TEXTILE INTELLIGENCE CENTRE
IBTEX
INFORMATION BUREAU TEXPROCIL

TEXPROCIL NEWS CLIPPINGS

An ISO 9001:2015 CERTIFIED COMPANY

The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 170 of 2022 **September 6, 2022**

NEWS CLIPPINGS

Currency Watch	
USD	79.87
EUR	79.55
GBP	92.45
JPY	0.57

INTERNATIONAL NEWS

NATIONAL NEWS	
No	**Topics**
1	Trade sees India’s cotton crop touching 375 lakh bales for 2022-23
2	Hasina to push for India-Bangladesh FTA ahead of exiting LDC status in 2026
3	Free trade pact to bring quick economic gains to India, UK
4	RBI is anchoring expectations on rupee weakness, says Shaktikanta Das
5	Trade winds in the Doldrums
6	North India cotton yarn down ₹10/kg, buyers silent after new arrival

INTERNATIONAL NEWS

RCEP's overall impact on Chinese exports clearly beneficial

The Regional Comprehensive Economic Partnership agreement came into effect on Jan 1. How will its implementation influence China's export structure? What industrial chains will benefit from the agreement for further development? Will it be a boon for, or a bane of, China's exports, and how should China make use of the agreement to boost its exports and improve trade quality?

The implementation of the RCEP pact has facilitated the sound growth momentum of China's exports to other member countries of the agreement.

During the first six months, exports and imports between China and other RCEP countries hit $939.3 billion, accounting for about 32 percent of China's total trade. China's exports to other RCEP member countries were worth about $468.5 billion during the period, growing 14.7 percent year-on-year, which was 2.3 percentage points higher than the average annual growth rate of China's exports to other RCEP member countries in the past 20 years.

Chinese exports to other major RCEP member countries have increased significantly during the first half, except for Vietnam and Japan. Other RCEP countries' contributions to China's exports have also increased during the period, and the share of non-RCEP member countries in China's outbound shipments dropped by 1.11 percentage points from a year earlier. In addition, shares of most RCEP countries in China's exports have all risen, except for Japan, Vietnam and New Zealand.

Japan's smaller share in China's total exports was mainly due to the sharp depreciation of the Japanese yen since the end of May, which has weakened Japan's import capacity. In the first four months before the sharp depreciation of the yen, Chinese exports to Japan accounted for 4.97 percent of China's total exports, higher on a yearly basis.

Vietnam's share decline is probably attributable to two factors. One is some competition between China and Vietnam in machinery manufacturing, textile and garment industries.

Vietnam's preferential tariffs for many of these Chinese products are not yet fully in place. Also, Chinese exports to Vietnam mainly focus on upstream mechanical and electrical products, and Vietnam's demand for those products is softer this year as it focuses on boosting end product production to meet overseas demand.

The RCEP has facilitated China's exports to Japan and South Korea. The implementation of the trade pact has for the first time established direct free trade relations between China and Japan, and Japan will eventually remove 88 percent of tariffs on Chinese imports. The RCEP is also the first free trade agreement involving China, Japan and South Korea, which helps with economic integration in Northeast Asia.

To consider the RCEP's influence on the structure of China's exports, there are three aspects to consider.

Compared with products from other RCEP countries, are related Chinese products more competitive? Are they highly competitive with lower tariffs? Or do such products face competition from other RCEP countries?

Products that do not have export or other competitive advantages over products from other RCEP members cannot significantly boost China's export performance, and the RCEP has limited impact on such exports.

For Chinese exports that only enjoy competitiveness over products from RCEP countries, such advantages may not last long. For instance, because of their bulky weight or short shelf lives, products like leaf tobacco and paper products only have export advantages vis-a-vis neighboring RCEP countries. Global energy supply contracts and food price surges can also swiftly alter competitive advantages for China's exports.

Chinese products having certain competitiveness and significant export advantages in the RCEP region will usually enjoy high-level preferential tariff treatments, and export strength of such products is unlikely to subside over the short term.

Chinese products that have strong competitiveness in global markets but moderate advantages in the RCEP region will enjoy more export room in high-end markets, but must pay attention to competition from other RCEP countries.

Thanks to preferential tariff treatment over the long term, competitiveness of some Chinese products, such as integrated circuits, automatic data processing equipment and automotive parts, will remain strong.

Products such as midstream manufactured goods, which include electromechanical machine parts and storage equipment, do not face fierce competition in the region while enjoying protective tariffs under the RCEP agreement. As domestic industrial chains upgrade, export volume and value of such products are expected to grow.

Yet for traditionally labor-intensive products, such as furs, suitcases, clothing, household items and toys, they will be more likely to get replaced by products from the Association of Southeast Asian Nations, although tariff treatment under the RCEP may extend export opportunities for some time. That is because while China's environmental protection regulations tighten and labor costs grow, ASEAN member states have been gradually receiving transfers of related capacity from China, especially in textile and clothing industries, thanks to their rich labor resources, low cost and foreign investment incentives.

The RCEP will reduce tariff and non-tariff barriers among member countries, thereby boosting trade, which is called the trade creation effect. At the same time, China and other RCEP members have similar industrial systems and resource endowments, and therefore face certain competition in export markets. The implementation of the RCEP will therefore have a "substitution" effect on China's exports.

However, the creation effect is more influential than the substitution effect.

Due to the resurgence of COVID-19 cases in China, ASEAN's capability to replace China in global export markets increased temporarily.

The share of China's textile products in global export markets has been partially replaced by ASEAN, but that was the result of the transformation and upgrades of China's manufacturing industry and the relocation of relatively low-end industrial chains.

China's textile and apparel industry has moved up the value chain toward two ends of the same spectrum—conception and marketing that command higher added value on the one hand, as well as the core manufacturing aspect on the other.

ASEAN has had a relatively strong substitution effect on China's textile product exports, but its export substitution effect on China's electromechanical products is very limited. China's capital and technology-intensive industries in the electromechanical sector provide ASEAN with upstream products and high-end intermediate products, which are difficult to be replaced by ASEAN.

No matter whether one is talking short term or long term, the RCEP will play an important role in supporting China's export growth.

