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IBTEX No. 237 of 2022 — December 09, 2022

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INTERNATIONAL NEWS

China's foreign goods trade jumps 8.6% YoY during Jan–Nov 2022

China foreign goods trade rose by 8.6 per cent year-on-year (YoY) from January to November 2022, totalling up to 38.34 trillion yuan (around $5.78 trillion), as per the General Administration of Customs (GAC) department.

Imported goods to China went up by 4.6 per cent YoY to 16.5 trillion yuan and exports from the country shot by 11.9 per cent YoY to 21.84 trillion yuan. Moreover, during the first 11 months of 2022, the East Asian country's trade with the US surged by 4.8 per cent and with the European Union by 7 per cent, while its trade relationship with the Association of Southeast Asian Nations surpassed that with the former two with a growth of 15.5 per cent, as per several Chinese media reports.

From January–November 2022, China's trade with nations along the Belt and Road region climbed 20.4 per cent YoY to 12.54 trillion yuan. Additionally, private firms witnessed an annual growth of 13.6 per cent in exports and imports to 19.41 trillion yuan in the same period, which stands for 50.6 per cent of China's total trade.

Source: fibre2fashion.com- Dec 08, 2022

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Thailand's apparel imports from Cambodia may rebound after steep fall

Thailand's apparel imports from Cambodia are likely to rebound during the current year, although they may still not touch pre-COVID levels. The trade was at $39.729 million in January-September 2022. The shipment had witnessed a steep fall in 2020 and 2021. The imports during the first three quarters of this year indicate that the trade is rebounding well.

Thailand imported apparel worth $39.729 million in the first three quarters of this year, already nearing the total imports of $41.010 million during 2021, according to Fibre2Fashion's market insight tool TexPro. The imports this year are likely to breach last year's figure.

An analysis of data shows that the imports peaked at $95.806 million in 2019, increasing from $89.091 million in 2018 and $67.170 million in 2017. But it slid to $73.986 million in 2020, before falling drastically to $41.010 in 2021.

Traditionally, Thailand is an apparel importer for Cambodia and exports apparel in smaller volume to the latter. Thailand's apparel exports to Cambodia stood at $7.099 million in 2021, $6.394 million in 2020, $10.680 million in 2019 and $9.957 million in 2018. It exported apparel worth $8.482 million in the first three quarters of this year, as per TexPro.

Source: fibre2fashion.com- Dec 09, 2022

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German industrial production down by 0.1% in Oct 2022 on Sep

Industrial production in real terms in Germany was down by 0.1 per cent in October this year on September on a price-, seasonally- and calendar-adjusted basis, according to provisional data of the Federal Statistical Office (Destatis). A rise of 1.1 per cent (provisional figure is 0.6 per cent) was observed in September compared with August.

Calendar-adjusted production remained unchanged in October this year compared to the same month last year.

In October this year, production in industry excluding energy and construction was down by 0.4 per cent in seasonally- and calendar-adjusted terms compared with September. Compared with the same month last year, the increase in the same was 0.8 per cent.

Outside industry, energy production in October this year was down by 7.6 per cent.

In contrast to the overall industry, production in the energy-intensive industrial branches declined by 3.6 per cent in October this year compared with September, Destatis said in a release.

Source: fibre2fashion.com- Dec 09, 2022

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US' textiles & apparel imports up 22.76% in Jan-Oct 2022

US' imports of textiles and apparel have continued to grow despite the impact of the economic challenges on discretionary expenditure globally. It rose by 22.76 per cent to $114.787 billion in the first ten months of 2022, compared to $93.505 billion in the same period of 2021. With 25.60 per cent share, China continues to be the largest supplier of textiles and clothing to the US, followed by Vietnam with 14.53 per cent.

Within textiles, apparel constituted the bulk of the imports by the US in January-October 2022, amounting to $87.093 billion, while non-apparel imports accounted for $27.693 billion, according to the latest Major Shippers Report, released by the US department of commerce.

Segment-wise, among the top ten apparel suppliers to the US, imports from Bangladesh and Indonesia shot up by 48.57 per cent and 47.57 per cent year-on-year, respectively. Imports from India and Cambodia too grew by 45.04 per cent and 36.90 per cent, respectively. Additionally, imports from Pakistan, which is one of the top 10 suppliers to the US, registered a growth of 35.01 per cent compared to the same period of the previous year.

In the non-apparel category, among the top ten suppliers, imports from Cambodia soared by 60.72 per cent year-on-year. Imports from Vietnam and Italy too climbed by 34.24 per cent and 18.80 per cent, respectively. On the other hand, imports from Turkey dipped by 10.93 per cent.

Of the total US textile and apparel imports of $114.787 billion during the period under review, man-made fibre products accounted for $59.056 billion, while cotton products were worth $49.582 billion, followed by $3.740 billion worth of wool products, and $2.408 billion worth of products from silk and vegetable fibres.

In 2020, the US textile and apparel imports had decreased sharply to $89.596 billion compared to imports of $111.033 billion in 2019, mainly on account of the disruption caused by the COVID-19 pandemic. But imports rebounded again in 2021 to reach $113.938 billion, thus surpassing the pre-pandemic levels.

