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NEWS CLIPPINGS

Currency Watch	
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INTERNATIONAL NEWS	
No	**Topics**
1	China's exports, imports shrink in Oct as COVID curbs, global slowdown jolt demand
2	German manufacturing sector downturn deepens in Oct: S&P Global
3	Australian apparel retail market amounts to US $ 18.20 billion in 2022
4	Bangladesh: Export diversification takes a knock
5	Home textile exports of China, India, Sri Lanka, Pakistan down in 2022
6	Pak-China ties: challenges & avenues
7	Pakistan: Road to cotton recovery
8	Pakistan: Weekly Cotton Review: Spot rate increases as bullish trend prevails
9	Pakistan: Cotton: market mayhem

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NATIONAL NEWS	
No	**Topics**
1	Panel on tax refunds for exports from SEZs, EOUs to submit report on Dec 20
2	How reliable is India's China trade data?
3	Cotton prices to remain subdued due to supply surplus
4	What is a free trade agreement?
5	Fate of labour codes hangs in balance as states head for polls
6	Network connectivity remains big challenge as e-commerce, FMCG go digital
7	Gujarat: Textiles units hurt by US-Europe inflation
8	India's Reliance again cuts prices of PTA, MEG & MELT
9	Textile manufacturing units will be set up in Rapthadu: MLA

INTERNATIONAL NEWS

China's exports, imports shrink in Oct as COVID curbs, global slowdown jolt demand

China's exports and imports unexpectedly contracted in October, the first simultaneous slump since May 2020, as surging inflation and rising interest rates hammered global demand while new COVID-19 curbs at home disrupted output and consumption.

Outbound shipments in October shrank 0.3% from a year earlier, a sharp turnaround from a 5.7% gain in September, official data showed on Monday, and well below analysts' expectations for a 4.3% increase. It was the worst performance since May 2020.

The weak October trade figures highlight the challenge for policymakers in China as exports had been one of the few bright spots for the struggling economy. It heaps more pressure on the country's manufacturing sector and threatens any meaningful economic revival in the face of persistent COVID-19 curbs, protracted property weakness and global recession risks.

Chinese exporters weren't even able to capitalise on a further weakening in the yuan currency and the key year-end shopping season, underlining the broadening strains for consumers and businesses worldwide. Tepid domestic demand, weighed down by fresh COVID curbs and lockdowns in October as well as the cooling property market, hurt imports too.

Inbound shipments declined 0.7% from a 0.3% gain in September, below a forecast 0.1% increase - the weakest outcome since August 2020. The data reflected a recent official factory activity survey which showed a sub-index for imports extended declines last month.

The overall trade figures resulted in a slightly wider trade surplus of $85.15 billion, compared with $84.74 billion in September, missing a forecast of $95.95 billion.

Source: economictimes.com - Nov 07, 2022

HOME

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German manufacturing sector downturn deepens in Oct: S&P Global

The downturn in Germany's manufacturing sector started gathering pace at the start of the fourth quarter this year, according to latest S&P Global purchasing managers' index (PMI) survey. Goods producers there reported the steepest drop in output since May 2020, while also noting a deepening decline in new orders, the business are financial information firm said.

Conditions across the sector worsened amid growing concerns about the economic outlook and high energy costs, it noted.

There was some alleviation of overall costs pressures, however, with falling demand for materials and an associated easing of supply-chain constraints contributing to a slowdown in input price inflation to a 21-month low.

The headline seasonally-adjusted S&P Global / BME Germany manufacturing PMI, a single-figure measure of sector performance derived from measures of new orders, output, employment, suppliers' delivery times and stocks of purchases, moved further below the 50.0 no-change mark that separates growth from contraction in October.

At 45.1, down from September's 47.8, the latest reading was the lowest since the initial COVID-19 wave in early-2020, the firm said in a note.

The fall in the headline index in October was driven by faster declines in both output and new orders.

One area where manufacturers did report notable retrenchment was the purchasing of inputs. Buying levels fell for the fourth month in a row and to the greatest extent since June 2020, as goods producers reacted to falling output requirements and were somewhat less inclined to build up stocks, S&P Global noted.

Pre-production inventories rose at the slowest rate for seven months. Growth of stocks of finished goods showed a more pronounced slowdown. Here, the latest increase was only marginal.

German manufacturers showed increased pessimism towards output over the coming year. Expectations slumped to the lowest since the initial COVID-19 outbreak, amid concerns over persistently high inflation, elevated energy costs, rising interest rates and the prospect of recession.

Source: fibre2fashion.com - Nov 07, 2022

HOME

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Australian apparel retail market amounts to US $ 18.20 billion in 2022

Revenues in the Australian apparel retail market are expected to reach US $ 18.20 billion by the end of 2022.

The statistics released by Statista further show that the market is projected to grow annually by 3.78 per cent (CAGR) in 2022-2026 period.

The market's largest segment is women's apparel with a market volume of US $ 9.80 billion in 2022. In relation to total population figures, per person revenues of US $ 698.10 are expected to be generated by 2022 end.

Further, volumes in the apparel market are expected to amount to 1,715.60 million pieces by 2027, and the average volume per person in Australian apparel market is expected to amount to over 65 pieces by 2026, that currently stands at nearly 57 pieces in 2022.

The apparel retail market figures are well in sync with the country's apparel imports statistics. In 2021, the apparel imports valued US $ 7.40 billion.

Source: apparelresources.com - Nov 05, 2022

HOME

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Bangladesh: Export diversification takes a knock

Bangladesh's macro-economy is to bleed further as its once- impressive non-RMG exports were hit hard in recent months for the demand-side slump across the globe amid a virtual recession, analysts say.

