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INTERNATIONAL NEWS

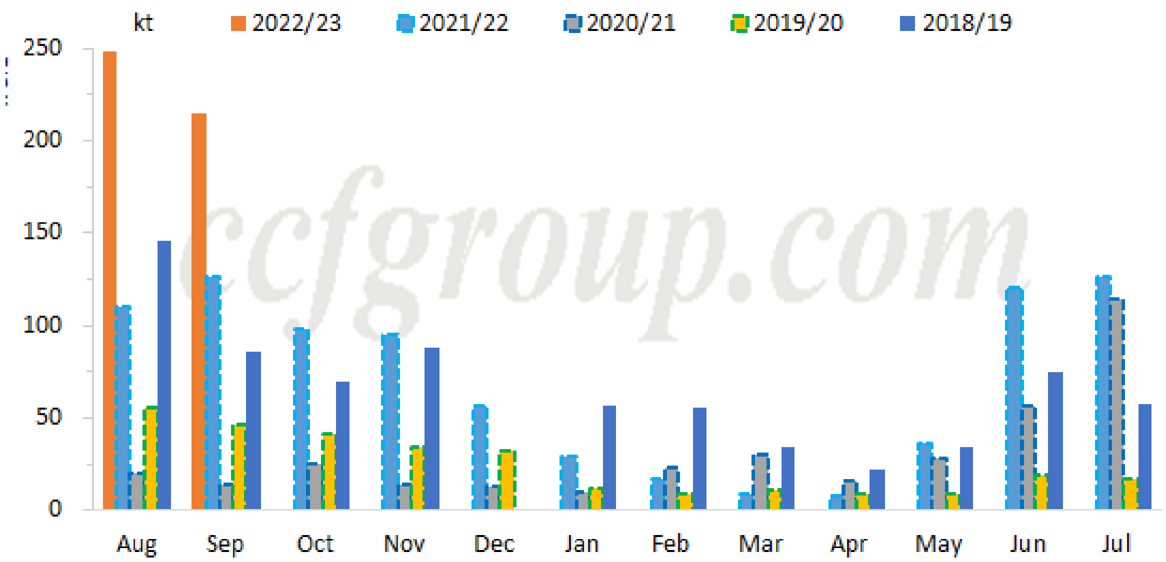
Brazilian and Australian cotton-the largest competitors of U.S. cotton

The two cotton producing countries in South Hemisphere, Brazil and Australia, become the big winner in 2021/22 season. First, under the favorable weather condition, Brazil and Australia has bumper crop, while as the largest cotton exporter, the United States suffered severe drought, resulting into large production reduction and impact on cotton quality.

Meanwhile, cotton transportation was guaranteed with lower sea freight and eased port transportation. Currently, under the background of sluggish demand, 2022/23 cotton sales are dull in North Hemisphere and the expectation on the cotton production next season is not optimistic. But in South Hemisphere, 2022/23 cotton production is still expected to be high and export volumes may keep increasing. The Brazilian and Australian cotton may bring challenges to U.S. cotton.

1. High Brazilian and Australian cotton exports, but ordinary U.S. cotton exports

Australian cotton export volumes

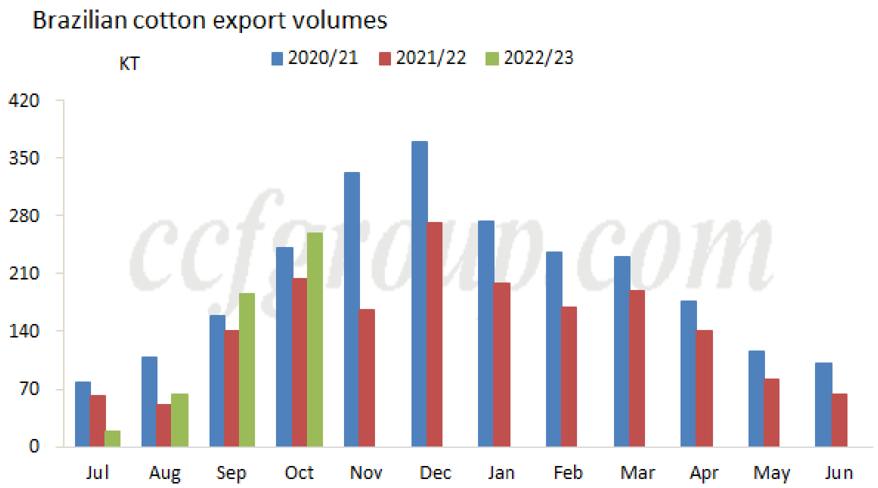


Since 2022/23 season (from Aug 2022), monthly export volumes of Brazilian and Australian cotton were extraordinary high. In Aug and Sep, Australian cotton exports reached 248kt and 215kt respectively, up 125% and 71% year on year, and the data in Aug hit a historical high. The largest buyer was Vietnam, and about half of the cotton was exported to Vietnam.

Due to the lack of Chinese market, offers of Australian cotton were basically lower than U.S. cotton previously, similar to the offers of Brazilian cotton. Not only good cotton production, Australian cotton quality was excellent, attracting buyers in Southeast Asia.

For Brazilian cotton, despite of the severe drought in Apr and May and frost disaster in mid-May, cotton production is still expected to increase. Export volumes reached 185kt and 260kt in Aug and Sep, up 32% and 28% year on year.

According to ABRAPA's Oct report, 2021/22 Brazilian cotton exports are forecast up to 1.845 million tons, an increase of 445kt or 32% year on year. However, U.S. cotton export growth was limited. In 2022/23 season, exports totaled 634.5kt from Aug to Nov 3, up 29% year on year. The export growth of Brazilian and Australian cotton was obviously higher than U.S. cotton, indicating that they have seized some market shares of U.S. cotton.



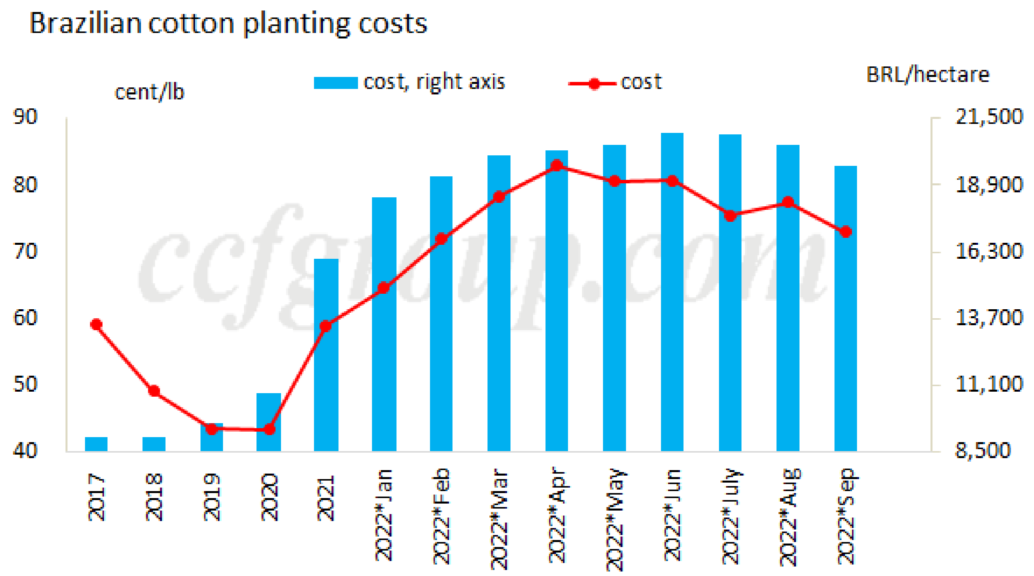
2. 2022/23 cotton production remains optimistic in South Hemisphere

Though 2021/22 Brazilian cotton production increase is lower than anticipation, down from 2.78 million tons to 2.55 million tons, benefited from the sales at high level, cotton growers gain good profits and planting costs reduce obviously in recent months, so they are still active to plant cotton crops.

Therefore, 2022/23 Brazilian cotton production is still expected to increase. In CONAB's Nov report, 2022/23 Brazilian cotton production is forecast higher to 2.98 million tons, up 16.8% year on year, and ABRAPA forecasts up to 3.17 million tons, up 24.8% year on year.

Recently, heavy rain appears in cotton growing areas of Australia. Some low-lying regions in Queensland and Wales suffer floods, affecting the planting works of cotton crops. But the Cotton Australia stated that though the record cotton production might not appear again in the next season due to excessive rainfall, the total cotton production higher than average level was still confident.

3. U.S. cotton sales are poor, and new round of suppression is possible



The severe drought condition in the United States triggers the worries over U.S. cotton quality and prices have no enough discounts. Sales are not favorable overall. Except Pakistan and China, original large buyers like Vietnam turn to purchase Australian cotton. If U.S. cotton sales keep low, it may take certain measures to improve its competitiveness.

Source: ccfgroup.com- Nov 17, 2022

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Europe's apparel imports from China down; reflects economic challenges

Europe's apparel imports from China have been falling since July-September 2021, but the pace of decline increased in April-June quarter of this year. The trend is reflecting the economic challenges faced by Europe due to the Ukraine war after the disastrous pandemic. The imports came down to $6.089 billion in Q3 2022 from $11,326 billion in Q3 2021.

Europe's imports from China of $11.326 billion in the July-September 2021 quarter were the highest in the last six quarters. They spurted in April-June 2021 quarter after the COVID wave to reach $6.308 billion but began to ease in the following quarter. The inbound shipment declined to $11.252 billion in October-December 2021. They recorded a steep fall in January-March 2022 to reach $9.663 billion. The imports further dropped to $7.225 billion in April-June 2022 and $6.089 billion in July-September 2022, according to Fibre2Fashion's market insight tool TexPro.