Some studies show that from 2020 to 2035, the RCEP will lift China's exports by about 7.6 percent compared with the baseline scenario. With the recovery and expansion of ASEAN production capacity, the deep implementation of the RCEP agreement and the recovery of China's supply chain, the value chain in the RCEP region will become a pillar of China's exports.

China and ASEAN are each other's largest trading partners. In the short term, China's role in the operations of regional industrial and value chains is very firm, especially that of ASEAN.

For one thing, ASEAN needs China's supply of intermediate goods to produce end products. Most of the ASEAN countries have weak industrial foundations and support facilities. Foreign investment has led to an increase in ASEAN plant construction and machinery purchases, and its imports of intermediate and high-end machinery and equipment have increased. The implementation of the RCEP agreement boosts China's exports of electromechanical equipment and chemical products.

Also, the ASEAN manufacturing sector is increasingly dependent on the Chinese market. China has become the largest market for manufactured products from ASEAN, taking in more than 30 percent of the final products from ASEAN manufacturers.

To boost the RCEP's positive effect on China's exports while alleviating side effects, the following measures are recommended.

First is making full use of RCEP accumulative rules of origin. Raw materials sourced within the region can be treated as part of value-added products from the region to enjoy tariff treatment, which will help reduce costs for enterprises. Chinese enterprises should accelerate adaptation to such rules and make better use of them.

China should also promote digital transformation and upgrade to grasp new opportunities presented by digital trade as the RCEP requires member countries to adopt a more open attitude toward digital trade.

China should also promote upgrades in manufacturing and product design to face competition properly, while strengthening regional value chain cooperation and domestic policy optimization.

The nation is also advised to provide relevant training and professional assistance to enterprises, improve infrastructure and financial support for foreign trade market entities, enhance the business climate, and promote multilevel and mechanism-based communication and cooperation with other RCEP members.

Source: chinadaily.com.cn - Sep 05, 2022

HOME

****

Europe heading for recession

The euro zone is almost certainly entering a recession, with surveys on Monday showing a deepening cost of living crisis and a gloomy outlook that is keeping consumers wary of spending.

While there was some easing of price pressures, according to the surveys, they remained high and the European Central Bank is under pressure as inflation is running at more than four times its 2 per cent target, reaching a record 9.1 per cent last month.

It faces the prospect of raising interest rates aggressively just as the economy enters a downturn. A rise in borrowing costs would add to the woes of indebted consumers, yet in a Reuters poll last week almost half of the economists surveyed said they expect an unprecedented 75 basis-point rate hike from the ECB this week, while almost as many forecast a 50 bps hike.

Despite those expectations the euro dropped below 99 U.S. cents for the first time in 20 years on Monday after Russia said gas supply down its main pipeline to Europe would stay shut indefinitely. Gas prices on the continent soared as much as 30 per cent on Monday, stoking fears of shortages and reinforcing expectations for a recession and a bitter winter as businesses and households are battered by sky-high energy prices.

S&P Global's final composite Purchasing Managers' Index (PMI), seen as a guide to economic health, fell to an 18-month low of 48.9 in August from July's 49.9, below a preliminary 49.2 estimate.

Anything below 50 indicates contraction.

"The PMI surveys signal that the euro area is entering recession earlier than we previously thought, led by its largest economy Germany, and we now see the euro area 'enjoying' a longer, three quarter recession," said Peter Schaffrik at the Royal Bank of Canada.

"The revision is mainly due to developments in energy prices which, even after retreating over recent days, remain elevated and which mean that the impact on household spending will be larger than we hitherto anticipated."

That prospect of recession whacked investor morale in the currency union and it slumped in September to its lowest since May 2020, another survey showed.

Services activity in Germany, Europe's largest economy, contracted for a second month running in August as domestic demand came under pressure from soaring inflation and faltering confidence, earlier figures showed.

Its economy is on track to contract for three consecutive quarters starting from this one, a Reuters poll suggested last week.

In France, the euro zone's second-largest economy, the services sector lost more steam and only managed to eke out modest growth with purchasing managers saying the outlook was bleak.

The Italian services industry returned to modest growth but in Spain activity expanded at the slowest rate since January, with companies concerned inflation would weigh on their profits and on customers' demand.

In Britain, the economy ended August on a much weaker footing than previously thought as overall business activity contracted for the first time since February 2021 in a clear signal of recession, its PMI showed.

Later on Monday the country will learn who will become its next prime minister, tasked with trying to manage an economy facing a long recession alongside eye-watering inflation and industrial unrest.

In Asia, surveys showed a strong rebound in China's services sector eased slightly amid fresh Covid-19 flare-ups, while in Japan the sector contracted for the first time in five months.

However, India's dominant services industry grew faster than expected last month thanks to a solid expansion in demand and a continued easing in cost pressures.

Source: thedailystar.net- Sep 06, 2022

HOME

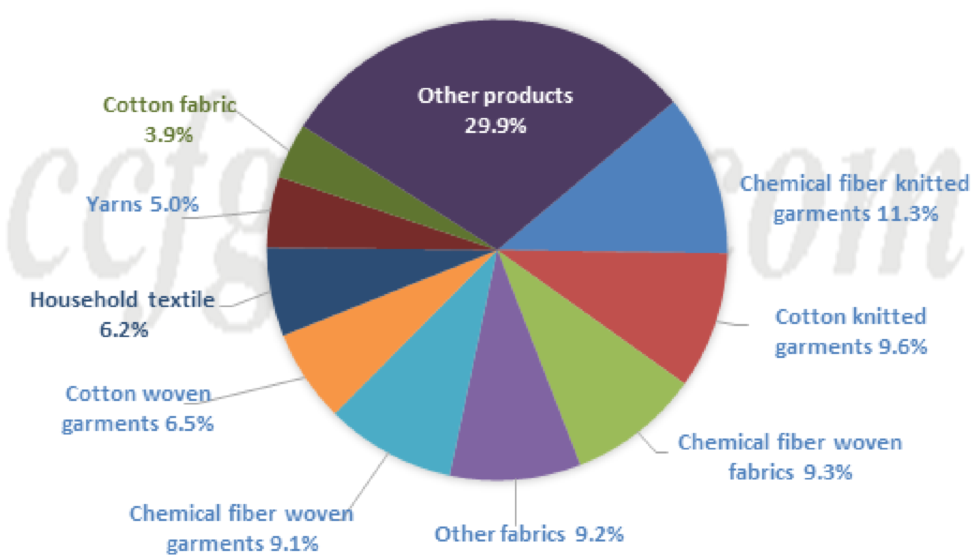
****

China's textile and apparel exports outperform domestic sales during Jan to Jul

This year, domestic sales of textile and apparel were relatively sluggish. From Jan to Jul, retail sales of garments, footwear, hats and knitwear above designated size declined by 5.6% year-on-year. In perspective of monthly sales, only Jun and July saw positive year-on-year growth, but the growth was limited. China's textile and apparel exports were doing well compared with the domestic sales.

