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Currency Watch	
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INTERNATIONAL NEWS

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NATIONAL NEWS

SAYING NO TO CHILD LABOUR

INTERNATIONAL NEWS

China's exports jumped 13.8% YoY to 17.67 trn yuan in 2022

China's imports rose by 5.2 per cent year-on-year (YoY) to 13.44 trillion yuan, while its exports touched 17.67 trillion yuan after an annual increase of 13.8 per cent. The country's trade surplus during the period jumped 53.7 per cent YoY, totalling to 4.23 trillion yuan.

The combined import and export value increased by 8.3 per cent compared to 2021, which is around 3.81 trillion yuan in September 2022, as per recent data from the General Administration of Customs China (GACC). Moreover, the nation's trade surplus in the same month was 573.57 billion yuan, an increase of 29.9 per cent YoY.

In the first three quarters of 2022, China's imports and exports were worth 31.11 trillion yuan (around $4.29 trillion), a 9.9 per cent rise from the previous year.

Source: fibre2fashion.com- Oct 25, 2022

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Eurozone inflation shock from gas prices despite govt response: Fitch

Though European governments are aggressively responding to minimise rises in consumer energy prices as wholesale gas and electricity prices soar following the near-shut-off of Russian gas, wholesale gas prices look set to remain high for some time, and a return to 2021 levels is highly unlikely, making it costly to maintain a wedge between wholesale and consumer energy prices, Fitch Ratings said recently. In a new report, the rating agency said energy will continue to pressure eurozone consumer price index (CPI) despite ongoing government intervention.

Eurozone inflation soared to 9.9 per cent year on year (YoY) in September and energy prices directly accounted for 4.2pp of this, rising by 40.7 per cent YoY, while comprising just under 11 per cent of the consumer price index (CPI) basket. Differences in the market structure, ways of measuring energy prices in the CPI and government policies have led to different inflation outcomes across the bloc, Fitch noted. Consumer prices have still yet to reflect the approximately six-fold rise in wholesale gas prices since prices began to climb in April 2021.

Fitch, in its September Global Economic Outlook, forecast eurozone inflation to end 2022 at 9.3 per cent and 2023 at 4.3 per cent. This assumed that consumer energy prices would approximately double between April 2021 and mid-2023, which would require energy CPI to average 30 per cent in 2023, falling to 15 per cent by end-2023. Policy interventions are being drawn up at national and EU level that could put downward pressure on prices in 2023, but these measures are not indefinite, Fitch said in a release.

Despite efforts to diversify energy sources and reduce demand, only a large positive gas supply shock could quickly reverse rises in consumer energy prices. Fitch expects wholesale gas prices will still average €190/MWh ($55/mcf)—triple the 2021 average—in 2023.

If prices fall in 2024, then Fitch Ratings would expect governments to taper off support to consumers.

Source: fibre2fashion.com- Oct 23, 2022

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China in the Global Economic and Textiles Space

On going geopolitical and economic scenarios highlight the growing prominence of China in the world order.

On October 20, as part of celebrating the harvest in the High Plains of Texas, Lubbock Chamber of Commerce hosted Luke Lindberg, Founder and Principal, E. Pluribus Unum, LLC. Mr. Lindberg in his services at EXIM Bank of the United States has had firsthand experience in dealing with China and provided an overview on China's status in the world.

"China is an important market and a competitor for the United States," stated Lindberg. The transition of China from a nation of famine to a feasting one within one to two generations is remarkable and hence it is important to be cognizant of China's aspirations.

President Xi Jinping in his speech at the recent Communist Party of China's National congress has highlighted the importance of development focusing on domestic economy, strengthening education and innovation. The congress highlighted the aspirations of China to strengthen its security, grow domestic economy to gain an upper hand on its growth. The recent GDP numbers show that China has witnessed a growth of about 3.9% in the 3rd Quarter relative to last year, while domestic demand has been weak.

The zero Covid-19 policy has played a role in the slowing of Chinese economy, and this is a setback for China's ambition to be a dominant superpower. A growth of about 3-4% is not sufficient to achieve such a status commented Professor Rashid Al-Hmoud, Department of Economics, Texas Tech University.

Lindberg viewed that China aspires to be sole superpower to overtake the United States. To counter competition from China, it is important that countries focus on innovation, build trade alliances, and invest in foreign diplomacy, added Lindberg.

China hopes to be less import dependent, which necessitates exporting nations to explore alternate markets, explore new technologies and develop value-added products. This is clear now with the dire situation of cotton spinning mills in States like Andhra Pradesh in India which are dependent on exports to China.

To my question on the ongoing political crisis in the United Kingdom and its impact on economy, Lindberg opined that it is important for United States to have robust trade deals with countries to enhance trade. “Going on trade missions is important,” added Lindberg. Countries like China need agricultural imports from the United States, particularly cotton from the High Plains of Texas. 40% of soybeans from South Dakota end up in China stated Lindberg.

“China continues to be an important market for U.S. cotton and is number 1 or number 2 in terms of cotton imports from the United States,” stated Shawn Wade, Director of Policy Analysis and Research at Lubbock-based Plains Cotton Growers, Inc. Texas is expected to produce 3.4 million bales (480 lbs. per bale) this year, and almost all of it will be exported. While China’s cotton imports are high, in recent years its yarn imports are slowing down indicating a shift towards growing domestic manufacturing, which is a priority highlighted this past week in the 20th National Congress of the Communist Party of China.

Countries like Brazil and Australia are trying hard to capture the Chinese cotton market, while Chinese favor quality and reliability of the U.S. cotton highlighted Lindberg.

The ongoing global economic crisis, political instability in some regions of the world, aspirations of China and Russia, weakening consumer confidence all necessitate the need for new pathways for the global textiles sector.

“It’s critical and important for the United States to invest in research and continue export expansion, which is important for trade advancement and national security,” opined, Murvat Musa, Executive Director of Reese Technology Center, a business and research park in Lubbock, Texas.

Investing in R and D, focusing on innovation, exploring new markets are a few feasible options available for the global textile industry.

Source: ttu.edu- Oct 23, 2022

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USA: Cotton Prices Struggling in the Battle to Recover

The last couple of weeks, cotton has occasionally made some progress up but has failed to hold. December futures has declined and appears settled at the same area of lows set back in July in the 83-to-90 cents area.

