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INTERNATIONAL NEWS

Growth index for China's SMEs for August 2022 stable at 88.3

China's small and medium-sized enterprises (SMEs) have maintained their recovery momentum with the Small and Medium Enterprises Development Index standing at 88.3 for August 2022, the same as for July 2022. The recovery has been attributed to government policies intended to stabilise the economy.

The index comprises many sub-indexes, which are used for estimating the progress and projections of SMEs. The sub-index for the industry sector, that had declined in July, rose by 0.1 points in August.

The Small and Medium Enterprises Development Index is determined by conducting a survey of 3,000 SMEs, Chinese media reports said quoting the China Association of Small and Medium Enterprises.

Source: fibre2fashion.com- Sep 22, 2022

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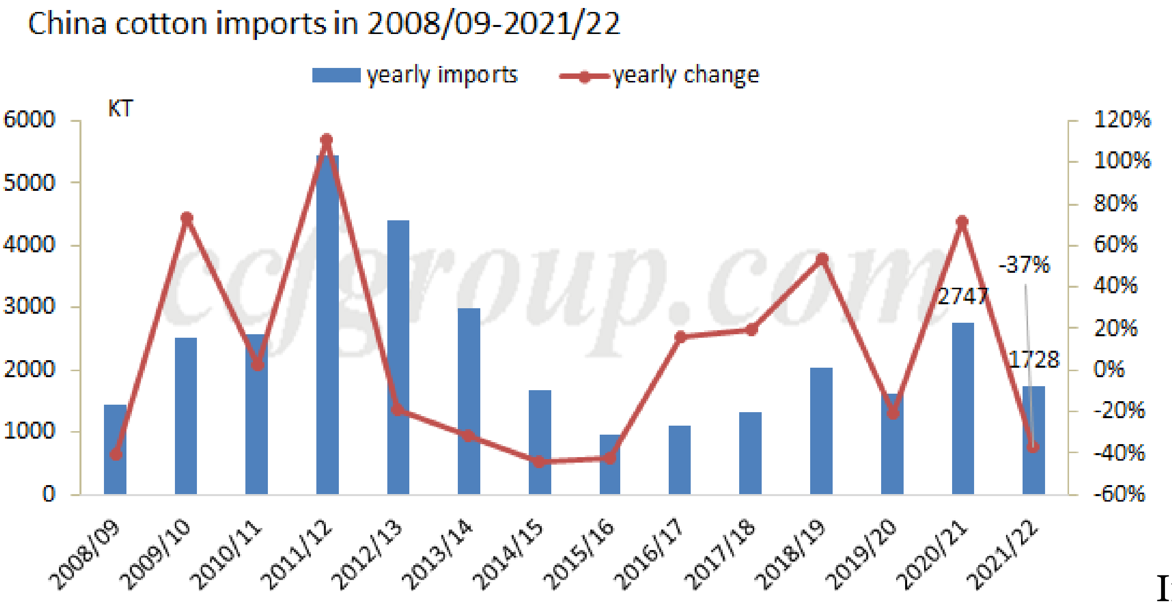
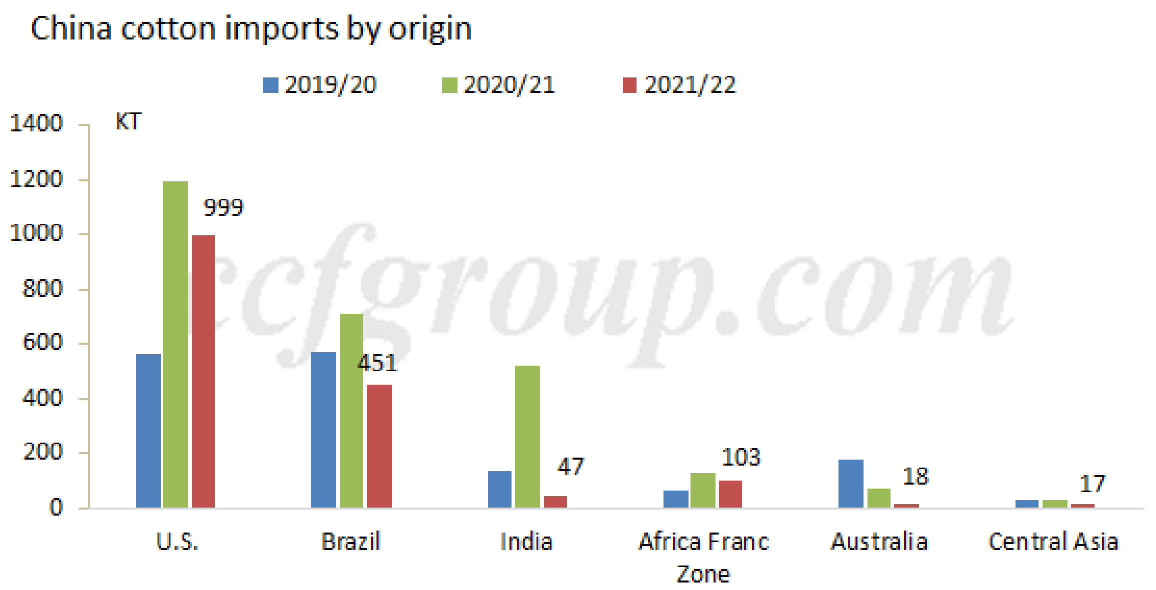
2021/22 China cotton import analysis: shares of U.S. cotton over 50%

In 2021/22 season (from Sep 2021 to Aug 2022), China imported 1.7282 million tons of cotton, down 37% or 1.02 million tons from 2020/21 season. Import volumes of U.S. cotton were nearly 1 million tons, with a proportion of 58%, to be the largest origin. China exported 28.9kt in 2021/22 season, up 26.4kt year on year. Below is mainly analyzed the 2021/22 China cotton import structure.

