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# IBTEX No. 163 of 2022 August 23, 2022


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# INTERNATIONAL NEWS

## China-Europe freight train trips reach 10,000 in 2022: China Railway

The number of China-Europe freight train trips made in the year 2022 touched 10,000 around 10 days earlier than the previous year, according to data released by the China State Railway Group Co., Ltd. (China Railway). The trains transported around 972,000 twenty-foot equivalent units (TEUs) of goods during the period, which was a rise of 5 per cent from last year.

China-Europe trains have 82 routes and stop at 200 cities across 24 countries in Europe. The trains carry over 50,000 kinds of goods spanning 53 categories, including grain, timber, clothing, accessories, and automobile parts.

Moreover, the average freight volume on the eastern route for the China-European freight train services on a daily basis rose to 41.3 per cent in 2022 when compared to 2020, and that for the central and western routes jumped to 15.2 per cent and 20.7 per cent, respectively.

Source: fibre2fashion.com- Aug 22, 2022

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# Sri Lanka: Apparel exports cross US $ 3.3bn for January-July period

The export revenue of Sri Lanka's apparel sector for the first seven months of the year crossed the US $ 3 billion mark, with July recording a positive performance, which affirms the industry's ability to sustain resilience. According to the provisional data released by the Joint Apparel Association Forum (JAAF), the export revenue for the January-July 2022 period totalled US $ 3.31 billion, a 3.53 percent increase from the corresponding period of 2021.

The cumulative analysis for the first seven months for the year ending in July showed that the exports to the USA totalled US $ 1.41 billion (27.12 percent increase), whereas the exports to the EU and UK totalled US $ 963 million (14.56 percent increase) and US $ 455 million (18.04 increase).

The textile and apparel exports for the month of July fetched US $ 522.14 million. It was the second consecutive month in 2022 that the industry's export revenue crossed the US $ 500 million mark. In June, the apparel exports recorded a revenue of US $ 536 million, the highest ever to be recorded for a calendar month. The previous highest was in March 2019, where an export revenue of US $ 504 million was achieved.

Sri Lanka's garment and textile export income rose 23 percent to US $ 5.4 billion in 2021 from a year ago. The garment exports income alone rose 26 percent to Rs.4.95 billion. Meanwhile, Sri Lanka imported little over US $ 3 billion worth of textile and textile articles for 2021, up 31 percent from a year ago. The garment and textile industry has a US $ 8 billion export target set for 2025.

Source: dailymirror.lk- Aug 23, 2022

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# China adds liquidity via reverse repos, cuts benchmark lending rate

The central bank in China recently conducted 2 billion yuan ($293.3 million) of reverse repos to maintain stable liquidity in the banking system. The People's Bank of China (PBOC) set the interest rate for the seven-day reverse repos at 2 per cent. It also cut the market-based benchmark lending rate to boost growth.

The one-year loan prime rate (LPR) was 3.65 per cent today, down from 3.7 per cent, according to the National Interbank Funding Centre.

The over-five-year LPR, on which many lenders base their mortgage rates, was lowered by 15 basis points to 4.3 per cent, official Chinese media reported.

The reduction followed the cut in the over-five-year rates in May.

The bank cut the interest rates of its medium-term lending facility (MLF) loans by 10 basis points last week, the second such move this year.

Source: fibre2fashion.com- Aug 22, 2022

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# Vietnamese exporters urged to adapt to protectionist measures from Australia

Vietnamese exporters need to be well prepared for any risks from protectionist trade measures from Australia against Vietnamese goods, such as anti-dumping and anti-subsidy policies, mostly in steel products, experts said.

Speaking at a seminar last week in HCM City, Chu Thắng Trung, deputy director of the Ministry of Industry and Trade's Trade Remedies Authority, said Australia is a potential export market but it also poses risks of protectionist trade measures against Vietnamese goods.

Amid the growing number of free trade agreements (FTAs) Việt Nam has signed, Việt Nam's goods are expected to face anti-dumping lawsuits and protectionist trade measures imposed by importing countries, he said.

As of June, there were 222 investigations into Vietnamese exports initiated by 19 export markets, of which, 18 cases came from Australia, including anti-dumping and anti-subsidy cases, mostly in steel products (61 per cent).

According to the Việt Nam Steel Association, steel is among the industries with the highest number of trade lawsuits. From 2004 to July 2022, the industry faced 68 lawsuits, including cases involving anti-dumping, anti-subsidy and anti-tax evasion.

Other exports, such as paper, electrical cables, and household items, are also at risk, Trung said.

Nguyễn Thị Phương Nga, head of the ministry's Asia-Africa Market Department, said trade between the two countries has continued to grow with an annual average of 11.5 per cent during the 2011-2021 period.

Australia was the 10th largest trading partner of Việt Nam last year with bilateral trade turnover reaching $12.4 billion, up 49 per cent year-on-year. In the first seven months, Australia was the seventh largest trading partner of Việt Nam.

Australia is the world's 13th largest economy with an import value of nearly $250 billion per year.

With a population of only 25.7 million, Australia is a potential market as Australian people are willing to pay for high quality imported products, according to Nga. Việt Nam's exports to Australia include agricultural, fishery and wood products, machinery, transport vehicles, and steel.

Meanwhile, Australia's exports to Việt Nam include textile-garment and leather-footwear materials, coal, iron ore, dairy products, chemicals and chemical products.

Trần Ngọc Bình, head of the HCM City branch of Ministry of Industry and Trade's Import-Export Management Division said the two countries are partners in three FTAs, namely the ASEAN - Australia - New Zealand Free Trade Area (AANZFTA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the Regional Comprehensive Economic Partnership (RCEP).