This past week (week of Oct. 10), for example, December gained 4.63 cents on Monday and Tuesday – including a limit up move on Monday – but then declined 5.71 cents the remainder of the week. This type of volatile and erratic movement has been characteristic of this market and frustrating for growers.

Weakness in price is due to continuing and mounting worldwide demand concerns including inflation and interest rates here in the U.S. and fluctuations (especially higher) in the value of the dollar.

Economic and demand concerns have not impacted all commodities the same. Compared to corn and soybeans, for example, cotton appears to have been negatively impacted much more. Since Sept. 1, cotton price has declined over 26%, corn has increased almost 5%, and soybeans are essentially unchanged.

Of course, each commodity has its own overall U.S. and world supply and demand picture.

Cotton price has also been impacted by a larger than expected U.S. crop despite adverse weather issues. Demand concerns, combined with a larger than expected crop, have not been kind to prices. Still, it seems to be overriding economic and demand factors that are in the driver's seat.

USDA's October production and supply/demand numbers were not helpful to cotton's situation. Here's a brief summary:

The U.S. crop was essentially unchanged from the September estimate. Yield was unchanged or increased in nine states, including Texas.

- Projected U.S. exports for the 2022 crop year were cut 100,000 bales.
- World use/demand for the 2022 crop year was cut approximately 3 million bales, including reductions for China, India, Pakistan, and Vietnam.

- Needed imports were trimmed for China, Turkey, Pakistan, and Vietnam.
- World ending stocks were raised over 3 million bales.

There is still belief among some within the industry that the U.S. crop simply is not as large as USDA's 13.81 million bale estimate. Unless any adjustment down is significant, however, a cut in the U.S. crop alone is not likely to get prices back on a strong path upward unless economic and demand fears also subside.

Weekly export reports in recent weeks have not been particularly strong but have been weak in some weeks but more encouraging in others. Last week's report was improved in sales but down in shipments.

December 2023 futures are currently at 76 cents. This is well below the full cost of production and would portend a significant reduction in acreage where producers have choices. The market is currently signaling to grow less cotton. Less acreage next season, an improvement in demand, or a combination of both may likely be needed to get price kicked in the right direction.

Source: cottongrower.com- Oct 24, 2022

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US largest market for African apparel exports in H1 2022

The US was the largest market for apparel exports from African nations during January-June 2022. These countries have exported apparel of $1.416 billion to the US in the first half of this year which was 22.45 per cent of the total exports of $6.307 billion. Jordan, Kenya, Lesotho, Mauritius, and Ethiopia are prominent apparel exporting countries in Africa.

Spain was the second biggest market for African apparel, which is surprising as the country's brands like Inditex and Mango are global apparel players. The European country imported garments worth $1.280 billion in the same period, amounting to 20.30 per cent of the total exports from African countries, according to Fibre2Fashion's market insight tool TexPro.

Africa exported apparel worth $923.375 million to France, making it the third largest market for African apparel with a share of 14.64 per cent. Italy and Germany were fourth and fifth largest markets for Africa with apparel imports worth $414.656 million and $391.592 million, respectively. Interestingly, four European countries made it to the list of the top five markets for African apparel.

Moreover, countries like UK, Netherlands, UAE, South Africa, and Belgium made it to the top 10 list. African apparel exports to UK stood at $347.178 million (5.50 per cent), Netherlands at $179.025 million (2.44 per cent), UAE at $153.634 million (2.44 per cent), South Africa at $146.877 (2.33 per cent) and Belgium at $104.782 million (1.66 per cent).

Northern countries of Africa have an edge in the European market due to their proximity to the continent.

Source: fibre2fashion.com- Oct 24, 2022

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Business situation of textile industry worst in Asia in Sept 2022

The business situation of the global textile industry in September 2022 was relatively the worst in Asia despite improvements. The indicators for order intake, order backlog, and capacity utilisation rate also fell, globally. While all segments found themselves in negative situations, spinners' situation have plunged to an unprecedented level.

A positive sign for the future is that global expectations have stopped falling in September 2022, albeit staying in negative territory and therefore indicating difficult times ahead, according to the 16th International Textile Manufacturers Federation (ITMF) Global Textile Industry Survey (GTIS, formerly known as ITMF Corona-Survey). Expectations have improved in South Asia, North and Central America, and Africa. Spinners have also better prospects for March 2023, globally, indicating potential relief.

Order intake fell further, in line with the weaker business situation. Companies in North and Central and especially in South America saw order intake increase while the Asian regions continued struggling with an unsatisfactory order situation. Order backlog fell on average across all regions. South America is an exception; both order intake and backlog increased.

Only dyers/finishers and knitters/weavers experienced a small increase in order backlog. In all other segments order backlog fell. While capacity utilisation rate dropped globally in September 2022, it increased in South America's, ITMF said. Fibre producers registered a steady decrease in capacity utilisation rate and home textile producers seem to have reversed their downward trend.

Weakening demand, high raw material prices, high energy prices, and inflation are the four major concerns of the global textile industry for the next six months. The concern about transportation costs have fallen significantly. Concerns about geopolitics on the other hand have increased significantly in the past two months.

Source: fibre2fashion.com- Oct 24, 2022

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Apparel exports from Turkiye to Middle East up 10% in H1 2022

Apparel exports from Turkiye to Middle East increased by more than 10 per cent in the first half (H1) of this year. They reached $805.882 million during January to June 2022 from $732.871 million during July to December 2021. However, the exports of apparel from Turkiye could not fully recover from the dent in the industry due to COVID-19 in 2020.

The exports decreased to $1,291.493 million in 2020 from $1,806.652 million of 2019, according to Fibre2Fashion's market insight tool TexPro. The shipment was valued at $1,733.717 million in 2018 and $1,744.819 million in 2017. After COVID-19, exports from Turkiye rose to $1,461.320 million in 2021, which was higher than 2020, but lower than pre-COVID levels. On half-year basis, the exports were noted at $728.448 million in H1 2021, $668.902 million in H2 2020 and $622.591 million in H1 2020.

Trousers and shorts, dresses, shirts, T-shirts, and ensembles were the top five apparel products exported by Turkiye, as per TexPro. Exports of trousers and shorts were at $143.937 million (18.12 per cent), dresses at $143.388 million (18.05 per cent), shirts at $116.397 million (14.66 per cent), T-shirts at $95.673 million (12.17 per cent) and ensembles at $45.042 million (5.67 per cent).