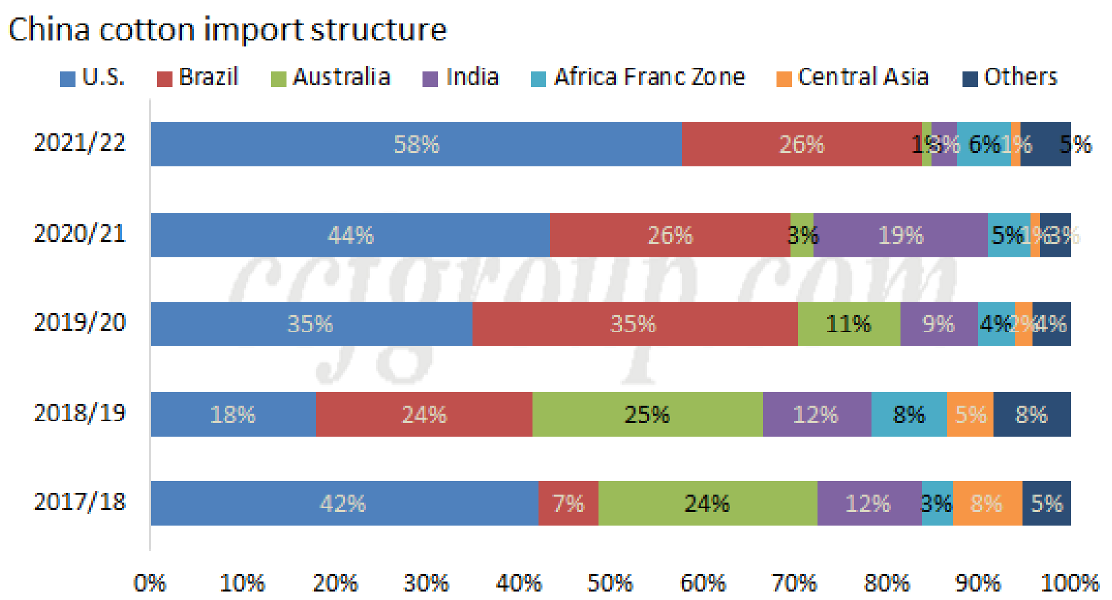


In 2021/22 season, China mainly imported U.S. cotton, Brazilian cotton and Africa Franc Zone cotton. Import volumes of U.S. cotton totaled 999.2kt, down 196kt or 16% year on year, that of Brazilian cotton were 450kt, down 37% year on year, and that of cotton from Africa Franc Zone were 102.9kt, down 18% year on year. Imports from other origins were below 100kt. In terms of the unit price, the unit price of cotton from top 5 origins has seen a yearly growth of 35%.

Though the import volumes of U.S. cotton have reduced in 2021/22 compared with 2020/21, but benefited from the political imports, import volumes remained higher than 2019/20 season. However, import volumes of Brazilian cotton was obviously lower than 2019/20 season. The lower imports of Indian cotton were mainly attributed to the large production reduction of Indian cotton in 2021/22 and its high local cotton price.

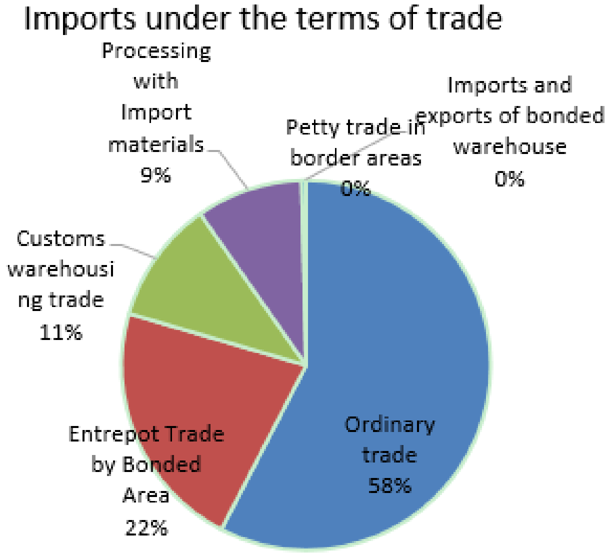


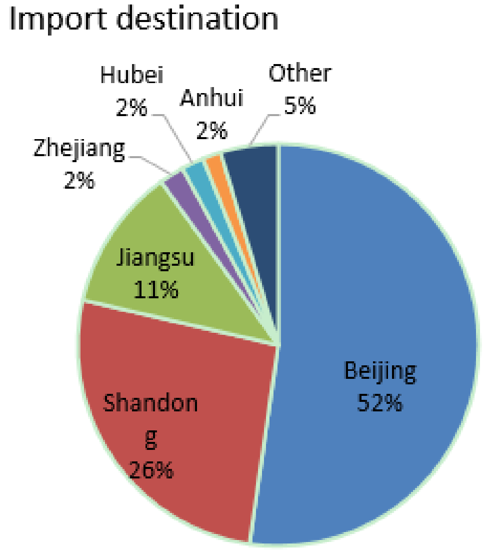
Viewed from the import structure in recent five crop years, the proportion of U.S. cotton in 2021/22 continued to rise to 58%, and that of Brazilian cotton was flat, at 26%. The two totaled 84% of shares.



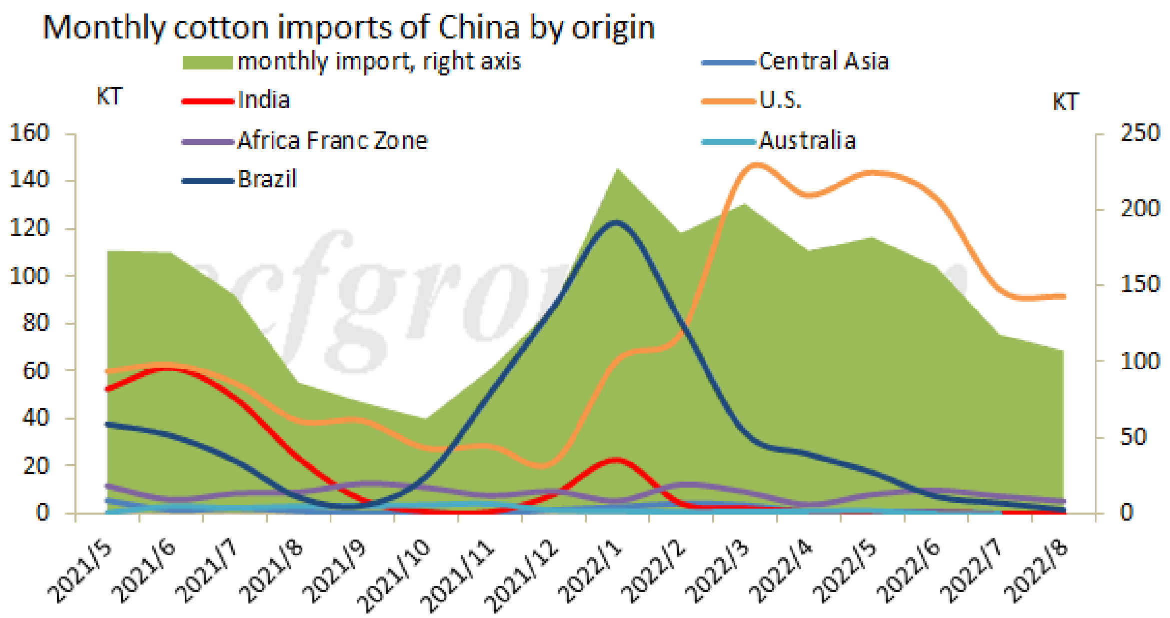
For the terms of trade, the proportion of ordinary trade increased slightly to 58% in 2021/22, while that of entrepot trade by bonded area and customs warehousing trade reduced somewhat.

