Sri Lankan economy through these extremely difficult times," he said.

Lamar said that the AAFA, which represents more than a thousand major companies, including Adidas, Gap Inc., and J.Crew, promises to be "cognizant and mindful" of any sourcing decisions that could trickle down to the South Asian country's 350,000 garment workers.

The trade group pledged to maintain "regular communications" with its Sri Lankan suppliers to ensure that all payments are disbursed in a timely manner and workers are treated in accordance with labor laws. The AAFA also said it is monitoring humanitarian conditions closely and "actively" reviewing opportunities to assist workers, their families and their communities "during this difficult time."

"We recognize that any significant changes in sourcing during this time could have a major impact on Sri Lanka's garment industry, the hundreds of thousands of workers the industry employs, their families and the Sri Lankan economy," Lamar said.

Garment workers in the embattled nation, many of whom earn persistently low wages and lack savings, say they are running out of money to afford food for themselves and their families. The prices of fuel, medicine and other necessities have likewise skyrocketed as the Sri Lankan economy continues to melt down over a debt disaster that has emptied out foreign coffers and sent inflation rates into freefall.

But they also blame their increased vulnerability on the global companies that have built their profits on exploitative purchasing practices. This was thrown into particular relief when the novel coronavirus gripped the globe.

“Workers…feel that the unwillingness of global fashion brands to ensure living wages and social security for their supply chain workers or even contribute to emergency efforts like the AFWA supply-chain-relief contribution during the Covid-19 pandemic have contributed to their inability to meet this economic crisis,” Vishmee Warnachapa, Sri Lanka country coordinator at the Asia Floor Wage Alliance (AFWA), a worker-rights nonprofit, said earlier this month.

One thing brands and retailers shouldn’t do right now is cut and run, the Ethical Trading Initiative, the Fair Wear Foundation, the Fair Labor Association and the British Retail Consortium said in a joint call to action on Tuesday. With Sri Lanka a key sourcing destination for many fashion firms, they have a responsibility to support workers through business continuity, they said.

“Sri Lanka is facing challenging times,” said Margreet Vrieling, associate director at Fair Wear. “We expect our member brands to not disengage abruptly, but rather stay in communication with their Sri Lankan suppliers, have a dialogue on challenges faced and see how they can contribute to more predictable planning and finances with their purchasing practices.”

The organizations, whose collective rosters include nameplates such as H&M Group, Uniqlo parent Fast Retailing and Zara owner Inditex, urged companies sourcing from Sri Lanka to take “specific steps” to support a sector that contributes more than 50 percent of the country’s exports.

Brands and retailers, the organizations said, need to ensure that there is a “clear understanding” of the risk to workers in the current situation, avoid order cancelations and ensure timely payments. Companies should include the inflation-induced rise in energy costs, other raw materials and labor in future price negotiations. They must also make sure that all pending wages and severance payments are paid out to employees, engage with unions and suppliers to explore “innovative remedial solutions” to bolster workers and work collaboratively to investigate ways they can improve respect for human rights in the context of the current catastrophe.

"As workers in Sri Lanka seek to ensure their livelihoods during this economic crisis, brands must take additional due diligence steps," said Sharon Waxman, president and CEO of Fair Labor Association. "Companies sourcing from Sri Lanka should work even more closely with their suppliers to ensure stability and safety for the people who work in their supply chain."

The JAAF said it welcomes both the AAFA's sentiments and the call to action.

"The livelihoods and welfare of workers remain a top priority of the industry," Yohan Lawrence, the apparel body's secretary-general, told Sourcing Journal. "JAAF welcomes this collective support as it will enhance and complement worker welfare measures already taken by the industry during these unprecedented times. Support of the brands is crucial at this time and we appreciate the commitment of the ETI and AAFA in this regard."

The JAAF previously said that it expects a 20 percent decline in orders as a result of the chaos. Workers that the AFWA recently spoke to reported reducing working hours, increasing layoffs and deteriorating quality of aid, though Lawrence has denied this. Its members, he said, are hyper-aware of their employees' despair and suffering, and they're doing what they can to alleviate their burden.

"Welfare schemes by some factories have been in operation for the distribution of dry rations, with certain factories providing additional meals to employees to take home to feed their families," Lawrence said. "Provision of schoolbooks for children, free medical facilities, and special food packages for pregnant mothers have also been made available for employees in the SME sector."

"This crisis affects all of us: the JAAF membership is acutely conscious of this fact," he added. "We would not be the force we are in the global apparel supply chain if companies neglected to take care of their workers. Even if one is skeptical about humanitarian intent, taking care of workers is in the business interest of factory owners and businesses."

Labor campaigners have already been beating the drum for aid. If orders plummet and operating hours fall, they say, so will the wages garment workers receive.

In an open letter last month, the Clean Clothes Campaign, Labour Behind the Label, Maquila Solidarity Network, War on Want and Workers United asked national governments, international financial institutions, brands and other stakeholders to underwrite a program of emergency relief and mid- and long-term financial support, along with a "democratic political solution to the crisis," because a loss of buyers' confidence in the sector poses a "real risk."

"This is the result of a crisis driven by international debt that has been unfolding for decades and mismanagement by the previous Sri Lanka government," they wrote. "This has caused catastrophic inflation and the loss of purchasing power; failure of public services including health services, education and public transport; disruption of economic activity; and scarcity of fuel, cooking gas and oil and many basic commodities. Importantly, it has caused great hardship for the 300,000, mostly female, garment workers and their families."

Source: sourcingjournal.com- Aug 10, 2022

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Trousers & T-shirts constitute 40% of German apparel imports in Q1

Two categories—trousers & shorts, and T-shirts—together accounted for 40 per cent of total apparel imports by Germany in the first three months of 2022. Trousers & shorts comprised 27.65 per cent of all apparel imports worth $9.755 billion during January-March. T-shirts was the second largest product 13.19 per cent share in total imports.

Germany's import of trousers & shorts was valued at $2.697 billion (27.65%) during the first quarter of 2022, while T-shirts import was $1.287 billion (13.19%) during the same period, according to Fibre2Fashion's market insight tool TexPro. Therefore, the combined import of trousers & shorts and T-shirts was around 40 per cent of the total.