Source: fibre2fashion.com- Oct 24, 2022

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Slow, Long-Term Climb Ahead for Cotton Prices

It is always the darkest before the dawn. Old crop cotton futures are working overtime to establish the 77-78 cent area as the price bottom.

This week's trading pushed prices down to an 18-month low as technical fund traders dumped volume after volume of sell orders every day. They pushed prices down for seven consecutive days before letting the market come up for air.

The difficult times remain front and center for the cotton grower, but bearish news is filtering out and explaining some of the current week's activity. Textile mills, both in the U.S. and overseas, made announcements of temporary shutdowns between now and the Christmas holidays. Some mills will close for only a week and others will shut down for as much as a month. Still others will go to short work weeks. Either way, mills plan to reduce inventory of yarn stocks which has simply become far too burdensome. Should the lows established this week fail to hold, then the next line of price support is down another two cents, sitting at 74-75 cents.

Yet, demand is showing signs of turning, ever so slightly. The market began to uncover demand once it fell within the 79-81 cent trading range as indicated by the weekly export sales report. The very slight increase in export sales (and to be sure, the increase was slight) did find mills making overnight inquiries for cotton. Even inquiries that do not result in sales are positive given the present demand situation.

Too, it was very encouraging to note that the new crop December 2023 contract held very firmly at 75 cents despite the old crop December contract drifting lower. This is not to claim that December is ready to now move higher. It is not. However, the futures contract is clearly signaling that cotton is underpriced and longer term must move higher.

This is not to suggest that prices will turn around this week or even next month. Likely, the market will not cycle higher until January-February, and the initial response will be slow, very methodical, and a bit limited. Likewise, the new crop December should begin a move to higher prices by February, just before Southeast and Mid-South growers settle on their "final" cropping plans.

We continue to suggest 2023 U.S. cotton plantings to be between 9.0 and 10.0 million acres, with a point estimate of 9.6 million. Rotation patterns could push plantings slightly higher, while wheat prices could cause acreage to fall just below the 9.6-million-acre estimate. Both the cotton/corn price ratio and the cotton/soybean price ratio will allow grains and oilseeds to take acreage from cotton in 2023.

However, as growers always do, they will overshoot their response to the changing price ratios, and the outcome will be that cotton prices will ease higher after the June/July planting in the U.S. Southwest. We will see a very slow grind higher. The business world is battered, bruised, and even very bloody. Old crop prices should return to the 80s, but not until March or April.

Growers know far better than I, but weather could also bring about a significant shift in plantings. Mother Nature is still looking at a La Nina weather pattern that would portend another dry season facing the High Plains and Rolling Plains of the Southwest.

Weekly export sales and shipments were slightly improved over last week, as they should have been, as mills responded to lower prices by being a bit more aggressive in buying cotton. Net sales of upland totaled 84,500 bales, while shipments of upland totaled 165,700 bales. Both numbers were lower than what a typically active market would merit but were better than the prior week as well as the prior monthly averages. Sales were made to 12 countries with Pakistan, Egypt, and China being the primary buyers.

Again, the export market was sightly more aggressive, but it still clearly indicates significant problems in the U.S. and world economies. Nevertheless, this week's export business, coupled with the continued mill price fixations on the December 2022 futures contract, suggests mills are doing "bottom picking" on prices – as they should be.

The market will also find support in on-call mill sales. It is too early to declare the sales as bullish, but the sales are supportive. The March, May, and July on-call sales total 4,422,600 bales versus only 512,900 bales of on-call purchases. This nearly 10 to 1 ratio of buying futures versus selling futures will provide underpinning for prices and will give any rally in the December 2023 contract a slight boost.

We will have to keep the bandages on a bit longer, but they will be coming off.

Growers may wish to consider buying a call option once the price of the physical cotton is fixed. Consider buying the 4-cent or 5-cent out of the money July call. One will probably have to go out to July to give the market time to cover the premium cost and allow for a slight return on the call option.

Source: cottongrower.com- Oct 24, 2022

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Iran: Exports from textile, clothing industries up 12% in H1

The weight of exports from Iran's clothing and textile industries increased by 12 percent in the first six months of the current Iranian calendar year (March 21-September 22), compared to the figure for the preceding year's first half, a deputy with the Ministry of Industry, Mining and Trade said.

Mohammad-Mehdi Baradaran said the country's petrochemical plants have increased their production of raw materials for the clothing industry and that has resulted in increasing the production of clothing and garments in the country, IRIB reported.

"According to the agreements made with the Textile Industries Association, National Petrochemical Company (NPC) increased its production, which reduced the price of yarn. However, since the cost of production in the clothing industry is high, each of this industry's chains must reduce their costs in order for the final product, which is clothing, to become more competitive [considering foreign commodities]," Baradaran said.

Referring to the job-creating potential of clothing production units, the official said: "In the current year, over 422,000 jobs have been created in various industries, and some clothing units have seen a 20 percent increase in employment."

He considered the export of clothing and the competitiveness of this industry as one of its advantages and said: "We will not let this industry go stagnant due to imports." The textile industry in Iran has a long history and is one of the most important sectors for employment. This industry has a high employment potential, and the amount of foreign currency investment to create a job in the textile industry is very low compared to some industries such as automotive.

The value of exports from Iran's clothing and textile industries in the previous Iranian calendar year 1400 increased by eight percent compared to the figure for the preceding year.

Source: tehrantimes.com- Oct 21, 2022

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Cotton exporter Benin developing home-grown textile industry

On a large factory floor in southwestern Benin, dozens of young people cut, stitch and assemble cotton shirts - part of a major push by the West African country to develop its textile sector.

Benin has in the last few years become Africa's leading cotton producer, with annual production of 728,000 tonnes in 2020/21, according to government figures. It exports almost all of that raw, with the majority going to Bangladesh.

Now, an initiative is under way to create jobs and revenue by processing the cotton locally, with the goal of exporting apparel to consumer markets in Europe, Asia, Africa and the United States.

"We have decided that in this country, we are no longer going to sell this cotton raw. We are going to transform this cotton, in particular by installing integrated textile factories," said Letondji Beheton, managing director of the Glo-Djigbe Industrial Zone (GDIZ), about 45 km from Cotonou.

GDIZ started two years ago as the result of a partnership between the government and Arise Integrated Industrial Platforms (Arise IIP), a pan-African venture partly owned by the Africa Finance Corporation.

