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INTERNATIONAL NEWS

Foreign exchange reserves decline to USD 564.053 bln

The country's foreign exchange reserves fell USD 6.687 billion to USD 564.053 billion in the week ended August 19, according to the Reserve Bank of India (RBI) data.

In the previous week ended August 12, the reserves declined USD 2.238 billion to USD 570.74 billion.

The drop in the reserves during the week ended August 19 was due to a fall in the Foreign Currency Assets (FCA) and the gold reserves, as per the Weekly Statistical Supplement released by RBI on Friday.

FCA fell USD 5.779 billion to USD 501.216 billion in the reporting week.

Expressed in dollar terms, FCA includes the effect of appreciation or depreciation of non-US units like the euro, pound and yen held in the foreign exchange reserves.

Gold reserves declined USD 704 million to USD 39.914 billion, the data showed.

The Special Drawing Rights (SDRs) decreased USD 146 million to USD 17.987 billion.

The country's reserve position with the IMF also fell USD 58 million to USD 4.936 billion in the reporting week.

Source: sourcingjournal.com- Aug 24, 2022

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Vietnam’s garment sector aims to be less dependent on imported raw materials

At a recent conference to connect the supply and demand of raw materials for Vietnam’s textile and garment industry, the Ministry of Industry and Trade confirmed the country has risen to be the third largest clothing exporter in the world. Organized by the Trade Promotion Department under the Ministry of Industry and Trade, the conference noted, Vietnam’s share in the global textile and garment market is 6.4 per cent behind China’s 31.6 per cent and Europe’s 27.9 per cent.

Textile and garment turnover rises by 21.6%

As per economist Huynh Thanh Dien, Europe, the US and Japan are Vietnam's three main textile and garment export markets accounting for 34.1 per cent, 16.8 per cent, and 5.3 per cent of global share respectively. Growing rapidly, Vietnam’s textiles and garments export turnover accounted for 12 per cent of the country’s total export turnover in 2021. It amounted to $40.4 billion. In the first half of 2022, Vietnam’s textile and garment export turnover increased 21.6 per cent to $23 billion against the same period in 2021.

Consumer demand decline due to inflation, COVID-19 risk

Despite growth, Vietnam’s textile and garment industry faces multiple challenges today, says Huynh Minh Vu, Deputy Director, Center for International Integration Support. Rising inflation in the US and EU has led to major demand drop in these countries. The Russia-Ukraine war has also pushed up raw material prices. The country also faces the risk of COVID-19 resurgence with sub-variants. This is affecting the textile supply chain as trading partners including China, Japan, and Taiwan have applied strict anti-pandemic measures.

Trade remedy cases rise

The industry’s performance is also being impacted by 15 new Free Trade Agreements (FTA) with 60 countries and territories that Vietnam is participating with, opines Phan Khanh An, Deputy Head-Legal Department-Trade Remedies Authority of Vietnam, Ministry of Industry and Trade. So far, foreign countries and territories have initiated over 210 trade remedy cases against Vietnamese exported goods. Of these, 22 cases are related to textile products, mainly concerning anti-dumping and safeguard measures in Turkey, the US and India. Vietnam exports around 60 per cent of recycled yarns to China. However, the Zero COVID policy being implemented by China is threatening to disrupt China's market for recycled yarns.

New trade policies way ahead

The pandemic has made Vietnam textile and garment industry heavily dependent on imported raw materials. The country currently sources 55 per cent it is requirements of raw materials locally. Textile and garment enterprises are currently not accepting long-term orders due to the risk of low unit prices. They are urging authorities to introduce new policies to encourage investment and attract FDIs in raw material development. Many domestic enterprises are collaborating with other companies to expand their capacity and become self-sufficient in production

Source: fashionatingworld.com- Aug 26, 2022

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EU duty sop end to hit $8 billion exports

The withdrawal of preferential tariffs by the EU from 2023 will hit as many as 1,800 Indian products as the Centre presses for the inclusion of this vexed issue in the bilateral trade talks next month. Under its Generalised System of Preferences (GSP) scheme, the EU allows the import of items under zero or a low tariff rate that are being withdrawn from January 1 in the case of India.

Sources said the commerce ministry was assessing the impact, and the issue could figure in the free trade talks in September to be held in Brussels.

“We are looking into the issue to find out whether exporters will lose their market share and if there is a case for extending some support to such sectors,” officials said.

The Federation of Indian Export Organisations (FIEO) said about $7.9 billion of Indian exports would lose the cover of zero import duties. Both raw materials and finished goods exports from India such as stone, plastics, machinery, and engineering goods take advantage of the GSP norms, the FIEO said.

Cement and machinery and mechanical appliances will also cease to get the benefits and make Indian goods more expensive. Exporters, for instance, will pay 6.5 per cent duty on certain plastic products where the tariff is nil at present.

“In these four sectors, the EU is a major export destination for India and holds around 22.58 per cent share of India’s total exports,” Ajay Sahai, director-general, FIEO said. “The government has to see whether or not the industry is competitive enough to survive this kind of withdrawal. If not, then what could be done to help them,” Sahai said.

Exporters have already raised the issue with the commerce ministry as GSP is the only route to get tariff concessions with FTA still some way off.

“This will severely impact our competitiveness as other countries will continue to enjoy tariff concessions for these sectors,” exporters said. According to an analysis done by the FIEO, out of the total 16,309 EU tariff lines (products), 46.6 per cent are eligible for tariff concessions under GSP.