Among other products, Germany's import of jerseys was valued at $1.215 billion (12.46%), shirts $847.579 million (8.69%), dresses $644.264 million (6.60%), innerwear $515.516 million (5.28%), jackets & blazers $371.452 (3.81%), socks $328.487 million (3.37%), coats $303.761 million (3.11%), accessories $230.369 million (2.36%) and baby wear $197.984 million (2.03%), as per Texpro.

In the first three months of 2021, Germany's imports of trousers & shorts were valued at $2.444 billion (25.63%), whereas T-shirts import was $1.150 billion (12.07%). Thus, the combined import of trousers & shorts and T-shirts was around 37.70 per cent of the total import of $9.537 billion during the 3-month period.

Germany's total apparel import stood at $39.913 billion during January-December 2021. Of this, trousers & shorts accounted for $9.576 billion (23.99%), jerseys $5.515 billion (13.82%) and T-shirts $4.396 billion (11.02%).

Source: fibre2fashion.com- Aug 12, 2022

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Japanese Fast-Fashion Chain Plans Third Myanmar Factory

Brands are under pressure to divest production from Myanmar. One Japanese retailer, on the other hand, has decided to double down.

This month, Honeys Holdings will be plowing 1.5 billion yen ($11.3 million) into a 16,000-square-meter plant in Mingaladon Industrial Park outside the city of Yangon, Nikkei Asia reported last week. Slated to open in May 2024, the facility will be the fast-fashion chain's third in the troubled nation, which has been embroiled in chaos and bloodshed since the military seized power more than a year ago.

"We can manufacture at our factories in Myanmar cheaper than anywhere else," president Eisuke Ejiri told the outlet. "This is our biggest strength." Honeys, which did not respond to a request for comment, sources some 90 percent of its products from Southeast Asia, with 44 percent stemming from Myanmar alone.

Honeys, which also owns the Colza, Cinema Club and Glacier brands, said it undergoes audits by SGS Group, an international certification firm that checks factories for violations such as child and forced labor, workplace health and safety and freedom of association. "We've been told there are no problems," Ejiri said.

But labor campaigners say that due diligence in Myanmar is all but impossible. The Assistance Association for Political Prisoners estimates that more than 2,170 civilians have been killed and nearly 15,100 arrested since the coup began. Crackdowns on civil disobedience protests have been swift and violent, with some reports saying that at least 55 union activists have been killed and 301 members of the labor movement put behind bars.

A study published by the Business & Human Rights Resource Centre last month found more than 100 cases of human-rights violations against at least 60,800 of the country's garment workers. Over half of them (55) involved wage theft, while others included abusive work rates and mandatory overtime (35 cases) and attacks on freedom of association (31 cases). The nonprofit also recorded the killing of seven garment workers by armed security forces and the arbitrary arrests and detention of another 15.

"It is outrageous to hear that while persecuted trade unions on the ground in Myanmar are calling for brands to put workers' lives above maximizing profits and offer humanitarian aid rather than take advantage of a country's misery, brands like Honeys are completely ignoring these calls and continuing to invest," Jay Kerr, campaigner at No Sweat and coordinator of the grassroots group's Myanmar Military: Never in Fashion initiative, told Sourcing Journal.

"While many brands make a big show of their ethical credentials and the codes of conduct that are meant to protect freedom of association, it is becoming increasingly clear that the opportunity for increased profit margins far outweighs any commitments to workers' rights," Kerr said.

Honeys' two existing factories, which are also housed in Mingaladon Industrial Park, faced allegations of worker abuse even before the military takeover. A 2019 Worker Rights Consortium (WRC) investigation identified a litany of violations under Burmese law and international labor conventions such as excessive overtime, sub-minimum wages, illegal wage deductions, underage employment, verbal abuse and profanity, inappropriate surveillance of workers and hazardous workplace conditions.

To punish workers for a June 2017 strike, the company fired nearly 450 union leaders and members en masse, a "severe violation of workers' fundamental labor rights" and a clear act of retaliation, the WRC said.

"Honeys is the only factory in Myanmar that massively dismissed without paying any grievance compensation at all," Myo Myo Aye, the leader of the Solidarity Trade Union of Myanmar, told Sourcing Journal.

Myo Myo Aye helped organize the workers at Honeys, which later filed a civil and then a criminal case accusing her of defamation. Before she was arrested by the junta last April, she appeared in court on more than 40 occasions to respond to Honeys's charges.

From September until her release in October, Myo Myo Aye was locked up in solitary confinement without cause. She was summoned back to court in November, when the case was dismissed because a Honeys representative failed to show up.

Honeys doesn't "respect the labor rights and labor laws," she said. "If they operate a new factory, they will just keep on violating the labor rights and laws. The targets are beyond what a [person] can actually produce. This is an act of forced labor. They are squeezing one's labor out excessively. And they are contravening the freedom of association and freedom of expression."

Though Honeys told Nikkei Asia that the firm has "no relationship" with the military, Myo Myo Aye said that the company will continue to oppress workers "in favor of the regime." Honeys's leadership knows it can "enslave the workers here in Myanmar and they can do whatever they want regardless," she said. "Therefore, we don't want to see the emergence of another Honeys factory in Myanmar."

Brands such as Besteller, H&M and Primark say they choose to remain in Myanmar because they fear pulling out will crater the Burmese economy, leaving workers in a worse condition than they already are. Several of them are waiting for the results of an assessment by the Ethical Trading Initiative, due this month, before deciding their next steps.

But the coup and Covid-19 have already taken their toll on the country, the International Labour Organization (ILO) said earlier this month. More than 1 million fewer women and men are employed in Myanmar today compared with 2020. The quality of jobs is also deteriorating with what it described as "serious violations of labor rights." Evidence from the garment sector, in particular, suggests an increase in casual or daily labor, irregular working hours and piece-rate wages.

"Eighteen months on from the military takeover, the employment situation in Myanmar remains very difficult. While there are limited signs of job growth, the ongoing erosion of labor conditions and the decrease in job quality is deeply concerning," said Donglin Li, the ILO's Myanmar liaison officer.