Phùng Gia Đức, deputy head of the Foreign Trade Defence Handling Division under the Ministry of Industry and Trade's Department of Trade Defence, said trade measures, including anti-dumping, anti-subsidy and safeguarding measures are allowed by FTAs and the World Trade Organisation (WTO) to prevent unfair competition, such as dumping and subsidies for imported goods.

These also prevent a sudden surge of imported goods which has the potential to cause serious damage to domestic manufacturing industries. They are also an important legal tool to protect local industries and enterprises, especially when tariff barriers are removed in accordance with international commitments.Experts recommended that Vietnamese firms respond to foreign trade remedies by studying the laws of importing countries.

They need to diversify their export markets as well as products while increasing competitiveness through quality and brand awareness.V

Source: einnews.com- Aug 23, 2022

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# Inventory woes for Taiwan's apparel, footwear firms: Yuanta Securities

Taiwan's apparel and footwear firms could face extended inventory adjustments due to weak sales and record in-transit inventories reported by their global clients in the second quarter (Q2) this year, according to Yuanta Securities Investment Consulting Co, which recently said in a research note that clients are expected to resume orders after reaching healthier inventory levels.

Local suppliers would in the meantime "see a recurrence of earning declines and share price corrections, as seen in the 2016-2017 inventory adjustments period," Yuanta said.

An inventory adjustment period is expected to last two to three quarters, which would negatively affect Taiwanese domestic manufacturers' sales and earnings in the coming quarters, the investment consultancy said.

"Based on current brand inventory levels and their sales guidance, brand client inventories are forecast to recover to a healthy level in about the second or third quarter of 2023," Yuanta said.

The cautionary statement follows abundant supplies on the upstream side and weak sales on the downstream side in the first half of this year by the footwear and apparel industry, the note by the consultancy said.

Shipments are clogging in transit inventories, while their US and European Union clients have limited products on their shelves amid logistics disruptions, it said.

As Nike contributes up to 90 per cent of sales to Feng Tay Enterprises Co, Yuanta expects the latter's shipments to resume growth in Q2 2023, prior to its peers.

As Under Armour contributes less than 10 per cent of sales to Eclat Textile Co. and Fast Retailing's GU brand accounts for about a fifth of Makalot Industrial Co.'s sales, their shipments are unlikely to resume growth until the third quarter of next year, Yuanta noted.

Slower operational growth of footwear and apparel companies may also affect their orders from shoelace, elastic band and fastener supplier Taiwan Paiho Ltd, Yuanta was quoted as saying by a leading Taiwanese English-language daily.

But due to robust demand for footwear and apparel products coupled with positive macroeconomic data, consumer demand is unlikely to weaken significantly, which should help with inventory digestion, the consultancy added.

Source: fibre2fashion.com- Aug 22, 2022

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# Dhaka to raise DIFE's capacity, labour ministry approves 162 new posts

Bangladesh recently initiated steps to strengthen the capacity of the department of inspection for factories and establishments (DIFE) to ensure workplace safety according to the national action plan on the labour sector. The labour ministry this month approved 162 new posts for the department, while 30 additional posts of labour inspectors were created.

The department now has 888 posts, including 311 inspectors to look after safety issues in more than 0.53 million factories. The total number of sanctioned posts of inspectors is 575.

The ministry has also approved setting up of eight new inspectorate offices in Gopalganj, Manikganj, Feni, Brahmanbaria, Cox's Bazar, Rangamati, Jamalpur and Naogaon.

The country's development partners, including the European Union and International Labour Organisation (ILO), had been pressing for recruiting new labour inspectors and ensuring full functionality of labour inspectorate, according to Bangla media reports.

Poor safety maintenance and a lack of regular monitoring are allegedly responsible for the industrial accidents in the country's readymade garment (RMG) and other non-RMG sectors.

At the ninth session of the EU-Bangladesh Joint Economic Commission in October 2019, Bangladesh agreed to develop a national action plan on the labour sector. The final plan was developed in consultation with the EU and shared with the latter on July 1, 2021.

It was developed under nine areas, with a focus on legal and administrative reforms as well as enforcement of laws, capacity building and promotional activities.

Source: fibre2fashion.com- Aug 23, 2022

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# Bangladesh: Prepare to gain bigger share of EU export market: experts


Bangladesh needs to prepare to grab a bigger slice of the European Union's export market as China may lose 8 to 10 per cent of its share within the next few years due to global geopolitical changes, an economist said yesterday.

As such, Bangladesh should comply with the EU's new Generalised System of Preferences (GSP), which requires improving human rights, labour rights and protecting the environment, in order to avail the facility, according to MA Razzaque, research director of the Policy Research Institute.

For instance, 25 per cent of the companies in Germany prefer to follow the Environment, Social and Governance criteria in sourcing goods from other countries, Razzaque said.

Currently, Germany is the largest export destination of Bangladesh in the EU and the second-largest overall after the US.

Trade tension between the US and China has triggered changes in the global geopolitical scenario and some countries like Bangladesh have been enjoying the benefit as work orders are shifting from China, the world's largest apparel exporter, to other countries.

Non-garment sectors should also be more compliant to grab more of the EU market under the new GSP regime, which will come into force from 2024 and continue until 2034, Razzaque added.

Razzaque was speaking at a virtual discussion, styled "Towards a Transformed and Revitalised Trade and Economic Partnership with the EU", jointly organised by Friedrich Ebert Stiftung, and the Research and Policy Integration for Development.

Researchers, university professors, analysts, economists, trade body leaders, government high-ups and experts participated in the discussion.