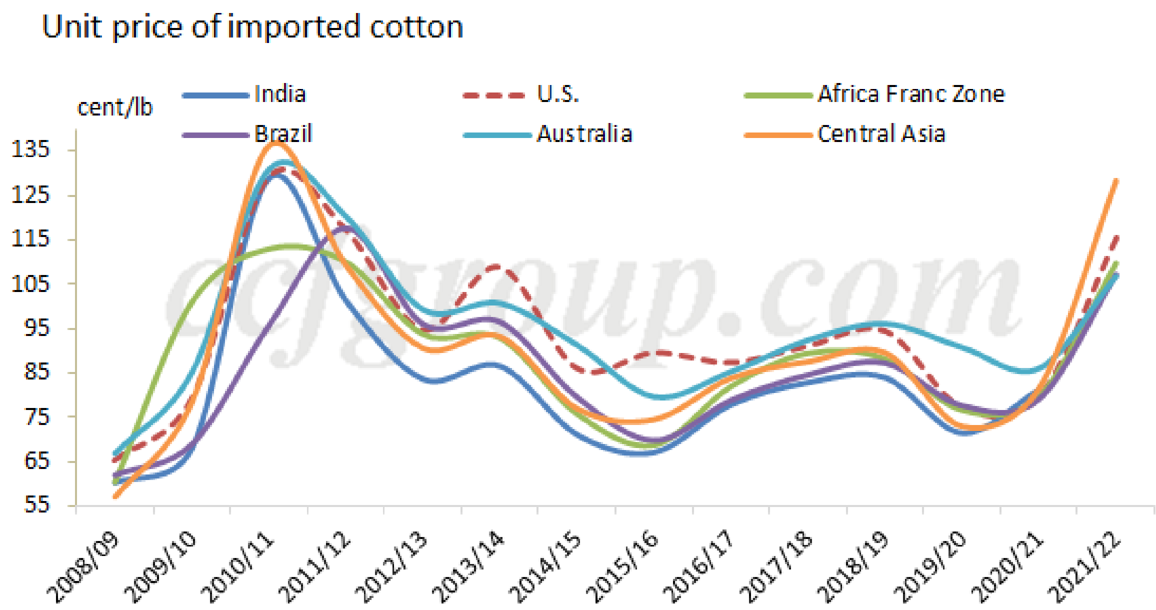
In terms of the destination, enterprises in Beijing, Shandong and Jiangsu imported the most in 2021/22, and imports of Beijing reached 904kt.





For the monthly imports, after the intensive arrivals in the first quarter of 2022, cotton imports started to reduce, but the reduction was not obvious. From mid-Mar, Chinese cotton prices began to be lower than international cotton, and the price spread has reached above 5,000yuan/mt for long time. Under such condition, the cotton quotas were hard to be used, and only part of export orders used imported cotton. Spinners' demand for imported cotton reduced. But U.S. cotton imports sustained high and from Mar to Aug, 2022, the shares of U.S. cotton continued to be above 70%, mainly due to the imports under government policy.





For the unit price, the unit prices of imported cotton rose largely in 2021/22, only slightly lower than the prices in 2010/11 and 2011/12 seasons. The yearly growth of Australian cotton was the lowest, at 24%, and that of Central Asian and Indian cotton was the highest, at 57%.

Conclusion:

In 2021/22 season (from Sep 2021 to Aug 2022), China imported 1.7282 million tons of cotton, down 37% or 1.02 million tons from 2020/21 season. Import volumes of U.S. cotton were nearly 1 million tons, with a proportion of 58%, to be the largest origin.

For the imports in 2022/23 season, the import volumes under marketization may continue to reduce year on year as the price spread between Chinese and international cotton is large and may be hard to narrow in short. For the imports under government policy, it is hard to anticipate. Therefore, China cotton imports are likely to reduce further in 2022/23 season.

Source: ccfgroup.com- Sep 21, 2022

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Cotton was in short supply at New York textile market

Way down South may be the land of cotton, but up North this week at the home textiles market in New York, vendors and retailers were clearly looking away from the Fabric of Our Lives.

As the industry gathered for its semiannual trade show—the first in nearly three years with pre-pandemic conditions—the high price of cotton along with limited access combined to drive business to fiber and fabric alternatives. This was accelerated by the widespread introduction of products using recycled components, performance fabrics often made of synthetic materials, and the continued acceptance of linen and cellulose-based fibers such as modal for sheets and towels.

All of these dynamics played out against a market segment that has been hit hard by the post-pandemic consumer shift away from home furnishings to travel and entertainment purchases—not to mention a wholesale marketplace upended by the 2020 closure of its key showroom building in Manhattan and the relocation of as many as two-thirds of the showrooms to new addresses.

But it was the building cotton crisis that seemed to be the prime topic during the show, which is primarily for national retailers buying big programs, rather than independent specialty retailers. Cotton prices have spiked as much as 200 percent over year-ago levels and are even worse for premium fibers such as Supima, which now sells for more than $3 a pound.