More than $1 billion has been invested in the zone so far, which will include textile factories as well as cashew processing units, pharmaceutical processing units, and more, said Beheton. Only a quarter of it has been developed so far.

Although the systems are not yet in place to get cotton from field to factory, GDIZ has started training about 1,000 garment workers using imported materials for now.

"When the Glo-Djigbe factory starts its activities, I am sure that we will earn more," said 46-year-old cotton farmer Leonard Madjaedou, who has benefited from government support to boost his yields.

In 13 months, the industrial zone aims to employ 15,000 people in three textile factories that will have a processing capacity of about 40,000 tonnes of cotton fibre, Beheton said.

Eventually, he envisages a multi-billion dollar industry that could process the majority of Benin's cotton.

Cotton is grown in several West African countries including Mali, Togo, Burkina Faso and Ivory Coast, but most is exported raw with little industrial processing across the region.

Source: reuters.com- Oct 24, 2022

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Vietnam: Textile and garment sector bears the brunt of global uncertainties

Textile and garment businesses are facing pressure due to weaker purchasing power caused by mounting inflation and other global uncertainties.

Textile and garment exports in September dropped by nearly 1.2 billion USD, or 27%, from the previous month, to 3.2 billion USD. Sharp export declines were recorded in the US, Europe, Japan, the Republic of Korea (RoK), and China, according to the General Statistics Office.

The SSI Securities Corporation said the number of orders placed for the fourth quarter of 2022 fell by 25-50% from the second quarter, when orders increased strongly, because the unsold inventory in import markets is high at present.

Many companies have received orders to be delivered in the first quarter of 2023, but the order number is still much below their capacity, SSI noted. It added the enterprises whose buyers are mainly in the US and Europe will be hit harder compared to those exporting to Japan and the RoK.

Aside from inflation, fluctuations in material prices are also a problem.

Le Tien Truong, Chairman of the Vietnam National Textile and Garment Group (Vinatex), said there are uncertainties running up to the end of the year, especially the Russia-Ukraine conflict and material price fluctuations.

Enterprises are seeking ways to diversify material supply sources as well as export markets because when material sufficiency is ensured, they can boost shipments to many markets, thus helping guarantee production stability, supply chain, and sustainable exports, he said.

Another challenge is foreign exchange rates, according to analysts.

Nguyen Duc Hao, a specialist from the VNDirect Securities Corporation, said the euro has continually depreciated as a result of recession concerns due to Russia's threat to reduce gas supplies for many European countries, adding that businesses could suffer from lower profits, even losses.

Echoing the view, SSI held that most textile and garment companies earn revenue in the US dollar, but many of their costs such as materials, logistics and lending are also calculated in the greenback.

It said while the export outlook is bleak, the USD/VND exchange rate is predicted to continue falling in the last half of this year, causing an adverse impact on businesses, especially those with high expenses calculated in the US dollar.

Source: en.vietnamplus.vn- Oct 24, 2022

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Pakistan's textile & apparel exports up 3.68% in July-September 2022

The value of textile and garment exports from Pakistan increased by 3.68 per cent in July-September 2022, the first three months of the fiscal 2022-23 (July-June). During this period, Pakistan earned $4.583 billion from textile and apparel exports, compared to $4.420 billion in July-September 2021, as per data released by the Pakistan Bureau of Statistics.

Category-wise, knitwear exports rose by 15.40 per cent year-on-year to $1,320.897 million during the period under review, while exports of non-knit readymade garments were up 5.85 per cent to $911.514 million.

As for textiles, cotton yarn exports decreased by 18.14 per cent to $236.263 million, while exports of cotton fabric rose by 4.21 per cent to reach $580.524 million in July-September 2022. Bedwear exports declined by 2.93 per cent to $779.703 million during this period, the data showed.

Synthetic fibre imports decreased by 38.84 per cent year-on-year to $149.456 million, while imports of synthetic and artificial silk yarn dropped by 30.90 per cent to $156.454 million during the same period.

Meanwhile, the value of textile machinery imports by Pakistan in July-September 2022 decreased significantly by 36.73 per cent year-on-year to $146.077 million.

In fiscal 2021-22 ended June 30, textile and garment exports from Pakistan increased by 25.53 per cent to $19.329 billion over $15.399 billion in the previous fiscal. In fiscal 2019-20, the exports amounted to $12.526 billion.

Source: fibre2fashion.com- Oct 23, 2022

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Bangladesh: Textile millers ready to pay even higher tariff for gas

Leaders of the country's textile millers have demanded an uninterrupted supply of gas even at an enhanced tariff, if necessary, as the factories were suffering from a severe shortage of fuel and the situation of the majority of the units became vulnerable.

They expressed their concern over the situation and said they have already lost work orders worth US$1.0 billion in recent months due to disruptions in production amid the gas shortage.

Speaking at a press conference at a local hotel on Saturday, the leaders of the Bangladesh Textile Mills Association (BTMA) proposed paying even a higher price for gas than that of the existing rate subject to its uninterrupted supply.

BTMA president Mohammad Ali Khokon proposed to pay TK 22.83 per cubic metre of gas from the existing Tk 16.33 per cubic metre.

"The spinning mills need to keep running and for the sake of survival of the industry and employment. We're ready to pay the enhanced rate but uninterrupted supply must be ensured," he said.

He presented a keynote paper titled 'Energy Issue Particularly Overall Scenario and Its Impact on the Textile Sector' at the press conference.

Earlier, the government had twice increased the gas prices with a promise to ensure uninterrupted supply, but the industry did not get the required supply, he alleged.

"If the government provides us gas worth $0.2 million, in return, we will be able to export products worth $48 billion," Mr Khokon noted.

The BTMA leaders said 90 per cent of the textile mills have been facing shortage of gas since March last and the situation has deteriorated further from July and production in the sector decreased to a range between 35 per cent and 40 per cent.

He said 60 per cent out of 1,700 BTMA member mills are in a vulnerable situation due to the gas crisis and added that some mills remain shut for around 12 hours a day in many areas.

The gas supply to Narayanganj, Rupganj, Araihazar, Madhabdi, Ashulia, Savar, Gazipur, Sreepur, Bhaluka, Chattogram and Cumilla areas is so poor that the mills can use a maximum of 40 per cent of their capacities.