Senior Commerce Secretary Tapan Kanti Ghosh said Bangladesh has already been enjoying the benefits of global geopolitical changes as the country is receiving more work orders, particularly in the garment sector. For instance, Bangladesh's exports to the US crossed $10 billion for the first time in the last fiscal year, when the industry registered 60 per cent growth, Ghosh said.

While Bangladesh's exports to the US are growing, the shipment of goods from other countries to the same market is showing a negative trend, he added.

Bangladesh has been negotiating with the EU for an extension of the trade benefits offered by the GSP facility as the country was severely affected by the fallouts of Covid-19.

Alongside Bangladesh, other least-developed countries (LDC) asked for an extension of the zero-tariff trade benefit for six more years during the 12th WTO Ministerial Conference in Geneva in June this year.

It is expected that developed and developing countries will grant at least a three-year extension of the trade benefit for graduating LDCs at the next WTO Ministerial Conference to be held next year.

"So, if the three-year extension is granted, Bangladesh may enjoy the zero-duty benefit to the EU up to 2031 or 2032, by when the country aspires to be a higher middle-income nation," Ghosh said.

If the country becomes a higher middle-income country, it will need to sign free trade agreements (FTA) with the EU as decision-makers of major trade blocs have recently hinted for these kinds of deals, he added.

Currently, seven sub-committees under the Prime Minister's Office are working to prepare the country for its graduation from an LDC by 2026.

While moderating the discussion, Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, said the EU is an enlightened partner of Bangladesh that has been supporting the country ever since it gained independence.

In different negotiations such as those under the World Trade Organisation and other platforms, the EU always stands beside Bangladesh.

The EU has long been demanding improvements in issues like child labour, labour rights, human rights and protecting the environment, which are also necessary for Bangladesh's vision.

"So, the EU-Bangladesh relations should look beyond trade and investment," he said.

Delwar Hossain, a professor of international relations at the University of Dhaka, said Bangladesh needs to maintain its current growth momentum.

Bangladesh needs to take preparation not only for LDC graduation but also for policy reforms, said Mostofa Abid Khan, a former member of the Bangladesh Trade and Tariff Commission.

Amena Mohsin, another professor of international relations at the University of Dhaka, said Bangladesh needs to sharpen its negotiation skills considering the changing geopolitical and geostrategic relations worldwide.

Source: thedailystar.net- Aug 23, 2022

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# Bangladesh: Cotton use likely to remain unchanged

Bangladesh's cotton consumption may remain unchanged in the year from August 2022 to July 2023 owing to lower-than-expected imports, said the US Department of Agriculture (USDA) recently.

The US agency said cotton imports by Bangladesh was likely to be 8.4 million bales during the period, down from its previous forecast of 8.5 million bales.

As such, the second-biggest garment exporting country will use 8.5 million bales, it observed in its latest report on world markets and trade of cotton released earlier this month.

The agency lowered its forecast on global cotton production by 3.1 million bales to 117 million bales in the marketing year 2022-23 owing to an output decline in the US. It also predicted a drop in global use, inventory stocks at the year's end as well as global trade.

It also forecast lower imports for India, Pakistan, Turkey, and Vietnam.

It said Bangladesh's import declined in the same period between 2021 and 2022 along with that of China and Pakistan.

Bangladesh imported 7.9 million bales of cotton, down 9 per cent from 8.7 million tonnes the preceding period.

A Matin Chowdhury, managing director of New Asia Group, said many buyers are adjusting their inventories.

"So, the volume of orders is reducing. Besides, many are using synthetic and blended cotton because of the higher prices of cotton."

Source: thedailystar.net- Aug 23, 2022

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# NATIONAL NEWS

## Authentic data, removal of import duty on cotton needed for textile sector: Survey

Authentic data and removal of import duty can enable growth for the textile sector in the upcoming cotton season, a survey carried out by a textile body said on Monday.

The Indian Texpreneurs Federation (ITF) said the textile and apparel sector in the country is facing turbulence due to historic high cotton prices combined with demand contraction in developed markets, even as the industry is now hoping for a robust cotton crop harvest in the new season starting from October 2022, its convenor Prabhu Dhamodaran said in the survey report.

The textile body had conducted a survey among its member entrepreneurs representing a major value chain of textile manufacturing to get a sense about few key friction points regarding the upcoming cotton season.

Around 99 per cent of the entrepreneurs mentioned that cotton import duty will make Indian cotton prices higher than that prevailing in the international market.

On possible solutions, Dhamodharan suggested the removal of import duty on cotton to ensure level playing field with competing countries, extracting sales data in number of bales with the help of the GST portal with reference to ginners across India, and installing SIM card-based smart meters in ginning mills to get real-time pressing data in the number of cotton bales.

Source: economictimes.indiatimes.com – Aug 22, 2022

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# US trade representative team visits India to advance talks for bilateral Trade Policy Forum

Senior officials of the United States Trade Representative (USTR) are visiting India this week to advance talks for the bilateral Trade Policy Forum (TPF).

Assistant USTR for Central and South Asian Affairs Christopher Wilson and Assistant USTR for Agricultural Affairs Julie Callahan will be in New Delhi this week. The 12th India-US TPF ministerial meeting was held in November 2021 post which Washington resumed mango imports from India after a two-year hiatus due to the pandemic. The two sides also finalised work on market access facilitation for pomegranates and pomegranate arils from India.

"A USTR working level delegation is visiting India this week to advance the US -India Trade Policy Forum," said a US embassy spokesperson. The next TPF is likely in November and the two sides are expected to explore the possibility of enhanced market access for additional identified agricultural products, and engage on Washington's concerns regarding regulatory approvals for the Distillers' Dried Grains with Solubles, an animal feed ingredient.