An FE analysis has found that the economic impact of the downturn could be severe on the foreign- exchange earnings from the diversified export baskets.

Although the shipment of the ready-made garments (RMG) to the overseas market is still on the positive trajectory, the important non-RMG products' earnings were falling in recent months, the analysis found.

According to Export Promotion Bureau (EPB) data, jute and jute goods, engineering products, agricultural products, frozen and live fishes, chemical products, handicrafts, rubber, carpet, specialized textiles, and glass and glass-ware have recorded a steep fall during the first four months of the current fiscal (FY)2022-23.

Most of the above-mentioned products, which are facilitating diversification of Bangladesh's export basket, had been on a rising trajectory until a couple of months ago, the FE finds analysing the EPB data.

According to the EPB, the highest export-earning sector-RMG-maintained a 10.55-percent growth during July-October period of the current FY2023.

However, export earnings from the light-engineering products plunged 47 per cent during the first four months of the current FY2023 despite an impressive growth shown over the last couple of years.

The export of engineering products, a key facilitator to the country's export diversification, dipped to only US$177.81

million during the Jul-October period of FY2022 compared to $339.73 million in the same period last FY2022, the EPB data showed.

Similarly, earnings from the shipment of agricultural products, another main driver to the export diversification, also plunged by 24 per cent to $353.62 million in the period of the current fiscal compared to $464.11 million in the same period last fiscal.

The earnings from the frozen- and live-fish shipments also dropped 24 per cent to $171.67 million in Jul-Oct period of the current fiscal from that of $225.23 million in the past fiscal.

The foreign-exchange earnings from the chemical products, which had maintained a rising trend a few months ago, also climbed down 25 per cent to $93.59 million.

During the July-Oct period, the export earnings from jute and jute goods had fallen by 2.0 per cent to $326.47 million, the official data showed.

The earnings from the handicraft, glassware, carpet, specialized textiles, and other manufactures like furniture, golf shaft, optical, photographic and medical instruments, also dipped in the recent months.

The FE analysis has found that the agricultural products, leather and leather products, and jute and jute goods, fetched over $1.0 billion worth of export earnings in the last fiscal while light- engineering products, frozen and live fishes, chemical products, glass and glass-ware, rubber, and carpet were also on an impressive trajectory.

Meanwhile, the foreign-exchange earnings from the shipments of plastic products, and leather and leather products maintained a growth along with the RMG products during the Jul-Oct period of the current FY2023, the FE analysis has found.

Centre for Policy Dialogue (CPD) Distinguished Fellow Prof Mustafizur Rahman told the FE that the demand- side fall and higher raw-material prices might have affected the promising non-RMG products.

"The sudden impact amid the global scenario, including Russia-Ukraine war and higher energy prices, had already swelled the inflation across the globe, resulting in a cut in demand for the products in the importing countries," he adds.

However, if the government ensures trade facilitation and improves the doing- business environment at home, then the export in the future days will again rebound and will help in the diversification of the foreign-exchange earnings, Professor Rahman says.

Bangladesh in the last FY2022 earned $52.08 billion worth of foreign exchange from the export of its different products where nearly 82-percent contribution was from the apparel sector.

Source: thefinancialexpress.com.bd - Nov 06, 2022

HOME

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Home textile exports of China, India, Sri Lanka, Pakistan down in 2022

COVID-19 was a golden era for home textiles. Their exports witnessed a robust demand during the pandemic as people spent lot of time at home which increased the sales of these products, according to industry experts. However, exporting countries like China, India, Sri Lanka, and Pakistan are facing headwind for home textile exports in the current year.

China's home textile exports slipped in the first quarter of this year but improved in the following quarters. They came down to $10.062 billion in the first quarter of 2022 from $12.031 billion in the fourth quarter of 2021 and moved up again to $10.292 billion in the second quarter and $10.681 billion in the third quarter of 2022. The exports amounted to $10.941 billion in the first quarter of 2021, according to Fibre2Fashion's market insight tool TexPro.

However, a trend like that of China's was not seen in India, Sri Lanka or Pakistan. India's exports of home textiles declined to $2.189 billion in the first quarter of 2022 from $2.333 billion in the fourth quarter of 2021. The export further slipped to $2.026 billion in the second quarter of 2022. The shipment was $2.153 billion in the first quarter of 2021.

Similarly, home textile exports from Sri Lanka came down to $32.516 million in the first quarter, $31.501 million in the second quarter and $27.239 million in the third quarter of 2022 from $34.013 million in the fourth quarter of 2021 and $35,993 million in the first quarter of 2021, as per TexPro.

Pakistan's exports fell to $1.465 billion in the first quarter of 2022 from $1.575 billion in the fourth quarter of 2021. The shipment stood at $1.262 billion in the first quarter of 2021.

Source: fibre2fashion.com - Nov 07, 2022

HOME

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Pak-China ties: challenges & avenues

The joint statement released by China and Pakistan marking the visit of Prime Minister Shehbaz Sharif to Beijing is a comprehensive overview of economic and diplomatic ties between the two countries.

In a 47-point communique, both sides have brought up all issues of mutual interest worthy of in-depth analysis. In this limited space, I will address four points, particularly on the socioeconomic front. According to the numbers available publicly, the China-Pakistan Economic Corridor (CPEC) has already brought $46 billion worth of capital to Pakistan including concessionary loans, commercial debt and investment with state guarantees.

Everyone is now talking about CPEC-II, in which we should focus on private sector engagement between the two countries.

The second phase is built on the presumption that Chinese industries could be relocated to Pakistan and joint ventures can be created. The plan was to build Special Economic Zones to attract Chinese manufacturers to work together with Pakistani firms. Limited progress has been made on this front.