The prime driver of these price hikes has been the basic law of supply and demand. Drought conditions in the U.S., which is the third-largest grower of cotton in the world, have hit crop levels as much as 25 percent in some areas, causing one of the smallest fall harvests of cotton in a century. Elsewhere around the world, droughts have similarly decimated cotton levels—while in Pakistan and India, it's been the opposite, with flooding wiping out vast amounts of the 2022 crop.

Then there's the situation with the Chinese crop, which is more man-made: an American ban on cotton from the Xinjiang region due to alleged political persecution of the local population there by the Chinese government.

The last time cotton spiked this high was in 2010 and 2011—a time when many companies turned to polyester as an alternative, bringing about the rise of microfiber products that have remained strong sellers (in sheets, particularly, but also in bedding overall and some towels). This time around, many vendors are trying blended constructions that still use some cotton, but mixed with polyester, cellulose fibers and even hemp.

With the appetite for new home textiles products diminishing and inflation driving up average selling prices, products that used less cotton drew interest from buyers. This dovetailed nicely with introductions touting recycled materials, be they natural or synthetic, as well as treatments promising performance attributes such as temperature control and wellness properties.

For the home textiles sector, it was yet one more twist in the road back to normalcy. With natural and political challenges, a disjointed marketplace and a customer base that may have all the sheets and towels they'll need for right now, the fall market week proved that the journey is going to take a while.

Source: businessofhome.com- Sep 22, 2022

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Cotton and Textile Sectors Are Facing Economic Uncertainty

Economic uncertainty has a direct influence on the demand for cotton and textiles.

Inflation, which has reached a 40-year high level, is getting due attention by national banks in many countries. On Sept. 21, the United States Federal Reserve increased the interest rate for the third straight time in recent months, signaling the need for a restrictive monetary policy to gain an upper hand on inflation.

Among other factors, the ongoing war in Europe is enabling the inflation. The war is dragging the world into recession and a global food crisis, stated the representative of European Union in a Sept. 22 U.N. Security Council meeting.

How bad is the inflation? Consumers experience the increase in price for common items in their daily lives in multiple ways. I used to pay $1.25 for 5 gallons of Glacier water in a retail outlet in Lubbock. Just recently, the price has shot up to $2.50. Prices of commodity items and groceries have climbed up, affecting consumers' purchasing power.

The Swiss National Bank has raised the interest rate, ending its years of negative rate regime. The Bank of England has also raised the interest rate, signaling the need to moderate demand.

Price stability is needed to control inflation according to Jerome Powell, Chair of the U.S. Federal Reserve, who stated that restrictive interest rate policy is needed to bring down inflation to the 2% level.

The rise in the interest rate will increase the rate of borrowing by companies, which will affect employment and may subsequently lead to recession. This situation will have a direct effect on the global textile sector, and the results will be witnessed in months to come.

Since textiles fall under the category of non-high priority items, high price for goods will lead consumers to prioritize essentials such as food, energy, and housing. In general, high interest rates will lead to softening demand softening.

Mills in India such as Jayalakshmi Textiles have reduced consumption of cotton by about 30%, signaling demand weakening. Some mills in India are selling yarns at a loss of about 30-40 Rupees/Kg.

"Yarn enquiry is dull even though we are entering into the Diwali festive season in India and Christmas times in the West," stated Velmurugan Shanmugam, General Manager of Jayalakshmi Textiles. "Our mill has cut down the capacity utilization from 98% to 85% and is exploring other options like weekly closures for a day or two."

While national banks are focused on bringing down inflation by raising the borrowing cost, uncontrolled inflation and restrictive policies have their effect on increasing unemployment, which may lead to economic slowdown. The United States is expected to have increased unemployment in 2023 at about 4.4%.

Demand will be a great influencer in the coming months for the global textile sector. Mills must anticipate for lesser demand and plan accordingly.

Anticipation is that the U.S. Federal Reserve may raise the interest rate again in November, as controlling prices is its priority. Actions by the Federal Reserve will have ripple effects around the world, affecting all sections of society.

While we hope for a soft landing without recession, raising interest rates will lead to slowdowns affecting the demand of products.

The demand side of the economy needs to be watched carefully. The textile industry will be better served if they plan for careful stocking and manage production without excessive inventory. Careful planning of stocks with help with price gains when the economy rebounds, provided there is no recession in 2023.

Prediction is a game, but careful planning is the best way forward.

Source: cottongrower.com- Sep 22, 2022

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USA: $700 Million Might Be Coming for Tariff-Hit Importers

The House of Representatives introduced new legislation that could spell relief for American importers.

On Monday, lawmakers proposed the Generalized System of Preferences (GSP) "Refund-Only" Bill, which would return more than $700 million in tariffs paid by U.S. companies that have imported luggage, handbags, backpacks, cases, wallets and other travel gear and accessories since the trade program lapsed on Dec. 31, 2020.

The program has historically seen bipartisan and bicameral support, according to AAFA president and CEO Steve Lamar, who encouraged Congress to quickly pass H.R. 8906 "to support American companies that are committed to the values of the GSP program, and to help mitigate the costs faced by our nation's supply chains." Refunding tariffs on products that would have entered the country duty-free under GSP will help U.S. companies "to focus their attention" on ongoing supply chain issues and "enables companies to keep workers employed," Lamar said.

"While long-term renewal of the GSP program is still a top priority, this bill would provide companies with stop-gap relief as they continue to support the American economy," he added.

Instituted as a part of the 1974 Trade Act, the GSP is the oldest and widest-reaching trade preference program, covering 119 countries and territories and 3,500 products. It removes tariff barriers on commodities from developing economies to build up industries and create jobs. It also offers an alternative to China sourcing. The GSP requires that covered nations comply with worker rights standards and protect the intellectual property of their trade partners in order to maintain duty-free status.

Lawmakers have a history of authorizing tariff repayments when previous programs lapsed, according to AAFA vice president of trade and customs policy Beth Hughes. "When GSP has been reauthorized in the past, one of the pieces of it is refunding importers," she said. The proposed "Refund-Only" bill would act as a "band-aid, not a solution," while Congress works to reinstate the GSP.