Sources said that the TPF working groups on trade in goods, agriculture, services, intellectual property and investment are working on plans of action and trade outcomes on outstanding bilateral trade issues. India's exports to the US in April-June FY23 were $21.67 billion while imports were $13.43 billion.

Source: economictimes.com – Aug 22, 2022

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# Textile sector seeing a structural turnaround in India: Opportunities & challenges

India is the second-largest garment manufacturer in the world and has a textile industry that dates back centuries and is comprised of a variety of sectors, including hand-spun and hand-woven, as well as mills. Approximately 100 million people have been employed by the industry, which produces a wide range of goods and employs a substantial number of people.

Ancient skills and cultural traditions make the Indian textile industry one of the most distinctive in the world. India's textile industry is anticipated to be worth more than US$ 209 billion by 2029, up from a market value of around US$ 140 billion in 2017.

As a result of the pandemic, the industry saw a considerable decline; however, as the epidemic winds down, it is anticipated that the Indian textile market would recover and develop at a Compound Annual Growth Rate (CAGR) of 10 percent between 2019 and 2026 to reach US$ 190 billion. In 2019, the industry contributed 7% to the nation's Gross Domestic Product (GDP).

Furthermore, 2021 witnessed a surge in the exports of cotton, handloom, and yarn goods by more than fifty percent, signifying an upward trajectory for the domain.

Significant Investments Over the Years:

Investments have increased in this extremely diverse business. In 2020, the value of India's textile exports was $20.5 billion. From April 2000 to December 2020, foreign direct investment into the sector totaled $3.75 billion in Foreign Direct Investment (FDI).

During the last five years, the sector has received FDI and several other investments. The ICIL announced a $2.6 million investment in May of 2021. Under the automated approach, the Indian government has authorized 100 percent automation.

Many more investments from programs such as Scheme for Capital Building (SCBTS), and Production-linked Incentive (PLI) are helping to improve the industry's output and exports. By 2025, the textile sector in India is anticipated to attract investments totaling US$ 120 billion and grow exports to US$ 300 billion.

The Opportunities:

The textile industry in India is particularly robust due to the wide diversity of natural and synthetic fibers and yarns. Compared to sectors such as heavy equipment, vehicles, etc., the textile industry in India is technologically advanced and capital-intensive. Since the trend of industrialization in trade has grown prevalent in consumer goods sectors and labor-intensive industries, there are enormous opportunities in the textile sector.

India is projected to be the second most attractive market by 2025, contributing up to US$ 121 billion, while China is projected to be the most attractive market, contributing up to US$ 378 billion. In 2017-2018, India has one of the fastest-growing economies, with a GDP growth rate of 7.2%.

This increases the spending power of the general population and stimulates demand for textile sector goods. This expansion results in a vast array of manufacturing capacities for diverse items that may be shipped both inside India and beyond.

In addition, India has one of the most diverse textile industries, with hand-woven textiles on one end and capital-intensive mills on the other, resulting in a vast range of possibilities within the textile industry.

The Challenges:

Although there are numerous prospects and investments in the textile sector, similar to other industries, the textile business in India faces significant obstacles.

The textile sector is under intense pressure as a result of the government's frequent policy changes at the national and state levels. The clothing and apparel are more costly due to the application of the GST.

The textile industry's lack of access to the newest and most advanced technologies, as well as its inability to fulfill global export market criteria, represents a further difficulty. In addition to these concerns, the Indian textile sector also confronts obstacles such as child labor, competition from neighboring nations in the area of low-cost clothing, and personal safety regulations.

The Road Ahead:

To overcome the aforementioned obstacles and accomplish the anticipated worldwide market objective, India's textile sector must make several modifications and apply some new practices to increase its competitiveness. One of the implementations to boost production includes a greater emphasis on technological upgrades and weaving capacity expansion. Additionally, state governments should provide clearance for effluent treatment facilities to elevate the commercial market in its entirety.

The Indian textile sector would thrive to tremendous heights if both the national and state governments provide adequate assistance to its small and large-scale players. In addition to educating their staff to suit the changing needs of the contemporary market, the Indian textile sector should also consider decreasing the levies placed on government-subsidized exports.

Moreover, ensuring a sufficient supply of gas is crucial to the textile industry's continued operation. The creation of capital subsidies, the provision of a single point of contact for resolving industry issues, and the establishment of a set price for yarn on an annual basis would facilitate the flow of labor and aid the nation's impoverished farmers.

With a rise in disposable income, the need for goods in the Indian textile sector has expanded, resulting in enormous demand in both the local and foreign markets. Consequently, India's textile industry has a bright future due to the rapid expansion of the retail sector, government assistance, and investments.

Source: timesofindia.com– Aug 22, 2022

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# Russia wants to expand imports from India in big way

*With surge in India's purchase of Russian oil, Moscow can use the rupee balance to buy more and sustain Re-denominated trade to circumvent sanctions*

Russia has circulated a fresh list of products, including items such as medical equipment, pharmaceuticals, chemicals, industrial equipment, garments, furniture and jewellery, that it wishes to import from India for a more balanced bilateral trade and a sustainable implementation of rupee-denominated payment mechanism, a person tracking the matter has said. "The latest list of request for cooperation from Russia, which has been circulated to export organisations, has a total of 71 requests. The entries in the list are mostly enquiries from Russian companies for imports, but also include some items for possible exports. The wide variety of items–ranging from machinery, paper, textiles, leather and motor parts, to diagnostics and drugs–shows the country's interest in trading in products beyond food and daily essentials to close the trade gap," the source said.