Around 23 per cent of the products have zero duty. Maharashtra, Gujarat and Tamil Nadu would be the most hit among the states.

Source: telegraphindia.com- Aug 29, 2022

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Bangladesh to raise issue of US GSP revival at TICFA meeting in Nov

As Bangladesh has made improvements in workplace safety, one of the preconditions of the US government, Dhaka will reiterate the issue of restoration of the US generalised system of preferences (GSP) at the Trade and Investment Cooperation Forum Agreement (TICFA) meeting in Washington in November, according to senior secretary in the commerce ministry Tapan Kanti Ghosh.

The United States does not offer GSP to any country now. The tenure of the last GSP programme ended in 2020 and the US Congress has not revived it. The US trade representative (USTR) suspended the GSP benefit for Bangladesh on June 27, 2013, citing poor labour rights and poor workplace safety following two industrial disasters.

Once the US Congress adopts a new GSP programme for different countries in the near future, Bangladesh will again urge USTR to revive the GSP for itself, said Ghosh.

The Obama administration then also released 16 preconditions necessitating improvements from the government and the private sector for GSP reinstatement.

Bangladesh has amended the labour law and made improvements in workplace safety following guidelines of two international platforms, Accord and Alliance, and submitted the progress reports to the USTR twice for revival of the GSP.

However, the benefit was not revived, citing the need for further improvements in labour and intellectual property rights.

The fifth US-Bangladesh TICFA Council was held in Dhaka on March 5, 2020. TICFA was signed in 2013.

Source: fibre2fashion.com- Aug 26, 2022

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Sustainability and circularity a neccessity for Vietnamese textiles

Sustainability and circularity are an inevitable path that Vietnamese textiles have to follow, according to Trương Văn Cẩm, general secretary of the Việt Nam Textile and Apparel Association (VITAS).

Cẩm was speaking at the seminar "Promoting circularity in Vietnamese textiles" on Friday. He said a booming textile industry has become a thing of the past. The industry has shifted its focus from fast growth to sustainable growth. It is expected to grow by around 6 per cent from 2022 to 2030 and achieve circularity between 2030 to 2045.

He also underscored VITAS's PPP (Profit-People-Planet) as a well-suited model for textile firms to go green. Under the model, firms are required to operate profitably and, at the same time, improve workers' living conditions and embrace green production.

The general secretary urged textile firms to keep themselves well-informed about circularity to not lag behind on the global green path. He also called on firms to weigh the costs and benefits of green transition to develop the best strategies for themselves, avoiding green-at-all-cost narratives. Saskia Anders, director of the GIZ Fabric Asia Programme, revealed that the European Commission passed its strategy for sustainable and circular textiles this year.

Up to 16 regulations and other policy measures are being planned to make textile products that enter the European market more long-lasting, repairable, reusable and recyclable until 2030.

"There is a large interdependence between the first stages of product development and its end-of-life. Hence, the effort needs to be collaborative and the responsibility needs to be shared," she said.

Nguyễn Thế Chinh, former head of the Institute of Strategy and Policy on Natural Resources and Environment, defined circular economy as an economic model that allows efficient use of materials, longer product life spans, lower production wastes and less environmental impacts.

He said the Government always puts circularity high on its agenda and aims to encourage the reuse and recycling of production waste. He also said Vietnamese firms could learn from German firms in this regard to operate more circularly.

"In Germany, many firms reclaim CO_2 from their factory emissions to sell it as input to other firms," he said.

Cao Minh Ngọc, director of the RTS Việt Nam Technology Solutions and Resources, underscored four factors that are posing a serious threat to water security in Việt Nam, which are climate change, rising sea levels, drought and flooding.

An average of 30,000 cubic metres of used water go through a treatment plant and get released into the environment daily in industrial parks. However, he said the practice of pumping treated water into the environment is a waste of resources.

"The treated water could be pumped into other factories for reuse as long as the water meets the 01/2018/BYT standard issued by the Ministry of Health," he said.

He also asserted that firms engaging in treated water reuse would be granted Green Certificates, which help them penetrate international markets more easily.

Trần Hoàng Phú Xuân, director of the fashion firm Faslink, asserted that two million cups of coffee are consumed every day and the decomposition of the untreated coffee grounds releases a huge volume of methane, a greenhouse gas.

Her firm has embraced circularity by recycling coffee grounds into coffee-derived yarns, which are later used to make T-shirts. The yarns provide five times more UV protection and three times more odour control than cotton.

Source: einnews.com - Aug 27, 2022

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European Textile Industry Calls for Immediate Action to Tackle the Energy Crisis - the Future of the European Industry is at Stake

The European textile & fashion in Europe, represented by EURATEX, calls for a single European strategy to tackle this energy crisis. To safeguard the future of the industry, a revision of the electricity price mechanism is necessary and an EU wide cap on gas prices at 80€/MWh. Special company support needs to be granted to avoid bankruptcy and relocation of textile production outside Europe.

Gas and electricity prices have reached unprecedented levels in Europe. Due to severe global competition in the market that characterizes the European textile & clothing industry, these cost increases are impossible to pass on to customers. This has already led to capacity reductions and production stops. Closures and the shift of production outside Europe are being forecasted should the current situation persist, leading to further de-industrialization of our continent and increased dependency on external suppliers.

Specific segments of the textile industry are particularly vulnerable. The man-made fibres (MMF), synthetic and cellulose-based fibres, industry for instance is an energy intensive sector and a major consumer of natural gas in the manufacturing of its fibres. The disappearance of European fibre products would have immediate consequences for the textile industry and for society at large. The activities of textile dyeing and finishing are also relatively intensive in energy. These activities are essential in the textile value chain in order to give the textile products and garments added value through colour and special functionalities (e.g. for medical applications).