Kerr is disheartened by the number of brands that continue to operate in Myanmar, or, in the case of Honeys, expand their investments, despite warnings by federal agencies of the regime's attacks on the rule of law, facilitation of corruption, illicit financial activity and serious human-rights abuses. The Ethical Trading Initiative, too, has asked its members to reassess their presence in Myanmar as a "matter of urgency."

“We are even seeing brands that have positive ratings in transparency, such as the Italian brand, OVS, which received the highest score in the 2022 Fashion Transparency Index, sourcing from a country moving towards a civil war; where pro-democracy activists are being executed; and where at least 55 trade unionists have been killed,” he said.

OVS said that its Myanmar suppliers represent no more than 1 percent of its base and that after the coup, it decided to more frequently audit those firms ”in order not to support the army and at the same time not to leave the workers without a job.”

“We periodically evaluate our permanence in the country [based] on our suppliers’ capability to meet our minimum requirements,” a spokesperson told Sourcing Journal. “However, since we know the situation is uncertain we are ready to move our production elsewhere in case the country conditions further deteriorate. We are in touch with some NGOs, observatories and the Italian Embassy to be ready to promptly identify the right steps.”

Fashion Revolution, the advocacy group that publishes the index every year, said that it will be also speaking with OVS to better understand what is happening. Not everyone is convinced, however.

“It is impossible for brands to adhere to their own ethical commitments while sourcing from Myanmar, and we call on them to put people before profit and put their enormous economic power in service of restoring democracy,” Kerr said.

Source: sourcingjournal.com– Aug 11, 2022

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Vietnam's industrial parks, economic zones draw over $100 bn in 30 yrs

Industrial parks (IPs) and economic zones (EZs) in Vietnam have attracted investment worth over $100 billion over the past 30 years and created jobs for more than 4 million labourers, according to the ministry of planning and investment (MPI), which is drafting a government resolution on measures to increase the efficiency of IPs and EZs.

Though IPs and EZs account for half of the country's total export value, the ministry said these face several problems, including unsustainable development in different aspects. Living conditions of local communities where the zones are located have not witnessed remarkable improvement as well.

The ministry suggested formulation of a law on IPs and EZs this year in the draft resolution and a decree from the prime minister on the coordination mechanism among ministries, sectors and localities in managing these parks and zones, according to Vietnamese media reports.

The draft also suggests stipulating the maximum acreage of an IP and an EZ; defining orientations in investment attraction to match the advantages of each region and locality; and creation of a cooperation mechanism between the government and the private sector in developing sector-specific IPs and EZs.

Source: fibre2fashion.com– Aug 09, 2022

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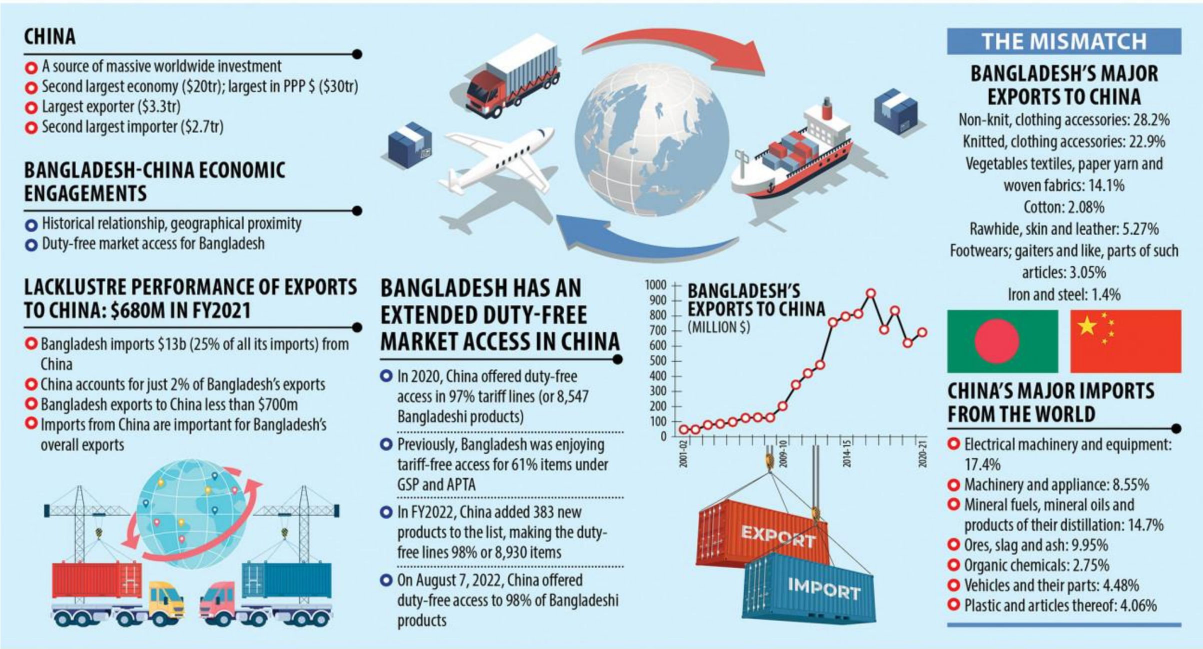
Bangladesh: Small export basket failing Chinese trade benefit

Bangladesh can make little use of the generous duty benefits offered by China simply because of its narrow export basket, with the situation compounded by the fact that the products are low in demand in the East Asian country.

Prior to 2020, China had been offering duty-free access to 97 per cent of Bangladeshi products, or 8,547 types of products to be precise, exported there.



SOURCE: BANGLADESH-CHINA CHAMBER OF COMMERCE AND RAPID

From September, it is to bring within the benefit's purview one more percentage point of products, or 383 new products.

China says it considers Bangladesh an important trading partner and it wants to reduce the trade imbalance between the two countries.

But the problem lies in the fact that of Bangladesh's annual export earnings, more than 84 per cent is generated from garment items, the manufacture of which is a key strength of China.