In the April-June 2022 period, India's imports from Russia increased 369.29 per cent to $9.26 billion, while exports declined 37.82 per cent to $435.62 million. The rise in imports was fuelled by a sharp increase in India's purchase of crude oil from the Soviet nation after economic sanctions were imposed by the West on Moscow in response to its attack on Ukraine on February 24, 2022.

Encouraged by steep discounts offered by Moscow, India imported an estimated $7.9 billion worth of mineral oil, mineral fuel and their products during the period — an 800 per cent increase over the same period last year, per government data.

Payment mechanism

"Now that India and Russia are engaging to put in place a mechanism for rupee-denominated trade to bypass the West's banking sanctions by avoiding payments in US dollar or the euro, Russia is feeling the need to increase its imports from India. Buying more from India will allow the country to use the rupee balance that will accumulate in its accounts from India's purchase of oil and defence equipment," the source explained.

RBI has allowed a provision for investment of surplus rupee balance in government securities or infrastructure in India but it could be a more desirable option for Russia to use it to import items of its interest from India.

“This is a unique opportunity for India to increase its exports to Russia which were valued at $3.2 billion in 2021-22 against imports worth $9.86 billion. Since India’s imports from Russia have already crossed $9 billion in the first quarter of 2022-23, the scope for stepping up exports in tandem with imports is immense,” the source said.

Russian companies that have put in requests for business with India also include some established firms that have been doing business with European countries for long but now have to stop due to the sanctions. For instance, Morena, which is one of the first refrigeration companies that appeared on the Russian market, has sought to start co-operation with a reliable manufacturer of compressor equipment in India.

“Morena used to co-operate with Tecumseh France but now cannot work with them anymore due to the policy of the two governments,” the entry stated. As part of economic sanctions imposed by the EU and the US, several Russian banks have been banned from using the SWIFT messaging system. Indian banks are engaging with Russian banks, many of which are not under sanctions, to implement the rupee payment mechanism.

Source: thehindubusinessline.com- Aug 22, 2022

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# Textiles Committee is commemorating its 58th Foundation Day

The Textiles Committee, Ministry of Textiles, Government of India is commemorating its 58th Foundation Day today (that is, 22nd August, 2022). Shri U.P. Singh, Union Secretary (Textiles), & Chairman, Textiles Committee will inaugurate the programme as Chief Guest. Ms. Roop Rashi, Textile Commissioner & Vice-Chairperson, Textiles Committee will address the gathering as the Guest of Honour.

Shri Suresh Kotak, Chairman, Kotak & Co; Dr. Pradeep Kumar Agarwal, CMD, Cotton Corporation of India; Shri Mahesh Kudav, Founder & MD, Venus Safety & Health Pvt. Ltd., Mumbai; Shri Anil Jauhri, Former CEO, NABCB; and Ms. Meher Castelino Mistry, representing Fashion Industry will also grace the occasion as Special Guests.

Shri Ajit B. Chavan, Secretary and CEO, Textiles Committee will welcome the dignitaries on the occasion.

The inaugural function will deliberate upon the topic of “Imperatives & Way Forward for the Indian Textile Sector and Role of the Textiles Committee”. This will be followed by a fashion show showcasing the Unique Textiles of India with the theme “Indian Textiles: From Tradition to Modernity”.

The Textiles Committee was established by an Act of Parliament in 1963 & came into being in 1964 with an objective to ensure quality of all textiles and textile products for domestic and export markets.

During its 58 years of journey, the Textiles Committee has rendered valuable services to the Textile and Apparel (T&A) sector for enhancing export and strengthening domestic production base through qualitative interventions through initiatives on quality & compliance, economic research, export promotion and host of other activities. When world export of textile and apparel was governed by Multi Fibre Agreement (quota period), it was the Textiles Committee which guided the Indian industry for establishing itself as textile powerhouse in the world by ensuring quality of the product and preparing compliance architecture. The Textiles Committee initiatives include Economic Research and Market intelligence of the sector.

In post-liberalization era, the Textiles Committee successfully transformed itself as a facilitator of growth. Today, TC has been rendering services through its state-of-the-art testing facilities, economic research, multi-management consultancies, export promotion and quality assurance.

The recent efforts of the Committee for Market Intelligence on Textiles; IPR Protection through GI Act, 1999; research on Tariff and Non-Tariff Barriers; competitiveness analysis of Indian Textile and Apparel sector; Star Rating of Ginning Pressing Factories; India Handloom Brand Scheme; and Handloom Mark Scheme has been providing much needed support to the entire Textile Value Chain.

It is expected that more than 250 representatives from State Government Export Promotion Councils, Research Organisations, Trade & Industry Associations and other stakeholders will be attend the Foundation Day programme in Mumbai today.

Source: pib.gov.in- Aug 22, 2022

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# India's post pandemic economic recovery better than expected

Grappling with the agonising human effects of Covid-19 together with mounting inflation and wavering geopolitical scenario, there is a palpable positive sentiment across sectors in India to go full-throttle on the recovery process to sustain the economic growth of the country.

Notably, the recent RBI data shows that Indian companies' direct overseas investment increased 8.5 per cent YoY to $3.34 billion in March 2022. In fact, even at the height of the coronavirus pandemic last year, Indian companies had invested $3.1 billion in their overseas fully-owned subsidiaries and joint ventures.

Private equity capital flows to India reached a record $27.6 billion in the first six months of the year, nearly equalising the $29 billion outflow in portfolio investments and establishing that the country's appeal as a growth engine in the long term is unabated despite near-term disruptions caused by a surge in dollar-denominated assets.

Most importantly, the job market is also optimistic. Reportedly, in Q3 (July-September) 2022, 63 per cent of companies are planning to employ more people. Significantly, in the Asia-Pacific region, with 51 per cent hiring, India reported the highest recruitment, according to a survey.