Annually, European imports from China were at $37.055 billion in 2021, $36.607 billion in 2020, $37.224 billion in 2019, $39.863 billion in 2018 and $38.969 billion in 2017. The region imported apparel worth $22.978 billion in the first nine months of the current year.

Source: fibre2fashion.com- Nov 21, 2022

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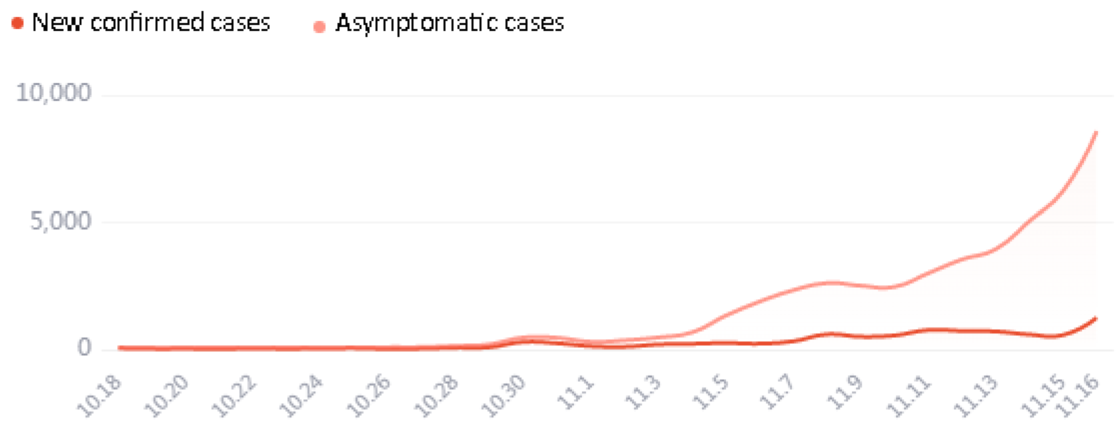
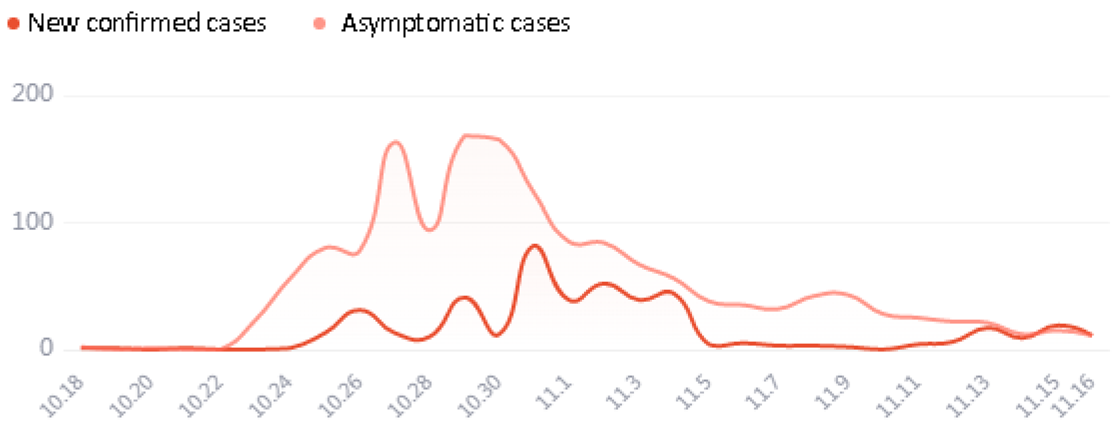
With rising COVID-19 cases in Guangzhou, nylon textile filament in doldrums

The news of lockdown in Guangzhou's large wholesale fabric market had become the top line in social media in China in late October. Still the epidemic in Guangzhou has instead intensified and the downstream market may face a dismal closing of the shopping festival in November.

As of November 13, 707 new confirmed cases and 3,941 new asymptomatic infections were reported in Guangdong Province, mainly concentrated in Guangzhou. The number of new cases in Fujian Province has dropped significantly, and there are no new confirmed cases in Fuzhou.

At present, Guangzhou Zhongda wholesale cloth market, Shahe garment market and other markets are under epidemic control. But the impact of these closures might be limited, as merchants can still take orders through online channels such as WeChat and deliver from warehouses in Foshan and other areas, where fewer pandemic influence is felt.





Local factories in Guangzhou are basically in closed management or shut down, the operating rate and logistics are both affected. Part of regions in Shantou were lock down, and local factories have a certain impact. The factories in Foshan and other low COVID-19 cases areas can run normally and the logistics are smooth. The epidemic in Fuzhou and Hanzheng Street in Wuhan has been effectively controlled and there are no closure control measures.

Some customers complained that 2022 is coming to an end in the torture of **the epidemic and high temperature, but orders are never seen to grow. The author believes that the epidemic does cause regional disruptions in production and distribution, but the lack of demand is the main reason for the depressed market.**

No improvement in orders from markets that are not controlled or have been unsealed has occurred. Hanzheng Street in Wuhan, China Textile City in Shaoxing, China Oriental Silk Market in Suzhou, Nantong Folded Stone Bridge and other major cloth and garment markets are currently less affected by the epidemic, but market transactions are still thin.

Downstream market feedback was affected by the brief outbreak of the epidemic in Fuzhou at the end of October, but factory orders did not improve significantly after the end of the epidemic control.

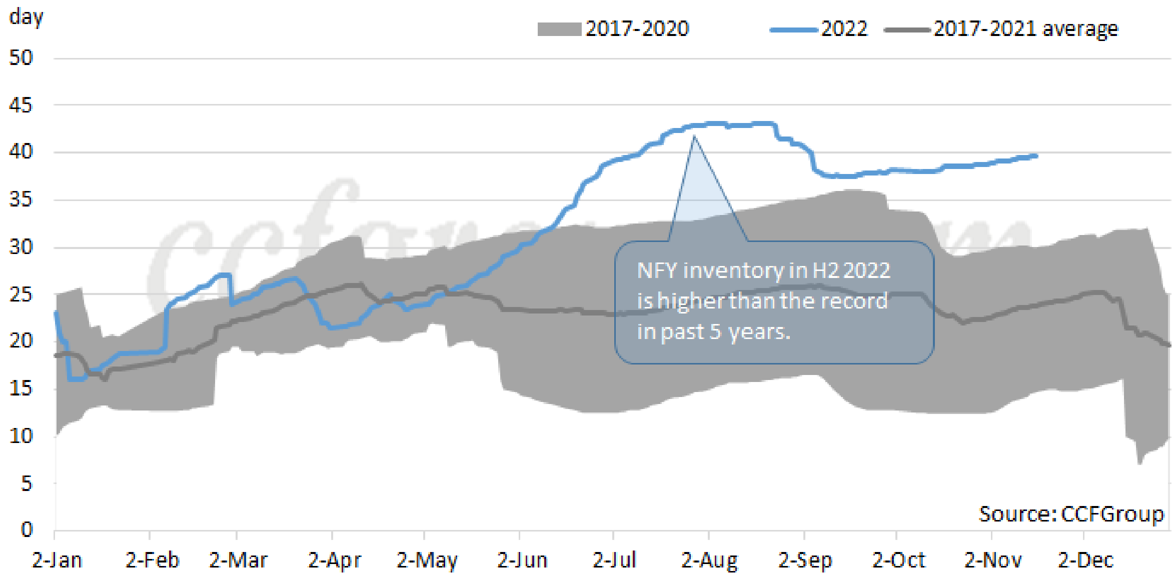
Downstream finished goods inventory pressure is high, and the operating rate has gradually declined. Comparing the filament inventory in the previous five years (2017-2021), after June 2022, filament inventory has stayed above the historical highest level, only slightly lower in August, and then began to climb up gradually.

In November, filament inventories are as high as about 40 days, more than ten days higher than the average rate of the same period of previous years. The high inventory of filament is mainly due to the obvious weakness of downstream demand, as grey fabric, textile and clothing are all under high inventory pressure.

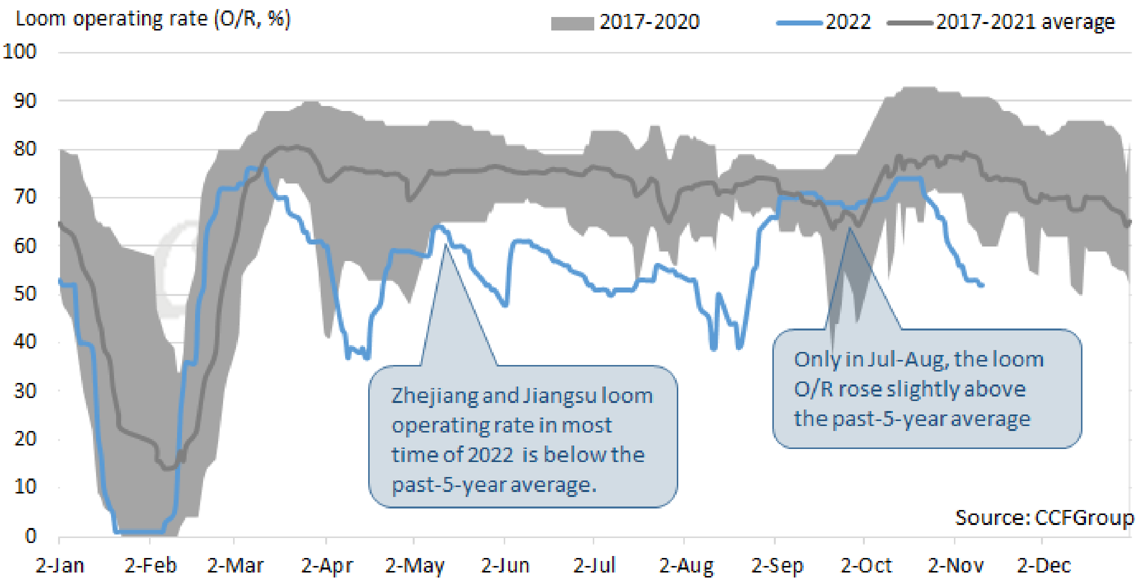
The operating rate of weaving mills in Jiangsu and Zhejiang in most of the time this year is significantly lower than the level of the same period in history, only briefly maintained a normal run rate in August-October, after November weaving mills start rate will rapidly decline.

