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INTERNATIONAL NEWS

USA: Manufacturers Cite First Raw Materials Price Drop in 28 Months

Economic activity in the U.S. manufacturing sector expanded in October, the nation's supply executives said in the latest Manufacturing "Report On Business" from the Institute for Supply Management (ISM).

"The October Manufacturing PMI (Purchasing Managers Index) registered 50.2 percent, 0.7 percentage point lower than the 50.9 percent recorded in September," Timothy R. Fiore, chair of the ISM Manufacturing Business Survey Committee, said.

A Manufacturing PMI above 48.7 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the October Manufacturing PMI indicates the overall economy grew in October for the 29th consecutive month following contraction in April and May 2020.

However, the Manufacturing PMI figure is the lowest since May 2020, when it registered 43.5 percent, Fiore pointed out.

"The U.S. manufacturing sector continues to expand, but at the lowest rate since the coronavirus pandemic recovery began," Fiore said. "With panelists reporting softening new order rates over the previous five months, the October index reading reflects companies' preparing for potential future lower demand. Panelists' companies continue to carefully manage hiring, month-over-month supplier delivery performance was the best since March 2009, and the Prices Index indicated decreasing prices for the first time since May 2020."

Eight manufacturing industries reported growth in October, led by apparel, leather and allied products, while 10 industries reported contraction in October compared to September, topped by furniture and related products and including textile mills.

Indicating raw materials prices decreased for the first time in 28 months, the ISM Prices Index registered 46.6 percent in October, 5.1 percent lower than September. This is the lowest reading since May 2020.

Over the past seven months, the index has decreased 40.5 percentage points, including a combined 26 percent plunge in July and August. A Prices Index above 52.6 percent is usually in line with an increase in the BLS Producer Price Index for Intermediate Materials.

“The slowing in price increases continues to be driven by three factors–a relaxation in the energy markets, softening in the copper, steel, aluminum and corrugate markets, and sluggishness in chemical and plastics demand,” Fiore said. “Notably, 80.3 percent of respondents reported paying the same or lower prices in October, compared to 68.6 percent in September. The long-awaited price declines should cause buyers and sellers to return to the table and refill order books as backlogs contract.”

In October, the 10 industries reporting paying less for raw materials included apparel, leather and allied products, and furniture and related products.

ISM’s New Orders Index contracted for the second straight month in October, registering 49.2 percent, an increase of 2.1 percent compared to the 47.1 percent reported in September. A New Orders Index above 52.9 percent is usually in line with an increase in the Census Bureau’s series on manufacturing orders.

Of the 18 manufacturing industries, three reported growth in new orders in the month, led by apparel, leather and allied products, while 12 industries reported a decline in new orders, including furniture and related products and textile mills.

The Production Index rose 1.7 percent to 52.3 percent in October. An index above 52.4 percent is generally consistent with an increase in the Federal Reserve Board’s Industrial Production figures.

The eight industries reporting a decrease in production in October were topped by textile mills and furniture and related products.

ISM’s Employment Index registered 50 percent in October, 1.3 percent higher than the September reading. An Employment Index above 50.5 percent is usually consistent with an increase in the Bureau of Labor Statistics (BLS) data on manufacturing employment.

Of 18 manufacturing industries, nine reported employment growth in October, led by apparel, leather and allied products. The five industries reporting a decrease in employment in October were topped by furniture and related products.

The delivery performance of suppliers to manufacturing organizations got faster in October, as the Supplier Deliveries Index registered 46.8 percent, 5.6 percent lower than the 52.4 percent reported in September and the first time in “faster” territory since February 2016.

Fiore noted that a reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries. Four of 18 manufacturing industries reported slower supplier deliveries in October, topped by apparel, leather and allied products and including textile mills, while furniture and related products led the nine industries reporting faster supplier deliveries in October as compared to September.

The Inventories Index fell 3 percent to 52.5 percent in October. An Inventories Index greater than 44.4 percent is generally consistent with expansion in the Bureau of Economic Analysis (BEA) figures on overall manufacturing inventories. Of 18 manufacturing industries, the nine reporting higher inventories in October included furniture and related products.

ISM’s Customers’ Inventories Index registered 41.6 percent in October, the same figure reported for September, indicating that customers’ inventory levels were considered too low, which Fiore said was “a positive for future production growth.”

ISM’s Backlog of Orders Index declined 5.6 percent to 45.3 percent in October, indicating order backlogs contracted after a 27-month period of piling up.

Three industries reported growth in order backlogs in October, led by apparel, leather and allied products, while 12 industries reported lower backlogs in October, topped by textile mills an furniture and related products.

ISM’s New Export Orders Index registered 46.5 percent in October, 1.3 percent below September. Fiore noted that the New Export Orders Index contracted for the third consecutive month after 25 straight months in expansion territory. He said weakness in European economies and China's economic sluggishness continued to constrain new export orders expansion and negatively impact new order rates."

The 10 industries reporting a decrease in new export orders in October included textile mills, and furniture and related products.

Meanwhile, ISM's Imports Index dipped 1.8 percent to 50.8 percent in October. Furniture and related products were among the five industries reporting lower volumes of imports in October. Six industries, including apparel, leather and allied products and textile mills reported no change in imports for the month.

Source: sourcingjournal.com- Nov 02, 2022

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Australian industry expects large cotton crop in 2023 despite rain

The Australian cotton industry is still expecting a large cotton crop despite the persistent rain in much of New South Wales and Queensland impacting on already sodden paddocks, and in some cases, delaying picking and planting, Cotton Australia has said.

Only two years after severe drought, cotton farmers celebrated good water availability resulting in a record crop of 5.5 million bales last season, however the rain has persisted providing a headache for some farmers.

Late last week NSW emergency services reported every inland river catchment was either full or flooded from the QLD border to the VIC border with 99 active warnings and nine major flood warnings in place, Cotton Australia said in a press release.

Cotton Australia CEO Adam Kay said his thoughts were with all the farmers who have suffered loss and damage due to the floods. “We are hearing reports of major infrastructure damage following inundation and we are keeping government stakeholders informed.”