Moreover, India recorded its second-highest monthly gross GST revenues in June at ₹1,44,616 crore, 56 per cent more than a year ago. The Finance Ministry said that coupled with economic recovery, anti-evasion activities, especially action against fake billers, have been contributing to the enhanced GST.

The driving force

Even though private investment is slowly picking up, it is the government that is the driving force behind India's economic recovery.

In recent years, the government has relaxed FDI norms across several sectors, including defence, PSU, energy, stock exchanges and more. Therefore, FDI will play a significant role in the country's future economic development.

Notably, India's gross FDI inflows increased, from $82 billion in FY 2021 to $83.6 billion in FY 2022. Several sectors remained attractive to investors, including FMCG, IT, pharma, financial services, etc.

The government's capex recorded a 39 per cent growth over 2021, at a record ₹5.9 lakh crore. Additionally, the government has budgeted ₹7.5 lakh crore capital expenditure in FY23 that rivals a revised ₹6.03 lakh crore capex in FY22.

Additionally, the center's PLI scheme has been received well by Indian businesses. For instance, the PLI for domestic production of specialty steel will result in capacity addition of 25-million tonnes, additional investments of about ₹40,000 crore.

The Emergency Credit Line Guarantee Scheme (ECLGS) introduced as a part of the Indian government's Covid-19 financial relief package, supported the services sector which led to an increase in debt intake. Thus, the sector's overall operating margin recovered. Reportedly, the performance of MSMEs has been more significant than corporate, with a two-year revenue annual growth of 13.4 per cent and an annual net profit of 63.7 per cent.

The government is looking at the long-term growth of the economy and short-term developments. Hence, the manufacturing, service and infrastructure sectors could see a strong investment-led recovery in the coming years.

Still more, in 2021, 598 M&A deals worth $112.8 billion were signed or concluded at a record high. Start-up PE/VC investments were the highest between January-March 2022, with $7.7 billion invested across 255 deals. And, 2250 new startups were founded in India in 2021, which raised $24.1 billion combined.

Business confidence

Confidence among India's small businesses remains high with an overwhelming majority of executives expecting improvement in the second quarter of 2022 on most of the parameters, including sales, capacity utilisation and hiring, according to the ASSOCHAM-Dun & Bradstreet Small Business Confidence Index.

The index, which measures the level of optimism of small and medium businesses on key business factors such as sales, employment, prices, inventory and investment, stood at 87 in Q2 2022.

Further, the RBI has projected a GDP growth of 7.2 per cent for the fiscal ending March 2023. Similarly, Moody's Investors Service has lowered India's growth forecast for 2022 to 8.8 per cent from 9.1 per cent projected in March. According to the Finance Ministry, India's GDP growth for 2022-23 is expected to be above 7 per cent even in the face of global headwinds.

India Inc. is expected to see revenue growth of 10-14 per cent next fiscal. This is steered by IT services, which are seeing robust demand, and BFSI, where digitalisation and novel business models are driving growth.

The front-runners

On the whole, infrastructure and transport, technology, IT, telecom, manufacturing including defence, electronics and chips, pharma and healthcare will be front-runners in the investment recovery. India has become easier to do business. In July 2022, India's flagship digital payments platform UPI saw a record transaction of over six billion, the highest since its inception in 2016. The volume and value of transactions are set to increase with the RBI's decision to link credit cards to UPI.

Conversely, however, India's investment focus is shifting towards green capital expenditure, with an expected spend of over ₹2.85 lakh crore per annum over fiscals 2023 to 2030, accounting for nearly 15-20 per cent of total investments (in the infrastructure and industrial sectors) per annum. This will further help push a supply-driven recovery for the economy as a whole.

Source: thehindubusinessline.com- Aug 22, 2022

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# Labour Ministry meets stakeholders to build consensus on roll out of Codes

*Industry agreeable to proposal to cap allowances at 50 per cent, seeks a two-month switchover period*

For a possible roll-out of the long pending Labour Codes later this year, the Union Labour Ministry is holding meetings with stakeholders, including industry representatives, to work on a possible roadmap.

According to sources, the Labour Ministry has been engaged in consultations with various stakeholders throughout the month of August. The industry is understood to have agreed to the proposal to cap allowances at 50 per cent of the total salary.

However, they have called for at least a two-month switchover period from the time the codes are notified to enable them to transition successfully. They are also understood to have sought an amnesty scheme under the various labour legislations.

The discussions come ahead of the conference with State Labour Ministers.

"The Labour Ministry is trying to build consensus on the issues and take them forward at the upcoming National Labour Conference later this month," said a source.

The government has codified 29 national labour laws into four codes, including the Code on Wages, the Code on Social Security, Occupational Safety, Health and Working Conditions Code, and the Industrial Relations Code.

Source: thehindubusinessline.com – Aug 22, 2022

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## As cotton prices soar, textile units in South resort to production cut

Cotton prices, which had calmed down in June-July, surged from the second week of this month mainly on projections of a lower crop in the US.

**Yarn prices hiked as the natural fibre price tops ₹1 lakh a candy**

Various textile units, from spinning mills to powerlooms to units manufacturing made-ups, in South India, particularly Tamil Nadu, are resorting to production cuts by shutting their units at least once or twice a day in view of cotton prices zooming to ₹1 lakh a candy (of 356 kg).

“During June-July, cotton prices had declined to ₹82,000 a candy but they have now topped ₹1 lakh. Prices have suddenly begun to rise, mainly on speculation. We produce open-ended yarn but we are not even able to realise conversion costs,” said M Jayabalan, President, Recycle Textile Federation (RTF), an organisation of open-end spinning mills.