This year's market downturn has become a consensus, the Spring Festival will be slightly earlier than that in previous years, downstream factories will consider running at low rate to the end of the year or set off earlier for holiday. Some customers have said that the transaction may be ended earlier than the New Year's Day.

2022 NFY inventory comparison with 2017-2021



2022 Zhejiang & Jiangsu loom O/R comparison with 2017-2021



China domestic sales of textile & clothing have gradually weakened, at the same time the export orders have not improved. The orders for textile and clothing in this years' online shopping festival in November are generally weak. Domestic sales of filament declined rapidly in November, and all downstream links are not willing to stock up before the Spring Festival, since their inventory pressure is heavier than the same period of previous years.

Exporters reported poor Christmas orders this year, and demand for spring and summer clothing also fell under inflation expectations in Europe and the United States, making it difficult for upstream factories to destock. It is gratifying to note that filament exports have increased significantly from 170000 tons to 210000 tons this year, but it accounts for less than 10% of China's total filament consumption, so the support is still limited.

To sum up, the epidemic has catalyzed the negative market sentiment in the fourth quarter, coupled with the macroeconomic downturn, so the downstream is generally pessimistic about the market before the end of the year. Whether future demand expectations can be reversed or not needs to be driven by clear positive policies.

The recent Fed interest rate hike and Chinese epidemic prevention and control policy changes have repaired the market sentiment. However, for nylon downstream enterprises, whether the business status quo can be fundamentally changed depends on the stimulus of favorable policies to end user's demand. In the short term, it is difficult for demand to improve significantly, and filament prices will still be in a low consolidation by the end of the year.

Source: ccfgroup.com- Nov 17, 2022

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UK's apparel exports to Israel dip since 2021 despite trade agreement

Apparel exports from UK to Israel did not get a boost even after the Trade and Partnership Agreement between the 2 countries came into effect on January 1, 2021. Exports had peaked in 2020 at $291.136 million but slipped to $138 million in 2021. Exports remained slow in the current year too, recording $33.639 million in the first nine months of 2022.

UK's apparel exports jumped to $291.136 million in 2020 from $13.033 million in 2019 and were recorded at $10.151 million in 2018 and $11.235 million in 2017. On a quarterly basis, they declined to $52.063 million in Q1 2021 from $214.224 million in Q4 2020.

Exports further slipped to $4.923 million in Q3 2022. The figure amounted to $9.054 million in Q2 2022, $19.661 million in Q1 2022, $21.447 million in Q4 2021, $28.804 million in Q3 2021 and $35.821 million in Q2 2021, according to Fibre2Fashion's market insight tool TexPro.

UK's imports of apparel from Israel improved slightly in 2021 after the agreement. However, the inbound shipment was negligible compared to exports. Basically, UK is an apparel exporting country for Israel. The imports rose to $7.629 million in 2021 from $5.491 million of 2020. They were at $5.804 million for the first nine months of this year, as per TexPro.

The Trade and Partnership Agreement between the United Kingdom and Israel (Goods) entered into force on January 1, 2021. With tariff liberalisation commitments already implemented, the UK maintains tariffs on 4.4 per cent of tariff lines while Israel maintains tariffs on 6.2 per cent.

The agreement also incorporates provisions on government procurement, competition, environment and labour and establishes cooperation on other issues, the World Trade Organization (WTO) said in a press release.

The WTO members had considered five regional trade agreements (RTAs), including the UK-Israel agreement, at the November 14 meeting of the Committee on Regional Trade Agreements.

Israel said the UK was its sixth largest destination for exports and ninth largest source of imports in 2021, adding that both parties have launched further negotiations for a modern and comprehensive free trade agreement to include new areas not covered by the current agreement.

The UK said Israel was one of its most important trading partners in the Middle East and its 39th largest trading partner globally. The UK said it looks forward to working closely with Israel to enhance their trading relationship.

Source: fibre2fashion.com- Nov 20, 2022

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Hong Kong's apparel imports from Vietnam rise

Hong Kong's apparel imports from Vietnam have been on an upward trend in the last three quarters of this year, while imports from Bangladesh have remained volatile. Hong Kong is a special administrative region of China on the eastern Pearl River Delta in South China.

Hong Kong's apparel imports from Vietnam increased to $69.067 million in Q2 2022 and $72.460 million in Q3 2022 from $64.764 million in Q1 2022. The imports were noted at $70.419 million in Q4 2021, $69.258 million in Q3 2021 and $56.264 million in Q2 2021, according to Fibre2Fashion's market insight tool TexPro.

For the first nine months of this year, Hong Kong imported apparel worth $206.293 million from Vietnam. Its annual imports from the country were $262.457 million in 2021, $242.226 million in 2020 and $313.969 million in 2019.

Hong Kong's apparel imports from Bangladesh increased to $39.480 million in Q1 from $31.968 million in Q4 2021. The imports amounted to $27.080 million in Q2 2022, $31.163 million in Q3 2022, $23.013 million in Q2 2021 and $27.601 million in Q3 2021, as per TexPro.

For the first nine months of this year, Hong Kong imported apparel worth $97.725 million from Bangladesh. Its annual imports from the country were $109.771 million in 2021, $89.767 million in 2020 and $139.257 million in 2019.

Source: fibre2fashion.com- Nov 20, 2022

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Cambodia set to boost trade links via FTAs

Cambodia has identified free trade agreements (FTAs) as a way forward to enhance its trade competitiveness and market potential for its various products across the world. The country has been actively engaged in forging bilateral and multilateral FTAs with a view to accessing wider markets across the world. Cambodia's entry into the Regional Comprehensive Economic Partnership (RCEP) and its free trade agreements with China and South Korea are expected to further enhance its trade potential in the international arena.

Several international agencies have already predicted good economic growth for the country in the coming years, thanks also to its encouraging approach to FTAs. According to the estimates of the International Monetary Fund (IMF), Cambodia's economic growth is expected to be robust this year and the next couple of years, due to free trade agreements and the high vaccination rate.

Boosting trade

In its Regional Economic Outlook Report for Asia and Pacific: Sailing into Headwinds, the IMF said Cambodia's growth is projected at 5.1 percent in 2022, 6.2 percent in 2023 and 6.6 percent in 2024.

Davide Furceri, deputy division chief of the IMF's Regional Studies, Asia and Pacific Department, said the RCEP and the Cambodia-China Free Trade Agreement have also given a boost to these growth rates.

"Regarding the trade agreements, I think this is a good step for many countries to the extent it signals international cooperation more broadly," he said in a press conference.

"So, I think the participation in the RCEP is a good step not only for the short term but also for the medium term," Furceri added.

After the success of its bilateral FTA with China, Cambodia has also entered into an FTA with South Korea.

Earlier this month, Prime Minister Hun Sen announced that the Cambodia-Korea free trade agreement would come into force in December this year.

The Kingdom has already signed a bilateral FTA with China.

Talking about the significance of FTAs, Penn Sovicheat, under-secretary of state at the Ministry of Commerce, told Khmer Times recently: “When we have bilateral free trade agreements with many countries including China, Korea, and Japan, it is a positive sign to our economy and products.”

The new bilateral agreement is expected to accelerate the economic recovery following the adverse effect of the Covid-19 pandemic.

According to experts, the agreement will help provide market access to Cambodia for its different products.

Some of Cambodia’s main exports to South Korea include footwear, apparel, travel, beverages, electrical and electronic components, rubber, pharmaceuticals and agricultural products.

On the other hand, the major imported items for Kingdom are vehicles, electronics, kitchen appliances, beverages, pharmaceuticals, finished plastics and products.

The two countries have already ratified the free-trade agreement.

The bilateral trade between Cambodia and South Korea rose 13.8 percent year-on-year to $818 million in the first nine months of this year, according to a report from the Korea International Trade Association (KITA).

Cambodia’s export surged 19.6 percent to $301 million as compared to the same period last year.

Click here for more details

Source: khmertimeskh.com- Nov 21, 2022

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Russian-Ukrainian war impacts Indonesian textiles

The global crisis as a result of the impact of the Russian-Ukrainian war is being felt by the textile industry in Indonesia.

Indonesia's textile exports have dropped dramatically after the Russia-Ukraine war. The loss of this export market has made textile companies in Indonesia overstock.

On the other hand, the domestic market is not available since it is flooded with imported products. So this condition causes domestic textile products to go nowhere and the impact of which has been that textile companies in Indonesia are experience overstock.

This has also caused textile companies to take policies to lay off their employees. In just 16 days, more than 85,000 employees throughout Indonesia have been laid off. It is difficult to predict when the textile industry in Indonesia will recover from the current crisis caused by the war. The recession can be said to have begun.

If domestic demand revives the export market that is currently missing can be replaced and textile companies in the country can survive. The industry feels that suppression of imports, especially the flood of illegal imports of used clothes, can help textile enterprises to revive.