China says it considers Bangladesh an important trading partner and it wants to reduce the trade imbalance between the two countries

China is the largest exporter of apparel worldwide. It exported more than $180 billion worth of clothing items to the European Union and $90 billion to the US in 2021. The country's import of clothing items from the world amounted to $9.7 billion in 2021.

So, even if China offers zero-duty benefit to every Bangladeshi product being shipped to that country, there is hardly any scope for Bangladesh to increase its export earnings.

"We cannot enjoy the Chinese duty benefit unless and until we can grow our product basket as China is already very competitive in apparel items in global business," said MA Razzaque, research director of Policy Research Institute (PRI).

The demand for Bangladesh-made garment items in China is low as China itself is strong in the manufacture of garment items, he said.
However, now is the time for Bangladesh to utilise the duty benefits in another way -- highlighting it to businesses abroad, including those in China, so that they become interested in availing it through investments in Bangladesh, said Razzaque.

Many Chinese companies are looking for alternative manufacturing bases for the contentious trade relationship with the US, he said.

It is understandable that the Chinese government also wants its local companies to shift their production bases to other countries like Bangladesh so that they remain immune from the volatility in trade with the US, Razzaque said.

So, Bangladesh should make use of the generous Chinese duty benefits from an investment perspective, not only as a window for export, Razzaque said.

Razzaque, also the chairman of the Research and Policy Integration for Development (RAPID), in a study in June this year said China was not only one of the largest exporting countries but also an importer of goods worth $2.7 trillion as of 2021.

Bangladesh could not take up this opportunity of entering the Chinese market as the country does not have a wide variety of products, he said.

In fiscal 2021-22, Bangladesh exported goods worth $683.43 million, of which a majority was apparel items.

In the preceding years, the figures were $680.65 million, $600.1 million and $831.2 million respectively, according to data from the Export Promotion Bureau (EPB).

Abdur Rahim Khan, additional secretary to the commerce ministry, said the 1 percentage point increase in duty benefits may come into effect from next month as the Chinese government had just announced the decision. So, it is too early to state which products had been offered the duty benefit, he said.

Khan echoed Razzaque's views, saying that Bangladesh cannot take this big trade benefit of China as the country's exports are not diversified.

Khan also said it was not yet clear whether China would continue to offer the current duty benefits once Bangladesh makes the United Nations status graduation from a least developed to a developing country in 2026. Khan, however, suggested that local exporters to increase the types of goods they manufactured as the government has been paying a lot of cash incentives on export receipts such as 1 per cent to 4 per cent on apparel and up to 20 per cent on agro-processed goods.

Bangladesh's share in China's import is just 0.04 per cent. Increasing the share to just 1 per cent would generate an additional $27 billion, Razzaque said.

Md Saiful Islam, president of the Metropolitan Chamber of Commerce and Industry, said the duty benefit may not bring cheer for Bangladesh as the locally-made items were not competitive in Chinese markets.

Because the Chinese retailers and brands prefer locally-made items rather than imported goods as they can also meet the quality and demand, Islam said. However, if Bangladesh can produce the goods for globally renowned brands, the Chinse buyers will come to Bangladesh, he said.

Source: thedailystar.net– Aug 12, 2022

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Bangladesh garment export growth seen slowing to 'normal' 15% this year

The garment industry accounts for more than 80% of total exports for Bangladesh, which sells to clients such as Walmart, Gap Inc, H&M, VF Corp, Zara and American Eagle Outfitters — some of which have already flagged weak sales as their customers prioritise basics.

The slowdown follows a surge in sales in 2021 after coronavirus lockdowns eased and government stimulus measures left consumers with disposable cash, leading to what some experts have dubbed "revenge shopping”.

"We should be at about 15% growth for the calendar year - this is going to be a normal year," said Miran Ali, a vice president at the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). "Last year was an abnormally high jump”.

Bangladesh, the world's second-biggest garment exporter after China, saw exports soar 30.4% to $35.8 billion last year, the biggest year-on-year jump in about 25 years. BGMEA data since 1994 shows a big jump in exports in a year is typically followed by slower growth in the next.

Fazlul Hoque, managing director of Plummy Fashions and former president of the Bangladesh Knitwear Manufacturers & Exporters Association, said he too believed exports would rise by about 15% this year.

INPUT COSTS

Hoque said his customers were delaying orders by a month or so and cutting order sizes. One big US client, which he declined to name, initially wanted a small shipment that was to leave this month to be delayed until December.

The client later asked for only a month's delay after Plummy warned them about penalties and other charges for holding on to the stock for longer.

"If they want to delay such small orders for a few months, that means the situation is not really good," Hoque said. "They can't even accommodate the small volume.”

The other worry is rising input costs, after Bangladesh on Saturday raised fuel prices by around 50% amid high international prices. Fuel accounts for about 10% of garment companies' total costs, Hoque said, adding that the use of diesel generators had gone up due to lengthy power cuts.

"After the abnormal oil price hike, production costs will go up sharply," said Shahidullah Azim, another BGMEA vice president. "We'll have to bear losses for the already placed order."

He said exports could grow to between $38 and $40 billion this year - or 6%-12% growth - and that the next year "could be even worse if the global economy tips into recession".

Bangladesh last month became the third South Asian country after Pakistan and Sri Lanka to seek a loan from the International Monetary Fund as its foreign exchange reserves shrank and the trade deficit jumped.

Source: fashionnetwork.com– Aug 11, 2022

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NATIONAL NEWS

India-UK trade set to double by 2030: Report

New Delhi: Trade between India and the UK is expected to double by 2030 driven by the proposed free trade pact, investment in technology, diversification of global supply chains and ease of doing business, a report said on Thursday.

India's trade in goods and services with the UK increased to USD 31.34 billion in 2022 from USD 19.51 billion in 2015, said the report.

The second edition of the Britain Meets India Report 2022, launched by Grant Thornton Bharat in partnership with the Confederation of Indian Industry (CII), supported by the UK's Department of International Trade, also revealed that 618 UK companies have been identified in India that together employ approximately 4.66 lakh people and have a combined turnover of Rs 3,634.9 billion.

"The UK remained the sixth-largest investor in India, with a cumulative investment of approximately USD 31.92 billion in 2000-22. This constituted around 5.4 per cent of the total Foreign Direct Investment (FDI) into India," according to the report.