The European textile industry calls for an EU-wide cap on gas prices at €80/Mwh, and a revision of the price mechanism for the electricity market, to reduce the huge price gaps with our foreign competitors.

Governments should ensure that critical industries, such textiles and all its segments, are able to ensure gas and electricity contracts towards the end of the year at an affordable price. Stable and predictable energy supply is of the utmost importance. Gas restrictions and rationing must only be used as a last resort. No mandatory consumption cuts should be foreseen.

In addition to these measures under discussion, we currently observe a proliferation of contradictory, uncoordinated national initiatives to tackle the energy crisis. This has led to a de facto fragmentation of the Single Market, resulting in a chaotic policy and regulatory environment that adds a further strain on our supply chain, which is fully integrated at European level. Measures that guarantee a level playing field in the EU are utmost important - the future of the European textile & clothing industry is at stake!

EURATEX President Alberto Paccanelli explained: “Given the current situation, a scenario where entire segments of the textiles industry will disappear can no longer be excluded. This would lead to the loss of thousands of companies and tens of thousands of European jobs and would further aggravate the dependency of Europe to foreign sources of essential goods. This applies specifically to SMEs who need temporary support measures (e.g. state aids, tax relieves, energy price cap) to survive the current crisis and to prepare for the green transition in the longer run.”

Source: fashionunited.uk - Aug 26, 2022

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Turkey's apparel exports reduce growth target by 15%

Feeling the heat of volatile Europe, Turkish apparel exporters have reduced export growth target by 15 per cent. Latest figures indicate that Turkish garment exports remained fluctuating in recent past.

According to an office bearer of TOBB (Union of Chambers and Commodity Exchanges of Turkey) Garment and Apparel Council, Turkey has reduced its year-end export growth target for the apparel industry from 15 per cent to barely any growth at all. He said that there is a slowdown in new orders from the US and European markets in recent months, and hence exports are anticipated to remain flat or only slightly up from last year.

According to the latest available data, Turkish garment exports increased to $1.798 billion in June 2022 but had registered a steep fall in May 2022 at $1.235 billion. Exports were $1.869 billion in April, $1.835 billion in March, $1.655 billion in February and $1.413 billion in January 2022. Turkish garment exports declined in last three quarterly consecutively. The exports dropped from $4.944 billion of October-December 2021 to $4.905 billion in January-March 2022. It further decreased $4.903 billion in latest April-June quarter.

Turkiye is heavily dependent on European market for garment exports. In 2021, the country had exported garments worth $13.702 billion to Europe out of its total export of $17.570 billion in 2021. It means the country had exported 77.98 per cent of its garment to a single region. Currently, Europe is facing a series of challenges including supply disruption of crude oil and other commodities which fuelled inflation not only in Europe but also in other regions of the world.

Source: fashionatingworld.com - Aug 27, 2022

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Egypt's cotton exports double in 2021

Data released by the Central Agency for Public Mobilisation and Statistics (CAPMAS) shows, Egypt's cotton exports nearly doubled on a Y-o-Y basis in August 2021, with India importing the largest amount of Egyptian cotton.

By the end of last year's crop season, which ended in August 2021, Egypt's cotton exports increased by 101.5 per cent to 1.7 million kantars from 874,000 kantars in the same period the year prior.

A rise in local production boosted Egypt's cotton exports during the year. Production increased 33 per cent to 2.3 million kantars in 2021, an increase of around 33 percent compared to a year prior.

Around 87 per cent of Egypt's cotton exports were imported by India, around 1.5 million kantars, according to CAPMAS.

Recently, Egypt has introduced a new auction system that allows farmers to sell their crops in line with international prices to boost production and revive the once-flourishing industry.

Source: fashionatingworld.com - Aug 26, 2022

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NATIONAL NEWS

Goyal likely to chair Board of Trade meeting next month; ways to boost trade on agenda

Discussions in the meeting are expected to focus on the new Foreign Trade Policy (FTP 2022-27), ways to take forward domestic manufacturing and exports.

ANI Union Minister of Consumer Affairs, Food and Public Distribution Piyush Goyal

Commerce and Industry Minister Piyush Goyal is likely to chair a meeting of the Board of Trade next month to discuss ways to boost the country's exports, an official said. The Board is an advisory body on the foreign trade policy.

It is headed by the minister and includes participants from states, Union Territories, and senior officials from public and private sectors, and provides a platform to discuss ways on boosting manufacturing and exports.

"The board may meet sometime in mid-September," the official said.

Last month, the government nominated 29 non-official members from different sectors, including large and small enterprises, to the Board.

The new members include Laghu Udyog Bharati executive member Om Prakash Mittal, India Cellular and Electronics Association chairman Pankaj Mahindroo and Amul MD RS Sodhi.

Discussions in the meeting are expected to focus on the new Foreign Trade Policy (FTP 2022-27), ways to take forward domestic manufacturing and exports.

The platform provides an opportunity to have regular discussion and consultation with trade and industry and advise the government on policy measures related to FTP in order to achieve the objective of boosting India's trade.

It also provides a platform to state governments and UTs to articulate their perspective on trade policy, and also to Government of India for apprising them about international developments affecting India's trade potential and opportunities and to prepare them to deal with the evolving situation.