In the third quarter of 2022, Indonesia's textile industry grew by eight per cent year on year.

Source: fashionatingworld.com- Nov 19, 2022

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Pakistan: Trade surplus with Germany crossed $1bn mark: FPCCI

Pakistan's bilateral trade surplus with Germany has crossed $1 billion mark, with indications that the trade with the world's fourth largest economy to grow further in coming years, Federation of Pakistan Chambers of Commerce and Industry (FPCCI) said on Saturday.

The sheer size of Germany's huge economy makes it ones of the most important destinations for Pakistan to prioritise for trade and industrial cooperation, stated FPCCI president Irfan Iqbal Sheikh.

"There are clear indications that Pakistani exports are on a growth trajectory with the world's fourth largest economy and the largest in Europe with a GDP of $4.5 trillion," he said.

Sheikh was of the view that exports of $2.5 billion to Germany were still way too below the real potential. "There is huge demand of Pakistani textiles in Germany," he emphasised.

FPCCI president said he had held a detailed meeting with the German ambassador in Pakistan H. E. Alfred Grannas, where they discussed new avenues and expansion of the current export segments to scale up the trade and economic relations.

Sheikh highlighted that Germany is one of the very few countries in the world with which Pakistan enjoys a trade surplus, and expressed his desire to hold a single-country exhibition with Germany. He said he had requested the honorable ambassador to grant visas to Pakistani businessmen on softer terms. He was hopeful that Pakistan will get GSP+ status renewed for 10 years.

Sheikh stated that the key to enhancing exports to Germany lies in maintaining quality at all costs; exploring unconventional product categories; expanding the share of services' sectors in Pakistani exports to Germany; offering cost-competitive IT and IT-enabled services and exporting skilled & semi-skilled workforce to Germany.

Source: thenews.com.pk- Nov 20, 2022

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German-Bangladesh cooperation celebrates textile Made in Bangladesh

The Sustainability Leadership Award on Thursday was added to the success of the week-long celebration of textile Made in Bangladesh at International Convention Center Bashundhara in Dhaka, said a press release.

The award was jointly organized by BGMEA and the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, which is supporting the German Government in achieving its objectives in the field of international cooperation for sustainable development.

The awards were presented in the three categories 'Social Compliance', 'Environmental Excellence' and 'Innovation' which were divided into nine subcategories.

'Social Compliance' winners excel in women empowerment at the workplace, social initiatives in factory neighborhoods and overall social setup.

'Environmental excellence' was achieved by factories that lead in water efficiency, recycling of textile waste materials or overall environmental setup.

In addition, innovative practices were rewarded. The subcategories included innovations for business development, worker welfare and the future.

Under 'Social Compliance' category Vintage Denim Studio Ltd was the winner and Echotex Limited the runner-up for the 'Most Convincing Factory setup'.

For 'Women Empowerment at the workplace', Ananta Garments Ltd became the winner and Pacific Jeans Ltd became runner-up.

And for 'Best supported social initiative in the Neighborhood of a factory', Epyllion Knitwear Ltd was the winner and Flamingo Fashions ltd was runner-up.

Under 'Environmental Excellence' category, Envoy Textile Ltd was winner and Zaber and Zubair Fabrics ltd were runner-up for 'Environmental Champion'.

For 'Water use reduction over year', Color City ltd was the winner and Universal Jean ltd was runner-up. For 'Recycle of textile waste materials', Matin spinning mills ltd and SIMCO Spinning and textile ltd both became winner and Karupannya Rangpur ltd was runner-up.

Under 'Innovation Excellence' category, Karupannya Rangpur ltd was the winner and J.M. Fabrics Ltd was runner-up for 'Best Innovation from the Business Perspective'.

For 'Best innovation for future', Beximco Recover was the winner and Jinnat Fashions Ltd was the runner-up.

And Square Fashion ltd was the winner and SQ Celsius ltd was runner-up for 'Best innovation for workers welfare'.

Jatiya Sangsad speaker Shirin Sharmin Chaudhury attended the program as chief guest.

BGMEA president Faruque Hassan said, 'Bangladesh is globally acclaimed for its exemplary strides in workplace safety and leadership role in the area of sustainability in the RMG industry. I believe while the Sustainability Leadership Award recognizes the best practices of Bangladeshi garment factories in environmental, social, and innovation areas, it will inspire others to adopt sustainable practices to strengthen the image of Made in Bangladesh in the global market as modern, safe, and green.'

Source: newagebd.net- Nov 20, 2022

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Pakistan: Cotton imports: prognosis negative

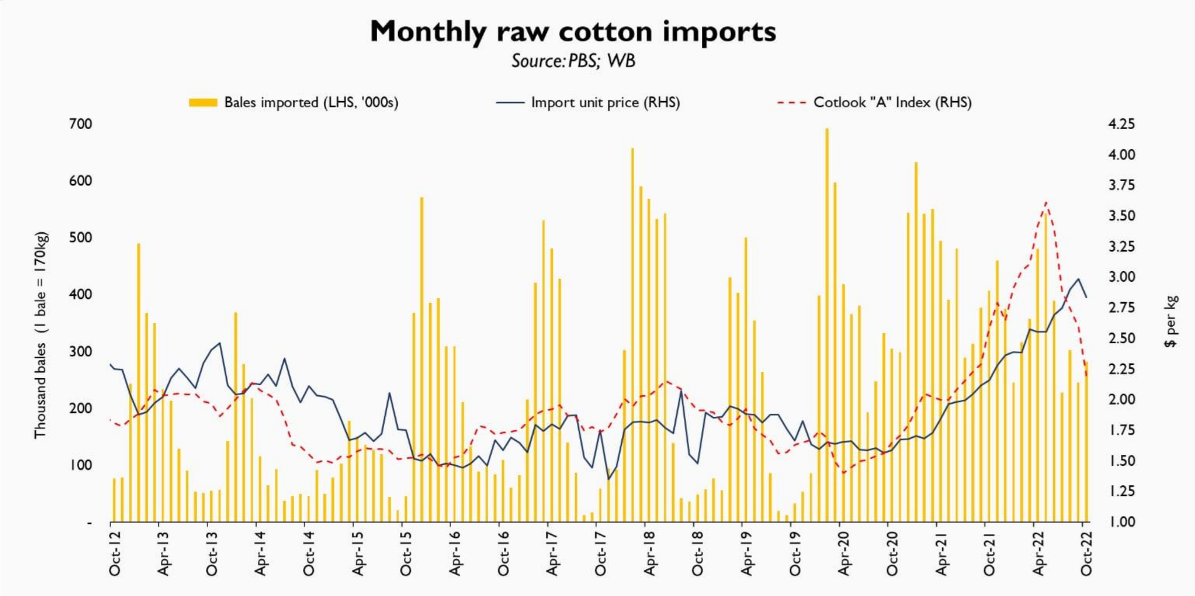
A major slowdown in textile exports is on the cards. Or at least that is the indication from the latest monthly trade report card from Pakistan Bureau of Statistics. Per PBS, the industry witnessed a double- digit decline in volume exported across most low to medium value-added segments during 4M-FY23 (July – Oct). In fact, were it not for the wearing apparel segment holding ground, textile export earnings would have already turned red.

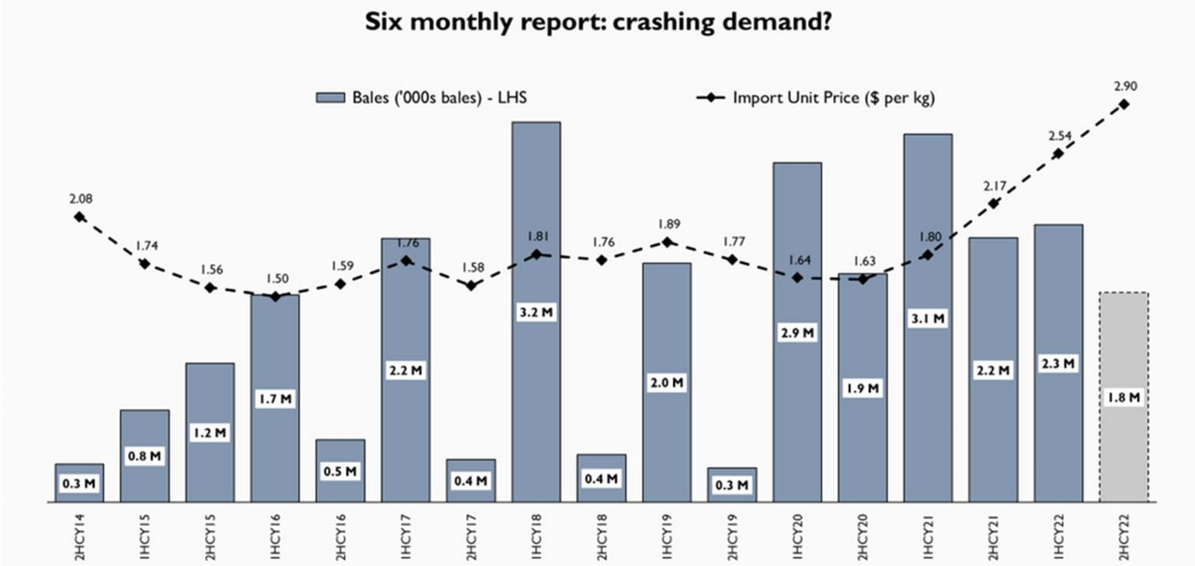
But the slowdown is fast spreading its roots, and it won't be long before the wearing apparel category surrenders too. Or so it seems looking at the 4M-FY23 profile of raw cotton imports. According to PBS, Pakistan imported a little over one million bales (of 170 kg) during July – Oct 2022, its lowest cotton imports for a four-month period since Sep – Dec 2019.