In June, commerce and industry minister Piyush Goyal expressed hope that the free trade agreement between India and the United Kingdom will be concluded by Diwali.

"The FTA is also expected to result in significant benefits for both countries through tariff concessions on alcoholic beverages and the movement of professionals," the report said, adding that the proposed pact is expected to boost Indian exports in labour-intensive sectors such as leather, textile, jewellery, processed agri-products and marine products, IT/ITES, education, pharma and healthcare (Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homeopathy).

According to the report, the UK is likely to look at reducing tariffs on products such as apples, UK-manufactured medical devices and machinery.

British High Commissioner to India Alexander Ellis CMG said: "India has been one of the UK's most important partners in the journey of 75 years.

The 'living bridge' between our countries is set to transform into a stronger bond as we continue to fight the pandemic together and address the challenges to our security in both the physical and digital worlds. Our shared focus will be on strengthening the economic relationship between the two nations for a more secure and prosperous decade ahead."

"The report has highlighted several new emerging sectors and I hope we will derive qualitative outcomes that nurture opportunities for companies in India and the UK.

We continue to work closely with the governments and businesses on both sides and leverage the strengths of UK companies to deepen our trade relationship," CII Director General Chandrajit Banerjee said.

"Trade between India and the UK is expected to double by 2030 from current levels - based on dynamic connections between people of both countries, investment in technology, diversification of global supply chains and overall ease of doing business," said Vishesh C Chandiok, CEO, Grant Thornton Bharat.

Source: firstpost.com– Aug 11, 2022

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India-Canada talks on Early Progress Trade Agreement speed up

Negotiations between India and Canada to secure an Early Progress Trade Agreement, or EPTA, have accelerated with a delegation from New Delhi in Ottawa for discussions through this week, according to people aware of the matter.

The 14-member team from India, lead by Rachna Shah, additional secretary in the commerce ministry, is interfacing with counterparts from Global Affairs Canada, the country's foreign ministry, lead by Jay Allen, director-general – trade negotiations.

A senior Indian official associated with the discussions told Hindustan Times that there is optimism over securing a "workable text" for the agreement by October this year. Pointing to the momentum, the official underlined the fact this is already the third round of discussions on EPTA.

India has been discussing key trade agreements with several countries and blocs, including the UK and EU, with the focus on digital trade, data protection, and sustainable development. New Delhi has already forged pacts with the United Arab Emirates and Australia with an aim to boost bilateral trade and investment.

India and Canada decided to consider the interim agreement when Canadian minister of international trade, export promotion, small business and economic development, Marg Ng, visited New Delhi in March and held a ministerial dialogue on trade and investment with commerce and industry minister Piyush Goyal on March 11. EPTA, if concluded, will be a transitional step towards a Comprehensive Economic Partnership Agreement, or CEPA.

The governments have decided on the "two-tier" approach and "bank the low-hanging fruit" of the areas of close convergence under EPTA before progressing to the more complex CEPA.

According to the Canadian government data for 2020, the country's imports from India were pegged at CA$ 4.97 billion while its exports stood at CA$ 3.71 billion.

Major trade between the two sides covered exports of metal ores, non-metallic products and energy products from Canada, and imports of textiles and consumer goods from India. The country's stated trade goal is to cross the CA$ 10-billion mark.

The Indian delegation arrived in Ottawa on Sunday, negotiations commenced on Monday, and discussions on EPTA are scheduled to continue till the end of the week, the people cited in the first instance said. There is also broader support for the deal, including from Canada's finance ministry — headed by deputy prime minister Chrystia Freeland — which wants the country to be far more economically engaged in the Indo-Pacific.

Unlike the previous series of negotiations over CEPA, 11 rounds in all, which finally didn't bear fruit, this time around, the Indian official cited above said, both sides have "established a greater degree of understanding of sensitivities" of the other. EPTA is being looked upon as the "first deliverable" towards strengthening the economic and trade relationship between the two countries, the official added. Corporate groups in Canada have also sought progress on the matter in recent days.

Last week, a report from the Business Council of Canada and the Canada-India Business Council noted, "India represents a vital door to the future in global trade." The two major groups called for an India-specific strategy and said that "will be an important first step in enhancing the relationship, but Canada should not stop there.

A comprehensive trade and investment agreement that reduces tariffs and other barriers, increases labour mobility and improves investor confidence would generate significant economic gains for both countries."

"Global markets are experiencing volatality on many fronts. It is a wonderful opportunity for India and Canada to diversify and actively seek out more trading opportunities together," said Victor Thomas, president and CEO of Canada-India Business Council.

Source: hindustantimes.com– Aug 11, 2022

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India, EU to hold next round of FTA talks in early October

India and the EU will likely hold the next round of negotiations for a proposed free trade agreement (FTA) in early October in Brussels, a senior government official told FE, as the two sides seek to expedite talks to hammer out a deal by next fiscal.

India is expected to submit its master negotiating text to the EU in October for further discussion, another source said.

After a gap of about nine years, both the sides resumed the much-awaited negotiations in June for a "new-age" FTA that would cover a number of areas, beyond just goods, services and investments. Discussions are likely to take place on as many as 18 policy areas. The EU is learnt to have submitted its own negotiating text to India in June.

India's experience of negotiating a modern FTA with an advanced economy like the UK will come in handy in its talks with the EU as well, one of the sources said. Still, despite firm commitments from both the sides, a deal with the EU will take longer, thanks to sticky market access issues, on top of the complexity of negotiating with bloc whose 27 members may not necessarily have common ambitions in several aspects of trade, sources said. India and the UK, meanwhile, have set the Diwali (October 24) deadline for clinching an FTA, formal negotiations for which started only in January.

Both the sides the sides would first take stock of the progress made so far and discuss how to proceed further. "It makes sense to focus on points of convergence first before moving on to the contentious matters," one of the sources had said.

In the last round, 52 technical sessions covering various areas of negotiations and seven sessions on investment protection and geographical indications were held.