Federation of Indian Export Organisations vice-president Khalid Khan said the Board should discuss a circular of the RBI issued last month on measures for international trade settlement in rupees.

In that, the Reserve Bank asked banks to put in place additional arrangements for export and import transactions in the Indian rupee in view of the increasing interest of the global trading community in the domestic currency.

"Some kind of standard operating procedure should be released for banks on this," Khan said.

India's exports rose 2.14 per cent to USD 36.27 billion in July while the trade deficit almost tripled to USD 30 billion during the month due to over 70 per cent rise in crude oil imports.

However, exports during April-July 2022-23 rose by 20.13 per cent to USD 157.44 billion. Imports during the four months increased by 48.12 per cent to USD 256.43 billion. The trade deficit stood at USD 98.99 billion as against USD 42 billion during April-July 2021-22.

Source: economictimes.indiatimes.com– Aug 28, 2022

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Financial inclusion major step towards inclusive growth: FM Nirmala Sitharaman

Financial inclusion is a major step towards inclusive growth which ensures the overall economic development of the marginalised sections of the society, Finance Minister Nirmala Sitharaman said on Sunday.

The success of the Pradhan Mantri Jan Dhan Yojana (PMJDY) since August 28, 2014 is reflected in terms of opening of over 46 crore bank accounts with deposit balance of Rs 1.74 lakh crore with its expanded coverage to 67 per cent rural or semi-urban areas as well as 56 per cent of women Jan Dhan account holders, she said on the eighth anniversary of the flagship financial inclusion scheme.

“Continuation of PMJDY beyond 2018 saw a marked shift in approach to meet challenges and requirements of the emerging FI (financial inclusion) landscape in the country.

“There has been a shift in focus from ‘every household’ to ‘every adult’, with added emphasis on usage of accounts by enhancing Direct Benefit Transfer (DBT) flows through these accounts, promoting digital payments through the use of RuPay cards, etc,” an official statement quoted the minister as saying.

The underlying pillars of PMJDY — namely, banking the unbanked, securing the unsecured and funding the unfunded — has made it possible to adopt multi-stakeholders’ collaborative approach while leveraging technology for serving the unserved and underserved areas as well, she observed.

The Jan Dhan Yojana, which was announced by Prime Minister Narendra Modi in his Independence Day address in 2014, was launched on August 28 in the same year.

She also said the JAM (Jan Dhan-Aadhaar-Mobile) pipeline created through account holders’ consent-based linking of bank accounts with Aadhar and mobile numbers of the account holders, which is one of the important pillars of the financial inclusion ecosystem, has enabled instant DBT under various government welfare schemes to the eligible beneficiaries.

The advantage of the architecture created under FI ecosystem came handy during the COVID-19 pandemic when it facilitated direct income support to farmers under PM-KISAN and transfer of ex-gratia payment to women PMJDY account holders under PM Garib Kalyan Package in a seamless and time-bound manner, Sitharaman said.

On the occasion, Minister of State for Finance Bhagwat Karad said PMJDY has been one of the most far reaching initiatives towards financial inclusion not only in India but the world.

Stressing that financial inclusion is among the top-most priorities of the government, he said it provides an avenue to the poor for bringing their savings into the formal financial system, an avenue to remit money to their families, besides taking them out of the clutches of the usurious money lenders.

As per extant RBI guidelines, a PMJDY account is treated as inoperative if there are no customer induced transactions in the account for over a period of two years.

Out of total 46.25 crore PMJDY accounts, 37.57 crore (81.2 per cent) are operative as per the latest figure. Only 8.2 per cent PMJDY accounts are zero balance accounts, while the average deposit per account is Rs 3,761.

Total RuPay cards issued to PMJDY account holders stood at 31.94 crore. The number of RuPay cards and their usage has increased over time.

The finance ministry, in the statement, said there is an endeavour to ensure coverage of PMJDY account holders under micro insurance schemes.

Eligible PMJDY account holders will be sought to be covered under Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY). Banks have already been communicated about the same, it added.

Source: financialexpress.com– Aug 28, 2022

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Govt working on single logistics law, says Nitin Gadkari

The government is working on bringing a single logistics law for all modes of freight transportation to eradicate duplication of processes and simplify procedural requirements, Union minister Nitin Gadkari said on Friday.

The Road, Transport and Highways Minister said the public-private partnership model should be encouraged for the development of air cargo infrastructure in the country.

"The government is working on bringing a single logistic law for all modes of freight transportation to eradicate duplication of processes and simplify procedural requirements. "This system will facilitate multi-modal transportation in the true sense," Gadkari said while addressing the 12th DACAAI AGM.

The minister pointed out that the government's aim is to reduce the logistics cost to 8%, which was currently around 14%.

He pointed out that in the domestic aviation market, air cargo share is very low and the challenges are many.

"Aviation infrastructure should be developed using the latest technology...if we can make aviation infrastructure efficient and accessible then it will create a huge difference," Gadkari emphasised.

While noting that economic viability is very important, Gadkari said that domestic air cargo is more suitable for the
transport of NSE 1.96 % fuels, vegetables, flowers and seafood.

He suggested that old defence aircraft can be used for the transportation of fish and fruits to reduce transit time for such products.

"If we could transport more volume by air then the logistic cost would reduce," the minister said.

Source: economictimes.indiatimes.com- Aug 27, 2022

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Trade deficit with Russia zooms to $8.8 bn in Q1

India's exports to Russia plummeted 38% between April and June from a year before in the wake of the Ukraine war, even though its imports jumped 369%, boosted by energy purchases. Consequently, the trade deficit with Russia surged to $8.8 billion in the June quarter itself, exceeding that of $6.6 billion in the whole of last fiscal, latest official data showed.