There is major flooding in some cotton farming regions including Narrabri and Moree but at this stage the major damage appears to be to winter crops like wheat and barley.

“The northern half of NSW has a wider planting window and that means growers have till the later half of November to get their crops in and maintain a healthy yield for the coming season. We are confident they will achieve that if the rain holds off long enough to get out on their fields and get their crops in the ground," Kay added.

It is a different story unfortunately from the Macquarie Valley south to the Victorian border with the planting window closing earlier and data showing yields decrease the later crops are planted in the region.

“Overall, at this stage we expect around a 10 per cent reduction on our crop forecasts for 2023, and with about a third of that crop forward sold, we expect strong ongoing global demand for our cotton. We can sell every bale we get so we hope conditions improve quickly,” said Kay.

As further evidence of the diverse conditions facing farmers, cotton growers in the Northern Territory and Far North Queensland have not been impacted by the inundation like the south with planting expected to occur in December and picking the middle of next year. Further south many farmers already have seed in the ground.

In some parts of southern QLD, the last of the 2022 crops are being picked, delayed because of floods, while in the Central Highlands and Callide Dawson in Queensland, cotton planted in August is already doing well despite some hail damage.

Kay said the professionalism and adaptability of farmers will see good results. “Every grower has to contend with adverse weather events, but we have the science, the sustainable practices and the innovation to rise above the temporary challenges and retain consistency of quality and supply.”

Source: fibre2fashion.com- Nov 02, 2022

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Apparel imports of Middle East at $3 bn in H1, China claims 31% share

Apparel imports of Middle East stood at $3.108 billion during January-June 2022. Amongst all the exporting nations, China ranked first on the suppliers' list with a share of 31.43 per cent ($977.016 million), followed by Bangladesh, Turkiye, Italy and India. Asia-Pacific region supplied about two third of the total apparel imported by the Middle East.

The supply from the top five countries to the region surged in the first six months of this year over the same period of last year. The imports from China grew by 31.89 per cent in January-June 2022 on a yearly basis, compared to the mild growth of 0.88 per cent in January-June 2021, according to Fibre2Fashion's market insight tool TexPro.

Middle East's apparel imports from Bangladesh rose to 62.76 per cent in the first half of this year from 0.46 per cent during the same period of last year. The share of Bangladesh in the total imports by Middle East in the first half of this year was 11.55 per cent.

The share of Turkiye, Italy and India stood at 9.36 per cent, 6.46 per cent and 5.66 per cent, respectively. Morocco, Vietnam, Georgia, Spain, and Cambodia take the next 5 spots on the list of top 10 apparel supplier countries to Middle East, as per TexPro.

Asia-Pacific was the largest sourcing region for the Middle East with imports amounting to $1.928 billion or 62.04 per cent of the total imports.

The Middle East's apparel imports from all over the world stood at $2.959 billion in the second half of 2021, $2.269 billion in the first half of 2021, $2.416 billion in the second half of 2020 and $1.904 billion in the first half of 2020.

Source: fibre2fashion.com- Nov 03, 2022

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China's Cotton Sector Hammered by Covid Zero and World Inflation

Add cotton to the list of Chinese commodities getting hammered by the government's stringent virus restrictions and slowing economies around the world.

Futures have plunged 40% this year, leaving the market set to close at a two-year low on Tuesday, as Beijing's persistence with Covid Zero hurts consumption and disrupts supply, and soaring global inflation saps demand for cotton products. The Zhengzhou contract ended the morning slightly weaker at 12,475 yuan ($1,708) a ton.

China is the world's biggest consumer and importer of cotton, and its top exporter of apparel and textiles. It produces about three-quarters of the cotton it needs for processing and imports the rest, mainly from the US, although shippers have recently reported cancellations as a strong dollar and weak demand hit trade. Annual imports through September have fallen about a fifth from last year.

The battle to contain a jump in virus cases is putting renewed pressure on China's economy, according to Bloomberg Economics, as more and more places become subject to curbs, while the latest business survey points to a contraction in the manufacturing sector. Demand for clothing is weakening as people stay at home and spend less, shrinking operating rates at textile mills, which in turn are buying less of their raw material.

On the supply side, lockdowns in the northwestern region of Xinjiang, the source of almost all of China's crop, has slowed the purchase and transport of the commodity, again forcing manufacturers to cut production. The amount of cotton processed in China is almost 50% below last year's levels, according to the latest weekly figures from the national cotton association.

Click here for more details

Source: bnnbloomberg.ca- Nov 01, 2022

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Hong Kong's Sept 2022 retail sales estimated up by 0.2% at $28.1 bn

Hong Kong's total retail sales value in September this year was provisionally estimated at $28.1 billion—up by 0.2 per cent compared with the same month in 2021.

The revised estimate of this value for August edged down by 0.2 per cent year on year (YoY). For the first nine months this year, this value was provisionally estimated to fall by 1.3 per cent YoY.

Of the total retail sales value in September 2022, online sales accounted for 10.2 per cent, Hong Kong's The census and statistics department (C&SD) said in a release.

The value of online retail sales in September—provisionally estimated at $2.9 billion—increased by 27.5 per cent YoY.

The revised estimate of online retail sales in August this year increased by 21.6 per cent YoY.

For the first nine months of 2022 taken together, it was provisionally estimated that the value of online retail sales increased by 22.4 per cent YoY.

The value of sales of commodities in supermarkets decreased by 1.6 per cent in September this year over a year earlier.

A government spokesman said that the value of retail sales reverted to a modest year-on-year growth in September.

Looking ahead, the spokesman pointed out that the generally stable local epidemic situation, improved labour market conditions and the Consumption Voucher Scheme will continue to support consumption demand in the near term.

Source: fibre2fashion.com- Nov 02, 2022

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UK manufacturing sector starts Q4 2022 on weak footing: S&P Global

The UK manufacturing sector started the final quarter of the year on a weak footing. Output contracted for the fourth successive month, as a steep drop in new work received, weak export demand and supply-chain disruption led to a scaling back of both production and employment. October saw new order intakes decline at the fastest pace since May 2020.