Some of the priority sectors which have been highlighted earlier include textile, footwear, pharmaceutical and IT. In each of these sectors, incentives need to be realigned with performance. For example, we have already lost significant foreign direct investment (FDI) in the pharmaceutical industry because of excessive price controls.

On the other hand, the recent surge in production and exports of the footwear sector of Pakistan is a good omen.

By allowing duty-free imports of Chinese raw material (thanks to the free trade agreement – FTA), Pakistani footwear manufacturers have upgraded their production. They are already exporting to North America and Europe and have made a target to achieve $1 billion in export earnings by 2026.

Secondly, China and Pakistan have already a fully functional FTA (Phase-I) in place since 2007, which was revised in 2020 (Phase-II).

In FY22, total trade volume between the two countries reached $20 billion, out of which Pakistan's exports to China were less than $3 billion, and its imports from China were $17.2 billion. In the last 10 years, Chinese exports to Pakistan have exceeded $150 billion.

While trade deficit on its own is not necessarily harmful, and it indicates the respective levels of competitiveness, this has been raised many a time by Pakistan's private sector.

China is open to increasing imports, but Pakistan's productive capacity and value addition are limited.

Top three exports of Pakistan to China in FY21 were cotton ($823.9 million), copper ($787.9 million) and cereals ($381.2 million). This is a clear indication that we are exporting commodities, while the Chinese industry is doing value addition and making considerable profits by exporting to the world markets including us.

Thirdly, a major highlight of the PM's visit is Pakistan's pitch to attract Chinese investment in ML-I project, a 1,733-kilometre railway line, to upgrade the entire infrastructure.

Learning from the Chinese investment in Lahore's Orange Metro, which cost $1.6 billion through a Chinese loan, one needs to be cautious. Any such projects should be commercially viable even in the long run.

In the Metro project, the price per passenger is significantly less than the operational cost.

One hopes that the Planning Commission has considered the long-term economic feasibility while seeking $10 billion of fresh Chinese loan for the ML-I project, the cost of which has already risen significantly from an initial estimate of $6.8 billion.

More transparency is needed to understand terms and conditions of this project.

Fourth, there is a wider challenge of poverty alleviation and how CPEC can help create jobs for Pakistanis.

The joint statement lauded the Chinese miracle of lifting 800 million out of poverty. In the same paragraph, it mentions how Pakistan seeks Chinese help through the Benazir Income Support Programme.

It is truly an ironic comparison. No country has lifted people out of poverty through dole-outs. China did it through hard work, increasing labour productivity, improving competitiveness and meeting the world's demand.

While cash grants offer some degree of social protection, the best social protection mechanism is the creation of gainful jobs.

With more than 30% of graduate unemployment in Pakistan, we are clearly failing to create jobs, which is not the responsibility of the government alone. We need a radical make-over of our investment in education.

This short overview of China-Pakistan economic relations, covering industrialisation, trade, investment and education, suggests that Pakistan needs to overhaul its productive capacity and skills development to gain advantage from the infrastructure and FTA that dominate China-Pakistan economic ties.

Otherwise, Pakistan's government, private sector and public at large will remain net losers.

A tentative hypothesis is that while Chinese investment through CPEC is potentially helpful for Pakistan's industrialisation, our bilateral trade pattern might be contributing to de-industrialisation.

Source: tribune.com.pk - Nov 07, 2022

HOME

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Pakistan: Road to cotton recovery

On the one hand, textile sector exports continue to rise, while on the other, the problem of reduced cotton production owing to various factors has gotten worse in recent years. It is also regrettable that Pakistan continues to export cotton, cotton yarn, and grey cloth despite the raw material deficit the textile industry is currently experiencing.

The textile sector is the backbone of the Pakistani economy, and the cotton crop is its major artery. As a result, whenever there is a disruption or reduction in the supply of cotton, the textile industry begins to shut down automatically. The current floods have exacerbated the issue, as the cotton crop grown on more than 1.45 lakh hectares in Sindh has been completely destroyed, and the crop that has survived the inundation is of poor quality.

In this context, the textile industry, particularly the export sector, has frequently urged the government to take prompt action to address the problem of cotton scarcity before it worsens. The main reason for the fall in cotton production in Pakistan is an increase in the development of sugar mills in specific regions and the planting of sugarcane rather than cotton.

Thirty-one of Punjab's 45 sugar mills are located in restricted districts. The road to cotton recovery lies in research and in this regard, agricultural universities should focus on launching research initiatives with other countries to develop hybrid cotton seeds that can endure climate change while producing high yields. It is conceivable to boost cotton output and quality if such seed preparation is made available to farmers at a reduced cost after testing, which will be advantageous to both the farmer and the industry.

An immediate solution to this quandary would be for the Pakistani government to relax the ban on cotton and thread imports from India. Textile exporters have already submitted this concept to the government at a number of forums, but the lack of approval has left industry circles dissatisfied and apprehensive. Imported polyester yarn prices have also climbed by more than 50%, exacerbating the textile industry's woes. Cotton and its manufactured commodities account for 55 to 60 per cent of Pakistan's total exports, according to government estimates, requiring more than 1.5 million bales of cotton each year.

Cotton production in the country was expected to reach 7.5 million bales this year, but due to floods that completely wrecked the cotton crop in Sindh and severely damaged the crop in Punjab, the sector is facing a 6-million-bale shortage.

To meet demand, the textile industry is currently forced to import cotton from Central Asia, Brazil, America, and Africa, despite the fact that cotton is abundant in India. Not only is the cost of importing cotton from other countries higher in Pakistan than in India, but the imported cotton also takes two to three months to arrive in Pakistan. Importing cotton or yarn from India, on the other hand, is not only less expensive but also possible.