While exports stood at just over $0.4 billion, imports spiked to almost $9.3 billion in the first quarter.

Senior official and trade sources told FE that exports have plunged, as key global shipping lines are still reluctant to take bookings for Russia, making it difficult for Indian suppliers, especially the small ones, to despatch dry cargoes. Even when the bookings are made, the freight and insurance charges remain elevated due to enhanced risks.

Moreover, receiving payments for supplies still remains a challenge and takes time, thanks to Western sanctions on key Russian banks. The Reserve Bank of India's guidelines last month, allowing the settlement of international trade in the rupee, are yet to find takers among banks. So, Indian exporters haven't been able to take advantage of the renewed Russian interest in Indian products after the Ukraine conflict, the sources said.

However, India's purchases from Russia have picked up pace, as the importers — mainly oil companies – are large players who have the ability to order a ship-load of crude oil. Moreover, Moscow is offering a discount on oil, offsetting the impact of elevated shipping costs.

In contrast, many Indian exporters to Russia are relatively small players, who ship out in limited volumes. So, container availability has turned out to be a big challenge for them.

"There is a huge potential of scaling up exports to Russia. But to be able to exploit that potential, the logistics and banking issues need to be sorted out particularly for small players," said Ajay Sahai, chief executive and director-general of the Federation of Indian Export Organisations (FIEO).

Pharmaceutical products made up 19% of India's exports to Russia in the June quarter, followed by organic chemicals (13%) and capital goods (8%). As much as 86% of India's imports from Russia comprised energy products.

From farm and food products to pharmaceuticals and FMCG products, firms in sanctions-hit Russia have evinced unusual interest in sourcing a broad range of items from India. But, as FE had reported on May 3, despatching goods to Russia by taking advantage of the opportunities is easier said than done.

The latest firm to show interest in scaling up its imports from India was X5 Group, Russia's top food retailer. Earlier this fiscal, it wanted to source 8,000 tonne shrimp, 2 lakh kg of tea and coffee, about 2 million rice packets, 5 million pieces of detergent powder and liquid, 100,000 bottles of strong drinks (rum and whiskey), 120,000 wine bottles, and 80,000 pieces of textile products, among others, one of the sources said.

Similarly, in a communication to its members on April 7, state-backed pharma export body Pharmexcil has said the Indian embassy in Moscow has been approached by Russian firms. "While some of them required assistance in getting suppliers of some particular pharmaceuticals, others are interested in distributing them," it said. The Russian companies that have shown interest include New Technologies, Pharmstandard, Pharmamed and Simkodent.

Source: financialexpress.com– Aug 27, 2022

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India, Canada to hold negotiations on trade in September

Ottawa [Canada], Reaffirming its commitment to an interim trade pact with India, Canada said that the next round of negotiations will be held in September.

In a virtual meeting between Mary Ng, Canadian Minister of International Trade, Export Promotion, Small Business and Economic Development, and Piyush Goyal, Minister of Commerce and Industry, Consumer Affairs and Food and Public Distribution and Textiles, both ministers emphasised the value of advancing trade and investment relations between the two countries, said a Global Affairs Canada in a press release.

Minister Ng expressed her appreciation of the spirit of cooperation and compromise that has been a hallmark of the negotiations, and reaffirmed Canada's goal of maintaining momentum in the fourth round of negotiations, which are scheduled to take place in September.

Both ministers underlined the progress in negotiations for a Canada-India early progress trade agreement held in July and August 2022, said the release.

Recently, India and Canada held the fifth Ministerial Dialogue on Trade & Investment (MDTI), where Ministers agreed to formally re-launch the negotiations for India-Canada Comprehensive Economic Partnership Agreement (CEPA) and also consider an Interim Agreement or Early Progress Trade Agreement (EPTA) that could bring early commercial gains to both the countries.

The Ministers acknowledged the significance of establishing resilient supply chains in critical sectors and exchanged views on collaboration in this area.

An interim or early harvest trade agreement is used to liberalize tariffs on the trade of certain goods between two countries or trading blocs before a comprehensive FTA (Free Trade Agreement) is concluded.

Government's emphasis on interim agreements may be tactical so that a deal may be achieved with minimum commitments and would allow for contentious issues to be resolved later.

While, CEPA is a kind of free trade pact which covers negotiation on the trade in services and investment, and other areas of economic partnership. It may even consider negotiation on areas such as trade facilitation and customs cooperation, competition, and Intellectual Property Rights.

Partnership agreements or cooperation agreements are more comprehensive than Free Trade Agreements.

CEPA also looks into the regulatory aspect of trade and encompasses an agreement covering the regulatory issues.

India is Canada's eleventh largest export market, and 12th largest trading partner overall. (ANI)

Source: theprint.in– Aug 27, 2022

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Tamil Nadu announces special subsidy for home textile sector

Addressing a regional MSME meet in Tirupur, MK Stalin, Chief Minister of the state, announced that the production of home textiles would be included in the 'thrust sector' to provide a special capital subsidy.

The move to include home textiles in the thrust sector was made after considering the demand placed by the MSMEs.

In Tamil Nadu, Coimbatore, Erode and Salem are the leading hubs of various home textile products.

The home textile in the state yields an annual revenue of Rs. 8,000 crore besides generating Rs. 4,000 crore through exports. Inclusion of home textiles under the thrust sector will benefit many companies as well as the workers.