Business optimism dipped to a two-and-a-half year low, as weak demand, recession fears, inflationary pressures and rising uncertainty hit confidence. The seasonally adjusted S&P Global-Chartered Institute of Procurement & Supply (CIPS) UK manufacturing purchasing managers' index (PMI) fell to a 29-month low of 46.2 in October, down from 48.4 in September but above the earlier flash estimate of 45.8.

The PMI has remained below the neutral 50 mark for three consecutive months. The latest contraction was blamed on the weaker domestic market, already high stock levels at clients, subdued client confidence and inflationary pressures, S&P Global said in a note. The impact of lower demand was felt across industry. Although the rate of contraction in production volumes eased to a three-month low in October, the consumer, intermediate and investment goods sectors all saw output decline.

The shortfall in new order intakes led to a solid increase in stocks of finished goods. Inventories rose for the sixth consecutive month, albeit at the slowest pace since June. The deterioration in new order inflows also hurt employment, purchasing activity and manufacturers' business optimism in October.

Forty-three per cent of the survey panel still forecast that production levels would be higher one year from now, supported by new product launches and possible decreases in both economic and political volatility.

October also saw purchasing activity cut back sharply in response to the manufacturing downturn. Input buying volumes fell for the fourth month running and to the greatest extent in almost two-and-a-half years.

Source: fibre2fashion.com- Nov 02, 2022

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Most German home textile, carpet sellers plan to raise prices: Survey

Somewhat fewer German companies are planning to increase their prices soon than in the previous month, according to the Ifo Institute's latest survey. Trade and manufacturing in particular are planning fewer rises. The majority of home textile and carpet sellers (94.6 points) and most manufacturing firms intend to increase their prices.

However, the proportion decreased compared to the previous month. Price expectations are high among manufacturers of clothing (83.5 points). For the economy as a whole, the Ifo price expectations for the coming months fell to 51.5 points in October, down from 53.8 points (seasonally adjusted) in September.

"The wave of inflation has not yet broken," said Timo Wollmershäuser, head of forecasts at Ifo in a release. "In particular, the high cost of energy hasn't yet been fully passed on to consumers." At present, 7.5 per cent of German companies feel their economic survival is threatened, finds another survey by the institute.

"At the height of the pandemic, these numbers were much higher, at 21.8 per cent. In the face of a sharp economic slowdown, companies are proving to be very robust," said Klaus Wohlrabe, head of surveys at Ifo. This proportion has risen only slightly compared to the previous survey in April, when it was 7.1 per cent.

Retail is being hit particularly hard at the moment, with 11.6 per cent of companies reporting a situation that threatens their survival (April: 6.9 per cent). "The current rate of inflation is a major concern for retailers," Wohlrabe said.

In manufacturing, 7 per cent of companies consider their survival threatened (April: 4.9 per cent). The situation is still difficult for many companies in the textile industry (33.6 per cent).

Source: fibre2fashion.com- Nov 02, 2022

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Zara moves into pre owned clothing in UK

Fashion brand Zara has decided to venture into the business of pre-owned clothing.

The company will start to offer repair, resale and donations services in the UK. This move into a more sustainable approach is a departure from its fast fashion image.

As part of the new offering, customers will have the option to repair their Zara clothing from any season which includes replacing buttons, zips and seams both online or in a physical Zara store.

Customers can also resell and purchase worn Zara garments utilising a new secure platform and make a clothing donation of any brand to charity.

This initiative starts in November. Clothing items can be donated through home collection and they will be sent to the Red Cross, an organization which reuses or recycles them.

Launching of resale platforms for fashion brands have become more common in this day and age. Fast fashion brands look to come across more sustainable given the textile industry contributes around ten per cent of global carbon emission.

The growing issue of ethical fashion has thrown a spotlight on the sustainability of fast fashion and in turn guided the fashion industry down a road toward a more sustainable fiber use.

Source: fashionatingworld.com- Nov 02, 2022

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Vietnam's textiles, garments export up 21.9 pct in 10 months

Vietnam earned more than 31.8 billion U.S. dollars from exporting textiles and garments in the first 10 months of this year, up 21.9 percent from the same period last year, according to the General Statistics Office on Wednesday.

In October alone, Vietnam's textile and garment export rose 5.7 percent year on year to around 2.8 billion dollars.

Although the textile and garment market is forecasted to slow down until the end of the fourth quarter and this would last until 2023, it is still possible to reach the export target of 43 to 44 billion dollars this year, said Truong Van Cam, deputy chairman of the Vietnam Textile and Apparel Association.

Cao Huu Hieu, general director of the Vietnam National Textile and Garment Group, said that in the fourth quarter of 2022, the economic context of Vietnam and the world would still face many difficulties.

The output of cotton will expand but the consumption will decrease, and the demand and selling price of yarn are still low, he added.

In 2021, Vietnam recorded an export turnover of over 32.7 billion dollars from textile and garment products, up 9.8 percent from 2020. Its main export markets included China, Japan, the European Union, South Korea and the United States.

Source: english.news.cn- Nov 02, 2022

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NATIONAL NEWS

New India is possible only with big reforms, big infra and big talent: PM

Prime Minister Narendra Modi on Wednesday said his government has rolled out the "red carpet" for investors, instead of pushing them into the "web of red tape". Building a new India is possible only with "bold reforms, big infrastructure, and best talent", he added.

The government's proactive steps have led to a situation where India has been hailed as a "bright spot" amid the current global turmoil by experts and agencies, he said. Foreign direct investment inflows into the country hit a record $84 billion in FY22. "This is an achievement amid the pandemic and war-related situations across the globe," Modi said.

Delivering the inaugural speech virtually at the three-day 'Invest Karnataka 2022' event, Modi pitched the state as a key investment destination. The state, he said, also has the power of the "double engine" (the same party in the government at both the state and Centre).