During Jan-Jul, the total exports of China's textile and apparel goods amounted to US$189.84 billion, up 12.7% year-on-year, among which garments exports toppled US$99.9 billion, up 13.3% year-on-year.

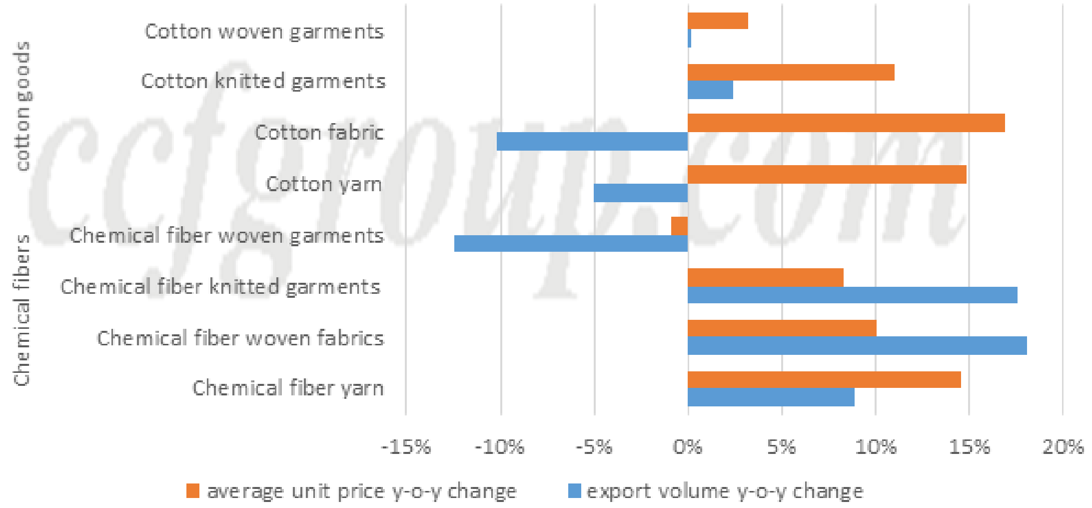
Major textiles and apparels exports in Jan-Jul (by value)



Viewed from the proportion of major products exported, knitted garments made of chemical fiber took the largest part, and cotton knitted garments came second, followed by woven fabrics made of chemical fibers, and other fabrics accounted for 9.2%. From Jan to Jul, the share of fabric export was rather large, accounting for about 23% of the total textile and apparel exports.

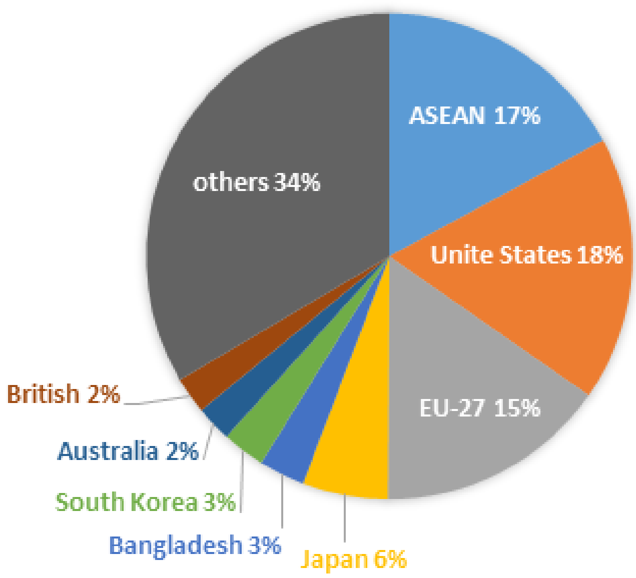
In Jan to Jul, China's exports of textile and apparel made of chemical fibers performed better than cotton goods. One of the reasons lied in the ban on Xinjiang cotton, and another reason was that the unit price of cotton products increase faster than products made of chemical fibers, thus some orders were shifted to different regions or varieties.

Major textile and apparel export volume and unit price changes in Jan-Jul



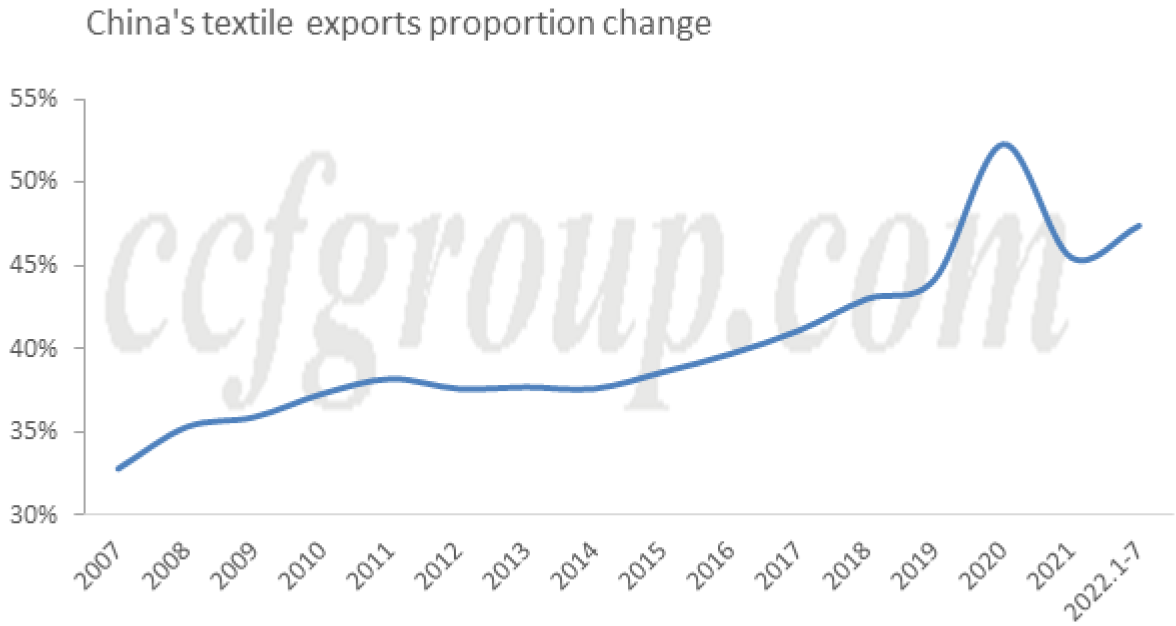
EU countries, the US, Japan and ASEAN countries were still the major destinations for China's textile and apparel exports in Jan-Jul. In particular, the year-on-year growth of exports to ASEAN and Bangladesh increased more rapidly to reach 23% and 36% respectively.