Formal negotiations between the two sides for the FTA were stuck over stark differences after 16 rounds of talks between 2007 and 2013. The EU insisted that India scrap or slash hefty import duties on sensitive products such as automobiles, alcoholic beverages and dairy products, and open up legal services.

Similarly, India's demand included greater access to the EU market for its skilled professionals, among others. However, both the sides have now decided to take the negotiations to their logical conclusion.

The EU, even after the Brexit, continued to be India's largest export destination (as a bloc) in FY22, although it has lost some appeal. The country's outbound shipments to the EU jumped 57% on year in FY22 to $65 billion, albeit on a contracted base. Similarly, its imports from the EU jumped 29.4% last fiscal to $51.4 billion.

Source: financialexpress.com– Aug 11, 2022

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EU to end duty benefits for 1,800 goods under Generalised Tariff Preference Scheme

India's exports of plastics, stone, machinery and mechanical appliances worth $7.9 billion to the EU will no longer be eligible for low or zero-duty concessions from January, 2023 as the bloc would withdraw these benefits under the Generalised Tariff Preference Scheme (GSP).

Exports of almost 1,800 products of plastics, fur, stone, plaster, cement, asbestos, and machinery and mechanical appliances will cease to get the benefits and make Indian goods more expensive with exporters paying 6.5% duty for certain plastic products where the tariff is nil at present. Their exports to the EU in 2021 were $7.9 billion.

"In these four sectors, the EU is a major export destination for India and holds around 22.58% share of India's total exports," said Ajay Sahai, director general, Federation of Indian Export Organisations.

Textiles, vehicles, chemicals and some leather products got excluded from the EU GSP programme in 2014 after their exports crossed the specified threshold and haven't enjoyed the preferential treatment since then.

On June 29, the EU announced the withdrawal of GSP benefits for India in the four sectors from January 1, 2023 along with those for Kenya and Indonesia.

The current EU GSP system will expire at the end of 2023. Going ahead, for 2024-2034, the EU aims at a more effective system which delivers benefits to where they are needed and time toughens the sustainable development criteria applicable to developing countries.

The withdrawal of GSP benefits by the EU countries for certain sectors will impact the export of these commodities to EU; one more reason for India to move fast on the India-EU FTA fast," said Bipin Sapra, partner at EY India.

Exporters have already raised the issue with the commerce and industry ministry as GSP is the only route to get tariff concessions as the India-EU free trade agreement is yet to be formalised.

"This will severely impact our competitiveness as other GSP and GSP plus countries will continue to enjoy tariff concessions for these sectors," said an industry representative.

As per an analysis done by FIEO, out of the total 16,309 EU tariff lines (products), 46.6% are eligible for tariff concessions under GSP. Around 23% of the products have zero duty.

It analysed 1,947 products that get GSP benefits, of which 81% get full tariff concessions and 11% are subject to low duty but these concessions will no longer be available for India from January next year.

Among states, Maharashtra, Gujarat and Tamil Nadu would be the most hit as their share in exports to the EU is almost 60%.

Source: economictimes.com– Aug 10, 2022

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India-UK conclude fifth round of FTA talks

Bengaluru: India and the UK concluded the fifth round of talks for a free trade agreement on 29 July, and aim to conclude the deal by the end of October this year, the commerce and industry ministry said in a release on Thursday. The talks were held in a hybrid manner with some of the teams meeting in New Delhi and the majority of officials joining virtually.

“For this round of negotiations, technical experts from both sides came together for detailed draft treaty text discussions in 85 separate sessions covering 15 policy areas," said the release. “India and the UK officials will continue to work intensively throughout the summer towards our target to conclude the majority of talks on a comprehensive and balanced Free Trade Agreement by the end of October 2022," it added.

India and the UK have covered significant ground in the past rounds, with the UK agreeing to eliminate duty on Indian rice and textile goods, while India is likely to allow duty-free entry of British apples, UK-manufactured medical devices, and machinery.

Initially proposed to be an early harvest agreement or interim FTA covering 65% of goods and up to 40% services, commerce and industry minister Piyush Goyal had expressed optimism that the full pact would be ready by Diwali without the need for an interim early harvest agreement. The agreement is estimated to double India-UK bilateral trade to about $100 billion by 2030.

An agreement is also expected on mutual recognition of higher education qualifications, a person aware of the development said. India will likely get more skilled visas, with the UK currently facing a shortage of experts in the IT and programming sectors.

The India-UK FTA deal is also expected to give a boost to the domestic textile sectors. Exporters told Mint that the UK is among the most important markets for them among all other markets where India has got duty-free access such as UAE, and Australia.

Source: livemint.com– Aug 11, 2022

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India's GDP to contribute 22% to global growth, says Morgan Stanley

India is likely to be the fastest-growing Asian economy in 2022-23, according to analysts at Morgan Stanley. They expect India's gross domestic product growth to average 7 per cent during this period — the strongest among the largest economies — and contributing 28 per cent and 22 per cent to Asian and global growth, respectively.

The Indian economy, they said, is set for its best run in over a decade as pent-up demand is unleashed.

"We have been constructive on India's outlook, both from a cyclical and structural perspective, for some time. The recent strong run of data increases our confidence that India is well positioned to deliver domestic demand alpha, which will be particularly important as developed market growth weakness percolates into Asia's external demand," wrote Chetan Ahya, chief Asia economist at Morgan Stanley, in a recent co-authored note.

The key change in India's structural story, according to Ahya, lies in the clear shift in policy focus towards lifting the productive capacity of the economy.

Policymakers, he wrote, have taken up a series of reforms which will catalyse an upswing in the private capital expenditure cycle, helping unleash a powerful productivity dynamic, leading to the onset of a virtuous cycle.

A large part of this optimism has stemmed from a drop in commodity prices, especially crude oil. With a 23–37 per cent decline in oil/commodity prices since the March peak, Morgan Stanley expects macro stability indicators to head back towards the comfort zone and that the Reserve Bank of India (RBI) may not have to hike rates aggressively.

"We project that the RBI does not need to lift rates deeply into the restrictive territory. In other words, the RBI will not need to slow domestic demand growth meaningfully to control macro stability indicators.