Many small and medium mills in the areas like Sirajganj, Pabna, Araihazar, Rupganj, Palash, Kalibari and Madhabdi are on the verge of shutdown because of the poor supply of gas. Fresh investment worth $3.0 billion is expected to be made in the industry by 2025, but the uncertainty in gas supply might reverse the situation.

The BTMA president said the banking sector would be affected if the production in the $16.0 billion primary textile sector is affected as the banks are involved in around 70 per cent of investment in the sector.

The sector's captive power generators pay some Tk 5.0 billion to the government exchequer as revenue which will also be affected due to inadequate gas supply to the textile mills, he added. The mills having captive power generation facilities annually use 169.1 billion cubic feet of gas to produce 1,700 MW power.

The foreign exchange retention of around US$21 billion by the sector is also under threat due to the gas crisis, he said, adding that employment of 1.0 million of people is also under threat. The BTMA recommended that the textile sector must be given priority and supply uninterrupted gas with reasonable prices as this sector is the second highest export retainer.

The BTMA spinners supply up to 90 per cent raw materials to the export-oriented knitwear sector and 40 per cent to the export-oriented woven sector. In response to a question, the BTMA president, however, said that they would not import LNG though the existing policy allows the private sector to do the same.

Source: thefinancialexpress.com.bd- Oct 23, 2022

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NATIONAL NEWS

Hope for stalled India-UK FTA rises manifold after Sunak appointed PM

Hope for the stalled India-UK bilateral trade deal has increased manifold after Indian-origin Rishi Sunak was appointed British prime minister (PM). Sunak had earlier told an Indian English-language daily that he was ‘strongly committed’ to the UK-India free trade agreement (FTA) to create jobs in both sides and for India to liberalise its consumer financial services industry.

Sunak had said the United Kingdom could facilitate climate finance to fund India's net zero ambitions. There are media reports in India of heightened expectations of a much-needed boost to bilateral ties. PM Narendra Modi tweeted: "Warmest congratulations @RishiSunak! As you become UK PM, I look forward to working closely together on global issues, and implementing Roadmap 2030. Special Diwali wishes to the 'living bridge' of UK Indians, as we transform our historic ties into a modern partnership."

India’s ministry of external affairs last week said New Delhi hopes its UK ties won't get affected after the new leader takes over as PM. The UK-India relationship was ‘a partnership of equals’ where the brightest talent from both countries travel back and forth to study and work, one which includes a close trading partnership on goods and services, and where the UK and India freely exchange world-class ideas and innovation, Sunak had said earlier this year.

"The UK does not have a natural right to sit at the table with one of the world's largest, fastest growing, and most dynamic economies. We must earn it. Right now, there are something like 900 million Indian people under the age of 35. They are smart. They are increasingly well-educated. They are ambitious. And when they look out at the world, we can't take for granted that they will look to the UK," he had told the India Global Forum UK-India awards earlier this year.

Source: fibre2fashion.com- Oct 25, 2022

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Districts as export hubs scheme may be announced in Budget 2023-24

The government's ambitious project for developing districts as export hubs by promoting one item with potential for increased exports from the identified districts, is likely to be announced in the Union Budget for 2023-24, a source tracking the matter has said.

"The various parameters for selection of districts for the project, probably 50 to begin with, are being worked out. The final outlay, too, needs to be fixed. Hopefully, everything will be in place before the Union Budget 2023-24, and the scheme can be announced then, or even before, if it is ready," the source told BusinessLine.

It has been decided to invite applications from various districts using the 'challenge method'. "The Centre has to do preparatory work to fix parameters for selection, and then assign scores for the parameters. The proposals which score the highest will be selected for the first phase," the source said.

To begin with, a total of 50 projects are likely to be selected, with a final selection of around 200 projects at a later stage.

Only those districts which have robust plans and are prepared with due diligence will be selected, he added.

"Proposals where districts have tried to pitch in with other government funds and suggested merging with other schemes, will be given weightage," he added.

The scheme to develop export hubs in various districts may be designed as a Centrally-sponsored scheme (CSS) under which the Centre's contribution could be 60 per cent of the funds, while the rest could come from the states, sources said.

While the Centre's outlay for development of 50 districts as export hubs in the first phase is likely to be between Rs 1,500-2,000 crore, the final decision will only be taken by the Cabinet, the source said.

“It is not prudent to discuss the finances at this point of time, as i the Cabinet will take a final call on what the appropriate amount should be,” he added.

The District Export Hub initiative is being implemented by the Commerce Department through the Directorate-General of Foreign Trade. It is engaging with the States/ UT Governments to enable its phased implementation, with the objective of mobilising the potential of each district and to achieve its potential as an export hub.

The initiative tries to target export promotion, manufacturing and employment generation at the grassroot level and has made states and districts accountable for the export growth from the districts, the Commerce Department said.

Source: thehindubusinessline.com- Oct 23, 2022

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Textile and garment exports shrink

Textile and garment exports contracted 8.5% in the first half of FY23 from a year before, far underperforming a 17.8% rise in overall merchandise exports.

According to the latest commerce ministry data, textile and apparel exports stood at $18.3 billion in H1FY23, against $20 billion a year before. The demand slowdown in the key markets, on top of a shortage of cotton, dragged down such exports, exporters said.

Worse, the share of textile and apparel shipments in the country's goods exports has been steadily declining over the past decade and a half, and stood at just 7.8% until September this fiscal; the share was to the tune of 13.7% in FY16. This suggests a steady erosion of export competitiveness, despite government efforts to turn around the fortune of the largest labour-intensive sector after agriculture, and brings to the fore concerns of job creations in the country.

With the country's top two textiles and apparel export markets — the US and the EU — witnessing a demand slowdown, shipments of these products will continue to remain under pressure.

Unless corrective actions are swiftly taken, the ambitious target of realising annual textile and garment exports of $100 billion in five years is set to be missed.

More importantly, the historical policy bias towards the cotton-based value chain when global consumption pattern veers towards manmade fibre and technical textiles products, domination of small and medium businesses with limited scale, inflexible labour rules for decades, and high logistics costs have hurt this sector. Consequently, India has ceded substantial export market share to Bangladesh and Vietnam in the past decade.

To tackle some of these issues, the government came out with a Rs 6,600-crore package for garments exporters in 2016. It also allowed fixed-term employment to address the issue of seasonality in order flows. However, the relief hardly paid off, as other structural bottlenecks continued to persist.