"Congress needs to resolve a lot of issues within GSP with regard to the eligibility criteria," Hughes said, noting that legislators want to revamp provisions related to in-country worker rights, environmental stewardship and compliance with climate-change policy. But in the meantime, AAFA members importing travel goods from former duty-free partners are paying an average of 16.6 percent in tariffs, and have been for nearly two years, she said. The majority of those importers are small businesses, and the uncertainty about their sourcing partners' future trade status is keeping them from hiring workers, developing new product lines, and planning for future seasons.

AAFA members aired their concerns to the trade group on Tuesday. "They've heard the message that they need to diversify their supply chain, and going to GSP countries was a logical choice, but now they don't even have that certainty," Hughes said. The recent instability of trade preference programs has added new challenges to inventory planning. "That inability to plan for the future was one of the key things I heard yesterday from these companies—the uncertainty is costing them a lot," she said.

Inaction surrounding GSP and the Miscellaneous Tariff Bill (MTB) could end up pushing importers back into business with America's greatest competitor. "In not having [these policies] in play right now, you might see companies kind of look back to China, and I think that's across all industries and sectors," Hughes said.

H.R. 8906 has a good chance of advancing during the lame duck session following the November midterm elections. "In the past we've seen GSP and MTB attached to larger packages, and it just so happens there are tax extenders and things like that that I've heard are likely to be voted on, so there's opportunity there," Hughes said.

Source: sourcingjournal.com- Sep 21, 2022

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White House Port Envoy Bullish on 'One-of-a-Kind' Cargo Pilot

Efforts to keep the nation's cargo moving and reduce bottlenecks will focus on data sharing and reducing long-term container storage at port terminals as the White House works through the country's supply chain challenges.

"In the near term it really has to do with terminals because that's where the congestion collects," Gen. Stephen Lyons, White House Port and Supply Chain Envoy told attendees this week at the ASCM Connect Annual Conference in Chicago. "And if you can get terminals fluid, everything else starts to be fluid."

Lyons pinned a good amount of the current terminal congestion on cargo owners saying the same group that bears the brunt of higher costs from congestion is also "the most significant underlying cause for congestion at terminals today" in the way of long-dwelling containers clogging the country's ports.

Ports have attempted to address the issue raising the possibility of fees on long-dwelling containers. Southern California's San Pedro Bay ports first introduced the idea last October. Nearly a year later, consideration of the fee program has been continually delayed in favor of monitoring the situation.

The two ports most recently said it will postpone making a decision on instituting the fee to Sept. 23 and noted a 46 percent decline in long-dwelling containers since the program was first announced.

The Port Authority of New York and New Jersey looked to make a similar move in response to the congestion seen on the East Coast when it said last month it would implement a fee targeting carriers that fail to clear their empty containers from the docks. That program was set to go into effect Sept. 1 and has since been delayed.

"I won't get into a deep discussion on detention and demurrage and fees and so forth and so on and free days at ports.... But I would just say this at the micro-transactional level, where most logistics professionals operate," Lyons said.

“For supply chain managers under pressure to cut costs, it may appear cheaper to store cargo at terminals. But, at the macro level, the congestion created, I guarantee you, is far more expensive both to the company and to the broader economy. That’s a long way of saying and asking for all of us to really encourage folks, supply chain managers inside shippers and beneficial cargo owners that are in the best position to improve supply chain performance in the near term, by picking up and moving their cargo and keeping freight in motion.”

Lyons’ call for shippers to stop using terminals as de facto warehouses for storing containers comes as the White House also focuses on data collection and sharing, which aims to address the issue of transparency within the industry. He cited a “level of opaqueness” that is creating challenges in keeping cargo moving.

“That’s the key. We need to get more transparent,” he said. “We need to understand what’s where and hold folks accountable and then incentivize them to commit to fluidity in a way that’s meaningful.”

Lyons said initially the idea of private companies sharing their data with the government and with competitors seemed akin to “Mission Impossible.”

“I’ve talked to folks that are part of the pilot; they’re very excited about it. There’s representation from each sector,” he said.

The program, he said, could be ready to expand beyond the roughly 25 pilot participants in about a month.

Source: sourcingjournal.com- Sep 21, 2022

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Japan's economy picks up, expected to be under downward pressure

Despite being hit by factors like a rise in commodity prices, Japan's economy has picked up with accelerated resumption of economic activity and the public protected from COVID-19, according to the Bank of Japan. The economy is likely to recover, with the impact of COVID-19 and supply-side constraints waning, the bank said in a monetary policy statement issued today.

The economy, however, is expected to be under downward pressure stemming from a rise in commodity prices due to factors like the situation surrounding Ukraine, it noted.

Thereafter, as a virtuous cycle from income to spending intensifies gradually, Japan's economy is projected to continue growing at a pace above its potential growth rate.

The year-on-year rate of change in the consumer price index (CPI of all items except fresh food) is likely to increase toward the end of this year due to rise in prices of items such as energy, food and durable goods.

Thereafter, the rate of increase is expected to decelerate because the contribution of such price rises to the CPI is likely to wane, it noted.

Meanwhile, the underlying inflationary pressure is projected to increase on the back of improvement in the output gap and rises in medium- to long-term inflation expectations and in wage growth.

The bank will support financing, mainly of firms, and maintain stability in financial markets, and will not hesitate to take additional easing measures if necessary, it said. It also expects short- and long-term policy interest rates to remain at their present or lower levels.

Source: fibre2fashion.com- Sep 22, 2022

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Mali's cotton production may fall by 1% YoY in MY 2022-23: USDA

Cotton production in Mali in marketing year (MY) 2022-23 will drop by 1 per cent to 1.41 million bales from the previous MY despite an estimated rise of 3 per cent in area under harvest to 745,000 hectares (ha), according to estimates by the US department of agriculture (USDA). Consumption will remain at 25,000 bales, unchanged from the previous MY due to limited processing capacity in the country.

Despite the high government subsidy on fertiliser prices, there was some delay in delivery caused by the trade embargo imposed on Mali by the Economic Community of West African States (ECOWAS) in January this year and the consequences of the Russia-Ukraine conflict.

Both these events prevented Mali from receiving the full quantity of fertiliser inputs ordered, especially urea, and USDA thinks this lack will likely result in lower yields unless farmers use organic fertiliser to complement.