Jan-Jul textile and apparel export markets



The proportion of China's textile and apparel exports in Europe, the US and Japan moved down gradually. The proportion in the US, in particularly, declined rapidly since the US-China trade war. Although China's textile and apparel still held a dominant position in those countries, especially in Japan, yet it was worth noticing that parts of the share was being squeezed by Southeast and South Asia countries.

China is in the middle of an outward shifts of its low-end textile and apparel industry, and this is expected to continue in the future. However, given the limited capacity and incomplete industrial chains, Southeast and South Asia countries are highly dependent on imports particular imports from China.



(Note: The export proportion increased significantly in 2020 due to the large exports of epidemic prevention textiles such as masks.)

From 2007 till now, the share of China's textile exports in the total textile and apparel exports rose gradually from 32.8% to 47.4%, up 14.6 percentage point. In addition, changes in China's textile exports orientation could also be identified.

In summary, from Jan-Jul, China's textile and apparel exports were significantly better than domestic sales, and the exports of textile and apparel made of chemical fibers were clearly better than cotton goods. Among the major export markets, ASEAN countries and Bangladesh saw the largest growth of China's exports.

Source: ccfgroup.com- Sep 06, 2022

HOME

****

Many US domestic industries urge USTR to continue China 301 tariffs

The office of the US trade representative (USTR) recently confirmed that representatives of domestic industries benefiting from the tariff actions in the Section 301 investigation of China's acts, policies and practices related to technology transfer, intellectual property and innovation have requested the administration to continue the tariffs.

"Accordingly, as required by statute, the tariffs did not expire on their four-year anniversary dates and USTR will proceed with the next steps as provided in the statute," USTR said in a press release.

Details on the next steps in the four-year review process will be set out in subsequent notices.

In May this year, USTR commenced the statutory four-year process by notifying representatives of domestic industries that benefit from the tariff actions of the possible termination of those actions and of the opportunity for the representatives to request continuation.

As requests for continuation were received, the tariff actions have not terminated and USTR will conduct a review of the tariff actions.

"The July 6, 2018 action, as modified, did not terminate on July 6, 2022, and will remain in effect, subject to possible further modifications," the USTR notice said.

Source: fibre2fashion.com- Sep 05, 2022

HOME

****

UAE hopes to finalise CEPA with Turkiye soon: Minister Al Zeyoudi

The United Arab Emirates (UAE) is hopeful of finalising a comprehensive economic partnership agreement (CEPA) with Turkiye in the near future, according to the former's foreign trade minister Thani Ahmed Al Zeyoudi. The negotiations were launched around four months ago and the agreement aims at removing trade barriers and cutting tariffs.

“We are aiming to finalize the #UAETurkiyeCEPA in the coming weeks, and build deeper, more meaningful trade and investment ties with one of the region's most important economies,” Al Zeyoudi wrote on Twitter, retweeting a post by his Turkish counterpart Mehmet Mus.

“We discussed the current state of the ongoing negotiations of Türkiye-UAE #CEPA and the steps to be taken to finalize the agreement,” Mus said on Twitter.

The deal will enable both the countries to achieve a bilateral trade volume of nearly $15 billion, Mus said in late April when the two countries officially launched talks on the CEPA. The CEPA is expected to double trade between the two nations, Al Zeyoudi was quoted as saying by Turkish media reports.

The UAE is pursuing several bilateral CEPAs and has signed trade deals with India, Israel and Indonesia this year.

The UAE is the largest trading partner of Turkiye in the Middle East with a bilateral trade volume of around $8 billion. The turnover had dropped to around $6.9 billion in 2018, before rebounding to nearly $7.9 billion in 2019, according to the official data. The volume rose further to $8.3 billion in 2020 despite the pandemic, before slipping slightly to $7.6 billion last year.

The trade in the first seven months of this year was worth nearly $5.2 billion.

Source: fibre2fashion.com- Sep 05, 2022

HOME

****

Vietnam ships US $ 22.24 billion worth of textile and garment in Jan.-Jul. '22

Vietnam has clocked US $ 22.24 billion from textile and garment exports during January to July '22, noting 20.40 per cent growth Y-o-Y.

The preliminary data was recently released by General Department of Customs, Vietnam.

According to the data, the USA accounted for around 50 per cent of the total export values constituting US $ 11.14 billion during the first 7-month period of 2022.

The shipment to Japan and South Korea valued US $ 2.06 billion and US $ 1.68 billion, respectively.

It's worth noting here that Vietnam is projecting to clock US $ 45.70 billion export turnover in garment and textile sector during 2022, as stated by the General Department of Vietnam Customs.

Source: apparelresources.com- Sep 05, 2022

HOME

****

Pakistan: Miftah asked to open India trade

Finance Minister Miftah Ismail, on Monday, hinted at allowing imports of cotton from India after textile exporters demanded 2.5 million bales to meet an emergent shortfall caused by the calamitous floods that washed away about half the country's total crop.