The CM also announced that an export facilitation centre would be established in all districts under the respective district industries centre (DIC).

"The industrial growth should be focused not just on Chennai or any other specific city.All districts must witness consistent and equitable growth and that is why investor's conclaves were organised in southern and western districts," he said.

Source: apparelresources.com- Aug 26, 2022

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MCX suspends cotton contract to amend specifications

The contracts specifications will be revised in consultation with other stakeholders: SEBI

Capital market regulator SEBI has suspended trading in all cotton futures contract on the country's largest commodity exchange MCX for one month to align the contract specifications with that of the market.

In a joint meeting of SEBI with the exchange and cotton value-chain participants, it was decided that the cotton contract specifications shall be revisited and modified in consultation with product advisory committee of the exchange.

Since the prevailing regulations do not permit changes in running contracts with open interest, January 2023 contract and subsequent contracts will temporarily not be available for trading till the revised contract specifications are finalised, which will be done in 30 days, said the exchange in a statement.

The contracts specifications will be revised in consultation with other stakeholders including members of the Textile Advisory Group, it added.
Market participants have been complaining that the volatile prices on MCX was much higher than the prevailing prices and sending bullish signal on the spot market.

Exchange surveillance mechanism will be strengthened further and closely monitored to prevent any kind of market abuse in the cotton contracts, said the exchange.

The exchange plans to expand the Cotton Product Advisory Committee to include more representation from value chain participants including textile industry.

Source: thehindubusinessline.com– Aug 27, 2022

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Rising cotton prices in India will pressurize textile players' profit margins

International cotton prices traded at seven-week high in August while prices in India jumped over 12 per cent during the month. The rise in cotton prices is mainly a result of crop losses due to pests and heavy rains across cotton-growing areas despite a rise in area under cultivation, says Ravindra Rao, VP-Head Commodity Research. Prices are also rising owing to defaults in imports that are causing stock depletion.

Weather, pests damage cotton crops

Atul Ganatra, President, Cotton Association of India, attributes the rise in cotton prices to low volumes caused by acute liquidity shortages. In August, cotton bales in India totaled 25,000 bales a decrease of 10,000 bales from October and November, he adds. However, the area under cotton cultivation increased to 121.3 lakh hectare during the month, says Ajay Kedia, Commodities Expert. He believes, lurking fear of pest attacks is causing cotton prices to surge coupled with the harm caused by last year's untimely rains in October-November. The crop will continue to be affected by weather conditions and rising pest attacks, he adds. Cotton price rise has led to a decline in demand from the textile industry. Demand across the country is slow but steady, says Kedia. However, with monsoon intensifying further crop damage may occur, he warns.

Global projections decline

Cotton prices in the US are increasing on account of higher sales, exports for new season crops and lower crop production. Cotton stocks on ICE Cotton (December) jumped to its highest levels in two months as reports of deteriorating crop condition due to hot, dry weather in key growing areas, surfaced. Currently, cotton stocks in the country are trading around 118 cents per pound.

In its monthly report, United States Department of Agriculture (USDA) has cut US cotton production forecast by three million bales to 12.6 million bales for 2022-23. The country's exports are projected to fall by two million bales to 12 million bales during the current year. US ending stocks are expected to decline to their lowest levels in a century to 1.8 million bales. Abandonment estimate by the USDA increased 1.42 million acre in a single month while textile production estimate dropped from 7.7 million bales to 2.9 million.

Demand stabilization has eased supply chain pressures and is supporting prices. However, rising cotton prices may pressurize profit margins of textile players, believes Kush Godasara, Independent Market Expert. They will have to bear this burden for a while as slackening demand makes it impossible to pass on the increased costs to consumers.

Source: fashionatingworld.com- Aug 26, 2022

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High cotton prices cripple production in textile mills

With less work, several workers have returned to their home town

Sekar (name changed), who runs a textile mill in Coimbatore district employing 140 workers, operates the unit for the last two months only for five days a week and two shifts a day.

Volatility in prices

With volatility in cotton prices, he started reducing production in April. "On the raw material front, it is difficult to get quality cotton. We sell yarn in powerloom clusters in Maharashtra and there is no price for yarn now. Last month, the loss was ₹ 40 for a kg of yarn. Today, it is ₹ 20 to ₹ 30 a kg," he says. With less work, several workers have returned to their home town and he has just 60 to 70 workers at the 14,500 spindle mill. "We are told that cotton prices would be affordable by October-end when the new cotton season would have started. But, who knows how the situation would be then," he says.

Difficult situation

According to Paneerselvam (name changed), who operates a 10,000 spindle textile mill in Tiruppur district, most of the mills in and around Udumalpet have reduced production 30 % to 40 % as it is not viable to run the units. "Even with a cut in production and yarn sold at a loss, the market is not supportive," he says. He reduced production by bringing down the number of shifts. "We can buy imported cotton. But, the prices are too high for small or medium-scale mills. We are struggling to manage. Those who are financially sound are able to run the mills. For the others, it is a difficult situation," he says.

"How can an industry run if raw material prices are not stable. If the mills increase the yarn price, its buyers - garment and weaving units - will be hit. So, the raw material and product prices are not in the control of the mills," he points out.

Coimbatore and Tiruppur districts have over 1,000 textile mills, employing nearly 2.5 lakh workers. Fluctuating cotton prices for the last seven months have hit the mills hard coupled with lack of demand for yarn.