To fix these, the government announced a Rs 10,683-crore production-linked incentive scheme for only manmade fibre-based and technical textiles products, and selected eligible companies this year.

Since the incentive offtake is now expected to be lower, it's planning to roll out a second PLI scheme for the sector. This, government officials believe, will produce results in the medium term.

Source: financialexpress.com- Oct 24, 2022

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India aims for 10% share in global exports by 2047

India aims to raise the share of its exports in global trade to 3% by 2027 and 10% by 2047 from the current 2.1%, promoting hundred Indian brands as global champions.

A Customs 'ONE' will be set up to provide import-export clearance within one hour of arrival at entry points and customs ports to facilitate trade.

These are among the commerce and industry ministry's several India's hundredth year of independence year goals under the India@2047 umbrella.

It includes setting up economic zones outside India as an extension of the Atmanirbhar Bharat initiative.

"The goals for 2047 have been set for international trade and till 2027, the commerce department will work towards laying a strong foundation to achieve these goals," said an official. The plan is to increase the share of exports in the gross domestic product to 25%.

The focus sectors are pharmaceuticals, gems & jewellery, marine & agriculture, textiles & leather, engineering goods, electronics & telecom products, and chemicals. Similarly, there is a blueprint for the services as well.

"The plan is to become top three in global services trade in tourism, IT & ITeS, business services, financial services, healthcare & wellness, education, and AV services," the official added.

The roadmap also includes branding India as a supplier of high-value and high-growth products, enhancing the participation of MSMEs in trade, and attaining a 10% share in niche products called "creative economy".

Branding campaigns would focus on promoting exports of pharmaceuticals, tea, coffee, engineering goods & services, and developing districts as export hubs.

Source: economictimes.com - Oct 23, 2022

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Many exporters, importers reluctant to hedge forex exposure

Despite the 11.2 per cent fall in the rupee's value in 2022, a large section of exporters and importers are reluctant to fully hedge their foreign exchange exposure owing to higher costs involved in the process and are awaiting a definite direction in the movement of the currency.

While big corporates have robust risk management practices in place and the small and mid-sized players still have portions of their foreign exposure unhedged, a sizeable chunk of overseas loans are still unhedged, bankers said.

According to the June 2022 Financial Stability Report (FSR) of the Reserve Bank, of the outstanding external commercial borrowings (ECBs) of $ 180 billion, 44 per cent or $ 79 billion is unhedged. This included about $40 billion liabilities of public sector companies, mainly in the petroleum, railways and power sectors, which have assets with a natural hedge character. However, data on unhedged forex exposure of importers and exporters is not available but bankers said it may be manageable.

Hedging is a common financial practice used by exporters and importers to minimize the impact of unpredictable fluctuations in exchange rates. When the rupee falls, repayments become costlier in the absence of hedging. Hedging costs rise when the market faces high volatility. Forward contracts and currency derivatives are among the instruments used for hedging.

In the current year, the rupee has depreciated by around 11.28 per cent. Between September 1 and October 21, the currency has fallen by around 4 per cent, or Rs 3.4. It crossed the 83-mark for the first time on October 19. The Reserve Bank had recently asked banks to ascertain foreign currency exposure of entities annually. While exporters benefit from the rupee fall, importers take a hit if their exposure is uncovered.

Even banks are keeping a close watch on the unhedged portion of foreign currency exposures of corporates and nudging them to take action to reduce risks. "As a banker, when we lend in foreign currency, we generally insist on entities to hedge, so that the liability on currency risk is minimised," said Suresh Khatanhar, Deputy Managing Director, IDBI Bank.

Bankers said the RBI guidelines state that lenders have to collect information from the customers who are having unhedged foreign currency exposure at the end of every quarter. If the unhedged exposure is more, it adds to the cost for banks and, so, they are keeping a track on unhedged foreign currency exposure, said a banker.

Some experts believe that since the contract duration of exporters and importers is not a long one, they don't see one or two months of currency fluctuations as a challenge and can wait for some more time to get clarity on the currency's movement before deciding on hedging. "Importers are waiting for a correction in the current level of the rupee to hedge their exposure," a banker said.

Some exporters and importers see hedging as a strategy to speculate rather than from a risk management perspective, said a dealer from a forex advisory firm. By not hedging, they might be taking some risks that could go in their favour, he said.

Entities which do not hedge their foreign currency exposures can incur significant losses during the period of heightened volatility in foreign exchange rates, the RBI had said. These losses may reduce their capacity to service the loans taken from the banking system and increase their probability of default thereby affecting the health of the banking system.
Since the movement of currency is dependent on various global factors, it is imperative for exporters and importers to fully hedge their forex exposures, experts said.

According to Federation of Indian Export Organisations (FIEO) Director General and CEO Ajay Sahai, exporters are being encouraged to hedge certain portions of the value of their contracts at the time of finalizing the deal.

He, however, agrees that with constant depreciation in the rupee and the general indication pointing to a further depreciation, there may be a section of exporters who are not keeping foreign currency exposure hedged and, they may be playing with the exchange rate. But at the same time, there are more importers who are hedging their foreign currency exposures now.

“We always tell exporters that their profitability should come from their core business. Exchange benefits can just be an icing on the cake,” Sahai said.

Source: indianexpress.com - Oct 24, 2022

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Non-filers of 2 monthly GST returns to be barred from filing GSTR-1

Businesses not filing GST return forms (GSTR 1 and GSTR 3B) in a month will not be allowed to file immediate next returns. The GST administration has made changes in the portal to implement this.

The move is aimed at curbing issuance of fake invoices and tax evasion.

GSTR 1 has invoice-wise details of outward supplies along with total tax liability and it allows the receiver of supply to claim Input Tax Credit (ITC). Here, tax is not to be paid. GSTR 3B gives details of outward and inward supplies, ITC claimed and the tax to be paid in cash (total tax liability minus ITC). Not filing returns means the government not getting revenue.

Changes in returns filing is based on addition of new provisions under Section 37 (Furnishing details of outward supplies) and Section 39 (Furnishing of returns) through the Finance Act, 2022. Accordingly, a notification issued stating that these changes will come into effect from October 1 and now an advisory has been issued.

Section 37(4) prohibits a taxpayer from furnishing the details of outward supplies for a tax period, if the details of outward supplies for any of the previous tax periods has not been furnished by him.