"This may be the time of global crisis, but experts across the world, analysts and those with knowledge of the economy, are calling India a bright spot," Modi said. "The free trade deals that we have done in recent times, shows the world our preparedness," the Prime Minister added.

Given the external headwinds, the International Monetary Fund recently slashed its FY23 growth projection for India by 60 basis points from its July forecast to 6.8% but it retained its FY24 forecast for the country at 6.1%. Despite the revision, India's growth rates for this fiscal and the next would still be way above the agency's projected global economic expansion rates of 3.2% and 2.7%, respectively.

Instead of just making new laws and adding to investor confusion, the government rationalised things. "Instead of running the business ourselves, we prepared the ground for others to come forward to do business. We allowed youth to increase their capability," he said.

The development of an inclusive, democratic and strong India will lend pace to the world's progress, he said. "Investment in India means – investment in inclusion, investment in democracy, and invest for a better, cleaner and safer planet," he said.

Talking about the prospects in Karnataka, the Prime Minister said the state houses offices of about 400 of the "Fortune 500" companies. It's home to more than 40 of the 100-odd unicorns in the country.

India an island of calm amid global turmoil: FM

The fundamentals of the Indian economy are better than most others amid the current global crisis and the country is being seen as a "an island of certain level of calm", finance minister Nirmala Sitharaman said on Wednesday.

Speaking at the same event in Karnataka, Sitharaman said: "There is a global situation of war, especially in countries which are a source of raw materials, whether it is fuel, fertilisers or food-related raw materials. While this is causing a lot of insecurity in the world and while the challenges continue, India is being seen as an island of certain level of calm."

Source: financialexpress.com- Nov 03, 2022

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Technical Textiles: Centre clears 20 research projects worth ₹74 crore

Ministry of Textiles cleared 20 strategic research projects worth around INR 74 crores in the areas of Agrotextiles , Speciality fiber, Smart textiles, Activewear textiles, Strategic application areas Protective gear and apparel Sports textiles under the chairmanship of Shri Piyush Goyal, Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution, and Textiles on 1st November 2022. These strategic research projects fall under the Flagship Programme 'National Technical Textiles Mission.'

Among these 20 Research projects, 5 Projects of Speciality Fibres, 6 Projects of Agro-textiles, 2 Projects from Smart Textiles, 2 from protective gear and apparel, 2 from geotextiles, 1 from activewear apparels, 1 from strategic application area, 1 from sports textiles were cleared.

The Minister provided his inputs pertaining to Technical Textiles for the meeting along with the officials from different Line Ministries. Leading Indian Institutes including IITs, Government Organizations, Research Organization and Eminent Industrialists, among others participated in the session which cleared projects strategic for the development of Indian economy and a step in the direction of Atmanirbhar Bharat, especially in the field of Geotech, Industrial and Protective, Agriculture and Infrastructure.

While addressing the esteemed group of Scientists and Technical Technologists, Shri Piyush Goyal said, "Industry and Academia linkages are essential for the growth of research and development in the application areas of Technical Textiles in India. Building convergence with Academicians, Scientists and Researchers is the need of the hour."

Shri Piyush Goyal emphasised on the importance of contributions of technology and segment experts, scientists and academicians to India's technical textiles future growth.

Despite the prominent usage of speciality fibres in India, indigenization of the technology has still been a major challenge which needs collaborative interventions from both industry and academia, he further added.

The Minister further emphasized on robust indigenization of machineries and equipments for the technical textile sector to establish sustained and strong foothold in the global landscape.

Revision of R&D guidelines and creation of dedicated indigenous machinery and equipment development guidelines under NTTM were discussed and recommended by the committee during the meeting

To bolster the innovation and research ecosystem in technical textiles, NTTM to support ideation and prototyping R&D projects worth upto INR 50 lakhs and 100 lakhs respectively, which have clear potential to translate into commercial products and technologies.

Source: pib.gov.in- Nov 02, 2022

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RBI's retail e-rupee pilot to start this month itself: RBI governor

The RBI governor Shaktikanta Das on Wednesday revealed that the RBI would follow up on the wholesale e-rupee pilot with a similar trial on the retail side this month. He described the introduction of the central bank digital currency (CBDC), which began on the wholesale front between a select group of banks on Tuesday, as a milestone point in the history of the country's currencies and added that it will fundamentally alter how businesses are conducted.

"The retail part of the CBDC trial will be launched later during this month. We will announce the date separately," Das said, speaking at the annual FIBAC conference of bankers here.

The broader wish of the RBI is to execute a full-fledged launch of the CBDC "in the near future", he added, choosing not to share a timeline for the same.

"I don't want to give a target date by which time the CBDC will be launched in a full-scale manner because this is something where we have to proceed very carefully. This is the first time the world is doing it. We don't want to be in a great hurry," he said.

The governor also discussed the results of the pilot programme for digitising farm loans, adding that the RBI plans to start doing the same for small company loans in 2023.

There will be some technological challenges, some process challenges and the RBI will want to iron out all those aspects and introduce the CBDC in a manner that is non-disruptive, as per Das.

Learnings and experience of the end-to-end digital KCC (kisan credit card) loans pilot, currently on in Madhya Pradesh and Tamil Nadu, would be internalised before extending the initiative for the small businesses, he said.

Das highlighted that in the case of the end-to-end digital KCC loans, a bank processes data from the credit rating agencies, uses artificial intelligence to process satellite data to analyse a farmer's land and what was cultivated in that land in the previous years.

The documentation process is also simple and the farmer has to visit a bank branch a minimum number of times, he said.

The RBI is working closely with banks on the initiative, he said, adding that banks also have to upgrade their technology infrastructure to make such a project happen.

He said two more banks will very shortly start extending the digital loans for farmers, joining Federal Bank and state-run Central Bank of India in the initiative.

The governor said the state governments need to completely digitize their land records and the process of verification of the title for the scheme to function smoothly.