That, however, wouldn't be a fair comparison. Back then, cotton imports used to suffer from a very high tariff between July – Dec, that aimed to protect local farmers during marketing season. Excluding the high tariff period, these may be lowest cotton imports in over a decade. This comes at a time when floods have reportedly devastated local cotton, with projected seasonal arrivals falling in the vicinity of 4.5 – 5.5 million bales (of 170kg).

If the current trend of monthly average imports of 0.25 million bales continues, annual imports would be no more than 3 million bales, lowest since FY16 when domestic cotton production stood at 10 million bales. For much of the past decade, cotton consumption by milling segment has averaged between 12.5 – 13.5 million bales, with imports supplying as much as 40 percent of national demand in recent years. However, it looks as though mill consumption may drop precipitously during the ongoing fiscal, as both local production and import are falling.

Of course, both pricing and demand from downstream industry have played a role. First, as world cotton prices have crashed some 50 percent between May and November 2022, the industry is looking for fresh contracts at lower prices. Since August 2022, the average unit price of cotton imported into the country during a given month has exceeded monthly average price in the international market during the same period.





This is a sharp reversal from the earlier trend that manifested itself post-Covid when monthly average prices in the international market were consistently higher than the average unit price of imported cotton during that period. It appears that the local industry had bet big on rising cotton prices in the world market and is now sitting on piled up inventory procured at peak prices, while recession creeps across major exporting destinations. Which may also explain why despite a precipitous fall in overall cotton availability in the local market for rest of the fiscal year, the output figures coming out of the spinning and cloth weaving industry have so far not mirrored the tightening conditions in the raw material (fiber) market.

Come 2023, cotton import may very well pick up once local arrivals fully dry up and winter season is over, offering more clarity on the true scale and extent of recession in the textile exporting destinations. However, even if average monthly cotton import doubles from here on, it would still struggle to top peak import volume 5 million bales witnessed over the last two years.

That textile export volumes will drop significantly on full-year basis during FY23 now seems inevitable. Whether falling demand will also immediately translate into lower selling prices for value-added products, remains to be seen. The last time world cotton prices averaged below 80 cents for a sustained period, Pakistan's textile export earnings came to a standstill (FY15 – FY20). Will they play out differently this time? Don't count on it.

Source: brecorder.com- Nov 21, 2022

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NATIONAL NEWS

Goldman Sachs slashes India's GDP forecast for 2023 to 5.9%

The Indian economy which claimed the title of the fastest-growing major economy title in the previous fiscal is likely to lose its momentum in 2023 owing to higher borrowing costs and fading benefits from the Covid pandemic reopening, said Goldman Sachs in a note.

Gross domestic product may expand by 5.9% in the calendar year 2023 from an estimated 6.9% this year, Goldman economists led by Andrew Tilton wrote in a report Sunday as per Bloomberg.

"Growth will likely be a tale of two halves, with a slower first half as the reopening boost fades, and monetary tightening weighs on domestic demand. In the second half, growth is likely to re-accelerate as global growth recovers, drag from net exports diminishes, and investment cycle picks up."

India's gross domestic product (GDP) grew by 8.7% in 2021-22.

Further, the firm expects headline retail inflation to ease to 6.1% next year from an estimated 6.8% this year. Inflation has remained above the Reserve Bank of India's tolerance band of 6% for the last ten months and is likely to hover over that mark in the coming few months as per experts.

Economies have lost their growth momentum post-Covid-19 as central banks continued to aggressively hike rates in an attempt to curb spiralling inflation. The rate hikes are expected to hit sudden brakes on the growth momentum of advanced economies as well, spurring risks and worries of a global recession.

Trade data signals more doom

India's export growth fell sharply in October, when it contracted 16.7% on annual basis from a growth of 4.8% seen in September, pointing to a decline in global demand.

India's exports saw a contraction for the first time in the post-pandemic phase and the last time exports contracted was back in February 2021.

"We expect weakening exports to have important implications for India's growth. The consistent slowdown across months in core import growth and weak industrial output data suggest that domestic growth momentum peaked in Q2," Nomura said in a note.

"India's investment cycle is linked closely to the global growth and export cycles, which is expected to be an additional source of domestic headwind. We expect GDP growth to slow from 7.2% y-o-y in 2022 to a below-consensus 4.7% in 2023," it added.

Source: economictimes.com- Nov 21, 2022

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2022 huge year in US-India ties, 2023 going to be even bigger: White House

In the history of India-US relationship, 2022 has been a huge year and the next year is going to be even bigger, a top White House official said on Sunday.

Principal Deputy National Security Advisor Jon Finer also applauded Prime Minister Narendra Modi for being instrumental in forging a consensus during the recently concluded G-20 Summit.

"Looking around the world when the United States and (its) President (Joe) Biden look for partners that can truly help carry the load, truly helped move forward a global agenda, India and Prime Minister Modi are very high on that list," Finer told a gathering of several hundred Indian-Americans here.

"We just saw this in real time at the G-20 where the prime minister was instrumental in forging a consensus around a joint statement among a far-flung group of countries and in the comments and work that the prime minister has done and others in the Indian government have done to highlight the increasing risk related to nuclear issues," he said at an event here.

This relationship is being steered by Prime Minister Modi and President Biden who have met more than 15 times, the latest one being in Bali last week, said India's Ambassador to the US, Taranjit Singh Sandhu, addressing the gathering at a lunch reception hosted by him to celebrate the Festival Season.

The unique event organized by the Embassy of India showcased the syncretic nature of Indian culture. The event saw festivals of different faith -- from Diwali to Hanukkah, Eid to Bodhi day, and from Gurpurab to Christmas celebrated with aplomb.

Attended by top officials of the Biden administration, including Senior Advisor to President Neera Tanden and Surgeon General Vivek Murthy, the event demonstrated amply India's unique stature as the embodiment of 'Unity in Diversity' -- a land where various faiths have not only coexisted but flourished.

"This event really demonstrates so much about what President Biden is talking about when he talks about an inclusive country, a country that celebrates our diversity and our strength in diversity," Tanden said.

"I'm grateful for this partnership that we have between the United States and India. I think it has been important in the past, but it will be even more important going forward," Dr Murthy said.

Reflecting his views on the India-US relationship, Finer reiterated the administration's commitment to it and said 2022 and 2023 are two critical years for this. "The year 2022 was huge in US-India relations. We think we have an even bigger year ahead in 2023. We have the Quad summit on the agenda coming up. We have India's G20 presidency, which I know we're all looking forward to, including Prime Minister Modi," Finer said in his address.

He referred to the 2+2 Quad ministerial meetings taking place this spring, the relaunch of Indi US CEO dialogue and launch of critical and emerging technology dialogue early in 2023. "That's just the tip of the iceberg." Finer said both 2022 and 2023 are emblematic of how this relationship has proceeded for decades now.

The entire Biden administration and certainly the president sees this as among the most consequential relationships for the US anywhere in the world, but also almost uniquely a one of the relationships that still retains some of the greatest potential to continue to evolve and strengthen and improve, Finer said.

"We are deeply committed to doing just that. It's easy to see why that is the case. At a time that can be extremely difficult to forge a bipartisan consensus in Washington on almost anything, there is a strong bipartisan consensus in support of the US-India relationship and has been for decades and a high degree of continuity from one administration to the next," he said.

"There is obviously an increasing alignment of our interests, both geopolitically and as two world leading democracies. And then of course, the deep ties and incredible dynamism of our diaspora community, our cultural ties or commercial ties.

"And then finally, and I don't want this to be lost, there are the ties of our leadership, which we consider to be hugely important," he said.

Among those who attended the event included an array of important dignitaries, with friends of India from the administration, US Congress, from different states, the think-tank community, private sector organizations, and the Indian diaspora. Notable attendees included Special Presidential Coordinator, Amos Hochstein; and Lieutenant Governor Elect of Maryland, Aruna Miller.

Source: economictimes.com- Nov 21, 2022

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FTAs don't always promote domestic manufacturing or accelerate export growth: GTRI report

The report by Global Trade Research Initiative (GTRI) claims to dispel these 'myths', including that FTAs weaken the WTO (World Trade Organisation), countries are rushing to do FTAs, and these pacts promote investment and lower prices.

It is "erroneously" believed that most world trade happens through the FTA route, but in reality, it is less than 20 per cent, said the report titled 'FTAs: Fabulous, Futile, or Flawed?'.

It is also not true that countries world over are rushing to do FTAs and in fact these pacts are "enthusiastically" embraced mainly by east Asian economies or countries that have lowered their customs duties close to zero.

"Major industrial countries/regions do FTAs selectively. The USA has no FTA with significant economies like the European Union, China, Japan, ASEAN (Association of Southeast Asian Nations), or India. The EU currently has 41 trade agreements. But these represent just 32 per cent of the EU's external trade. Most of its FTAs are with raw material suppliers and small countries," it noted.

While the FTAs have potential, they could not dent the multilateral trading system as far as standard trade instruments like tariffs are concerned, as about 83-85 per cent of the world trade takes place outside these pacts and under the WTO rules.

On the myth that FTAs lead to accelerated increase in exports, it said that since less than 20 per cent of world trade is happening at concessional customs duties, India needs additional strategies to promote 80 per cent of trade outside this route.

"Also, the mere signing of an FTA does not guarantee an increase in exports. Chances of an increase in exports due to the signing of FTAs are low if import duties in the partner country are low. From this count, FTAs are of minimal use for increasing exports to Singapore, or Hong Kong, as regular (Most Favoured Nation) import duties are zero," it said.