The proposal to allow the import of cotton and vegetables from India was discussed during a meeting between Finance Minister Miftah Ismail and a delegation from the Pakistan Textile Exporters Association (PTEA), led by its Patron-in-Chief Khurram Mukhtar.

Rejecting pressure from industrialists hoarding the commodity, and are now lobbying against allowing imports, Ismail said, "We will allow the import of cotton to ensure our mills are able to fulfil their export orders," added, however, that the import destination was yet to be decided.

"First create an environment for allowing imports from India," the finance minister told PTEA, explaining that the country had practically severed trade ties with India after New Delhi unilaterally changed the status of Indian occupied Jammu & Kashmir over three years ago.

Earlier, the finance minister was unable to muster enough support for his previous proposal to allow the import of tomatoes and onions from India to meet a shortfall caused by the floods. Last week, however, Pakistan's Foreign Office said that no proposal was under consideration to revive trade with India.

The floods, having washed away all the standing cotton, rice and sugarcane crops, deemed the Ministry of Finance's initial projections of 11 million cotton bales being produced improbable. Revised estimates suggest that production may remain around 5.5 million bales only.

The textile exporters, however, are keen to import cotton – their basic raw material – from India via land to save time and logistics cost.

In a report, the Ministry of Planning assessed that Sindh's cotton crop had been completely wiped out and 70% of the rice crop had been damaged. Expected delays in wheat sowing, due to inundated lands, will also take a toll in the form of lower output. Therefore, important crops gross value addition is expected to reduce by 10.5%.

Minor crops including chillies, tomatoes and onions, having also faced the brunt of flash floods, and are assumed to be contributing 5% lower value added to GDP during the current fiscal year.

Due to severe damage to crops incurred in Sindh, Balochistan and KPK, the agriculture sector's growth is expected to decelerate by 0.7% against the annual planned target of 3.9%, according to the Ministry of Planning's initial assessment that has also shown the overall GDP growth for this fiscal year at 2.3%.

Subsidised Gas issue

The exporters also took up the issue of the providing subsidised gas to export-oriented industries. The finance minister assured that the decision to provide gas at $9 per mmbtu rate will be implemented with effect from the start of the fiscal year, instead of from August.

Confusion over the applicability of revised gas rates was created due to the misinterpretation of the cabinet's decision. While the Commerce Ministry is of the view that the Cabinet had set the revised tariff rates of electricity with effect from August while gas rates would be implemented from July 1. However, the Cabinet Division said that the revised rates of gas and electricity would take effect from August.

The PTEA also raised the issue of different gas prices for Sindh and Punjab-based industries, urging the finance minister to implement weighted average cost to bring parity in gas prices across the country. Ismail, however, did not commit his support due to a difference of opinion among coalition partners.

Currently, Punjab-based industries were getting gas at $9 per mmbtu while Sindh-based industries paid $3.9 per mmbtu – a huge difference of 57% that was making industries in Punjab uncompetitive.

The PTEA also demanded that the exporters deferred sales tax refunds of Rs36 billion in 32,000 pending cases should be disbursed in due course.

An official hand out from the Finance Ministry stated that the PTEA apprised the finance minister about the contribution of the textile sector exports in overall sustainable economic growth of the country. They also discussed various issues being faced by exporters, especially related to exports and tax refunds.

Ismail assured that government wanted to enhance the overall exports of the country and every possible support would be provided in this regard. According to the ministry, the finance minister also directed the relevant authorities to take desired steps to resolve these issues.

Source: tribune.com.pk- Sep 06, 2022

HOME

****

Pakistan: Weekly Review: Cotton rate declines as bearish trend prevails

Extraordinary bearish trend prevails in domestic and international cotton markets. The rate of quality cotton witnessed a significant reduction of Rs 4,000 per maund. The spot rate also decreased by Rs 3,000 per maund.

According to the fortnightly report of Pakistan Cotton Ginners Association released on Saturday, the production of cotton reduced by 2 lakh 51 thousand bales.

Due to disparity in cotton and cotton products, some mills are closed, or partially functioning. About 70 lakh bales of cotton will have to be imported. At present, import contracts of about 35 lakh bales have been signed.

After a continuous boom, the local market started to decline. Last week, the price of quality cotton rose to a historic high of Rs 23,500 to Rs 24,000 per maund, but from the beginning of the week under review, the market began to come under pressure. There was a decrease in the price of cotton from time to time, and there was a significant decrease of about Rs 4,000 rupees per maund.

The disparity of cotton yarn and textile products was greatly increased. Due to which many mills were forced to close down and many mills reduced their shifts by decreasing production; besides, there is a severe recession in the international markets. There was almost no demand of textile products in the market.

There are very few export orders for garments due to which many garment factories are closed. Many other factories are on the verge of closing.

United Business Group (UBG) Patron-in-Chief S M Munir, UBG President Zubair Tufail, President KATI Salman Aslam and Mirza Akhtar Baig said that most of the area of Pakistan has been submerged due to catastrophic floods. The state of the country's economy is very bad. Almost 90% of Faisalabad's industries have closed down. Exports have also suffered a severe blow. Exports will suffer further in future.

Due to floods, the agricultural products, especially the cotton crop, have been destroyed and there is a fear of shortage of food items also. The government promised a surcharge of 9 cents on five export sectors, but 14 cents is being charged, which will further hurt the exports.

According to an estimate, the cotton crop has been severely affected due to continuous heavy rains and devastating floods, due to which the total production of cotton in the country is expected to be around 65 lakh bales. However, it is too early to predict. The forecast can be made by the second week of September, but according to the Meteorological Department, two more spells of rain are expected in the month of September. No one knows what would happen after that? While about 70 lakh bales of cotton will have to be imported from foreign countries, currently import agreements for 35 lakh bales have been made.

Currently, the price of cotton in Sindh province is 17,000 to Rs 20,000 per maund, the price of Phutti per 40 kg is Rs 6000 to Rs 8500.