Source: minutemirror.com.pk - Nov 06, 2022

HOME

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Pakistan: Weekly Cotton Review: Spot rate increases as bullish trend prevails

Bullish trend prevailed in local cotton market under the influence of international cotton market. A significant decrease in cotton production by 41percent is being forecast. The total production of cotton is expected to be around 50 lac bales. Around 65 lac bales of cotton will have to be imported. At present, the import contracts of about 48 lac bales have already been signed.

In the local cotton market during the last week a bullish trend prevailed. An increase of Rs 1,000 per maund was witnessed in the rate of cotton. In the first three days of the week a bearish trend, prevailed in the market. The rate of Future Trading of New York Cotton after decreasing reached at seventy one American cents per pound but on Thursday evening it witnessed an increase of sixteen American cents and reached at the highest level of eighty seven American cents, and China was prominent in buying the American cotton. The speculators who had earlier sold the cotton again started taking interest in buying. The ginners are also hesitant to sale on the hope of increasing the rate of cotton.

On the other hand, on Thursday Pakistan Cotton Ginners Association issued a report according to which seed cotton (Phutti) equivalent to over 3.7 million or exactly 37,07693 bales has reached ginning factories across the country till November 1, 2022, with a decrease of 40.74 percent as compared to corresponding period of last year.

However, textile spinners have also adopted a wait & see policy due to which the business volume is relatively low. Time will tell what direction the market takes in the coming days, as the international recession continues and the conflict between Russia and Ukraine is worsening. Apart from this, the political situation locally is also uncertain.

According to the sources of textile mills, there is recession in the demand and price of cotton yarn and textile products.

Due to extraordinary financial crunch almost fifty percent of the textile sector is closed. Many mills have laid off staff, leading to increased unemployment.

The rate of cotton in Sindh is in between Rs 14,000 to Rs 18,000 per maund. The rate of Phutti is in between Rs 6,000 to Rs 8,200 per 40 Kg.

The rate of cotton in Punjab is in between Rs 15,000 to Rs 18,000 per maund. The rate of Phutti per 40 kg is Rs 6,500 to Rs 8,500.

The rate of cotton in Balochistan is in between Rs 15,000 to Rs 18,000 per maund. The rate of Phutti is in between Rs 6,500 to Rs 8,500 per 40 kg

The Spot Rate Committee of the Karachi Cotton Association increased the spot rate by Rs 2,00 per maund and closed it at Rs 16,700 per maund.

Chairman Karachi Cotton Brokers Forum Naseem Usman told that mixed trend was seen in international cotton markets. The Rate of Future Trading of New York Cotton after reaching the lowest level of seventy one American cents per pound closed at the highest level of eighty seven American cents per pound.

According to the USDA Weekly Export and Sales Report for the year 2022-23, 191,800 bales were sold.

China was at the top by buying one lac twenty two thousand bales. Pakistan with 23, 200 bales and came second. Turkey was number third with 15,800 bales.

11 thousand 200 bales were sold for the year 2023-24.

According to a fortnightly report of Pakistan Cotton Ginners Association (PCGA) released on Thursday, over 3.5 million or 3,521,792 bales have undergone the ginning process, i.e., converted into bales. Cotton arrivals in Punjab were recorded at over two million or 2,072,293 bales registering a decrease of 29.40 percent as compared to corresponding period of last year when arrivals were recorded 2,935,119 bales.

Sindh generated over 1.6 million or 1,635,400 bales registering decrease of 50.77 percent as compared to corresponding period of last year when arrivals were recorded 33,21,900 bales.

Textile mills bought 3,036,129 bales while exporters purchased 4,900 bales and Trading Corporation of Pakistan (TCP) didn’t buy during the cotton season 2022-23.

Sanghar district of Sindh topped with cotton arrival figure of 795,447 bales followed by Bahawalnagar district of Punjab with 375,048 bales.Total 609 ginning factories were operational in the country. Exactly 666,664 cotton bales unsold stock was available in ginning factories.

Commenting on the report, Karachi Cotton Brokers Forum Chairman Naseem Usman said that it seems that the total production of cotton is expected to be around 50 lac bales. He also said that this year, due to the crisis in the textile sector, the consumption of cotton will decrease, which is expected to be around one crore 10 lac bales. It is expected that around 65 lac bales of cotton will have to be imported. So far, import agreements of 48 lac bales have already been signed.

Experts are of the opinion that the main reason for the decrease in cotton production in Pakistan is the establishment of sugar mills in the districts designated for cotton cultivation and the increase in sugarcane cultivation there. Along with this, the quality of cotton has also decreased due to the sale of substandard seeds and adulteration of agricultural pesticides and fertilizers. In this regard, due to climate change and cotton pests (red cotton bug and dusky cotton bug), the country may face further decline in yield and quality of cotton per acre.

It is not possible to resolve the problem of reduction in cotton production in Pakistan without solving these problems. In addition, there is an urgent need to focus on research and development to increase cotton production. In this regard, cotton research institutions and agricultural universities should focus on starting research projects in collaboration with China or the United States so that hybrid cotton seeds can be developed which are capable of fighting climate change and also give good yields.

If such seed are provided to the farmers at subsidized rates after testing, it is possible to increase the yield and quality of cotton, which will benefit both the farmer and the industry. In this regard, an organization can also be formed at the national level in which research and development work can be done to increase the production and quality of cotton by setting a target through the representation of industrialists, farmers and the government.

Source: brecorder.com - Nov 07, 2022

HOME

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Pakistan: Cotton: market mayhem

Volatility refuses to die in the cotton market. After closing October at 2-year low price of 72cents per lb, world cotton prices have witnessed their sharpest rise since November 2010, rising by 21 percent in just last week. Does this mark the return of the bulls to the local market as well?