On Monday, the Federation raised the prices of various yarns by ₹15 a kg in view of the soaring cotton prices.

**Lower US crop**

“Every spinning mill is concerned over the recent losses they have been incurring due to low demand for yarn, whilst cotton prices have been artificially jacked up. Many mills are forced to continue running their units despite high losses,” said K Venkatachalam, Advisor, Tamil Nadu Spinning Mills Association (TASMA).

Cotton prices, which had calmed down in June-July, surged from the second week of this month mainly on projections of a lower crop in the US. According to the US Department of Agriculture, production in the US is likely to drop by 5 million bales due to drought, mainly in the Texas region which accounts for nearly half of that country’s total production.

Cotton prices surged 14 per cent in the second week of this month to nearly 125 US cents a pound before easing a tad. Currently, cotton on Intercontinental Exchange, New York, for October delivery is quoted at 121.43 cents a pound (₹76,725).

## Poor availability

In comparison, Shankar-6 cotton, a benchmark for exports, was quoted at ₹99,000-1,00,000 a candy on Monday. The national average weighted modal price (the rate at which most trades take place) for raw cotton ( kapas) was ₹10,601 a quintal.

“Hardly any cotton is available in India, though speculation on Multi Commodity Exchange (MCX) is pushing up prices further,” said Jayabalan.

On Monday, cotton futures on MCX maturing on August 31 were quoted at ₹50,000 a bale (₹1,04,705 a candy). October contracts ruled at ₹41,370 (₹86,633).

## Migrant workers

Anand Popat, a Rajkot-based trader in cotton, yarn and cotton waste, said daily arrivals of cotton have dwindled to 3,000-4,000 bales. “If the current situation continues for another week, textile units will have to close or cut production further from September 1. The problem is that labour, most of who have migrated from Bihar, Jharkhand, Odisha, Bengal and Chhattisgarh, will be left jobless,” said Jayabalan.

“Already many mills have stopped working for two days in a week. In addition, many mills have reduced the shifts for the rest of the week,” said TASMA’s Venkatachalam.

“At least 50 per cent of the textile units have cut down production,” said the RTF president.

## Production estimate

Venkatachalam said despite their best efforts, spinning mills have not been able to reduce yarn supply in the market. “Other value chains in the sector such as readymade garments and home textiles are also facing problems,” he said.

Popat said one of the main reasons for the situation was that the cotton production estimate had gone wrong. Initially estimated at over 350 lakh bales, the Ministry of Agriculture lowered it in the fourth advance estimate last week to 312.03 lakh bales.

"The Centre should collect correct and timely data on cotton processing and consumption," he said, adding that concrete action should be taken to increase yield.

The current yarn inventory can meet orders without any problem, an industry official said, on condition of anonymity, adding that probably, spinning mills could totally be halted from Monday.

**Solar energy**

"This needs to be continued till cotton prices are lowered to comfortable levels," the official said.

Jayabalan said cotton prices usually comprised 40 per cent of the input costs. But they have now gone beyond 65 per cent. "Also, mills can close but they are unable to shut down because they also produce solar power. Higher inputs costs mean our capital costs also rise," he said.

Venkatachalam said though mills may face losses by disengaging solar energy units and by way of paying bank charges on wind energy units, they would be negligible considering the current level of losses.

The industry official said zero duty import of cotton, allowed till October 31 this year, should be extended to March 31 next year. "The Centre has not responded despite our repeated pleas," he said.

**Need for long-term policy**

Representations to delist cotton from trading, at least temporarily, have gone unheeded, the official said. The only option to bring down prices would be to close down mills, the official added.

The official said mills having export commitments and ample cotton stocks could continue operations. Mills could at least begin to announce a weekly holiday which could result in cutting yarn supply by 7 per cent, he said, adding this would automatically increase demand for the commodity.

Poppat said the Centre should frame a long-term policy on cotton imports and exports.

During the current kharif season, the area under cotton is up 5 per cent but fears are being expressed over the crop's health in view of heavy rains in some growing regions. However, traders and experts say there is nothing to worry on the crop front.

Source: thehindubusinessline.com - Aug 22, 2022

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# Experiential retail to drive consumer engagement: CBRE Report

*Fashion retailers and footwear players have reported June to be one of their best quarters on the back of strong pent-up demand.*

With the ebbing of the pandemic, the retail sector has witnessed a robust recovery in recent months. In the post-pandemic times, consumers are now seeking more immersive retail experiences and brands will need to re-calibrate their physical store strategies, a report by CBRE South Asia stated.

As per estimates by a real estate consulting firm, leasing activity in the retail sector was up by about 100 per cent in the June quarter compared to the March quarter. Overall, in H1, leasing activity in the retail sector grew by over 160 per cent on a year-on-year basis, led by renewal in physical retail visits even as online shopping continued strongly.

Best quarter

In line with these estimates, leading fashion retailers and footwear players have reported June to be one of their best quarters on the back of strong pent-up demand.

Anshuman Magazine, Chairman & CEO – India, South-East Asia, Middle East & Africa, CBRE said, “While we have reasons to believe that retail business activity has already moved towards pre-pandemic levels, Covid-19 has modified consumer priorities. Physical retail locations must evolve into places where people want to go rather than have to go if they are to succeed in the future. It is therefore imperative to deliberate on how real estate stakeholders can improve their spaces to enhance the experience quotient and, subsequently, value.”

The report noted that following the pandemic, the productivity of retail spaces has come into sharper focus, with “experience” becoming more crucial as it increases customer engagement and sales. It recommends multiple strategies to improve the “experience” at physical stores, including re-purposing existing stores, focusing on personalisation, and leveraging data science to develop customised location strategies based on the catchment, among others.