In Punjab province, the price of cotton per maund is Rs 19,000 to 20,000 while the price of Phutti per 40 kg is Rs 7,000 to Rs 10,000. In Balochistan province the price of cotton was Rs 18,000 to Rs 19,000 per maund and the price of Phutti was Rs 7,000 to Rs 11,000 per 40 kg. The price of Banola, Banola Khul and Banola oil has decreased.

The Spot Rate Committee of Karachi Cotton Association reduced the spot rate by Rs 3,000 per maund and closed the spot rate at Rs 20,000 per maund.

Naseem Usman, chairman of Karachi Cotton Brokers Forum, said that the downward trend in cotton prices prevailed in the international cotton markets. Rate of New York cotton for December delivery fell 1.18 cents a pound to a low of 1.03 US cents a pound. In India too, the price of cotton saw a significant decline.

Seed cotton (Phutti) equivalent to over 1.5 million or exactly 15,39,710 bales have reached ginning factories across the country till September 1, registering decrease of 14.04 percent as compared to corresponding period of last year.

According to a fortnightly report of Pakistan Cotton Ginners Association (PCGA) released on Saturday, over 1.4 million or 14,04,254 bales have undergone the ginning process, i.e., converted into bales.

Cotton arrivals in Punjab were recorded at over 0.7 million or 7,03,993 bales registering a surplus of 29.09 percent as compared to corresponding period of last year when arrivals were recorded 1,58,650 bales.

Source: brecorder.com - Sep 05, 2022

HOME

****

NATIONAL NEWS

Trade sees India's cotton crop touching 375 lakh bales for 2022-23

Higher crop size coupled with low demand amidst global economic weakness to put prices under pressure

Ahmedabad, September 5 India's cotton output for the season 2022-23 is likely to touch 375 lakh bales (each of 170 kg), given no climatic adversities affect the crop during October, trade sources said.

This higher crop is expected to bring down the prices from record high levels of nearly ₹1 lakh per candy (each of 356 kg) in May-June 2022. Thanks to about eight per cent rise in acreage, a seemingly good crop coupled with a demand slowdown in the cotton value-chain — yarn and garments — may cause supply pressure thereby triggering a downward price trend by end of this year.

Cotton area is estimated at 126 lakh hectares till September 2 — up 8-9 per cent from 117 lakh hectares last year.

Atul Ganatra, President, Cotton Association of India (CAI), stated that the cotton crop condition in India was "very good and if everything goes well, we are expecting 350 lakh bales +/– 25 lakh bales." The crop size may touch 375 lakh bales if there are no rains during October. If it rains during October, when the cotton bolls are open in the irrigated fields, it may hamper the quality.

"This season our cotton production is down from 355 lakh bales to 315 lakh bales, as yield is reduced drastically due to many reasons. To increase our yield, we have to adopt new seed technology as our current seed has lost its resistance against pests," Ganatra said addressing the 62nd AGM of All India Cotton Seed Crushers' Association.

Higher supply

Ashwani Jhamb, Vice-President of Indian Cotton Association, noted that India's cotton crop for 2022-23 may be higher by about 50 lakh bales from the previous year. Additionally, Jhamb stated, "We believe that the prices will go down as the arrivals pick up. The yarn market is in a bad situation as exports are not happening due to higher prices and economic weakness in the other countries. Only domestic demand can't hold the market."

Domestic prices of the fibre crop had moved up from ₹70,300 a candy (each of 356 kg of ginned cotton) in January to ₹98,000 in July. However, the prices softened since then to touch ₹91,500 on August 3, before rising again to ₹93,000 a candy on September 3.

Rajkot-based cotton trader Anand Popat also suggested a dip in cotton prices following the mounting supply pressure. "There is a global economic weakness and retail demand for garment is taking a hit. We don't see yarn demand taking off at this rates.

No spinning mill is operating at its full capacity at present. India's total cotton consumption has reduced by half from last year. If only there is reduction in prices, we will see some mill demand," said Popat adding that the ground factors such as good crop condition would not be supportive of a further price rise irrespective of the global crop situation.

Ganatra added that over 1,500 small spinning mills have completely closed operations, while most of the medium and large mills have cut production by 50-70 per cent. This is impacting the monthly cotton consumption.

Global output down

The international agencies have estimated a dip in the global cotton output and hinted at higher prices during 2022-23. The International Cotton Advisory Committee (ICAC), in its recent monthly report, expressed concern over recent floods in Pakistan reducing cotton output by 0.5 million tonnes to 1 million tonnes for the country. For the United States, too, ICAC has estimated a lower crop situation in Texas with an estimated loss of over 1 million tonnes compared with the previous season. "This puts the current US crop at just over 2.7 million tonnes," it said with a price projection of 126.95 cents per pound as midpoint.

Source: thehindubusinessline.com– Sep 05, 2022

HOME

****

Hasina to push for India-Bangladesh FTA ahead of exiting LDC status in 2026

Bilateral meet with Modi today in New Delhi; MoUs expected in defence, water management, railway modernisation, judiciary, science & tech

Fast-tracking of the proposed India-Bangladesh Free Trade Agreement (FTA) is likely to feature prominently on Bangladesh Prime Minister Sheikh Hasina's agenda at the meeting with her Indian counterpart Narendra Modi in New Delhi on Tuesday as Dhaka may see Least Developed Country benefits end by 2026 and possibly lose duty-free, quota-free benefits extended to it by Delhi under the South Asia Free Trade Agreement (SAFTA).

Hasina, who arrived in New Delhi on Monday on a four-day official visit, is also likely to discuss issues such as energy security, defence and military cooperation, water-sharing, connectivity, joint production of Covid-19 vaccines and the blue economy, in her meeting with Modi, a source tracking the matter said.

Securing market access

"In the proposed India-Bangladesh FTA, Dhaka will try to include all benefits it gets as a LDC under SAFTA, including duty-free quota-free access. This will ensure that when it graduates out of its LDC status in 2026 it will continue to get the SAFTA benefits and not lose out on market access," the official said.

The UN General Assembly, last year, took note of the endorsement by the Economic and Social Council of the recommendation that Bangladesh, Lao Republic and Nepal, be graduated out of LDC category. It, however, decided to give a five-year preparatory period, till November 2026, to the countries for graduation taking into account the disruptions caused by the Covid-19 pandemic.