Similarly, Section 39(10) restricts a taxpayer from furnishing a return for a tax period if the return for any of the previous tax periods or the details of outward supplies for the said tax period has not been furnished.

New norms

“These changes are being implemented prospectively and will be operational on GST Portal from November 1. Accordingly, from October tax period onwards, the filing of previous period GSTR-1 will be mandatory before filing current period GSTR-1.

Filing of October period GSTR-1 will be mandatory before filing GSTR-1 of November period,” the advisory said.

Further, from October tax period onwards, filing of GSTR-1 will also be mandatory before filing GSTR-3B. “Taxpayer will not be allowed to file GSTR-3B for October period if GSTR-1 of October period is not filed, the advisory said.

Due date for monthly filing of GSTR 1 for previous month is 11 th day of next month. In case of GSTR 3B for previous month, it is 20 th day of next month. In case of quarterly filers, due date for GSTR 1 and GSTR 3B of pre would be 13 th day and 22-24 th day of next month, respectively.

Source: thehindubusinessline.com - Oct 23, 2022

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MSME exporters eye interest sop

The government is considering a proposal to offer higher subsidy on interest rates to MSME exporters to protect them from the high cost of capital.

Under the interest rate equalisation scheme, the government is looking to raise the subsidy to 5 per cent from 3 per cent for micro, small and medium manufacturers and 3 per cent from 2 per cent for manufacturer-exporters and merchant-exporters under 410 tariff lines.

In the scheme, the Centre reimburses the banks for the subsidy.

Commerce ministry officials said they were calculating the higher expenditure on account of the subsidy hike prior to submitting their request to the finance ministry to release the sum.

The government has budgeted Rs 2,621 crore for the scheme in FY23, against Rs 3,151 crore in FY22.

A. Sakthivel, president of Fieo, said with increasing global competition coupled with a slowdown, it is necessary to ensure that the increase in credit rates does not blunt the competitive edge of exporters.

“The government should increase interest subvention under the Interest Equalisation Scheme from 3 per cent and 2 per cent respectively to 5 per cent to all MSME manufacturers and 3 per cent to all other eligible categories as interest rates have already crossed the pre-Covid level,” he said.

K.M.Subramanian, president of the Tiruppur Exporters’ Association, wrote to finance minister Nirmala Sitharaman to enhance the interest subsidy on packing credit to 5 per cent mainly to help the knitwear garment manufacturers.

The exporters fear high inflation and the threat of global recession will reduce demand for their products in the key markets.

Exporters have been pressing the government to restore the interest equalisation benefits amid a series of interest rate hikes by the central bank.

The government reduced the interest equalisation benefit to 3 per cent from 5 per cent for MSME manufacturers over the last two years as overall interest rates had come down and MSMEs were getting loans at 7-7.5 per cent interest.

However, exporters said the rates have gone up to nearly 10 per cent, which is higher than the pre-Covid level, and the interest burden is only expected to rise.

The interest equalisation scheme mostly covers labour-intensive and employment-generating sectors such as readymade garments, toys, handicrafts auto components and processed food.

The RBI has already increased the repo rate four times since May to check inflation. The last increase was on September 30 when the repo rate was pushed up 50 basis points to 5.9 per cent.

The WTO has forecast a slowdown in growth in world trade to 1 per cent in 2023, down from the previous estimate of 3.4 per cent, due to global uncertainties.

Source: telegraphindia.com - Oct 24, 2022

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DP World aims to expand multimodal logistics operations, says India CEO Rizwan Soomar

DP World aims to expand its multimodal cargo services and infrastructure footprint in India as the country shrugs off Covid-19 woes and gears up for growth, said its CEO for the Indian subcontinent.

The Dubai-based container terminal company will look at locations to set up more free trade zones, expand its coast shipping footprint and also look at opportunities to expand its private rail segment, CEO Rizwan Soomar told ET in an interview.

"We have set the foundation for an extremely good multimodal network," said Soomar, who also heads DP World's business in sub-Saharan Africa.

The company is into contract logistics, cold chain business, express logistics and has also entered the private rail business, said Soomar. "We are one of the largest private rail operators and all of that has been built within the last 4-5 years. We have got a 60-70% market share in coastal shipping right now. We have got into short sea trades connecting Southeast Asia with India, India-Middle East Africa because these are the trades that will grow," he said.

In 2016, DP World announced a $1 billion investment into Indian projects. In 2018, it announced with the state-run National Investment and Infrastructure Fund (NIIF) that it will invest $3 billion in infrastructure projects. In July, NIIF purchased a 22.5% stake in DP World's India subsidiary, Hindustan Ports, for about $300 million.

Soomar said with a slowdown in Europe and China, demand is shifting to India which gives DP world an impetus to set up free trade zones. A free-trade zone is an area where goods can be imported, exported, stored and manufactured without being subject to customs duty.

DP World's profit after tax in the Asia Pacific and India more than doubled to $509 million in 2021, according to its latest annual report. Its containerised volume in the region grew nearly 23% mainly because of a demand push from India.

Its capital expenditure last year was $137 million, mainly focused on Pusan (South Korea) and India. "There's more being manufactured here in India. We are getting a lot of enquiries," said Soomar, adding that this gave the company the fillip to set up free trade warehousing zones. "We are building an FTZ in Nhava Sheva (Jawaharlal Nehru Port Trust). We are setting up one in Chennai, which is almost 124 acres. We are setting up one in Cochin as well."

Sourcing patterns are shifting from China and India is in the forefront among the alternative locations, he said. The firm will help micro, small and medium enterprises (MSMEs) with financing, underwriting the risk, he said.

"So, the lenders can lend directly to the MSMEs, cutting out that risk, and we will only deliver the goods if the buyer pays up," said Soomar.

In 2018, DP World bought cold chain company Winter Logistics. The following year, it bought integrated multi-modal logistics operator KRIBHCO Infrastructure. In February this year, it sold 26% stake in Visakha Container Terminals to JM Baxi.

Soomar said DP World keeps looking at inorganic growth but hasn't zeroed in on any particular company for its next acquisition.

Source: economictimes.com - Oct 24, 2022

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Tiruppur Exporters' Association writes to FM to enhance interest subsidy to 5%

Tiruppur Exporters' Association (TEA) has written to Union Finance Minister Nirmala Sitharaman to increase interest subsidy to 5 per cent across the board and help protect the knitwear industry, which has been impacted by poor business order.