Cotton exports in MY 2022-23 are forecast at 1.58 million bales, a 32 per cent increase from the previous year due to available supply and higher ending stocks from the previous year. Estimated exports for MY 2021-22 are 1.20 million bales.

Stocks for MY 2022-23 are forecast at 10,000 bales. Stocks in MY 2021-22 are estimated at 210,000 bales, representing a 200 per cent increase from the previous MY. This increase in stocks is due to the logistical issues caused mainly by the ECOWAS embargo of Mali.

USDA estimates that the MY 2021-22 area under harvest and production levels will remain at the estimated 720,000 ha and 1.43 million bales, representing an 80 per cent and 91 per cent increase from the previous year respectively.

Source: fibre2fashion.com- Sep 22, 2022

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ADB forecasts Vietnam's GDP to grow at 6.5% in 2022 & 6.7% in 2023

The Asian Development Bank (ADB) has maintained its favourable economic outlook for Vietnam as it forecasts the nation's gross domestic product (GDP) to expand 6.5 per cent in 2022 and 6.7 per cent in 2023, based on the recent update of its flagship economic report.

"Vietnam's economy recovered faster than expected in the first half of 2022 and continues to grow amid the challenging global environment," said ADB country director for Vietnam Andrew Jeffries. "The steady recovery was supported by strong economic fundamentals and driven by a faster-than-expected bounce back of manufacturing and services."

Vietnam's economy is performing reasonably well amid uncertainties in the global economy, according to the Asian Development Outlook (ADO) Update 2022. Softening global demand has slowed manufacturing. The manufacturing purchasing managers' index in August softened to 52.7 from 54.0 in June. However, the outlook for the manufacturing sector remains bullish given strong foreign direct investments in the sector.

Increasing inflation in the United States and the European Union has heightened inflationary pressure in the country. However, Vietnam's prudent monetary policy and effective price controls, should keep inflation in check at 3.8 per cent in 2022 and 4.0 per cent in 2023, unchanged from the projection made in April's Asian Development Outlook.

The country's economic outlook continues to face heightened risks. The global economic slowdown could weigh on Vietnam's exports. Labour shortage is expected to weigh on the fast recovery of the services and labour-intensive export sectors in 2022.

The slow delivery of planned public investment and social spending, especially the implementation of the government's Economic Recovery and Development Programme, could slow growth this year and the next, the report said.

Source: fibre2fashion.com- Sep 23, 2022

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NATIONAL NEWS

Piyush Goyal calls for intensive efforts to save and promote ideals of multilateralism

Commerce and Industry Minister Piyush Goyal called for intensive efforts to save and promote multilateralism. He was delivering his opening statement at the G20 Trade, Investment and Industry Ministerial Meeting that is underway in Bali, Indonesia.

He expressed concern that if multilateralism was imperilled, the world would not be left with many forums to promote dialogue and diplomacy and thus free trade would suffer.

The Minister reiterated that India stood firmly with the Indonesian Presidency in its efforts to achieve an outcome based on consensus reflecting the collective commitment of all nations for a fair, transparent and rules-based multilateral trading system

Emphasizing that India believes that multilateralism is the cornerstone for managing and facilitating global trade, the Minister welcomed the outcomes of WTO MC12. He urged the G20 to commit itself to positive and timely discussions on important areas mandated by the MC12 including WTO reforms and extension of TRIPS waver to cover the production and supply of COVID 19 diagnostics and therapeutics within the agreed timeframe of 6 months. He also asked members to be conscious that our fisheries negotiations and a permanent solution to public stockholding, a permanent solution to e-commerce moratorium amongst other agendas required their urgent attention and decisions.

The Minister observed that in the wake of the pandemic and other recent geopolitical developments, the world had witnessed disruptions in supply chains. There was an urgent need to address these challenges, he said.

Expressing grave concern over climate change he called for promoting a healthy and sustainable way of living based on traditions and values of conservation and moderation. In this regard, the 'LIFE' approach, that is, 'Lifestyle For Environment' proposed by the Prime Minister, Shri Narendra Modi can prove to be an effective tool in promoting sustainable lifestyles and enhancing environmental sustainability, he opined.

He called upon all members to show utmost flexibility and draw from the experience at the WTO MC12 in June where significant progress to promote equitable and fair trade was achieved.

There was significant support to India's position and many members expressed the desire to see outcomes, and aligned with India's proposal.

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

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India-Austalia FTA: Aussie companies scout for greater opportunities in India

With the India-Australia Free Trade Agreement (FTA) close to being implemented, a 100-member business delegation, led by the Australian Trade and Investment Commission (Austrade), will visit India later this month to scout for fresh opportunities across sectors such as agriculture, food and wine, critical minerals, digital health and infrastructure.

“This year’s Australia-India Business Exchange (AIBX) has been framed keeping in mind that we have got the Australia India Economic Cooperation and Trade Agreement (AI-ECTA) almost in place. At Austrade, we want to source Australian businesses that can complement Indian needs. Our focus is on top end of the market for premium products. We are looking at complementarity of markets and not competition,” said Catherine Gallagher, Senior Trade Commissioner, Austrade.

Indo-Aus trade

AIBX 2022, scheduled for September 25-30, will facilitate meetings between Australian businesses and potential Indian partners and importers and organise site visits while focussing on the needs of the Indian market.

Top companies in sectors such as wines, spirits, packaged food, health, infrastructure and education are part of the delegation. The business delegates will visit five cities including Delhi, Mumbai, Bengaluru, Hyderabad and Chennai.

“The AI-ECTA deal signed in April gives Australian companies a head-start in Indian markets. By reducing tariffs and barriers to trade, AI-ECTA will improve two-way market access for Australian businesses. This comes as Indian markets become ever more open to overseas products, brands and services,” according to a statement.

“We have technology embedded in all the five focus sectors — education, health, infrastructure, agriculture and processed food and critical minerals,” Gallagher said.

The AI-ECTA, which will be implemented after the Australian Parliament approves it, is expected to double bilateral trade from $27.5 billion to $45-50 billion in five years and create 10 lakh jobs in the country.