In a Secretary-level meeting in March this year, India and Bangladesh decided to finalise a joint study on the proposed FTA, which would actually be a broader Comprehensive Economic Partnership Agreement including goods, services, investments and other related areas.

Key trade partner

New Delhi is interested in deepening trade and investment ties with Bangladesh as the neighbouring country is now India's biggest trade partner in South Asia. Bangladesh has become the fourth largest export destination for India with growth of over 66 per cent to $16.5 billion in 2021-22 from $ 9.69 billion in 2020-21.

"Getting into a trade pact with Bangladesh will also help India counter the growing influence of China in the country," the source added.

During Hasina's visit, Dhaka and Delhi will likely sign a number of MoUs in the areas of defence, water management, railway modernisation, judiciary, science and technology, and information and broadcasting.

Bangladesh is an important partner under India's "Neighbourhood First" policy. Cooperation extends in multiple fields including security, trade and commerce, power and energy, transport and connectivity, science and technology, defence, rivers and maritime affairs.

Source: thehindubusinessline.com– Sep 05, 2022

HOME

****

Free trade pact to bring quick economic gains to India, UK

Liz Truss, as the UK's new prime minister — she will assume office on Tuesday — will likely stick to the plan of her predecessor Boris Johnson to clinch a free trade agreement (FTA) with New Delhi by Diwali in October, given that both sides have more or less concluded the negotiations already, and are equally keen to strike the deal at the earliest.

Though India is still not among the UK's major economic partners — it accounts for barely 2% of its trade in goods and services and just 0.6% of its inward FDI stock — the scope for expansion on both these fronts are tremendous and much bigger than with any other country. Also, the FTA is seen to bring significant economic benefits to both sides rather quickly.

For Truss, who has inherited an economy with sluggish growth, addressing the intractable issues of low wages and high energy costs are paramount. She will have to rely on external trade in a big way in the medium term in battling the Brexit's adverse effects on its economy, which is estimated at a considerable 2-2.5% of its GDP.

An ambitious target is set by both sides to raise bilateral trade in goods and services between the two countries to about $100 billion by 2030. While this looks a tall target, the FTA will definitely lead to substantial incremental growth of trade between the two countries, besides enhanced, broader economic cooperation, which would, among other things, result in much higher two-way investment flows.

The pact, which will likely be a full-fledged one (an earlier plan was to have an interim deal first), could cover more than 90% of tariff lines. Besides, it could lead to a spurt in India-UK services trade, which is currently 60% of overall annual commerce between the two countries. Johnson had agreed to a regime that will multiply visas to Indian skilled IT professionals to tide over a shortage in the UK; Truss will likely go by that plan.

The FTA encompasses a wide range of areas including tariffs, sustainable growth, product and service standards, SMEs, government procurement, data flows and intellectual property.

The sectors that are to benefit the most from the FTA are textiles, pharmaceuticals and healthcare, food & drink — including alcoholic drinks like Scotch. Plus, of course, ICT (information & communications technology) and digital services — the innovative, tech-rich future-focused industries that will drive expansion of UK-India trade.

Following the Russia-Ukraine war and the western sanctions on Moscow, there has been a sudden surge in India's exports of refined petroleum products to the UK. According to data released by the UK Office of National Statistics, of India's merchandise exports to the UK in Q1 2022, petroleum products were the single largest item, with shipments worth £888 million. This shows bilateral trade could be expanded manifold even in the short term.

India's commerce & industry minister Piyush Goyal and his UK counterpart Anne-Marie Trevelyan have had many rounds of negotiations for the FTA. The discussions centred around opportunities to unlock the full potential of bilateral trade and opening up new areas for businesses from both the sides.

Even though India-EU FTA talks are still hanging fire due to differences in areas including liquor, automobiles and intellectual property rights, the India-UK deal could be struck. On its part, the UK government has laid-out the 'Indo-Pacific tilt' in its foreign policy, and has made it clear that India is a key partner.

Source: financialexpress.com – Sep 06, 2022

HOME

****

RBI is anchoring expectations on rupee weakness, says Shaktikanta Das

The Reserve Bank of India's (RBI's) interventions in the foreign exchange market are not just aimed at preventing excessive volatility in the rupee but also to anchor expectations around the depreciation of the domestic currency, Governor Shaktikanta Das said on Monday.

The RBI's stated stance, thus far, had been that it intervenes in the foreign exchange market to prevent excessive volatility in the exchange rate.

"As I mentioned, we are there in the market almost on a day-to-day basis and our approach or our intervention in the market is broadly premised on two basic principles. One is to prevent excessive volatility of the Indian rupee -- that is the exchange rate," Das said at an event organised by the Fixed Income Money Markets and Derivatives Association of India. "The second point is that it is also built around the theme of anchoring expectations around the depreciation of the rupee. So, it is to prevent excessive volatility and to anchor expectations around the depreciation of the Indian rupee."

The governor's comments come close on the heels of the rupee marking a fresh intraday trading low of 80.13 per US dollar on August 29. But heavy market interventions in the form of dollar sales by the RBI helped the rupee recover by the end of that day's trade.

The rupee has breached the 80 per dollar-mark on three occasions. But interventions by the RBI ensured that the domestic currency recovered from that mark by the end day's trade on all three occasions.

Das noted that the rupee's depreciation has been of a much lower order than many other currencies -- in both advanced economies and emerging markets -- with the local unit having depreciated 5 per cent, so far, in the current financial year.

The US dollar has strengthened 11 per cent over the same period, he said.

So far in 2022, the rupee has weakened 6.9 per cent versus the dollar. The RBI has heavily intervened in the foreign exchange market through sales of the dollar ever since the Ukraine war broke out in late February.

From $631.53 billion as on February 25, the RBI's headline foreign exchange reserves have fallen to $561.05 billion as on August 26, reflecting a great extent the central bank's defence of the rupee. In August, the RBI said that reserves worth $573 billion were equivalent to 9.4 months of imports projected for the current financial year. Apart from the Ukraine war, the US Federal Reserve's monetary tightening has been a source of volatility in the markets, Das said.