Just last month, USDA had signaled lowest world cotton demand since Covid, as inventories piled up with both cotton processors and downstream value-add chains.

Even as risks of a global recession remain strong, alarms have been raised over the past month regarding a sharp decline in global output, led by mass abandonment of cotton crop in the US. The downward revision in cotton forecast for world's largest exporter seems to have triggered panic buying over the last week, leading to highest weekly rise in world's cotton prices in over a decade.

Although more clarity will appear on the horizon over the coming week when USDA releases its monthly update, it seems that the lost cotton crop in US may not be replaced by other major producers. Among the top-ten producing regions, Pakistan remains the weakest link, where uncertainty over seasonal arrivals compounded during October.

First, the national cotton ginners' association, PCGA, failed to release fortnightly report for mid-October, raising alarm bells over plummeting cotton output due to havoc wielded by monsoon floods from Jul-Sep. Channel checks at the time indicated that PCGA's decision was deliberate and aimed to arrest the freefall in cotton prices that was ongoing at the time. Why?

It appears that local cotton trade plummeted during October after spinning industry rushed for cover due to collapse in world prices. Since the beginning of calendar year, local spinning industry has been engaged in careful inventory buildup in anticipation of rising cotton prices due to US-Sino tensions and outbreak of armed conflict in the Black Sea. To their horror, the collapse in world cotton prices during October and slowdown in demand from textile exporting destinations meant booking significant inventory losses, bringing local cotton trade volume to a virtual halt, despite supply constraints.

Anticipating further decline in local cotton prices upon disclosure of unsold inventory with ginning factories, PCGA held back the fortnightly release. The action did little to arrest the freefall in prices, until world cotton price reversed beginning last week, providing support to local price above dollar equivalent 90 cents per lb.

What happens next is largely dependent on USDA forecast for other major producers such as Australia, Turkey, China, India, and Brazil. If other major producing regions can pick up the slack, world prices will continue their reversion to mean.

If not, there may be some hope of ginning factories attempting to offload remainder withheld stock in the local market during November, making most of the short expiry bonanza while it lasts.

Click here for more details

Source: brecorder.com - Nov 07, 2022

HOME

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NATIONAL NEWS

Panel on tax refunds for exports from SEZs, EOUs to submit report on Dec 20

The government panel tasked to determine tax refund rates for overseas shipments from special economic zones and export-oriented units under export promotion scheme RoDTEP will submit its report on December 20, an official said.

These sectors were left out in the earlier exercise which was conducted in August 2021. The government in August last year had announced the rates of tax refunds under export promotion scheme Remission of Duties and Taxes on Exported Products (RoDTEP) for 8,555 products such as marine goods, yarn and dairy items.

As SEZs (special economic zones) and EOUs (export-oriented units) were kept out of the scheme in the list notified that time, the industry was demanding to include them in the scheme. Under RoDTEP, various central and state duties, taxes, and levies imposed on input products, among others, will be refunded to exporters.

The three-member committee is chaired by former secretary G K Pillai. The other two members include former CBEC member Y G Parande and former customs member Gautam Ray. "The committee will submit its report on December 20 and based on that decision will be taken," the official said.

The Directorate General of Foreign Trade (DGFT) had stated that the committee would determine RoDTEP rates for AA (advance authorisation)/ EOU/ SEZ exports; and give supplementary report/recommendations on issues relating to errors or anomalies, with respect to the RoDTEP schedule of rates notified last year.

Sunil Rallan, Chairman and Managing Director, J Matadee Free Trade Zone Pvt Ltd, said that the principle base of the scheme is to refund embedded taxes which are not covered by GST (Goods and Services Tax) law and SEZ units' inputs from domestic tariff areas, so the RoDTEP scheme should include these units also.

"At present, we are exporting taxes also with the products from SEZs. RoDTEP is not a subsidy, it is a refund of taxes. Keeping SEZs out of the scheme would not be reasonable. We have been representing the government on the subject. RoDTEP rates applied on domestic goods should be applied in a similar way to SEZs also," he said.

Rallan said that the government should also fix a timeline to introduce the Development of Enterprises and Services Hub Bill, 2022 (DESH Bill), which will replace the Special Economic Zones (SEZ) Act, in the parliament as investors are waiting for that law.

In the Union Budget this year, the government proposed to replace the existing law governing Special Economic Zones (SEZs) with a new legislation to enable states to become partners in 'Development of Enterprise and Service Hubs' (DESH).

The existing SEZ Act was enacted in 2006 with an aim to create export hubs and boost manufacturing in the country. However, these zones started losing their sheen after imposition of minimum alternate tax and introduction of sunset clause for removal of tax incentives. These zones are treated as foreign entities in terms of provisions related to customs.

The industry has time and again demanded continuation of tax benefits provided under the law. Units in SEZs used to enjoy 100 per cent income tax exemption on export income for the first five years, 50 per cent for the next five years and 50 per cent of the ploughed back export profit for another five years.

As on October 14, 2022, the government has given formal approvals to 424 SEZ developers, out of which 376 are operational. These zones have attracted about Rs 6.5 lakh crore investments and employ about 28 lakh persons.

During April-September this fiscal, exports from these zones rose by 32.17 per cent to about Rs 5.93 lakh crore (USD 75.5 billion). It was about Rs 10 lakh crore in 2021-22 as compared to Rs 7.6 lakh crore in 2020-21.

Source: business-standard.com - Nov 06, 2022

HOME

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How reliable is India's China trade data?

Experts were baffled when trade data from India and China showed a mismatch of $12 billion. China said its trade with India touched $103 billion in the first nine months of 2022. But India said that its bilateral trade with the Asian giant stood at $91 billion. Yes, you heard that right: $12 billion dollars, unaccounted.