Source: thehindubusinessline.com- Sep 22, 2022

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PLI 2.0 for textiles may see incentives for bed spreads, blankets and textile accessories manufacturers

Ease of Doing Business for MSMEs: The government in the second edition of the production-linked incentive (PLI) scheme for textiles may introduce incentives for manufacturing of garments and home textiles such as blankets and bed spreads, and textile accessories like lace, button, and zippers, as per a report by The Economic Times.

The Ministry of Textiles is considering three investment thresholds of Rs 15 crore, Rs 30 crore and Rs 45 crore, with double turnover as the criteria for incentives that would range between 8% and 10% under the ₹4,200 crore scheme.

A minimum number of stitching and sewing machines could be added as another benchmark to avail the benefits.

"The scheme will attract investment and reduce the import dependence in textile accessories," said an official. He added that such value addition sectors are labour-intensive that require low investment but have a high potential to create jobs. The minimum turnover for the selected companies would be set at twice their investment in the first year and then 20 per cent increase in turnover over the previous year, as per the report.

The textile ministry is considering PLI 2.0 since it has an unutilized budget of about Rs 4,000 crore after it approved 64 applications with an investment potential of Rs 19,798 crore and projected turnover of Rs 1.93 lakh crore in the next five years under the first phase of the scheme.

The first edition of textile PLI scheme required minimum investment of Rs 100 crore and Rs 300 crore while the minimum turnover required to be met for incentive was Rs 200 crore and Rs 600 crore, respectively.

However, this time Industry had sought a lower investment threshold of ₹25 crore instead of ₹100 crore in the second PLI and also a waiver from the condition to set up a new company for investment purpose.

Source: financialexpress.com- Sep 22, 2022

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US ban on China cotton hurting India's yarn spinning industry

The US ban on textiles originating from the Xinjiang province of China has compounded the problems for India's cotton yarn spinning industry, with half of the mills becoming idle in the past four to five months.

The Chinese yarn that can't go to the US is now finding its way into the Indian market at cheaper rates, further reducing demand for expensive domestic Indian cotton yarn that has already been down. Indian cotton has been one of the cheapest in the world till September 2021, when Indian as well as global cotton prices started rising.

In September 2021, prices were around ₹51,000 a candy (of 356 kg). Then it reached around ₹1.1 lakh by April this year. During these seven months, the pace of increase of Indian cotton prices was much faster than that of global cotton, which made Indian yarn uncompetitive.

"We used to export 110-120 million kgs of yarn a month, which came down to 40-45 million kgs a month from June due to high cotton prices. Last month, we imported 4,000 containers of cotton yarn from China, which is around 80 million kgs," said an executive of a textile company from North India.

India imported $568 million of cotton and cotton products in April-July 2022, more than double the $259 million imports a year earlier. The import of these products from China was $46.6 million.

The domestic industry has been affected adversely.

Lalit Mahajan, senior vice president at Welspun India, said: "Most of the mills have either shut down their spindles or have gone for making substitute fibres like viscose, polyester, etc. Our (India's) yarn exports in August fell to less than one-third of the normal monthly yarn exports.

The export orders for Indian yarn, textile, garments, etc., are very low, while the Indian domestic cotton and yarn prices are still higher by 23% than the New York futures prices," he said.

The industry executive from North India said: "If the cheaper Chinese yarn is coming to India, it is going to be a big problem for Indian spinners. Chinese cotton and yarn have always been costlier by 10-25% than Indian cotton. Normally, no import of cotton yarn used to take place from China."

Atul Ganatra, president of the Cotton Association of India said about 50% of the spindles had become idle. "The entire spinning industry is depressed due to the unprecedented price fluctuations in cotton that we saw in 2021-22. Exports have fallen by 70%," Ganatra said.

Indian yarn exported to China and Bangladesh gets converted into fabric and garments and then gets exported to Europe and the US. A fall in garment imports by Europe and the US due to recessionary pressures, in turn, has already cut the demand for Indian yarn from China and Bangladesh. The impact due to the US ban on fabrics from Xinjiang has added to that.

"Indian cotton yarn was always competitive in the world. Now, Chinese cotton yarn has started coming into India due to the issues related to Xinjiang province, speculation on cotton prices in the Indian market and a delay in the removal of import duty on cotton," said K Selvaraju, secretary general of the South Indian Mills Association.

Source: economictimes.com- Sep 23, 2022

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Can rupee-riyal mechanism boost India's exports?

India and Saudi Arabia are looking to promote trade in their local currencies. Recently, Indian commerce minister Piyush Goyal discussed various trade issues with his Saudi counterpart Dr. Majid bin Abdullah Al-Kassabi and both countries are looking into the feasibility of institutionalising rupee-riyal trade. Only time will tell if India can succeed in boosting its exports using local currencies.

Minister Goyal discussed various trade-related issues with the Saudi Arabian minister during his recent visit and also attended the Ministerial meeting of the India-Saudi Arabia Strategic Partnership Council.

The key points of discussion were diversification and expansion of trade and commerce; removal of trade barriers, including the outstanding issues related to sanitary and phytosanitary measures and trade remedies; automatic registration and marketing authorisation of Indian pharma products in Saudi Arabia; feasibility of institutionalising the rupee-riyal trade; and introduction of UPI and Rupay cards in Saudi Arabia among other things.

India is pushing international trade in local currency due to frequent geo-political issues.

Earlier, it had set up a trade mechanism in local currency with Iran when the latter was granted access to export crude oil under 'Oil for Food' programme on humanitarian ground amid US restrictions.

Recently, Russian invasion in Ukraine prompted India to set up rupee-ruble payment mechanism. There were discussions between BRICS and some other trade blocs to establish mechanism to conduct trade in local currency to avoid trade disruptions due to US sanctions.

Mostly countries, who are not aligned with the US, specifically in the recent times, are looking to reduce their dependency on the US dollar.

However, it is a quite different scenario in case of rupee-riyal trade. Saudi Arabia is a long-time ally of the US; therefore, it will be interesting to see whether the Middle Eastern country really takes an initiative to establish a trade system in the local currency.

Currently, Saudi Arabia is among the top 10 apparel buyers from India, accounting for 2.65 per cent of India's total apparel exports of $14.715 billion in 2021.