"The recent commentary from the Fed at Jackson Hole on the future trajectory of the US monetary policy has infused substantial volatility into global financial markets, with large spill-overs and knock-on effects on emerging market economies," a copy of Das' speech uploaded on the RBI's website read. The Federal Reserve, which has raised rates by 225 basis points, so far, this calendar year, is seen continuing to raise rates to tackle high inflation even at the cost of economic growth. Higher US interest rates typically lead to a stronger dollar and exert pressure on emerging market currencies.

Das reiterated on Monday that India's consumer price inflation shall moderate in the coming months, even though some of the monthly prints may be "bumpy". "We expect it (inflation) to moderate in the second half of the current year, and then move within the tolerance band in the fourth quarter of this year and then move to even lower levels in the first quarter of the financial year 2023-24," he said.

The RBI's target for CPI inflation is 4 per cent, with the flexibility of 2 per cent on either side. Headline retail inflation was at 6.71 per cent in July; it was the first time in four months that the price gauge printed below 7 per cent. According to forecasts provided by the RBI's Monetary Policy Committee at its review in August, CPI inflation is seen at 6.4 per cent in October-December and 5.8 per cent in January-March, before falling to 5 per cent in the first quarter of the next financial year.

The RBI has hiked the repo rate by a total of 140 basis points since May 4. The benchmark rate is currently at 5.40 per cent.

Source: business-standard.com– Sep 04, 2022

HOME

****

Trade winds in the Doldrums

Merchandise trade may have reached a point of inflection with exports, imports and the trade deficit all declining from recent peaks. Official figures released for August last week show exports at $33 billion declining after revised data for July set right a marginal contraction. Imports also posted their first sequential decline during the month at $61.68 billion while the trade deficit eased to $28.68 billion from $31.02 billion in July.

Exports shrank 1.15% in August over the same month a year ago. Imports, on the other hand, continued to clock strong growth rates at 36.78%. In the five months of this fiscal year, imports have grown 45.64%, year on year, to $317.81 billion while exports have clocked 17.12% to $192.59 billion, with the trade deficit more than doubling to $125.22 billion.

Engineering goods and textiles continued to be under pressure amid a global economic slowdown, although refined petroleum and drugs improved their performance. Electronics exports have also been holding out. Crude oil and coal imports kept up their eye-watering pace, but gold imports were down sharply.

Inbound shipments of machinery, indicative of the demand recovery underway in India, grew marginally slower than in the prior month. The government expects its full-year merchandise export target of $450 billion to be met, and the widening of the current account deficit (CAD) during the fiscal year is seen to be within manageable levels. The rupee will, however, keep trending down if it continues to track trade fundamentals as capital flows seek refuge in advanced economy debt.

Expectations are rising about a set of trade facilitation measures to get around the adverse external environment. India has done well in merchandise trade through improved market access and incentives to manufacturing as the global economy emerged from the clutches of the Covid-19 pandemic. A policy push at this juncture could be a workaround for a controlled currency depreciation.

Source: economictimes.com– Sep 04, 2022

HOME

****

North India cotton yarn down ₹10/kg, buyers silent after new arrival

North India's yarn market has witnessed a downward trend as arrival of new cotton caused a decline of ₹5-10 per kg in cotton yarn prices in Delhi and Ludhiana. Recycled yarn market was also under pressure in Panipat due to the fall in virgin cotton yarn. Traders said that buyers in textile value chain reduced buying as they are waiting for stability in prices.

Ludhiana market noted a decline of ₹5-10 per kg in cotton yarn prices. Buyers further reduced buying after a fall in cotton prices. A local trader told Fibre2Fashion, "Weaving industry was cautious about fresh buying and the downstream industry is only buying to fulfil the immediate need."

In Ludhiana, 30 count cotton combed yarn was sold at ₹385-390 per kg (GST inclusive), according to Fibre2Fashion's market insight tool TexPro. 20 and 25 count combed yarn were traded at ₹375-380 per kg and ₹380-385 per kg respectively. Carded yarn of 30 count was quoted at ₹335-340 per kg.

The Delhi market also witnessed a fall in yarn prices amid poor demand. Traders said that buyers are waiting for stability in the entire value chain. Yarns and fabrics will see a drop in prices because of the reduction in the price of new cotton. Buyers will come back for bulk buying only when the prices are bottomed out.

In the Delhi market, 30 count combed yarn was traded at ₹380-385 per kg (GST extra), 40 count combed at ₹420-425 per kg, 30 count carded at ₹340-345 per kg and 40 count carded at ₹375-380 per kg, as per TexPro.

As for the Panipat market, it also recorded a decrease in recycled yarn prices. Recycled yarn came down by ₹3-5 per kg. Declining fresh cotton yarn is causing the slippage in the recycled yarn market too. Cotton comber came down by ₹5 per kg due to the falling prices of fibre and yarn. But PET bottle fibre prices were stable. According to traders, mills are shifting to polyester yarn because they find more stability in polyester. They are consuming PET bottle fibre (recycled polyester fibre) to control their production costs. A higher demand for cheaper raw material has resulted into tight supply.

In the Panipat market, 10s recycled yarn (white) was traded at ₹88-93 per kg (excluding GST), 10s recycled yarn (coloured - high quality) at ₹105-110 per kg, 10s recycled yarn (coloured - low quality) at ₹80-85 per kg and 20s recycled high quality PC yarn (coloured) at ₹120-125 per kg. 30 count recycled yarn was sold at ₹160-165 per kg. 10s optical yarn was traded at ₹100-110 per kg in the market. Comber prices were ruling at ₹130-135 per kg. Recycled polyester fibre (PET bottle fibre) was at ₹88-91 per kg.

The prices are coming down gradually in north India as the region has received 3,000 bales of 170 kg of new cotton. Most of the arrival was recorded in Haryana mandis, with Punjab getting a few lots of the new cotton. Rajasthan's upper and lower regions are yet to see the new arrival. Ready trade deals are very limited, while forward deals are common in north India. New cotton was traded at ₹8,900-9,000 per maund of 37.2 kg for spot deals. Forward deals were sealed at ₹8,200-8,400 for September and ₹7,800-7,900 per maund for October delivery.

Source: fibre2fashion.com– Sep 05, 2022

HOME

****