Trade agreements with Malaysia, Japan, Australia, New Zealand and Brunei benefit only a few product groups as most imports into these countries happen at zero duty.

"The share of ASEAN in India's export was 10.4 per cent in 2010, the year of the signing of the agreement. The share has remained almost the same, even after over a decade.

"During this period, India's deficit with ASEAN has expanded from USD 6.7 billion to USD 24.2 billion. A quantum jump in India's export will require enhancing competitiveness at all levels and changing the product profile of Indian exports," it pointed out.

Further, it said zero-duty imports of finished goods from the FTA partners may disrupt many domestic manufacturing programs.

"The US has an active Make in USA programme...In India, programmes like Production Linked Incentive Scheme (PLI), Phased Manufacturing Performance (PMP) recommend zero or low-duty import of inputs and high duty on finished goods to support indigenous production," it added.

The report further said there is mixed evidence that these agreements promote investments and lower prices in the respective countries that are entering into the pact.

Former Indian Trade Service officer Ajay Srivastava is the co-founder of GTRI. He took voluntary retirement from the Government of India in March 2022. He has rich experience in trade policy making, and issues related to the WTO and FTAs. He was involved in the negotiation process of India's free trade agreements with Japan and Australia.

Source: economictimes.com- Nov 20, 2022

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No prospect of recession in India, economy to grow at 6-7 pc: Rajiv Kumar

India will still grow at 6-7 per cent in the next 2023-24 fiscal even as the economy may be affected by uncertain global conditions, former Niti Aayog Vice-Chairman Rajiv Kumar has said amid growing fears of the world slipping into a recession.

Kumar further said there is a synchronized downturn in the US, Europe, Japan and also in China and that could take the global economy into a recession in the coming months.

"Thankfully, there is no such prospect of recession in India, because although our growth may be negatively affected by the global conditions, we will still manage to grow at 6-7 per cent in 2023-24," he told PTI in an interview.

The World Bank on October 6 projected a 6.5 per cent growth rate for the Indian economy for 2022-23, a drop of one percentage point from its June 2022 projections, citing the deteriorating international environment, while IMF projected a growth rate of 6.8 per cent in 2022 as compared to 8.7 per cent in 2021 for India.

IMF chief Kristalina Georgieva has said the global economy is moving from a world of relative predictability to one of greater uncertainty.

Replying to a question on high inflation, Kumar said retail inflation will probably be in the range of 6-7 per cent for some more time.

"After that, my estimate is that it should begin to peak and then come down," he said.

Kumar added that depends a lot on global oil prices as it can continue to rise because of the continued conflict in Ukraine.

"But otherwise domestic drivers of inflation will cool down," he noted.

Indicating easing of the price situation, retail inflation moderated to 6.7 per cent in October while the wholesale price index fell to a 19-month low mainly on account of subdued rates of food items.

The central bank is mandated to keep inflation at 4 per cent with 2 per cent of upside and downside margins.

Asked about the impact of a weakening Indian rupee on the common man, the former Niti Aayog vice chairman said the common Indian does not use a lot of imported goods or services in their consumption basket.

According to Kumar, the rupee which is near its real value is much better for the economy than the appreciated rupee and depreciated rupee doesn't pose many downside risks.

The rupee depreciated 6 paise to close at 81.74 against the US dollar on Friday.

On India's widening trade deficit, Kumar said with the negative growth of exports in October, it is clear that the country needs a real policy focus on this area on how to expand its exports of both goods and services.

"We need to now formulate state-specific export promotion policies. Because to have one single export promotion policy for the whole country does not make sense," he said.

Elaborating further, he said that like Punjab is a double landlocked state and Tamil Nadu is a coastal state, and it has centuries of trading experience. "So, to have the same policies of both those states, for example, is not relevant," he emphasised.

India's exports entered negative territory after a gap of about two years, declining sharply by 16.65 per cent to USD 29.78 billion in October, mainly due to global demand slowdown, even as the trade deficit widened to USD 26.91 billion.

Imports during the month under review rose by about 6 per cent to USD 56.69 billion on account of increase in the inbound shipments of crude oil and certain raw materials such as cotton, fertiliser and machinery.

Responding to a question on some states switching to the old pension scheme (OPS), Kumar said, "That's a backward step. and I don't think that should be taken."

He opined that it is being advocated by some opposition parties because of populist measures.

"I think the Indian economy, the Indian working class, Indian middle class is maturing and can handle their own pension funds and take advantage of the new pension scheme, which offers much more choices than the old pension scheme," Kumar said.

Punjab cabinet on Friday approved the reimplementation of the old pension scheme, which was discontinued in 2004.

Source: business-standard.com- Nov 20, 2022

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India should nudge US to appoint judges to hear appeals at WTO

At the concluding session of the G-20 summit at Bali, Prime Minister Narendra Modi said India will strive to ensure that the grouping acts as a prime mover to envision new ideas and hasten collective action. He added that India's presidency will be inclusive, ambitious, decisive and action oriented.

A quick way to deliver something on that promise is to nudge President Biden to clear the way for appointment of judges to hear appeals at the dispute settlement body (DSB) of the World Trade Organization (WTO).

Dispute settlement is the central pillar of the multilateral trading system, and the WTO's unique contribution to the stability of the global economy. This is because without a mechanism for settling disputes, the rules cannot be enforced.

The Trump administration was aggrieved by some of the decisions of the DSB. So, it blocked the appointment of judges to hear the appeals at the WTO. The Biden administration has not moved forward in the matter. So, many of the panel rulings of the DSB are pending at the appeal stage and the disputes linger.

The DSB panel ruling on export subsidies went against India and is pending at the appeal stage. So, apparently the dysfunction of the appellate body suits India. But India has already abolished the merchandise exports from India scheme.

The export-oriented units and the special economic zone (SEZ) scheme can be tweaked, delinking tax concessions from export earnings. The scheme of manufacturer in bonded warehouses already allows duty free import of capital goods and inputs without any export obligation. So, even if India's appeal fails it wouldn't matter much.

The G20 Bali declaration reaffirms that the rules-based, non-discriminatory, free, fair, open, inclusive, equitable, sustainable and transparent multilateral trading system, with the WTO at its core, is indispensable to the advancing shared objectives of inclusive growth, innovation, job creation and sustainable development in an open and interconnected world as well as to support the resilience and recovery of a global economy under strain due to Covid-19 and supply chain disruption.

It says that reforming the WTO is crucial for strengthening trust in the multilateral trading system. It commends the successful conclusion of the 12th WTO Ministerial Conference (MC12), and commits the G20 leaders to seize and advance the positive momentum by engaging in active, constructive, pragmatic, and focused discussions on WTO reforms to improve all its functions, including reform of the dispute settlement mechanism, on the path leading to the next WTO Ministerial Conference (MC13).

It highlights the importance of allowing agriculture and food trade to flow smoothly and reaffirms the need to update global agricultural food trade rules and facilitate trade in agricultural and food products. It emphasizes the importance of not imposing export prohibitions or restrictions on food and fertilisers in a manner inconsistent with relevant WTO provisions. It says that trade and climate/environmental policies should be mutually supportive, WTO consistent and contribute to the objectives of sustainable development.

So, India persuading the Biden administration to allow the appointment of judges to hear appeals at the WTO will only demonstrate the resolve of the G-20 leadership to move forward towards its stated aims. It is a low-hanging fruit that can be plucked easily, bringing disproportionate goodwill and enhancing India's standing in the global community.

Source: business-standard.com- Nov 20, 2022

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Low demand, high cotton prices hit textile value chain

After an uptick in sales during the festive season, demand in the textile sector across the value chain seems to have plunged. Production capacities are underutilised and many industrial units are yet to resume operations after Diwali.

At least 75 textile processors in the Narol cluster of the city are yet to reopen after the Diwali vacation and those that have are running single shifts three or four days a week.

High prices of cotton and diminished demand from the export market have hit the profitability of yarn makers as well. Yarn makers and powerloom weavers are also operating at about 50% capacity.

Naresh Sharma, a veteran member of the Ahmedabad Textile Processors' Association (ATPA), said, "At least 75 units in Narol have been closed since the Diwali holidays. In the absence of fresh orders and high input costs, units have not reopened even a fortnight after Diwali. Those that have are running at barely 30% of capacity and for just three days a week."

Despite inflation, textile processors were forced to reduce job work charges by about 10%. This is compounded by the working capital shortage units are reeling from.

Ashok Meghlani, an Ahmedabad-based textile processor, said, "A lot of payments for past orders are pending and the working capital crunch is affecting productivity. Demand during Diwali was upbeat but our margins had shrunk."

Even though certain units have lowered processing charges to win orders, there are few fresh inquiries. The fluctuation in cotton prices also is a factor here.

"Fabric traders saw major losses due to the sudden drop in cotton prices. More recently, cotton prices rose to Rs 70,000 a candy from the level of Rs 63,000. Due to fluctuating prices, grey fabric traders have not procured fabric to pass on to processors, as a result of which business is badly affected," said an ATPA member.

Fluctuating cotton prices have also affected yarn makers. According to the Spinners' Association of Gujarat (SAG), units have been operating at barely 50% capacity for the last couple of weeks due to low export demand and constant fluctuation in cotton prices. Spinning units are incurring losses of around Rs 25 per kg of yarn and weaving units are losing Rs 4-5 per metre.

Even weavers who reopened factories after Diwali are working at about 50% capacity. Bharat Chhajer, former chairman, PDEXCIL, said, "Some 100 weaving units in Ahmedabad are operating at 50% capacity, due to few orders. Those working for denims and bottom wear segments are even more underutilized due to falling demand."