From a medium-term perspective, the key risk is if policymakers make a shift towards redistribution rather than focusing on boosting private investment. In the near term, India is still exposed to global supply shocks like a renewed spike in oil/commodity prices," said Ahya.

Since May, the RBI has hiked rates cumulatively by 140 basis points in quick succession, lifting policy rates to 5.4 per cent — a touch above pre-pandemic levels of 5.1 per cent.

Besides a fall in the prices of commodities, reopening of the economy earlier this year has also aided economic recovery. Demand, according to Morgan Stanley, has been on an uptick as mobility increased and remained above pre-Covid levels over the past few months.

"The strength of recovery provides a comforting backdrop and represents the strongest performance of the economy in almost a decade. What's more, it is the breadth of recovery where we are seeing growth firing on almost all cylinders, which is very encouraging — even though exports will slow in India just as we expect them to elsewhere in the region. Even in this instance, we expect services exports to hold up better than goods exports, acting as a mitigating factor," added Morgan Stanley.

Source: business-standard.com– Aug 10, 2022

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‘Abnormal’ trend in domestic cotton futures worries textile industry

Concerns over premium of August contracts over other months

The behaviour of cotton futures on the Multi Commodity Exchange of India (MCX) has surprised textile industry players with a section of them expressing concern over the developments.

The trade, in particular, is concerned over the huge difference between August, October, November and December futures, especially the huge premium for the near-term contract.

According to MCX data, August cotton contracts on MCX are currently ruling at ₹48,600 a bale (170 kg) or ₹1.01 lakh per candy of 356 kg. October contracts are quoted at ₹39,250 a bale (₹65,450 a candy), November contracts at ₹34,300 (₹71,828) and December at ₹32,600 (₹68,268).

‘A lifetime experience’

This means there is a difference of ₹35,000 between August and October futures, ₹30,000 between August and November futures and ₹32,000 between August and December futures.

“I have never seen such a huge rate difference in my life. The ₹30,000 difference between August and November month is hard to believe.

Also, the open interest in MCX is only 30,000 bales for the August contract with stocks in the exchange’s godown only 3,000 bales,” said Atul Ganatra, President, Cotton Association of India (CAI) - a body of cotton traders.

Intercontinental Exchange (ICE), New York, October cotton futures are currently quoted at 103.99 US cents a pound (₹65,405) a candy) and December futures at 98.51 cents (₹61,908).

MCX spot cotton price as of August 8 was ₹94,067, while spot prices in Gujarat for benchmark Shankar-6 cotton is currently ₹95,000.

Yarn buyers benchmark

"If you take into account the ICE benchmark futures in July and MCX cotton August futures, there is about 60 per cent premium for Indian cotton prices. International yarn buyers are quoting ICE July rates for importing from India," Ganatra said.

It is only recently that Indian cotton is being sold at a premium to New York ICE cotton. At least during eight of the past 10 years, Indian cotton was sold at discount, he said.

"Current artificially high cotton prices in India are playing their own damaging role already in our export competitiveness across all products starting from yarn, fabric, home textiles to apparel," said Prabhu Dhamodharan, Convenor of Coimbatore-based Indian Texpreneurs Federation (ITF).

"The problem is that this is a record high difference between these two exchanges — MCX and ICE," said the CAI President.

MCX raises margin

"On MCX, huge speculation is going on. The futures need not result in delivery. So, every buyer or seller is playing a role in pushing up the prices," said Anand Popat, Rajkot-based cotton, yarn and cotton waste trader.

Ganatra said as the textile industry and spinning mills have to buy cotton based on the MCX rates but sell yarn in the export market based on ICE futures, they are forced to incur huge losses.

Dhamodharan said the development comes at a time when the textile industry is undergoing a painful trend with low utilisation levels combined with operational losses.

On MCX's part, it has raised the margin for the August contract to 11 per cent from 6 per cent from August 8. It has narrowed the daily price limit for the August contracts in cotton to 2 per cent in a bid to curb speculation. There will be no further relaxation in the daily price limit, it said in a statement.

July yarn exports down 70%

Ganatra termed as incorrect the contention that Indian cotton prices are reacting to the loss of the US crop in Texas and in China. Wondering why only Indian prices should increase, he alleged that cotton futures in the country were driven by pure speculation.

ITF's Dhamodharan said Indian SME manufacturers of apparel need competitive and global raw material prices to compete globally. This is not happening going by the current trend in cotton prices.

Ganatra said in view of Indian cotton ruling at a premium, export of cotton, cotton yarn, apparel and garments have been badly affected. "As per one of the industry experts, our cotton and cotton yarn export dropped in July by 70 per cent and this is mainly because of higher rate of cotton," he said.

Hopes of robust crop

Dhamodharan said a recessionary trend with low consumer sentiment is resulting in lower demand. "In turn, we are facing a hyper-competitive environment in all developed markets in the fashion space," he said.

Only two things can help the textiles sector, the ITF convenor said, adding that the expectation of a robust Indian cotton crop with good quality was one. "Our own survey says it is a very much possible scenario (robust crop with good quality) in the upcoming season," he said.

Secondly, the removal of import duty on cotton permanently will offer the industry a level-playing field with other competing countries. "Farmers are well protected with robust domestic consumption and a good hike in minimum support price (MSP)," he said.

For the current crop year (July 2022-June 2023), the Centre has raised the MSP for cotton to ₹6,080 from ₹5,726 a quintal for the medium staple variety. Currently, the net weighted modal price (the rate at which most trades take place) for cotton across various agricultural produce marketing committee (APMC) yards is ₹10,621 a quintal.

Cotton prices have been ruling at least over 60 per cent higher than the MSP during the current season to September in view of the crop being affected due to unseasonal rains in October-November last year.

Exports at standstill

According to the Cotton Committee on Production and Consumption, cotton production this year is estimated at 340.62 lakh bales. The CAI, however, has pegged it lower at 315.32 lakh bales. The estimates are against last season's production of 352.48 lakh bales.

A major reason for Indian cotton prices topping ₹1 lakh a candy in May and June is the crop quality got affected by the unseasonal rains. Quality cotton had commanded a premium throughout the reason, with domestic prices ruling at a premium to ICE benchmark futures.