India’s apparel exports were valued at $30.805 million in June, $25.859 million in May and $25,017 million in April 2022.

Source: fibre2fashion.com- Sep 23, 2022

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MSME Ministry appoints Export Credit Guarantee Corporation of India (ECGC) to implement CBFTE scheme for First Time MSE Exporters

Import, Export, Trade for MSMEs: The Ministry of Micro, Small and Medium enterprises (MSMEs) has appointed Export Credit Guarantee Corporation of India (ECGC) as the implementing agency for the 'Capacity Building of First Time MSE Exporters' (CBFTE) component of the International Cooperation (IC) Scheme, as per the report from Knowledge and News Network (KNN).

The Memorandum of Understanding (MoU) was signed between the MSME Ministry and ECGC on Tuesday in the presence of B.B. Swain, Secretary, Ministry of MSME. The export credit insurance premium paid by the micro and small enterprise (MSE) exporters holding the ECGC Small Exporter's Policy, will now be eligible for reimbursement from the Ministry of MSME as per the agreement.

The MSME Ministry will release the grant amount to ECGC on reimbursement basis under the scheme on submission of the reimbursement claim in the proforma accompanied by the documents as prescribed by the Ministry. The amount received from the Ministry of MSME, will then be transferred by ECGC to the beneficiaries, the report said.

An exporters will be entitled to a maximum reimbursement of Rs 10,000 or actual, whichever is lower during the ongoing financial year. To avail the benefits under the CBFTE scheme, MSEs need to have a valid Udyam Registration and the Import Export Code Number which shouldn't be older than three years on the date of export shipment.

The scheme is applicable to the MSE exporters associated with the manufacturing sector.

PM Modi had launched the CBFTE scheme in June this year to boost the quality of MSME products and services to improve their participation in the global value chain and realise their export potential.

Source: financialexpress.com- Sep 22, 2022

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Industry has to keep eye on new non-tariff barriers: DPIIT secy

The western world is broadening the ambit of its non-tariff barriers (NTBs) and Indian industry has to continuously prepare itself for any such scenario, a senior government official said on Thursday.

Anurag Jain, secretary at the department for the promotion of industry and internal trade (DPIIT), said, earlier some nations used to talk about stringent labour laws and sustainability; but now, they not just seem to be talking about issues like human rights but they want to link them to business and trade.

“So, we also have to be ready to keep an eye on that,” he added.

Jain said several groups within the government are working on the ‘Vision 2047’ for the country.“So, what our finance ministry and the economists of the country have come out with…They have created three scenarios of India’s growth in these 25 years. The most pessimistic, most optimistic and the most realistic…”.

“The most realistic scenario says that today we are $3.2 trillion economy, (by) 2047 we will be $32.8 trillion economy, 10 times of the current size in these 25 years,” he said.

On the Independence Day, Prime Minister Narendra Modi had called for a solemn pledge to turn India into a developed country by 2047. Jain said the goal of being a developed nation will be a reality “if we continue to get our act right”.

Industry in the coming decades will be driven by research, innovation and sustainability and those firms that invest in these areas recognising their vast potential will turn out to be the leaders, Jain said.

“Only that particular company will become the leader which invests in research, and innovation.”

Source: financialexpress.com– Sep 22, 2022

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Rajasthan Assembly passes GST amendment bill, Input Credit Tax reformed

The Rajasthan Assembly on Thursday passed the Rajasthan Goods and Services Tax (Amendment) Bill, 2022, which proposes that the registration of companies would not be cancelled even if they fail to file the return for six months.

Also, the system of issuing credit notes will also start.

Education Minister B.D. Kalla introduced the bill in the house on behalf of the minister in charge. After the discussion on the bill, Kalla in his reply said that many facilities are being given to the traders in the bill, which will also increase the revenue of the state government.

He said that the Input Credit Tax has been reformed in the Bill. Interest will now be payable after using the credit tax on an incorrect claim of input credit tax by the dealer.

Also, a system for issuing credit notes has been included in the Bill.

The minister said that a provision has also been included in the bill that the registration will not be cancelled if the return is not filed for six months. Along with this, corrections have also been made in the returns of GSTR-1, 3 and 8. This will prevent discrepancies in returns.

The Minister-in-Charge informed the House that due to the efficient financial management of Chief Minister Ashok Gehlot, there has been an increase in the tax collection of the state.

In the base year (2017-18) of GST, tax collection of Rs 12,137 crore was made in the state, which reached Rs 27,501 crore in the year 2021-22.

He said that an increase of 32.5 per cent has also been registered in the GST collection of the state as compared to the previous year, which is more than the neighbouring states of Uttar Pradesh, Madhya Pradesh, Andhra Pradesh and Haryana.

He said that there was an outstanding of Rs 3,780 crore which the Centre has to provide to the state. The chief minister also wrote a letter to the central government for the compensation amount, on which no action has been taken so far.

Source: business-standard.com– Sep 22, 2022

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Lux draws up plans to increase turnover of flagship brand Lux Cozi to Rs 1,000 cr

The Rs 2,300 crore innerwear major Lux Industries has drawn up plans to increase the turnover of its flagship brand - Lux Cozi from Rs 700 crore to Rs 1,000 crore by FY25. As part of this plan, the company wants to beef up its presence in regional markets and engage regional celebrities as the brand ambassadors of the brand.

Talking to ET, Saket Todi, executive director, Lux Industries said "To begin with we have roped in Sourav Ganguly, the former captain of Indian cricket team, as the brand ambassador for Lux Cozi. Mr Ganguly is a popular person in West Bengal and is well known nationally. Bringing him as a brand ambassador will help us to connect with our potential customers in an effective way."

Mr Todi said that their next target will be the southern markets of the country. "We want to penetrate this market through regional brand ambassadors as part of our marketing plan," he said.

The company is all geared up to enter into the boys kid segment with innerwear. "This is mostly an untapped market. We would foray into this market by January next year," he said.

The company's business through e-commerce platforms like Amazon, Flipkart and Myntra has gone up substantially from Rs 8 crore in FY20 to Rs 50 crore in FY22.

The company is growing at an annual rate of 12 per cent. "We are hopeful to maintain 12 per cent growth for the next five years," Todi added.

Source: economictimes.com– Sep 22, 2022

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