Source: timesofindia.com- Nov 21, 2022

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Decriminalise GST law, slash personal income tax rates in Budget: CII to govt

Industry body CII has pitched for a reduction in personal income tax rates, decriminalisation of the goods and services tax and a relook at the capital gains tax rates as part of its agenda presented to the government for the forthcoming Budget. Arguing that the GST law already contains adequate penal provisions for deterrence against evasion of taxes, CII has suggested decriminalisation of GST law.

Also, the applicability of prosecution provisions should not be based on the absolute amount of tax evasion but should be based on real intent to evade the taxes and a certain percentage of the tax payable, it stated. Tax breaks, jobs or plan to beat China: What will Budget 2023 offer? Click to know
"A fresh look is needed at the capital gains tax with respect to its rates and holding period to remove complexities and inconsistencies. Moreover, the Government should contemplate a reduction in the rates of personal income tax in its next push for reform as this would increase disposable incomes and revive the demand cycle," CII President Sanjiv Bajaj said.

Tax certainty for businesses should continue and corporate tax rates should be maintained at the current levels, the chamber said, adding that no arrests or detention should take place in civil cases unless criminalisation in business has been proved beyond doubt.

On fiscal consolidation, a key component critical for the revival of growth, CII suggested that a credible road map be drawn up and announced during the budget, which would gradually bring down the fiscal deficit to 6 of GDP in FY24 and 4.5 per cent by FY26.

For reviving investment, the pre-Budget memorandum presented to the Finance Ministry also recommended raising capital spending to 3.3-3.4 per cent of GDP in FY24 from 2.9 per cent currently, with an aim to increase it further to 3.8-3.9 per cent by FY25.

It also suggested increasing outlays on green infrastructure like renewables along with traditional infrastructures, such as roads, railways, ports etc. In addition, full implementation of Gati Shakti and NIP should be expedited to bring efficiency to infrastructure creation.

For financing infrastructure, the industry body has recommended deepening corporate bond markets (including infrastructure bonds), prioritising a package for large play of urban municipal bonds and launching a Blended Finance Star Multiplier programme for sustainability projects with an allocation of Rs 10,000 crore, among others.

"Private sector investment also needs a boost as a public investment alone is not enough to energise growth in the economy. Private Sector Participation in PPPs should also be revived through timely payments, Swift Dispute Resolution Mechanism and expediting the land acquisition process," CII stated.

For raising consumption demand, it has suggested putting in place policies such as rationalising income tax slabs and rates for individuals, reducing the 28 per cent GST rate on select consumer durables and expediting rural infrastructure projects for facilitating employment generation in the hinterland.

On revenue generation, CII stressed meeting the disinvestment target, and to bring pace to PSU privatisation, which would augment revenues in addition to boosting economic efficiency, the responsibility and authority for identified PSUs should be transferred to DIPAM from the line ministries post the decision to privatise a company.

For expenditure rationalisation, CII emphasised the need to curtail non-priority expenditure by rationalising subsidies, such as fuel and fertilizers. It is estimated that non-merit subsidies comprise a staggering 5.7 per cent of GDP, of which 1.6 per cent is from the Centre and 4.1 per cent from the states. This is clearly unsustainable, it argued.

On encouraging manufacturing and boosting exports, pivotal for reviving growth, CII suggested a fillip to ease of doing business through further digitisation, faster and time-bound clearance, contract enforcement, alternate dispute redressal mechanism and a genuine single window system encompassing central and state clearances.

It also proposed that the Credit Linked Capital Subsidy Scheme (CLCSS) for technology up-gradation for MSMEs, should be revived and green finance should be provided for funding climate-friendly technology in MSMEs.

Further, to provide a fillip to exports, CII has recommended a graded roadmap to shift import duty slabs to a competitive level and cover all the export products, including the EOU and SEZ units, under the RoDTEP scheme.

The sunset date for commencing manufacture under Section 115BAB of the income tax Act should be extended to 31 March 2025 from March 31, 2024, at present. This would encourage more investment in the manufacturing sector and exports, according to CII.

Source: economictimes.com- Nov 20, 2022

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CBIC Chief urges taxmen to be extra vigilant to ensure no indirect tax slippage

Central Board of Indirect Taxes & Custom (CBIC) Chairman Vivek Johri has ‘urged’ taxmen to keep a close watch on revenue position and ensure no slippage. Meanwhile, States are taking CBIC notification forward and acting against non-filers of GST returns.

The total indirect tax collections are estimated to be ₹13.30-lakh crore in 2022-23 which includes ₹7.80-lakh crore from GST, ₹2.13-lakh crore from Custom and ₹3.35-lakh crore from Central Excise.

In a communication to all the officers and staff of CBIC, Johri wrote: “I would like to urge you to keep a close watch on the revenue position and ensure there are no slippages. You may like to closely monitor the trends to ensure that there is no letup in the collection of due revenue.”

The collection from GST has been good. CGST collection grew by over 28 per cent during the first six months. However, collection from custom duty is down by around 6.9 per cent and central excise by over 18.5 per cent.

Global impact

The volatile global situation is affecting international trade. While exports are down, import growth is also not very consistent, impacting revenue from customs duty. At the same time, the government lowered Central Excise on petrol and diesel twice in the last 12 months, first last November and second in May this year.

Altogether, these cuts are likely to have an impact of over ₹2-lakh crore annually on the Central Excise collection. It is important to note here that Central Excise is levied at a specific rate which means a rise in crude will not impact excise collection.

Officials say that the government has little option for Central Excise and Custom, which is why much focus is on GST. And in GST, the Centre alone cannot do everything. The role of States is very critical which is why the latter are taking steps to further improve compliance to boost collection.

In this regard, the Centre notified amendments in late September in GST law made through Finance Act 2022. Taking a cue from this, States are issuing steps with Tamil Nadu being the latest.

Steps to follow

In a circular titled 'Procedures for initiation of action on non-filers of returns', the State's Commercial Tax Department reiterated responsibilities and procedures to be followed in respect of non-filers.

It has been said that though 90 per cent of the revenue is derived from 37,740 taxpayers, the fact remains that at the end of every month, revenue is realised from only 90 per cent of these taxpayers.

Timely collection of returns is the most important item of work in the territorial division. "From 20th to 30th of every month, priority is to ensure that all returns of these taxpayers who are contributing 90 per cent of the revenue are filed before the end of the month," it said.

Keeping this in mind, the circular said that every proper officer has to contact the defaulter over the phone and emails for reminding to file the pending returns.

	Union Excise Duty		Custom Duty		CGST		Compensation Cess	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
April	96	154	10732	17906	64093	55458	10435	9187
May	30730	30944	14137	12284	49876	28292	10199	8886
June	30402	32480	11958	11166	65423	33696	10749	6565
July	23919	32480	14543	16608	55357	47901	10654	7530
August	28816	36849	14315	18261	51911	53326	9889	8474
September	25911	34448	20942	16428	54989	47979	9967	8489

Source: Controller General of Accounts

The Deputy Commissioners shall personally watch the filing of returns by the top 100 taxpayers of their respective zones contributing 90 per cent of the revenue and "for any default in filing of such returns, the Deputy Commissioner concerned would be held responsible".

The Territorial Joint Commissioners will also closely monitor the progress of return filing by the top taxpayer and see that the returns are filed on time.

Source: thehindubusinessline.com- Nov 20, 2022

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What is 'Friendshoring', the buzzword in global supply chains?

The term, a cousin of "reshoring" and "onshoring" and a sibling to "nearshoring," is shorthand for the practice of relocating supply chains to countries where the risk of disruption from political chaos is low.

At the start of the COVID-19 pandemic, Bonnie Glick, then the deputy administrator of the U.S. Agency for International Development, was struggling to navigate the complex sourcing for essentials like HIV medications and malaria vaccines.

The experience focused her attention on the fragility of global supply chains — and how they could be safeguarded. U.S. companies, she came to believe, should focus on making products at home ("reshoring" or "onshoring"), closer to home ("nearshoring") or in countries aligned with U.S. interests — a concept that lacked an established term but that she called "allied shoring."

As the idea caught on, the terminology evolved. Last June, two economists at the Brookings Institution wrote about "ally shoring," crediting Glick for the term. This past June, the White House included "ally and friendshoring" in a report on building resilient supply chains. That same month, Treasury Secretary Janet Yellen spoke about friendshoring on a trip to Toronto.

Willy Shih, a professor at Harvard Business School who studies supply chains, remembers first hearing about friendshoring in a speech Yellen made last April. As a strategy, he thought it was more practical than onshoring. "It's a recognition that we can't do everything ourselves in this country," he said.

While most companies are not picking their factory locations from a list of allied nations, Shih says they are increasingly including geopolitics in their risk calculations. China's zero-COVID policy has caused major disruptions to companies operating there. Russia's invasion of Ukraine threw global supply chains into chaos.

"It's kind of a new era," Shih said. "Fifteen years ago, there weren't these flashing warning signals saying unexpected things can happen."

Still, friendshoring isn’t easy. For one, relocating to nations with favorable politics could make products more expensive. For another, who, exactly, are your friends? In the last couple years, President Joe Biden went from calling Saudi Arabia a “pariah” to fist-bumping Crown Prince Mohammed bin Salman to vowing that the kingdom would face “consequences” for teaming up with Russia to raise oil prices.

And not everyone is convinced that friendshoring would be good for the economy. In a report on the trade implications of the war in Ukraine, the World Trade Organization predicted that if the world split into Eastern and Western trading blocs, global GDP would drop by 5%, with emerging economies shouldering most of the cost.