Data from China's General Administration of Customs showed that the country's exports to India stood at $89.99 billion till September. According to India's figure, the imports from China were worth $79.16 billion. This shows a gap of over $10 billion.

Similarly, a gap of $2 billion was noted in the data on exports from India. India's data showed exports to China worth $12 billion, while China's corresponding data showed a figure of $13.97 billion. According to a financial daily, China pegged the trade deficit between the two countries at $75.67 billion. India says it was $67.17 billion, bringing the difference to over $8 billion.

Experts point out that in bilateral trade, the export numbers for one country hardly ever match. Bishwajit Dhar, Economics Professor at the Jawaharlal Nehru University, Delhi, explains.

Bishwajit Dhar, Professor, Economics, Jawaharlal Nehru University says, trade figures in bilateral trade hardly match. Exports are done on the face value of the products or Free on Board. Imports include CIF (Costs, Insurance and freight) values. However, the FoB-CIF discrepancies cannot account for the kind of discrepancies that have surfaced in the recent trade data. Experts say that this gap is caused by systemic corruption, primarily the act of under-invoicing of shipments.

Dhar of Jawaharlal Nehru University says, traders on both sides are not reporting the true value. Trade values can be under-reported or over-reported.

However, Dr Jayant Dasgupta, former Indian Ambassador to the WTO, thinks that while under-invoicing can surely be a factor, it might not be enough to account for such a huge difference. Instead, he points to yet another possibility.

While imports are collected on the basis of entry into Indian ports, export data is collected on the basis of products leaving China, he says. There will be a slight delay in calculating the two data

Whether it be a gap in calculating the imports and export data, or systemic malpractice, what kind of regulatory measures can be taken to put a check on these? Dhar says, the G20 should take initiative.

India is likely to take up G20 presidency soon, he says adding that India should impress G20 members to increase their efforts.

Dasgupta disagrees though. He says, it's not the domain of G20. It should be dealt by world customs organisations. Customs authorities should discuss and mutually come up with a solution

Perhaps a more digital response can work? Dasgupta says, India should move to a system of complete automation. Data should be captured correctly. There should also be a reconciliation component.

Either way, a permanent solution to such a bilateral trade issue is needed so that data disparity does not arise in future.

Source: business-standard.com - Nov 07, 2022

HOME

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Cotton prices to remain subdued due to supply surplus

Domestic cotton prices are likely to remain subdued over the third quarter of the current fiscal due to fresh arrival of cotton in the markets in cotton growing states. Compared to the previous season's nearly 30.7 million bales (170 kg per bale), Cotton Association of India (CAI) has estimated an increase in cotton production by almost 12% to 34 to 35 million bales in the current 2022-23 domestic season (October to September).

As per a recent report of India Ratings and Research (Ind-Ra) estimated higher production of cotton is supported by a 7% higher area under cultivation in the current domestic cotton season. The report claims that with the domestic as well as global consumption likely to be lower than the previous season, a supply surplus expected which is likely to weigh down upon the prices.

The trend is reflected in average month-on-month prices that have reduced by nearly 13.4% and 0.5% on year-on-year basis, says the report. Though the spread between Indian cotton and international cotton prices reduced considerably by around 50%, Indian cotton continued to be more expensive than international cotton during October this year, claims the report.

According to CAI president Atul Ganatra cotton prices in the domestic market are hovering around Rs 65,000 per candy (356 kg) as against Rs 51,000 per candy or 78.5 cent in International Cotton Exchange (ICE). "In fact, some of the multinational firms are engaged in forward selling January month contracts at Rs 59,000-60,000 per candy in the domestic market. They are hedging their risk by taking the ICE January contract at Rs 50,000 or 78 cent. This activity is alarming for the entire textile value chain, especially for spinners and yarn buyers," says Ganatra.

Spinning mills across India are expecting and waiting for further downfall in domestic cotton prices, says Gautam Dhamsania, secretary Spinners Association of Gujarat (SAG), adding that in order to compete in international cotton yarn market, local mills need to source raw-material at prevailing international prices as out of India's total production of cotton yarn, 40% is being exported.

"The spread between international and domestic prices of cotton determines the competitiveness of Indian yarn spinners. While global cotton prices fell 17% between April and August this year in anticipation of higher production, domestic prices rose 2% because of limited supply during the period. Pricier domestic cotton thus eroded India's competitiveness, leading to a loss of export market share to China and Bangladesh," says a recent report of CRISIL Ratings.

Mohit Makhija, senior director, CRISIL Ratings says that higher cotton production 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.

Avdhesh Sejpal, president of All India Cotton, Cotton Seeds and Cotton Cake Brokers Association, says that fresh arrival of cotton has started in Gujarat and other cotton growing states but farmers are still reluctant to sell their harvest at current rate as they have seen peak cotton price of as high as Rs 1,10,000 per candy.

As a result, on an average, nearly 3 million bales of cotton have been hitting the Gujarat mandis on a daily basis since last week of October. "We are expecting arrival of cotton in a huge quantity during the December-January period. Prices of cotton would be determined upon holding capacity of farmers and export as well as domestic textile industry demands in coming days," adds Sejpal.

Source: financialexpress.com - Nov 07, 2022

HOME

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What is a free trade agreement?

Several experts believe that Britain's exit from the European Union in 2016 is one of the reasons for its ongoing economic crisis. Businesses in the UK lost unrestricted access to European markets which resulted in huge losses. It also led to a drop in the pound's value and a rise in inflation.

The European Union is a shining example of free trade. Its countries have made borders almost redundant when it comes to trade. And the single currency, Euro, has made trade easier.