"Even at this premium, which has increased to 50-60 cents, stocks are not available," said Popat.

A fallout of the high domestic price is that exports have come to a halt. Till now, India has exported 40 lakh bales and not much cotton is expected to be shipped out until the season-end in September. This is against exports of 77.59 lakh bales last season.

Source: thehindubusinessline.com– Aug 10, 2022

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'Cotton consumption expected to decline'

Industry sources said several textile mills have reduced production due to low demand for yarn leading to a drop in demand for cotton

Cotton consumption by textile mills has declined in the recent months and is expected to be 283 lakh bales (non-SSI mills) between October 2021 and September 2022, according to an estimate by Committee on Cotton Production and Consumption.

The Committee, which reviewed the cotton supply and demand position on Wednesday, said cotton consumption by SSI mills would be 19 lakh bales and for non-textile purposes, it would be 16 lakh bales.

At a meeting last month, the committee estimated non-SSI mill consumption to be 285 lakh bales, SSI mill consumption to be 20 lakh bales and non-textile demand to be 42 lakh bales.

On Wednesday, the Committee also revised import estimates to 12 lakh bales as against the earlier estimate of 15 lakh bales.

Industry sources said several textile mills have reduced production due to low demand for yarn. This has led to a drop in demand for cotton.

Source: thehindu.com– Aug 11, 2022

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Switzerland keen on closing free trade agreement talks with India

Switzerland advocated for the quick completion of negotiations regarding the free trade agreement between the European Free Trade Association (EFTA) and India in a recent meeting held between Swiss federal councillor Ueli Maurer and Indian finance minister Nirmala Sitharaman in New Delhi. Switzerland is a member of the EFTA along with Iceland, Liechtenstein, and Norway.

Trade between India and Switzerland reached around $31.8 billion in 2021, making the former the second-biggest Asian trading partner of the latter, as per statistics released by the Swiss government.

“Both sides discussed areas for enhanced cooperation, including on fintech, automatic exchange of information, renewable energy, sunrise sectors as well as infrastructure investments and sustainable finance,” said the Indian ministry of finance on Twitter.

The Swiss Federal Department of Finance also issued a statement promoting the finalisation of the negotiations on an EFTA free trade agreement with India. “Maurer promoted open markets and emphasised that stronger trade has a positive impact on a country's prosperity in the long term,” the statement added.

While India’s exports to the EFTA amounted to $1.7 billion in FY22, its imports touched $25.5 billion in the same period. Of these, imports just from Switzerland were valued at $23.4 billion. Discussions regarding a broader trade and investment agreement between India and EFTA members officially began in January 2008 until they were put on hold in 2013, and recently picked up in October 2016.

Source: fibre2fashion.com– Aug 11, 2022

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India's cotton prices again breach ₹1 lakh per candy

Cotton prices in India have risen drastically in last two weeks and once again breached the psychological figure. Cotton was sold at ₹100,000 per candy of 356 kg in upper Rajasthan today. Other regions of the country also witnessed steep rise in prices due to negligible availability of old crop and possible delay in new crop caused by heavy and late rains.

According to traders, north India cotton prices jumped 5-6 per cent on Wednesday as spot sellers quoted higher prices after steep rise in futures trading. Market sentiments turned to bullish as ginners have very thin stocks for sale. Kapas arrival also reduced to negligible which shows depleting stocks with farmers. Traders said that new cotton arrival is likely to be delayed by 15-20 days.

Normally, new cotton crop reaches in north India in mid of September but this year late rains slowed crop progress. Therefore, cotton prices have fuelled despite the fact that there was thin trade in spot market. Spinning mills do not see any business sense to produce yarn by buying natural fibre at such a costly price.

According to Fibre2Fashion's market insight tool TexPro, there was very thin trade due to negligible availability of cotton. But spot market prices gained ₹500-600 per maund of 37.2 kg. Cotton was sold at ₹10,000-10,200 per maund in Punjab, ₹9,500-10,000 per maund in Haryana and ₹11,000 -11,200 per maund in Upper Rajasthan.

It translates to cotton prices of around ₹107,000 per candy of 356 kg. The natural fibre was sold at around ₹92,000-95,000 per candy in Punjab and Rajasthan. The cotton was sold at ₹91,000-93,000 per candy of 356 kg in lower Rajasthan.

Source: fibre2fashion.com– Aug 10, 2022

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Government releases two instalments of tax devolution to State Governments amounting to Rs 1,16,665.75 crore as against normal monthly devolution of Rs. 58,332.86 crore

The Union Government has released two instalments of tax devolution to State Governments amounting to Rs. 1,16,665.75 crore on 10th August, 2022, as against normal monthly devolution of Rs..58,332.86 crore.

This is in line with the commitment of Government of India to strengthen the hands of States to accelerate their capital and developmental expenditure.

State-wise breakup of amounts released is given below in the table:

State-wise distribution of Net Proceeds of Union Taxes and Duties for August 2022

Sl. No	Name of State	Total (Rs. Crore)
1	Andhra Pradesh	4,721.44
2	Arunachal Pradesh	2,049.82
3	Assam	3,649.30
4	Bihar	11,734.22
5	Chhattisgarh	3,974.82
6	Goa	450.32
7	Gujarat	4,057.64
8	Haryana	1,275.14
9	Himachal Pradesh	968.32
10	Jharkhand	3,858.12
11	Karnataka	4,254.82
12	Kerala	2,245.84
13	Madhya Pradesh	9,158.24
14	Maharashtra	7,369.76
15	Manipur	835.34
16	Meghalaya	894.84
17	Mizoram	583.34

18	Nagaland	**663.82**
19	Odisha	**5,282.62**
20	Punjab	**2,108.16**
21	Rajasthan	**7,030.28**
22	Sikkim	**452.68**
23	Tamil Nadu	**4,758.78**
24	Telangana	**2,452.32**
25	Tripura	**826**
26	Uttar Pradesh	**20,928.62**
27	Uttarakhand	**1,304.36**
28	West Bengal	**8,776.76**
	Total	**1,16,665.72**

Source: pib.gov.in– Aug 10, 2022

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