"We wish to point out that the knitwear exporting units in the Tirupur cluster is now facing a severe threat to their existence due to financial-related issues like fewer booking order, delay in receiving the payment, non-acceptance of booked orders, and deferment of shipment. It is not out of place to mention that the impact of issues is piling up day by day, K M Subramanian, President, TEA said in his letter to the Finance Minister.

Presently a 3 per cent interest subsidy is given on pre and post-shipment rupee export credit for MSME manufacturers and a 2 percent interest subsidy for the non-MSMEs manufacturer and merchant exporter till March 31, 2024, with retrospective effect from October 1, 2021.
Enhance competitiveness

"Considering the difficult situation prevailing in the global markets, it is necessary to enhance our competitiveness and also to sustain the business, we request the Union Finance to advise RBI to increase interest subsidy to 5 per cent across the board and help protect knitwear industry as well as lakh of people, particularly women employees employed with the industry," said the communication to FM.

Tirupur knitwear cluster is exporting 75 per cent of garments to USA, EU, and UK markets and it is to be noted that the cascading impact of these countries is now quite visible in the export performance of Tirupur. In terms ofdollars, the readymade garment exports for July, August, and September 2022 compared to the corresponding months of last year have declined by 0.60 per cent, 0.34 per cent and 18.06 per cent respectively. It is gathered that in the current month also, the exports are set to witness a decline.

Source: thehindubusinessline.com - Oct 21, 2022

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Netherlands beats China, becomes India's third-largest export market

Brazil, which occupied the 21st spot in FY22, is now India's 8th biggest export market

The export pecking order has changed dramatically this fiscal. The Netherlands has emerged as India's third-largest export destination, ahead of China and Bangladesh. It has moved up two spots in the list of India's top ten export destinations since FY22, thanks to a 106% surge in despatches until August this fiscal from a year before to $7.5 billion.

But what comes as a greater surprise is that Brazil, which occupied the 21st spot in FY22, is now India's 8th biggest export market.

Similarly, Indonesia has moved up seven notches to grab the 7th position. However, amid a demand slowdown, only two European nations—the Netherlands and the UK–are among India's top ten markets, against 4 in FY22. Germany and Belgium, which featured in the list last fiscal, are out of it now.

Meanwhile, the US and the UAE continue to be the largest and second-largest export destinations, respectively, for India. The exports to the US climbed 18.3% until August to $35.2 billion, while those to the UAE shot up 27.3% to $13.8 billion.

India's exports to the Netherlands were driven mostly by a 238% jump in despatches of oil products until August this fiscal to $3.67 billion. Even supplies of chemicals ($513 million) and pharmaceuticals ($219 million) remained substantial.

Meanwhile, exports to Indonesia jumped 43% to $4.8 billion. The supplies to this Asean country were dominated by petroleum products, which jumped 144% on year up to August this fiscal to $1.8 billion. The other key products were cereals, sugar and chemicals.

The shipment to Brazil swelled 70.9% in the first five months of this fiscal to $4.7 billion. The exports were driven by a 299% jump in supplies of petroleum products to $2.3 billion, followed by those of certain chemicals ($684 million) and automobiles, auto parts and allied products ($233 million).

While Bangladesh has restricted its imports to mainly essential products to conserve dollars in the wake of a foreign exchange crisis there, China is still battling the pandemic.

So, India's exports to China contracted sharply by 35.6% until August this fiscal to $6.8 billion, while those to Bangladesh rose just 8.7% to $5.8 billion. In contrast, India's merchandise exports to all destinations grew 19.5% in the first five months of this fiscal to $196.5 billion.

Source: financialexpress.com- Oct 22, 2022

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KTR to write to PM Modi demanding abolition of GST on handlooms, textiles

Hyderabad: Hitting out at BJP-led government at the Centre for its anti-weaver policies, TRS (BRS) working president and Textiles Minister KT Rama Rao on Friday demanded the union government to abolish the 5 per cent GST being imposed on the handlooms and textiles industry in the country. While he would be writing a letter to Prime Minister Narendra Modi on the issue, he urged people of Telangana to post bulk letters to the Prime Minister's Office and bring the Centre to its knees.

Participating in a meeting organised by Padmashali community at Manneguda in Ibrahimpatnam constituency here, Rama Rao said Narendra Modi was the first Prime Minister to impose tax on handlooms and textiles sector which was second largest employer of the country. He felt that the Modi government was determined to end all the welfare and developmental initiatives of the successive governments for weavers.

"From National Handloom Board and National Powerloom Board to Mahatma Gandhi Bhunkar Yojana and weavers' insurance and savings schemes, the Centre is removing all the schemes. Further, there is no response from the union government to the requests from the Telangana government to support weavers," the Minister said. Due to the Centre's lackadaisical attitude, India was far behind countries like Bangladesh and Sri Lanka in textile production.

He stated that the BJP government remained irresponsive to requests to support establishment of Kakatiya Mega Textile Park, National Textile Research Institute, Handlooms Export Promotion Council, Institute of Handloom Technology and other facilities. He pointed out that even after four years, union Home Minister Amit Shah's promise to establish a handloom park at Narayanpet also remained a non-starter.

Rama Rao detailed several progressive measures taken up by the TRS government for welfare of the weavers community. He said the TRS government has been allocating a budget of Rs 1,200 crore per annum for the welfare of the handloom sector, provided a 40 per cent subsidy on yarn and dyes through 'Chenetha Mithra' scheme, introduced Rs five lakh insurance coverage for handloom and power loom workers through 'Nethanna Ku Bhima' and implementing 'Nethannaku Cheyutha' scheme.

During COVID, the Telangana government through 'Nethannaku Cheyutha' has sanctioned an amount of Rs 100 crore to weavers much before the maturity date. The scheme is being continued keeping in view the benefit it has provided to the community, he added. He said the TRS government has waived weavers loans ranging up to Rs 1 lakh which has benefited about 10,500 people.

On the occasion, the Minister said an integrated training, production and sales centre in Narayanpet and handlooms park in Gadwal are being set up. He also announced that the State government would provide Rs 3 lakh to each eligible weaver having a housing plot for construction of their house. He also assured to provide Asu equipment, looms, sheds and other equipment required for weavers to operate and produce textiles.

Source: telanganatoday.com- Oct 21, 2022

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