For quite some time now, India and the United Kingdom have been in intense free trade agreement negotiations. The agreement was supposed to be finalised by Diwali, but the deadline was missed due to some friction points, including services. With new Prime Minister Rishi Sunak, the talks are set to get a boost and Downing Street recently announced that Sunak is committed to achieving a balanced deal.

What is a free trade agreement?

But what exactly is a free trade agreement? It is a pact between two or more countries, where the objective is to remove trade barriers of imports and exports and ensure hassle-free trade relations as far as possible. Under a free trade agreement, countries offer preferential trade terms, tariff concessions to each other.

Which countries has India signed FTAs with?

India has so far signed a total of 13 free trade agreements with its trading partners like Japan, South Korea, countries of ASEAN region etc. India has signed three FTA agreements in the last five years.

FTAs are also agreed between countries to boost their respective trade. For instance, under India-Japan agreement, India's exports to Japan have improved from $5.6 billion in 2011 to $6.1 billion in 2021.

Free trade agreements could be bilateral or multilateral. For instance, India has signed an agreement called South Asian Free Trade Area with South Asian countries including Nepal, Sri Lanka, Bangladesh, Bhutan etc.

Why does India need FTA?

The main objective behind India's free trade negotiations is diversification and expansion of export markets. Some of the other factors that India considers when going for free trade agreements are cheaper access to raw materials, attracting foreign investment, boosting competitiveness and other geo-political reasons.

In addition to free trade agreements, India has also signed six preferential trade agreements. The main difference between the both is that an FTA is comprehensive covering various areas, while a PTA is limited to only trade in goods and seeks only a tariff elimination in terms of a margin of preference.

Source: business-standard.com - Nov 07, 2022

HOME

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Fate of labour codes hangs in balance as states head for polls

The window for the government to operationalise the labour codes may be fast diminishing with multiple states headed for assembly elections by the end of next year followed by general elections in 2024, at least half-a-dozen experts told ET.

Implementation of the codes - touted as a significant labour reform - looks to be on the back burner as the government would not want them to meet the same fate as farm laws, they said. The government has adopted a wait-and-watch policy as neither the employers nor the trade unions are keen on the labour codes, said a top government official who did not wish to be identified.

"The government is apprehensive that the codes may backfire as had happened in the case of farm laws," the official told ET. "Hence the wait and watch mode till these have the clear backing of all stakeholders."

The government had in 2019 and 2020 passed four labour codes - Code on Social Security, 2020, Code on Wages, 2019 Industrial Relation Code, 2020, and Occupational Safety, Health, and Working Conditions Code, 2020 - to replace 29 labour laws. While the President of India has given assent to all the codes, the government is yet to implement them.

Beginning of the next fiscal year is considered to be an appropriate time to roll out the codes as they have implications on the salary structure. In fact, experts said, April 2023 is the last opportunity for the government to implement the codes before the country goes for general elections in the following year.

"We feel if April 2023 is crossed, the codes may not see the light of the day with states not keen on rollout though the Centre continues to reiterate that it has the intent to roll out at the earliest," a key person in the staffing industry said on condition of anonymity. So far, there has been no timeline from the Centre on the implementation of the codes.

Source: economictimes.com- Nov 07, 2022

HOME

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Network connectivity remains big challenge as e-commerce, FMCG go digital

With India pushing towards 5G adoption, e-commerce and fast-moving consumer goods (FMCG) firms are increasingly turning to more cutting-edge digital solutions for improving their customer experience.

Last month, Flipkart became one of the biggest names to enter the metaverse space, with the launch of Flipverse. According to the FireDrop website — Flipkart's Web 3 platform — its pilot run, which was live for a week from October 17-23, saw people across 1,500 cities shop virtually, with 300-500 users streaming the virtual reality (VR) space onto their phones every minute.

Barnali Roy, a young IT professional from Kolkata, was one such user. "I wasn't planning to buy anything. Nor did I use VR-headsets; I accessed FireDrop through my smartphone. The sheer curiosity of experiencing 3D and VR-based stores for brands like Puma, Noise, and others, is why I signed up for Flipkart's new metaverse," she says.

Companies are flocking to capitalise on the rise in digital footfalls brought about by such instances of "sheer curiosity." VR and Metaverse-based start-ups like KiksAR and xperie.nz specialise in providing consumer-experience solutions for online shopping and ordering platforms. KiksAR, for instance, creates and hosts virtual stores of fashion retail brands on the metaverse platform or on the web/App, where shoppers can create their own avatars, walk around the virtual store, and try on products they may like.

It caters to online marketplaces of nearly eighty brands in 15 countries across fashion categories that include eyewear, shoes, jewelry etc., including Titan Eyeplus and US-based Signet Jewellers. Similarly, Xperie.nz provides a "try before buy" offline solution for shopping online, through a VR/AR experience.

Mahesh Makhija, Technology Consulting Leader at EY India, however, points out that AR/VR technologies are currently at a very nascent stage. "There is yet to evolve an app that will enable the use of this technology at a scale beyond gaming. In an e-commerce context, there is a potential to make consumers explore a product catalog in 3D immersive content – however, there are many challenges. Headsets need to be lighter, more

comfortable for extended use and with extended battery life and cheaper for adoption at scale.”

Moreover, immersive experiences with 360° video applications like the one offered by Flipverse, require a lot of data. A low to standard resolution (below or at 720p) 360° experience requires at least 25 Mbps for streaming while for higher resolutions, comparable to HD TV, the requirement jumps to 80 to 100 Mbps. The propagation of metaverse-centred services for e-commerce will also require higher computing power.

As per FMCG industry experts, the pandemic has accelerated the rise in transactions on e-commerce platforms. And to cater to these growing consumer needs, FMCG majors like Nestlé, Dabur, and HUL are taking a different approach to digitisation. Nestlé India has leveraged the power of data and analytics through platforms such as Maggi.in and MyNestle.in (a direct-to-consumer platform) where the company is sharing recipes and information on nutrition and immunity.