Source: economictimes.com- Nov 02, 2022

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India and the Global Trade Policy shifts

The new Indian foreign trade policy (FTP), which was first expected on April 1, 2020, has been delayed due to unprecedented times. It was first deferred for one year (April 2020 to March 2021) on March 31, 2020, and then in 2021 for one more year because of the turbulent situation caused by the COVID-19 pandemic. Subsequently, the old policy has been extended every six months due to the fluid global situation.

The FTP lays out procedures, policies, and schemes to boost India's exports, reduce its import dependence, and create jobs. The previous two years have been enormously difficult for the world, especially India.

The looming fears of a recession in 2023 make the picture look even more bleak. These disruptions are drastically transforming the global supply chains, which have been disrupted due to the COVID-19 pandemic and the Russia-Ukraine conflict that has also driven up inflation across the world amidst a difficult year for global trade. India needs a strong FTP to improve its trade, fight off disruptors, and take advantage of trade that is taken away from China.

Highlights of India's trade policy between 2015-2020

The primary objective of the Indian Foreign Trade Policy 2015-2020 was to make India a significant participant in world trade by promoting exports through initiatives such as "Make in India", "Digital India" and "Skills India" to create an Export Promotion Mission. While focusing on increasing exports, the central government wanted to make imports more focused and more rational.

It introduced two new export incentive schemes: the Merchandise Exports from India Scheme (MEIS) and the Services Exports from India Scheme (SEIS). Efforts were made to sign multiple Free Trade Agreements (FTAs). Exports of defence and hi-tech items were also encouraged through measures such as modifications in the FDI policy; greater clarity as regards to industrial licences for this sector; fast-tracking of applications; listing of munitions; creation of HS codes for items in this sector; and setting up promotional institutions. Programs of interest subvention and other trade support mechanisms from the credit, banking, and insurance sectors were started to help Micro, Small, and Medium Enterprises

(MSMEs) and exports. 108 MSME clusters were also identified for targeted export-boosting interventions.

Expectations of the New Foreign Trade Policy 2022-2027:

The District Export Hubs initiative is expected to be an important component of the new FTP. The objective of this is expected to increase the potential of each district in the country to achieve its potential as an export hub by targeting employment generation, export promotion, and manufacturing. The FTP is also expected to focus on correcting imbalances in trade and reducing the fiscal deficit by increasing exports through the improvement of operations of the domestic manufacturing and services sectors in combination with the development of efficient, cost-effective, and adequate logistical and utility infrastructure. The aim of doubling exports by 2025 is also expected to remain in focus. The new FTP is also expected on digitalisation and e-commerce.

How 2022 has been an important year for Indian Foreign Trade Policy?

The current government has placed a lot of emphasis on FTAs as they not only serve as a bedrock for a deeper geopolitical relationship but also as a trading partnership. As of April 2022, India had signed 13 Free Trade Agreements (FTAs) with its trading partners, including key trade agreements like the India-UAE Comprehensive Partnership Agreement (CEPA) and the India-Australia Economic Cooperation and Trade Agreement (IndAus ECTA).

In April of this year, India and the EU agreed to launch the EU-India Trade and Technology Council. India and the EU plan to sign the FTA by next year. The two sides can closely cooperate on matters concerning trade, climate, clean energy, digital technology, green hydrogen, and people-to-people ties. The EU had demanded that India lower its tariffs on automobiles, wines and spirits, while India also demanded the lowering of tariff barriers. The fear of European imports flooding into India made India apprehensive. India has also demanded to be recognised as a data-secure country. These were some points of contention between the two. An FTA will support EU businesses while also assisting India in the expansion of its industrial capacity and ensuring its greater participation in global supply chains. The FTA with the EU is crucial as it would help India in its plan to develop 100 smart cities in the future.

The India-UK FTA has been in talks for some time now, with negotiations progressing well through a year or more. The unstable political situation in the UK has played a role in delaying the FTA. PM Rishi Sunak has expressed his commitment to a FTA. Important contentious points include immigration, the mobility of professionals in the UK and tough rules on the origin of alcoholic drinks in India. The 'India (Trade and Investment) All Party Parliamentary Group (APPG)' has been set up by the UK Parliament to promote trade and investment between India and the UK. The completion of the trade pact could boost trade by £28 billion by 2035 and nationwide wage growth by up to £3 billion. The deal would give a significant boost to bilateral trade.

The India-USA FTA talks have seen little progress in the previous few years. Officials of the Indian commerce department have said that Washington's inability to prioritise the matter has led to the delay of talks. However, it is expected that talks will progress rapidly in 2023. US demands, such as the procurement of American dairy products and a more liberal data privacy policy, have extended the process. A series of punitive trade measures by the US led to the faltering of FTA talks. The changes to US priorities this year have also led to insignificant results. In January 2022, in an announcement, India agreed to import cherries, alfalfa hay, and pork and pork products from the US. Similarly, it was announced by the US that it had approved the import of mangoes and pomegranates from India. This was a significant development in trade relations.

Global supply chains, non-tariff measures (NTMs), and foreign direct investment (FDI) must be kept in mind while framing FTAs and our new FTP. Data on the utilisation of FTAs must be carefully studied as well, to understand the role of FTAs in trade promotion. Increasing global protectionism has affected the global economy significantly. The use of global practices like benchmarking will also play an important role in improving our FTP. The UK, US and EU have placed emphasis on worker rights, environmental aspects, gender and equity in their trade agreements as well as trade policy stances. While this is a positive step to promote sustainable development, the Indian trade policy needs to address these aspects, while considering that complying with such standards may erode our trade competitiveness in the future.

Source: financialexpress.com- Nov 02, 2022

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How countries, including India, can reduce dependence on Chinese imports

It took a pandemic and a war for policymakers around the world to wake up to the dangers of overdependence on a single country for their critical products. Europeans are suffering gravely from their reckless reliance on Russian gas. US secretary of commerce Gina Raimondo lamented that America's dependence on Taiwan for chips is untenable and unsafe. The Japanese government has gone further to wean its companies' reliance on China by incentivising them to exit the country.

Indian policymakers were quick to spot the problem. After being made aware at the onset of the pandemic that nearly three-fourths of the country's active pharmaceutical ingredients (APIs) are imported from China, Prime Minister Narendra Modi gave a clarion call for an aatmanirbhar India.