Ravi Sam, chairman of Southern India Mills' Association, says the mills are operating at just about 60 % capacity and yarn exports have declined. Cotton shortage is pushing prices up. Textile mills that consumed almost 28 lakh bales of cotton a month on an average have reduced it to 17 lakh bales. "Commodity exchange MCX is spoiling the market. When the country had surplus cotton there were no problems. Now, with cotton shortage, speculation in the commodity exchange is hitting cotton consumers," he alleges.

Cost competitiveness

Cotton prices in China or Pakistan is at about ₹ 65,000 a candy as against almost ₹ 1 lakh a candy in India. So, cost competitiveness of Indian textile industry is hit, say mill owners.

Export of surplus cotton

According to N. Pradeep, vice president of South India Spinners' Association, between February and July this year, cotton prices fluctuated between ₹1.15 lakh a candy to ₹ 77,000 and again to almost ₹ 1 lakh a candy of cotton. When cotton prices increase, mill hike the yarn price and the cotton prices fall again. It is very difficult for the mills to plan cotton purchase or fix yarn prices. The government should permit export of only surplus cotton and take corrective measures now to ensure cotton prices are stable next season, which starts in October.

Source: thehindu.com- Aug 27, 2022

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India is seeking to enhance its role in global value chains and expand its market through FTAs.

India is course-correcting its approach towards FTAs according to the changing needs of its economy, domestic policy initiatives and dynamics of global trade. It is specifically seeking to enhance its role in global value chains and expand the market for value added goods and modern services. Indian FTAs are shifting direction towards the markets in the West such as the UK, the EU, the UAE and Eurasia apart from Australia. In these recent agreements, an increased focus on goods and services of specific interest is visible. Sectors such as gems and jewelry, plastics, engineering goods, agro-processed foods, textiles, technology services and financial services are likely to gain in the near future as a result of this focus.

India has so far signed 13 FTAs1, which include the FTAs with Japan, Korea and ASEAN. Agreements with Mauritius, the UAE and Australia have been concluded recently. To examine the impact of FTAs and their changing architecture, and evaluate the benefits, EY brought together domain leaders and policymakers in a virtual roundtable. The panel was moderated by Uday Pimprikar, National Indirect Tax Leader, EY, and the panelists included Ajay Srivastava, former Additional Director General (Foreign Trade); Bipin Menon, Development Commissioner, Noida SEZ; and Agneshwar Sen, Associate Partner, Tax and Economic Policy Group, EY.

The panelists noted that there has been a shift in the architecture of the earlier FTAs with Japan, Korea and ASEAN and the recent FTAs with the UAE, Australia and the one under negotiation with the UK. The UAE and Australian FTAs have created specific opportunities for Indian companies. There are higher expectations from the ongoing negotiations with the UK, the EU and Canada.

The earlier FTAs have been a mixed bag for India. While the outcome with Japan, Korea and ASEAN was balanced overall, with ASEAN, India did not gain much in exports though imports increased. India's global imports during the 2010-21 period rose by 63%, but imports from ASEAN alone grew about 120%. Exports did not see a similar level of increase mostly due to the fact that countries such as Singapore and Malaysia do not have duty on many products. Therefore, Indian exports where duties are zero did not gain from the FTA route. India's exports to South Korea increased to double of the global exports after the FTA was signed. However, due to lack of post-FTA outreach initiatives regarding new market opportunities, among other reasons, the benefits did not scale up.

Based on past learnings and changing dynamics of global trade, India's FTA architecture has changed. While the earlier FTAs focused on eastern countries under the 'Look East' policy, the recent FTAs are more focused on Western geographies such as the US, the UK, the EU, and Eurasia. The bulwark of this shift is India's need to look for supply chain partners that are credible and resilient, while offering investment and access to technology. Given the strong political will and diplomatic ties with these regions, such a change may be win-win.

Another difference is that traditionally, FTAs focused on goods trade and related measures. The new FTAs, however, seek deeper economic integration, reflecting the changing paradigm of international trade agreements. India, through the new agreements, is expressing its understanding of these changes and adopting the imperatives that drive the modern economic trade order.

While the FTAs with Australia and the UAE are a mix of traditional and modern elements, the agreements with the UK and the EU have more modern elements. The agreement with Australia has a two-tier structure in terms of tariff concessions and robust rules of origin, observed the panelists. The UK FTA not only negotiates on tariffs or domestic barriers and services but also talks about sustainability, labor, supply chain resilience, and digital trends like unhindered data flow. The agreements with the UK and the EU will have more than 20 policy areas2.

Specific opportunities for India: India's FTAs with various countries offer distinct trade opportunities.

The existing agreements with the UAE, for example, will boost sectors such as gems and jewelry, plastics, engineering goods, textiles and agro-processed foods. There is also huge potential for financial, audio-visual and entertainment services.

The FTA with Australia is beneficial for various sectors including textiles and engineering. Australia could also become a center for exports to East Asian countries where India does not have market access.

Similarly, the UAE could become an important intra-port destination where warehousing value-add can be done for exports to Africa and Europe.

The ongoing negotiations with the UK are expected to lead to a comprehensive agreement and would include products such as automobiles and whiskey. In the services sector, financial services will require multiple negotiations. The agreement with the EU may be complicated as it involves 27 countries. The new FTAs can also help start-ups looking for opportunities abroad.

Factors critical for creating India-centric value chains

In the recent FTAs, based on learnings from past agreements, India is increasing its focus on goods and services of specific export interest. Products like electronics, computers and laptops are already included in value chains. The new agreements will, however, also include a variety of finished products, not necessarily hi-tech, like shirts, shoes and bicycles.