Hindustan Unilever Limited (HUL) has launched similar direct-to-consumer (D2C) platforms for their brands like Lakme, Love Beauty & Planet, Simple, and Dermalogica. Shikhar – their e-Business to Business (e-B2B) app — also helps retailers track and place orders and has reached more than 9.5 lakh outlets.

Digitisation in the production, logistics and distribution channels is helping consumer durable companies to deliver services efficiently. Even as digitisation is fast becoming the mantra for consumer ease among online marketplaces, industry experts have highlighted the need for better network connectivity in order to unlock the full potential of the sector.

Flipkart acknowledged the challenges of catering some of its higher-end tech solutions to tier-3 and tier-4 cities. “While the first 100 million customers of e-commerce come from metros, the next 500 million are usually from tier-3 and beyond cities,” its spokesperson said. For these consumers, Flipkart is looking to increase accessibility to their app by offering 11 vernacular language interfaces including Hindi, Marathi, Tamil, Assamese, and Bengali.

The Indian e-commerce platform translated over 5.4 million words for each interface and has also introduced machine translation of words from English to Hindi for user-generated content such as product reviews, Q&As, conversations via chatbots etc.

At the production end, food major Dabur has taken the lead. Dabur CEO Mohit Malhotra says, the company has "deployed 3D modelling and digital twinning to build its plant in its new greenfield manufacturing unit in Madhya Pradesh, last year. Digital solutions are also used for preventive maintenance schedule, downtime analysis, asset cases, and health management to ensure smooth functioning."

- Flipkart launches ‘Flipverse’ a virtual shopping experience for its app users
- Companies offering immersive experiences with 360° video applications
- Social media platforms teaming up with e-commerce platforms
- Network connection issues loom over tier 3 and tier 4 cities
- Digitisation in all forms of channels including production, logistics & supply
- Dabur adopts 3D modeling and digital twinning dor factory construction
- Snapchat also teamed up with Amazon to give its users a virtual try-on experience

Source: business-standard.com - Nov 06, 2022

HOME

****

Gujarat: Textiles units hurt by US-Europe inflation

AHMEDABAD: Gujarat-based home textiles manufacturers are struggling to get export orders. These manufacturers foresee tough times for almost six months, due to high raw material prices and high inflation in key exports markets such as Europe and the US.

Margins have fallen significantly and even after the start of the new cotton season, the situation has not improved. Gujarat-based home textile manufacturers get around 75% of their revenue from exports.

Rahul Shah, co-chairman of the GCCI textiles committee said, "Cotton price fluctuations have affected the textile sector across the world. Gujarat is a large manufacturer of home textiles and around 80% of our production is meant for export.

However, order levels are currently low. High raw material costs and low demand has affected margins of our manufacturers significantly. We expect that once cotton prices stabilize, Indian players will be in a better situation. This year, Indian cotton was more expensive than global rates so the playing field was not level for Indian manufacturers"

According to industry players, Indian home textile exports were worth about $9 billion in the last financial year and the US accounts for m ore than 55% of India's home textile exports, from where demand has been adversely affected.

P R Kankariya, an Ahmedabad-based home textiles manufacturer said, "The home textiles business has seen high inflation affecting demand from the US and Europe. High inflation has resulted in lower inventory for supermarkets in the US and Europe and retail consumer spending has decreased. However, we believe demand will improve in the coming months and we will also get the advantage of lower cotton prices with strong cotton arrival this season. Also, India's share in the global home textiles market is low, so there is a huge opportunity for Indian manufacturers."

Source: timesofindia.com- Nov 06, 2022

HOME

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India's Reliance again cuts prices of PTA, MEG & MELT

Reliance, India's largest player in polyester value chain, has further decreased prices of purified terephthalic acid (PTA), monoethylene glycol (MEG) and MELT, following the same trend as last week. It reviews global market, price trend in China and fluctuation in crude oil to determine the prices of polyester raw materials.

According to the market sources, RIL fixed PTA price at ₹81.20 per kg (-0.50), MEG at ₹52.20 per kg (-0.70) and MELT ₹87.58 per kg (-0.67). New pricing of polyester raw materials came into effect on Saturday.

Last week, the company had fixed PTA price at ₹81.70 per kg (-2.20), MEG at ₹52.90 per kg (-1.20) and MELT ₹88.25 per kg (-2.30). In the beginning of this month, RIL had cut the price of polyester stable fibre (PSF) by ₹2 per kg to ₹105 per kg.

It reviews prices of PSF on fortnightly basis, while its upstream raw material prices on weekly basis.

Source: fibre2fashion.com- Nov 05, 2022

HOME

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Textile manufacturing units will be set up in Rapthadu: MLA

A team of 12 members of the Garments Exporters of Rajasthan visited a few places in the Rapthadu Assembly constituency in Anantapur district on Sunday to assess the possibility of setting up garments manufacturing clusters.

After the team visited the 60-acre vacant land alongside the Alumuru Jagananna Colony, Rapthadu MLA Thopudurthy Prakash Reddy told mediapersons that the manufacturers seemed intent upon utilising the land in view of the easy availability of the workforce.

“Chief Minister Y.S. Jagan Mohan Reddy is contemplating setting up manufacturing units in adjoining spaces of Jagananna Colonies to generate employment opportunities for those living in the colonies,” he added.

Some entrepreneurs and manufacturers from Tirupur Garment Manufacturing and Exporters’ Association in Tamil Nadu also had come and inspected the land here to assess if such units could be set up here, he added.

Source: thehindu.com - Nov 07, 2022

HOME

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