It is a different matter that a policy meant to build domestic capacity in strategic sectors has become a rallying cry for more protection for products from textile to toys.

If consumers are overly dependent on Google to search the internet, antitrust regulators have no qualms calling Google a monopoly. The world's dependence for Chinese products is, perhaps, greater than its reliance on the services provided by Big Tech. Nearly 87% of toasters, 83% of electric lamps, 80% of audio and video devices, 72% of mobile phones, 70% of microwave ovens, 66% of head/earphones and 65% of hair dryers traded in the world are made in China or Hong Kong. Contrast these numbers with Meta's 64% market share in social media or Amazon's 37% share in ecommerce. Yet, no one ever calls China a monopoly.

The resemblances between Big Tech and China go beyond market share. Big Tech keeps prices low, or even provides free services, by monetising users' information.

One way China-based firms keep costs low is by operating in an environment that suppresses workers' rights and tolerates high levels of carbon emission. Big Tech leverages the network effect to lock in customers. China offers agglomeration effects and economies of scale to intricately tie the firms to the country.

The adverse impacts of monopoly power are also in plain sight. Big Tech uses its market and money power to limit competition and buy out innovative startups. China uses competitive exchange rate, technology transfer requirements and underpriced land, labour, capital and environment to give its firms a competitive edge. Consequently, there are fewer pathways for developing countries to industrialise, which economists euphemistically refer to as 'premature deindustrialisation'.

Rare Earths, Common Threat

More worryingly, China has not been shy of weaponising its monopoly status to impose economic damage on other nations. When Lithuania agreed to let Taiwan open a representative office in Vilnius, China threatened the country with economic sanctions. It used its monopoly of rare earths to stop their supply to Japan in 2010, and made similar threats recently to Australia and the US.

There is no denying the fact that the world's overdependence on chips, electronics or gas from a single source is a symptom of a larger imbalance. In search for hyper-efficiency, countries have adopted policies that supported, even encouraged, formation of global monopolies in trade. It seemed like a win-win arrangement. Consumers benefited through lower prices, and MNCs benefited by relocating to low labour-cost and less environment-mindful destinations.

While many economists continue to characterise globalisation as the result of a fair, predictable and transparent trade regime, reality seems to suggest otherwise. In her October 17 FT article, 'Free trade has not made us free', Rana Foroohar wrote that 'entities that have benefited most from the past decades of globalisation have been multinational companies and the Chinese state'. The fact that current globalisation has also contributed to monopolisation of trade is an inconvenient truth.

Western elites would prefer to look at this through the prism of autocracy versus democracy. But that misses the point. Today, China and Russia are under scrutiny. Tomorrow, it could be India being blamed for monopolising export of IT services, or the US for cornering the export of satellite services. It's a global problem that needs a global solution.

Countries are waking up to the idea that they need to diversify their source of imports and build domestic capacity. The EU has unveiled a $221 billion plan to wean itself off Russian oil and gas. The US Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act 2022 includes a $52.7-billion subsidy for domestic semiconductor production. India has pledged to spend more than $26 billion on the production-linked incentive (PLI) scheme to encourage companies to 'Make in India'. And Japan has already spent millions helping its companies to relocate from China.

Such country-specific approaches are, however, ad hoc, fragmented and inadequate to make a difference. They will also introduce new distortions. Moreover, such an approach puts the burden of correction entirely on consuming nations. We need a more global approach that uses market-based instruments and is implemented by a neutral entity.

Under India's presidency, G20 members could mandate WTO to identify the top 100 systemically important products in global trade, the same way that Bank for International Settlements (BIS) monitors the health of globally systemically important banks. WTO could then be asked to produce an annual report documenting the countries, companies and products that are part of the monopoly ecosystem.

Transplant Your Plants

Such information can be a powerful signalling device for producing countries to urge their businesses to diversify across borders. Chinese and Taiwanese firms will continue to make the same products but in different geographies, diversifying the production and export baskets across the world. This will make global trade more resilient and lower the trade imbalance between producing and consuming nations.

As a reluctant globaliser, India is more credible to champion this agenda than either China or the US. Using its G20 presidency, it could demonstrate that demonopolising global trade is a better option than decoupling it.

Source: economictimes.com - Nov 03, 2022

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British PM Rishi Sunak committed to FTA with India, says Downing Street

London: Intensive negotiations continue towards a free trade agreement (FTA) between India and the UK and new British Prime Minister Rishi Sunak is committed to achieving a balanced deal, Downing Street said on Wednesday.

Sunak, who took charge at 10 Downing Street last week, had a "very warm" introductory call with Prime Minister Narendra Modi during which both sides expressed their commitment towards an FTA.

The UK Prime Minister's office also reiterated that the focus remains on a balanced trade deal that benefits both sides and therefore no timeframe is being specified after a proposed Diwali timeline had to be abandoned last month amid political turmoil in the UK.

"Both sides are very committed to it, intensive negotiations are continuing led by the Department for International Trade (DIT)," a spokesperson told reporters at a Downing Street briefing.

"The Prime Minister had a very warm, introductory call with Prime Minister Modi last week. In terms of the speed of it [FTA], we have been very clear that we won't sacrifice quality to achieve speed. We will sign when we have a balanced deal that represents both of our interests but both sides remain committed," the spokesperson said.

In his first phone call after taking charge as Prime Minister last week, Sunak had referenced "good progress" being made to finalise the FTA.

"The Prime Minister hoped the UK and India could continue to make good progress in negotiations to finalise a comprehensive Free Trade Agreement," a Downing Street readout of the call said.

The two leaders are expected to meet in person at the G20 Summit in Indonesia later this month, unless they meet at the COP27 Summit in Egypt where the UK Prime Minister has confirmed attendance of the Leader's Day but Modi's visit is as yet unconfirmed.

Sunak is on the record expressing his commitment to an FTA with India while Chancellor of the Exchequer at No. 11 Downing Street when he flagged financial services as a particularly "exciting" aspect of the bilateral trade relationship.