India is the largest exporter of cotton yarn, which is woven into fabric largely in China, dyed in Spain or Lesotho, and then sent to Ethiopia, Bangladesh or Vietnam, from where the final apparel is distributed around the world. Therefore, the value chain for a smaller product such as a shirt is like that of complex electronic products. Similarly, bicycles, pedals and brakes come from Japan, saddles from Italy, and frames and wheels from China. This means assembly can be anywhere in the world. India must identify the products, understand the value chain and take proactive steps to export the final value-added product on that chain.
Action points

To have a bigger role for exports, India must improve efficiency of ports, shipping, customs etc. via automation. Improved efficiency, along with low or nil duties, can also be a big boost for participation by Micro, Small, and Medium Enterprises (MSMEs). The existing value chains are being disrupted as many organizations and countries feel the need to develop alternate sources of supply in which all the components are available in the domestic vicinity or within the country's own economy. Therefore, India has to look at a hybrid model to source from the most efficient suppliers, including domestic suppliers. There is a need to build capacities across the value chain.

In developed economies, cutting-edge technology and products are changing the nature of products. So, FTAs may be a good way for India to build bridges to reach out to those markets.

The takeaway

FTAs help our economy grow and develop through trade. They are a good tool to gather the various factors of production – capital goods, intermediates and raw materials; specialized labor; technology and know-how; services etc. – at competitive prices from the FTA partner countries on preferential terms. However, while negotiating, India must adopt a balanced position considering domestic imperatives such as Production-linked Incentive (PLI) schemes that seek to provide impetus to Indian manufacturing. Moreover, unlike many other countries, India's focus is not solely on trade as there is a huge domestic market as well.

Source: ey.com- Aug 26, 2022

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High cotton prices to spoil apparel stocks' outlook in near-term: Analysts

At the bourses, shares of textile stocks like KPR Mills, Welspun India, and Vardhman Textiles have tumbled up to 45 per cent so far this year.

Extreme weather conditions, coupled with lower crop yield, have triggered a sharp rise in cotton prices. So far, in the month of August, the prices of this commodity have surged over 11 per cent to Rs 50,600 per bale from Rs 45,297 earlier.

Domestic spinning mills have either trimmed production or have started to use existing inventories to meet domestic demand. This is due to higher yarn prices, pest infestation and excessive rainfall patterns.

The highest cotton-producing states like Gujarat, Tamil Nadu, Andhra Pradesh and Maharashtra have lowered or ceased their production due to low demand and elevated commodity inflation.

While this may put margin pressure on textile companies in the near term, the ones with steady inventories may benefit from this crisis in the long run, believe analysts. They suggest investors stay cautious on cotton-yarn players and apparel makers if the prices of natural fibre continue to remain in the upward trajectory in the near term.

“Within the textiles industry, the cotton-yarn manufacturers will face the worst wrath due to margin squeeze and lower profitability. Cloth-sellers, too, shall remain under pressure. However, garment manufacturers would be able to pass on the price rise to apparel makers. Hence, we recommend that investors hold stocks of garment manufacturers or exporters like KPR Mills and Gokaldas Exports,” said Deepak Jasani, head of research, HDFC Securities.

At the bourses, shares of textile stocks like KPR Mills, Welspun India and Vardhman Textiles have tumbled up to 45 per cent so far in calendar year 2022.

In comparison, frontline indices Nifty50 and the Sensex climbed over 0.8 per cent each.

MIXED BAG FOR THE YARN

(as on Aug 26)	CMP (₹)	Change YTD (%)
Swan Energy	202.8	38.6
Garware Technical Fibres	3,320.4	4.5
Grasim Industries	1,675.4	3.6
Sheela Foam	2,951.1	-8.5
Alok Industries	20.0	-22.3
TCNS Clothing	579.5	-25.8
Vardhman Textiles	335.7	-27.3
Trident/India	37.0	-30.6
Welspun India	78.0	-46.4
LUX Industries	1,767.5	-52.0
Sensex	**58,833.9**	**1.0**

Filtered for BSE500 textile companies Compiled by BS Research Bureau
Source: Bloomberg, exchanges and Capitaline

Globally, most countries have been hit by an acute cotton production due to dry spells and intense heat waves.

The drought has not spared the US — the world's largest exporter of cotton. Industry experts estimate production to plummet to 28 per cent, the lowest seen since 2010. Other countries like China, Brazil and Australia, too, remain vulnerable. Despite the huge cotton shortage across the country, analysts believe India stands to storm through the crisis once prices ease.

Vinit Bolinjkar, head of research, Ventura Securities, is bullish on the long-term prospects of companies with steady inventory like KPR Mills and Vardhman Textiles. Moreover, the finance ministry extended the exemption of Customs duty on raw cotton imports till October 31 as domestic production takes a hit.

The exemption from duty would benefit the textile chain — yarn, fabric, garments and made-ups and provide relief to consumers. Against this backdrop, though minimal meaningful recovery is anticipated for the textiles sector in the near-term due to elevated prices, the long-term bet looks profitable, believe analysts.

Gaurang Shah, investment strategist at Geojit Financial Services, expects value buying to emerge after a fall in the prices of cotton.

"As India has battled high cotton prices in the past, we remain optimistic on the textiles sector in the long haul as well. Hence, we recommend that investors hold on to companies like Vardhman Textiles and Raymond," he added.

Source: business-standard.com- Aug 27, 2022

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