Raghuram Rajan, a business professor at the University of Chicago and former governor of the Reserve Bank of India, wrote a takedown of friendshoring on the website Project Syndicate. He noted that four domestic companies supply most of the baby formula in the United States, yet shortages occurred.

“Friendshoring is an understandable policy if it is strictly limited to specific items directly affecting national security,” Rajan wrote. “Unfortunately, the term’s public reception already suggests that it will be used to cover much else.”

Source: economictimes.indiatimes.com- Nov 18, 2022

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With ecommerce exports, it is peak season all year round

Director Global Trade – Amazon India

Ask any entrepreneur amongst your friends and family about the most important time of the year. Invariably, the answer is around Diwali. It's the time when many business families start their new year. In fact, the weeks preceding Diwali see multiple festivals across different Indian states marked by an upsurge in consumption. The 80-20 rule comes into play when entrepreneurs often do 80% of their annual business in 20% of the year (about two months starting with Raksha Bandhan and ending with Diwali). The period is associated with bonuses, gifts exchange, and renovations, which also feed into increased consumption. No wonder peak seasons like Diwali matter; they can make or break the year's appearance for an entrepreneur.

Until a few years back, Indian entrepreneurs worked on a Diwali-to-Diwali cycle. So, the post-Diwali phase would mean starting with plans for the next Diwali. However, ecommerce and, more importantly, ecommerce exports have meant that right after Diwali, businesses start prepping for the holiday season in Europe and North America, followed by peak shopping seasons in the Middle East, APAC, and Australia. In a manner of speaking, one peak season from the last couple of years ago is now giving way to multiple peaks throughout the year with festivals like Christmas, Thanksgiving, Halloween and more.

How ecommerce exports are providing Indian businesses a springboard for global success

Exports in India were conventionally a B2B phenomenon where businesses would contract manufacture for brands worldwide. The scale and complexity of the business also meant that only a select few were involved in this area. But things changed dramatically with the advent of faster internet, the emergence of global ecommerce marketplaces and easy availability of digital marketing tools and technologies. All this has made it much easier for entrepreneurs to connect directly with the end customers without having any presence outside India. We are already seeing businesses of all sizes leverage ecommerce to experiment in newer markets, tailor their products for customers as per diverse customer preferences and do this all under their own brand. As per a recent report by Morgan Stanley, the global e-commerce market could grow from

USD3.3 trillion currently to USD 5.4 trillion in 2026. This presents a vast dais for Indian sellers to realise the booming global opportunity.

What do Indian entrepreneurs need to do to tap this opportunity?

So, the question arises, "What do Indian entrepreneurs need to do to set themselves up for this new way of doing business? The answer is simple but multifaceted:

Put the customer at the centre: Customer experience matters. It matters everywhere. We have learnt in so many years of serving customers is that they want three things – selection meaning great products, value meaning great prices and convenience which means fast and reliable delivery. So, as an entrepreneur, your number one focus must be on ensuring your customers have a great experience every time, especially when they might be buying a gift for their loved ones.

Leave the heavy lifting to experts: Cross-border selling can be complex, but enough resources are available today to plan well ahead of shopping peaks. It becomes easier to when you can leave some of the heavy lifting of inventory planning, logistics and payments etc to people who have expertise in the area, while you can focus on your product. For instance, ecommerce marketplaces and even service providers can help you in demand forecasting, support with inventory planning and deployment, advertising and marketing services. So, you don't have to do everything on your own.

Be ready for surprise use cases: Customers buy different types of products or for different reasons. For instance, Indian bedsheets are a big hit in the west but not for their intended use. They are more popular as throws and tapestries. Another interesting example would be of how the rich and authentic flavour of "shudh ghee" (clarified butter) is now appreciated by coffee connoisseurs worldwide as a supplement to enhance coffee blends.

There's more than just one Diwali: Every market has different peak seasons, so it's important to keep track and gear your operations accordingly. And while multiple peaks help entrepreneurs accelerate their business by serving a much larger customer base, it also helps entrepreneurs hedge their business against disruptions or a dull season in one or two markets. We saw this playing out during the pandemic as well where entrepreneurs on our exports program who had exposure to multiple markets managed to sustain and grow their businesses despite disruptions in certain markets.

A new dawn on the horizon

The convergence of ‘Make in India’, ‘Digital India’, and a growing number of online shoppers across the world are great levers for Indian entrepreneurs to accelerate their business beyond the festival season in India. The Government also announced programs like Gati Shakti and other capacity building measures like ‘Raising and Accelerating MSME Performance’ (RAMP) and ‘Capacity Building of First-Time MSME Exporters’ (CBFTE) which will further help Indian MSMEs become more future ready for exports.

Technology is a great leveller at so many levels and now is the time for India to leverage technology to create a level playing field for Indian businesses to compete at a global stage. It is estimated that there are nearly 2 billion online shoppers around the world today and technology enabled ecommerce exports will be critical to enable access to this customer base.

Ecommerce helps remove several friction points and complexities related to exports business around market access, data insights, cross-border payments and logistics. The numbers speak for themselves.

Source: timesofindia.com- Nov 21, 2022

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Marriage season demand brings cheer to Surat fabric hub

The ongoing marriage season and the upcoming Pongal festivities have buoyed the prospects of the Surat-based man-made fabric (MMF) hub in the wake of fresh orders from the domestic market.

Most of the textile units situated at Surat had shut their activities for almost a fortnight after Diwali in absence of new orders. Generally, these units remain closed for three to five days after Diwali, but this year the units forced daily wage workers to proceed on unpaid extended Diwali vacation.

"Textile industry in Surat started operations from November 7. After a week's period, business activities are resuming. Due to fresh orders, traders are able to offload inventories. Though demand is not as per our expectations, the market seems to be on a revival path.

Apart from marriage season related purchases, inquiries are being generated from Southern India in the wake of Pongal festivities," says Dev Kisan Mangani, advisor, textile committee, South Gujarat Chamber of Commerce and Industry (SGCCI).

According to Mangani, compared to last year demand is almost 30 to 35% less but Surat-based textile units are hoping the market would stabilise by February next year. Nearly 300-plus textile markets situated in Surat observed an increase in footfalls as well as fresh inquiries over the last one week, he added.

Ashok Jirawala, president of the Federation of Gujarat Weavers Association (FOGWA) says that against the installed capacity of 450 million metre per day fabric production capacity of Surat textile industry currently, textile units in and around the South Gujarat city are producing nearly 300 million metres on daily basis over the past one week.

"During October this year, hardly 200 to 250 million metres of grey fabric was manufactured in Surat. We are hopeful that by early 2023, Surat textile cluster will start functioning at optimum capacity," says Jirawala.

Says Jitu Vakharia, president of South Gujarat Textile Processors Association (SGTPA), "There is a slight improvement as far as textile processing segment is concerned. Earlier processing houses were functioning at below 50% capacity whereas now they are operating at nearly 60% capacity," he added.

Thousands of spinning, weaving, processing and embroidery units situated in and around Surat have annual collective turnover of Rs 80,000 crore and these units provide direct employment to more than 1.5 million people.

Source: financialexpress.com- Nov 21, 2022

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Closing cotton stock to increase by 2.5 million bales this season

Reduced domestic consumption as well as exports coupled with higher production led by increased sowing area may increase closing cotton stock for 2022-23 season by 2.5 million bales (170 kg per bale) to nearly 5.8 million bales compared to previous season.

“Cotton season in India begins from October 1 and ends on September 30. As on September 30, 2022, closing cotton stock stood at 3.3 million bales.

However, looking at consumption and export trends for the current season, domestic cotton consumption is expected to drop 2 million bales and export too is likely to reduce by 0.5 million bales. It means closing stock would go up to 5.8 million bales as on September 30, 2023,” said Atul Ganatra, president of Cotton Association of India (CAI).

According to Ganatra, another reason for increased cotton stock by the end of current season is higher cotton production. CAI has estimated cotton production of 34.4 million bales for 2022-23 which is almost 3.7 million bales higher than previous year. This year so far, sowing is complete in 12.8 million hectares which is one million hectares higher than 2021-22.

The CAI president claims that looking at the current situation of spinning mills, domestic cotton consumption would reduce from 32 million bales to 30 million bales. “At present Indian spinning mills are running at 50 to 60 % capacity. Considering this trend, cotton consumption of spinning mills across the nation will be nearly 5.5 million bales from October to December this year. It was nearly 8 million bales last year during the corresponding period,” said Ganatra.

Similarly, subdued international demand would decline export from 3.5 million to 3 million, he said adding that domestic cotton price is almost 10% higher than international cotton price which is the main reason for lesser export compared to previous year. Cotton import is likely to reduce during 2022-23 by 0.2 million bales to 1.2 million bales from 1.4 million bales, he said.

For the current crop year cotton supply is expected to remain around 38.7 million bales which was 39.2 million bales during 2021-22. Based on the information provided by the 30 CAI members across the cotton growing regions, the first estimate on cotton production and consumption was decided considering the prevailing weather conditions and other criteria.

As many as 10 cotton growing states have been divided in three zones – Punjab, Haryana and Rajasthan in North Zone – Gujarat, Maharashtra and Madhya Pradesh in Central Zone – Andhra Pradesh, Telangana, Karnataka and Tamil Nadu in South Zone.

With almost over 50% share, the Central Zone is expected to produce 19.6 million bales of cotton as against 17.1 million bales in 2021-22. Cotton production in the South Zone to remain at 9.2 million bales as against 8 million bales and in the case of North Zone production is expected to remain the same at 5 million bales.

Source: financialexpress.com- Nov 21, 2022

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