The City of London Corporation, the financial hub of the UK capital, has expressed the hope that Sunak's focus on services would take the FTA in the right direction.

"Services make up around 70 per cent of annual trade between our countries. So, a deal that doesn't deliver for this sector would be a missed opportunity," said Chris Hayward, Policy Chairman at the City of London Corporation.

The focus of the FTA negotiations is on reducing the barriers to trade, cutting tariffs, and supporting easier imports and exports into each other's markets.

According to official UK government data, India-UK bilateral trade currently stands at around GBP 24.3 billion a year and the aim is for that to be at least doubled by 2030.

Source: economictimes.com- Nov 03, 2022

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Credit to industry up 12.6% YoY in September; touches 100-month high

Credit to industries in September 2022 grew at the fastest pace it has grown in the last 100 months, aided primarily by a pick-up in working capital loans from corporates.

According to the latest sectoral deployment data of the Reserve Bank of India, credit to industries, which accounts for 27.6 per cent of non-food credit, was up 12.6 per cent year on year to Rs 32.4 trillion. Nonthon month, it rose 1.4 per cent==the highest in seven months. On a year-to-date basis it was up 2.7 per cent.

Apart from the base effect, credit to industry got a big boost from micro, small and medium enterprises (MSMEs). Credit to small and micro firms grew 27.1 per cent YoY and that to medium-sized firms grew 36 per cent. Credit to large industries grew 8 per cent YoY during the same period.

Among sectors, petroleum, gems & jewellery, engineering, iron & steel, and construction were the key drivers of industry credit growth, while food processing, cotton textiles (down 0.9% MoM) and roads (down 0.3% MoM) partially offset the accretion.

“Working capital loans, which had come down drastically during Covid, are expanding. And, there has been a shift from capital markets to banks for credit demand of industry. Inflation too has played a major role in propelling the credit demand from the corporate side. Lending to NBFCs has also picked up from last year. So, a combination of these factors is supporting the pickup in credit growth to industries. However, it is still too early to say whether the capex demand is picking up at a similar pace,” said Prakash Agarwal, director and head, financial institutions, India Ratings and Research.

Corporate credit growth is mirroring the overall credit growth seen in the economy. The RBI’s latest data suggests that bank credit grew at 17.9 per cent, a multi-year high, compared to 6.5 per cent a year-ago.

According to Suresh Ganapathy & Param Subramanian of Macquarie Research, unlike in the past cycles, credit growth this time around is very broad based.

“Retail loan growth has been driven by strong growth in both secured as well unsecured loans. Loans to industry and services sector have been strong and sectors like cement and steel which were seeing deleveraging have now been consistently posting increasing credit growth. Going by the bounce rates data, the debit bounce rates are at the lowest level in the past ~4years indicating very strong asset quality outcomes as reflected in the credit costs of banks reporting this quarter,” they said in a report.

Analysts at ICICI Securities have suggested that India Inc, after undergoing a phase of deleveraging over the past few years, is now better positioned to embark on releveraging. Recovery in economic activity, derivative effect of increased investments and spend on consumption may sustain the momentum of over 12 per cent growth, going forward.

“We believe revival in consumer demand, rise in private capex followed by rise in government spending can be triggers for industry credit growth and these could turn out to be key catalysts for overall credit growth revival,” they said in a report.

However, industry insiders suggested that sustainability of such high credit demand from the industry will depend on the economic activity and there are some headwinds in that direction. Interest rates are fairly high, and they are likely to go up further. So, if the demand tapers, then such credit growth is difficult to sustain.

Source: business-standard.com- Nov 01, 2022

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Troika of headwinds for Indian spinners, moderate outlook ahead: Crisil

A troika of headwinds — elevated domestic cotton prices, lower exports and capacity utilisation — can unravel the operating margin of India's cotton yarn spinners, so says Crisil.

Yet their credit profiles will be only slightly impacted because capital expenditure (capex) will be lower on-year, while working capital requirement remains stable. That will keep debt levels in check this fiscal. Last fiscal, robust cash accrual stemming from superior profitability had helped spinners deleverage. That, and lower capex will keep credit profiles healthy despite the moderation in operating margin.

The spread between international and domestic prices of cotton determines the competitiveness of Indian yarn spinners. While global cotton prices fell 17 per cent between April 2022 and August 2022 in anticipation of higher production, domestic prices rose two per cent because of limited supply. Pricier domestic cotton thus eroded India's competitiveness, leading to a loss of export market share to China and Bangladesh.

Between April and August India's cotton yarn export volume plunged 58 per cent, leading to moderation in capacity utilisation of spinners below 75 per cent in the first half from near-full utilisation last fiscal.

Spinners had to even shut operations on some days in the first half of this fiscal. The second half is expected to see higher exports with the arrival of new cotton crop. Consequently, the decline in export volume would be restricted to 25 per cent.

Financial Prospects

A normal monsoon and an eight per cent higher sowing area will increase cotton production in India. That should cool domestic prices and allow spinners to regain some export competitiveness. But international cotton prices could fall on slowing yarn demand from Pakistan and Vietnam amid stable global production.

Net-net, Indian yarn exporters won't earn supernormal premiums like last fiscal. Over the medium term, Indian cotton yarn is expected to continue to benefit from the US ban on exports from the Xinjiang region in China, and supply-chain de risking by global customers. However, export volume can fall up to 25 per cent this fiscal because of the high-base effect of last fiscal. Domestic demand for cotton yarn is expected to pick up by seven per cent or nine per cent in the second half of this fiscal on more orders from end-user segments.

Moderation in the profitability of spinners expected

There are three reasons for moderation in the profitability of spinners this fiscal. First is the fall in cotton yarn spreads. Second is low capacity utilisation in the first half that can't be compensated fully in the second half, and third expected inventory losses due to correction in cotton prices.