"Retailers are starting to favour more dynamic and flexible leases as they search for more adaptable and responsive networks to meet changing consumer expectations. This is driven by the demand for plug-and-play retail outlets, particularly for small and independent firms.

Additionally, showrooms with personalised designs are becoming more and more popular as retailers try to forge stronger bonds with customers by constructing "stories" and "journeys" around their stores," the report added.

Source: thehindubusinessline.com- Aug 22, 2022

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# Overseas investment rules and regulations notified

In line with the amendment in the Foreign Exchange Management Act 2015, Outward Investments Rules have been framed by the Government of India in consultation with the Reserve Bank. Presently, the overseas investment by a person resident in India is governed by the Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 and the Foreign Exchange Management (Acquisition and Transfer of Immovable Property Outside India) Regulations, 2015.

The Government of India in consultation with the Reserve Bank undertook a comprehensive exercise to simplify these regulations. Draft Foreign Exchange Management (Overseas Investment) Rules and draft Foreign Exchange Management (Overseas Investment) Regulations were also put in the public domain for consultations. Extant regulations pertaining to Overseas Investments and Acquisition and Transfer of Immovable Property Outside India have been subsumed within these rules and regulations.

In view of the evolving needs of businesses in India, in an increasingly integrated global market, there is need of Indian corporates to be part of global value chain. The revised regulatory framework for overseas investment provides for simplification of the existing framework for overseas investment and has been aligned with the current business and economic dynamics. Clarity on Overseas Direct Investment and Overseas Portfolio Investment has been brought in and various overseas investment related transactions that were earlier under approval route are now under automatic route, significantly enhancing "Ease of Doing Business".

**Overseas Investment Rules and Regulations, 2022 can be accessed at:**

https://egazette.nic.in/WriteReadData/2022/238239.pdf
https://egazette.nic.in/WriteReadData/2022/238242.pdf

Source: pib.gov.in- Aug 22, 2022

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# India marks first arrival of 2022-23 cotton crop, prices doubled

Palwal district in the north Indian state of Haryana saw the arrival of unginned or raw cotton (kapas) of the 2022-23 season, much earlier than the scheduled October 1. The price of new cotton is double compared to the last year. Raw cotton is expected to arrive in markets (mandis) in other parts of Haryana and Punjab in the first week of September.

According to the trade sources, Palwal, Hodal and adjoining areas are receiving new arrival of cotton since last week. However, the total daily arrival of new cotton was not more than 500 bales (170 kg) which was brought to mandis within the states. Traders said that new cotton was priced at around ₹9,900-10,000 per quintal. Last year, the crop was sold at around ₹5,000 per quintal. Ginning mills were waiting for new crop eagerly because arrival of last year's crop has been reduced to zero.

Traders said that there were no adverse reports about the growth of cotton crop. North Indian markets start receiving cotton early, as farmers here sow the crop early. Cotton is expected to arrive to mandis in upper Rajasthan and southern India from first week of October.

Source: fibre2fashion.com- Aug 22, 2022

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# India's spinning mills adopt smart strategy for rest cotton season

Spinning mills in India are adopting a smart strategy for the remaining period of cotton marketing season 2021-22, which ends on September 30. Most mills in Gujarat and Tamil Nadu have stopped or reduced production. Mills in north India have not cut cotton yarn output sufficiently but are taking steps to reduce cotton consumption and support yarn prices.

According to trade sources, mills are reducing cotton yarn production, especially after the recent surge in the price of the natural fibre. Trade bodies in Tamil Nadu, Gujarat and other states have urged members mills to stop or reduce production. Lower production will not only tighten yarn supply to support prices but also reduce consumption of cotton which will ease the demand.

Recently, Tamil Nadu Spinning Mills Association (TASMA) has appealed to its members to think about complete halt in production, as partial cut in production did not support yarn prices due to poor demand. The association said that many mills are still running on normal capacity even on higher losses. Therefore, measures like production halt for two days a week or discontinuation of second shift did not work. TASMA has announced stopping of entire production from August 22. It suggested that mills should meet out yarn demand from their stocks. The South India Spinners Association (SISPA) and Spinners Association (Gujarat) have also raised the issue of hardships of millers and inability to continue yarn production.

Industry sources said that north Indian mills did not cut output sufficiently as they have option to switch to production of polyester-cotton yarn and poly spun yarn. Many mills are focusing on finer counts of cotton yarn to reduce cotton consumption. New arrival of raw cotton will pick up in mid-October. Therefore, spinning mills have to face cotton scarcity for next one and a half months. Cotton prices are not likely to see steep fall till November as mills will try to buy more cotton as and when cotton arrives in mandis.

Source: fibre2fashion.com- Aug 22, 2022

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## Garment policy boosts investments, new jobs in Karnataka

Around 544 medium and small garment units have invested Rs 745 crore in the state besides adding about 64,000 jobs over the past three years, owing to the state's favorable garment policy, says Shankar PatilMunenakoppa, Handloom & Textile Minister. Launched in 2019, the policy will be in force for two more years.

Mega projects under the policy attracted another Rs 1,060 crore investments, creating about 17,300 jobs. The garment policy 2019-24 aims at attracting investment of up to Rs 10,000 crore and adding about 5 lakh jobs, adds Munenakoppa.

Known as the garment capital of India, Karnataka provides a fifth of the clothes manufactured in India. Karnataka plays a major role in exporting raw materials. Karnataka contributes 49 per cent of mulberry silk production, 12 per cent of wool production and 6 per cent of cotton production.

Source: fashionatingworld.com– Aug 22, 2022

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