Consequently, the average debt to ebitda (earnings before interest, tax, depreciation and amortisation) ratio of spinners could rise to two times this fiscal from an exceptionally low last fiscal. Capex is seen curtailed this fiscal compared with last fiscal. In the road ahead, the removal of the ban on Xinjiang cotton and adverse movement in domestic cotton prices are crucial.

Source: fashionatingworld.com- Nov 02, 2022

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New Fraud-Fighting GOTS Cotton Rules Ramp Up in India

The Global Organic Textile Standard (GOTS), a holistic standard that sets comprehensive and strict requirements to ensure transparent and traceable processing for organic textiles from field to finished product, has significantly raised the requirements for GOTS-certified cotton gins.

These include introducing a compulsory farm-gin registry for all farms and farm groups whose certified raw material enters the GOTS system, including information on farm yields. The registry will be implemented progressively, starting in India.

In addition, raw cotton is not allowed to travel more than 500 kilometers from the farm to the certified gin. GOTS said the shorter trade chain protects vulnerable points and optimizes the process for buyers. The third element involves an increase in unannounced audits of gins where there is a high perception of risk.

GOTS said these new requirements are added to the numerous checks and balances already performed throughout every processing stage. Seed cotton entering the GOTS supply chain is tested for the presence of genetically modified organisms (GMOs), according to the applicable ISO protocol. GOTS-approved Certification Bodies include further testing such as pesticide residue and are authorized to reject material that does not meet GOTS requirements. Additionally, before certification bodies issue a Transaction Certificate (TC), GOTS requires that a thorough assessment takes place, including a plausibility check in the form of volume reconciliation.

To strengthen integrity and traceability, GOTS also stipulates that the Farm TC number appears on the first GOTS TC at the ginning plant, which is the first step for cotton in the GOTS supply chain. The TC must state the origin for raw material, including region, state and province. This effectively traces material back to the field and adds another layer of accountability to GOTS-certified fiber. It also supports all buyers in their purchasing decisions.

"GOTS has always been a dynamic standard, developing and expanding to be stronger and more effective all the time," GOTS managing director Rahul Bhajekar said. "We are looking forward to these new rules further strengthening GOTS against potential fraud."

GOTS is also coordinating efforts with other key players to support the integrity of organic textiles. As GOTS provides certification of first processing stages to Textile Exchange's Organic Content Standard (OCS), the two organizations discussed new requirements for OCS while they were being developed. GOTS supports these requirements as they provide a dual protection shield for materials entering the GOTS or OCS supply chains, at the same time maintaining necessary data privacy.

The new requirements will help increase traceability and transparency throughout the organic textile sector, which are among the main objectives of GOTS. There are no changes necessary to the requirements of GOTS regarding any of the new OCS rules.

GOTS is the stringent voluntary global standard for the entire post-harvest processing, including spinning, knitting, weaving, dyeing and manufacturing, of apparel and home textiles made with certified organic fiber such as organic cotton and organic wool, and includes environmental and social criteria. Key provisions include a ban on the use of genetically GMOs, highly hazardous chemicals and child labor, while requiring strong social compliance management systems and strict wastewater treatment practices.

Source: sourcingjournal.com- Nov 02, 2022

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At Karnataka GIM, MoUs signed for ₹7.6 lakh crore investment

The Global Investors Meet in Karnataka is off to a great start as the State has received more-than-expected investments. The State Industries Minister, Murugesh Nirani, said it has signed MoUs for investments of around ₹7.6 lakh crore across industrial sectors and cities. Adani Group, Sterlite Power and JSW Group were the major companies to announce investments.

Adani group will invest ₹1 lakh crore over the next seven years, in a bid to expand its footprint in multiple sectors. JSW group plans to invest ₹1 lakh crore over the next five years in all of its Karnataka-based businesses. Karan Adani, CEO of Adani Ports & SEZ Limited, and Sajjan Jindal, Chairman of JSW Group, made the announcements today.

Similarly, Sterlite Power's MD Pratik Agarwal said a large chunk of its ₹50,000 crore investment in renewable energy would be made in Karnataka.

Finance Minister Nirmala Sitharaman, who was present at the event, said investment proposals of ₹2.8 lakh crore have already been cleared by the Karnataka Chief Minister Basavaraj Bommai. "Karnataka has made sure the policy consistency is held up and has an extensive industry consultative process, which attracts investments," she said.
Prime Minister Narendra Modi said "Karnataka is a place with both technology and culture, it even competes with other countries in terms of development. When talent and technology are talked about, 'Brand Bengaluru' strikes the minds of everyone".

Karnataka had initially expected to get investments of ₹5 lakh crore. These investments in turn were expected to create employment for 5 lakh people, but now it is being raised to 8 lakh. The event saw investments come in from various sectors — electronic design and manufacturing, e-mobility, aerospace defense, and data centers and core sectors of iron, steel and cement.

Source: thehindubusinessline.com- Nov 02, 2022

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India's Tripura wants another multi-modal logistics hub in state

India’s Tripura has proposed to the central government to set up one more multi-modal logistics hub at Udaipur in the state’s Gomati district to boost trade between Bangladesh and India, according to state transport department's special secretary Sandeep Rathod, who recently said work on the state's first such hub in south Tripura's Sabroom is in full swing.

A special economic zone (SEZ), an integrated check-post and a food park will be set up for promoting trade and business with Bangladesh in the hub under construction, he said.

The proposal comes as the Sonamura-Daudkandi route has already been declared as a 'protocol route' for inland waterway, Rathod was quoted as saying by a news agency.

Around 20 acre of land has already been identified for the proposed project, while a process has been initiated to identify 30 acre more, he said.

The primary aim is to connect Ashuganj, Chittagong and Kolkata ports with Kaladan multimodal transit facility through Myanmar's Sittwe port, he said.

The state government has sought an extension from Sonamura to Maharani via Udaipur for a proposed waterway to Bangladesh's Daudkandi, he said.

The state government is also mulling over setting up a trans-trade centre in South Tripura's Sabroom. "A hydrographic survey on the Feni river will be carried out to ascertain the water level before pushing for the plan," the official added.

Source: fibre2fashion.com- Nov 02, 2022

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