Source: fibre2fashion.com- Dec 08, 2022

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KORUS Rule of Origin Change for Yarns Would Have Negligible Effect, ITC Says

A proposed modification to the U.S.-Korea free trade agreement rules of origin for certain fabrics of HTSUS heading 5408 made from textured and non-textured triacetate filament yarns of subheading 5403.33 appears likely to move ahead after a recent International Trade Commission report.

The U.S. and Korea announced in July a preliminary agreement on this change, which would allow woven fabrics of artificial filament yarn made in Korea or the U.S. to be eligible for preferential treatment under KORUS when made with non-originating triacetate yarn.

The ITC has now determined that U.S. imports of and demand for the affected articles is small and that the likely effect of the proposed change on imports under KORUS and total U.S. imports of these products is negligible.

The ITC states that there would also be little to no effect on U.S. production or exports of the affected articles because there are no known domestic producers of the articles directly affected by the proposed change.

For more information on FTA rules of origin and how to comply, please contact Nicole Bivens Collinson at (202) 730-4956 or Elise Shibles at (415) 490-1403.

Source: strtrade.com- Dec 09, 2022

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Guangzhou moves major textile biz to Qingyuan

Textile and garment accessories processing and manufacturing businesses in an industrial base in Guangzhou, Guangdong province, will be moved northward to Guangdong's Qingyuan as a bid to enhance in-depth industrial cooperation between the two cities, according to local authorities.

After more than 30 years in development, the industrial base, near Sun Yat-sen University, has become one of the leading trade markets for textiles and garment accessories in the country, with an estimated annual trading volume exceeding 200 billion yuan ($28.65 billion), according to a local government source.

However, a lack of reasonable industrial planning remained a big problem at the base, said Huang Fuwei, deputy district head of Haizhu in Guangzhou.

The Kanglu area in Haizhu district, where the textile base is located, was also hit by the latest COVID-19 resurgences.

Operations of textile businesses within the area have yet to resume, following the lifting of closed-off management measures against the pandemic across the city, according to sources with the Textile Industrial Association of Sun Yat-sen University International Innovation Valley.

"The scale of textile and garment processing plants in the district is generally small, with development prospects being limited due to restrictions of urban space and other factors such as firefighting conditions," said Huang.

Huang said the Guangzhou base will develop into the headquarters for research and incubation in the near future, while Qingyuan will be a major area for textile and garment accessories processing and manufacturing.

"We will jointly build a modern textile industrial cluster, which is expected to be a demonstration site for industries being transferred from the prosperous Pearl River Delta region to other areas," said Huang during a recent industrial promotion meeting held in Guangzhou.

The first group of textile processing and manufacturing businesses will be encouraged to move to Qingyuan, after a series of preferential policies such as reducing and exempting fees for renting plants, providing dormitories and apartments free of charge and offering subsidies for the purchase of equipment are announced, Huang added.

Such businesses will be moved to a modern technology center in Qingyuan, about a one-hour drive north of Guangzhou, with a planned construction area of more than 666 hectares.

Designed by the China Textile Planning Institute of Construction, the center, inside a special economic cooperation zone between the two cities, will be built into an industrial cluster dominated by textiles and clothing, with fashion industries such as cosmetics, leather goods and bags as goods produced.

"Textile processing and manufacturing businesses from Guangzhou will have advantages in terms of industrial space and costs when they are transferred to Qingyuan," said Pan Haitao, director of the Qingyuan Bureau of Commerce.

The operating costs in land use, transportation, water and electricity are only 60-70 percent of those in the prosperous Pearl River Delta region, Pan said.

Source: chinadaily.com.cn- Dec 09, 2022

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Bangladesh, Vietnam's US Denim Shipments Trounce China

Jeans imports into the United States increased 24.7 percent year to date though October to a value of $1.85 billion, but China didn't participate in their uptick, new data from the Commerce Department's Office of Textiles & Apparel (OTEXA) showed.

As retailers and brands brought in goods for their final fourth-quarter push, women's and girls' "blue denim trouser" shipments slightly surpassed men's and boys' jeans imports. Women's jeans imports rose 25.11 percent to $1.74 billion in the 10-month period, while men's shipments were up 24.33 percent to $1.85 billion, according to OTEXA.

Abercrombie & Fitch CEO Fran Horowitz told Sourcing Journal last month that women are buying jeans and non-denim pants, "and that's because probably [with] the jeans she can still wear them to get a little bit more dressed up."

Horowitz pointed to a pronounced "shift out of denim into both non-denim bottoms, including cargo," but said jeans are the most important go-to item for back-to-school, although "it becomes less important heading into the fourth quarter." While there are some "new things happening outside of denim, there's still a lot of things happening in denim—the high rise, the wider legs, all of that is still important for that consumer," she added.

In women's and girls', OTEXA data showed imports from top producer Bangladesh increased 36.76 percent to a value of $384.58 million, while second-place Vietnam's shipments rose 19.06 percent in the period to $285.82 million.

Among their Asian competitors, imports from China fell 1.06 percent year to date to $237.06 million, with companies increasingly putting their sourcing plans elsewhere to avoid paying ongoing tariffs and to stay away from the political risks surrounding the country.

Imports from neighboring Pakistan were up 37.53 percent to $227.02 million, shipments from Cambodia jumped 35.77 percent to $138.27 million, shipments from Sri Lanka increased 23.15 percent to $58.82 million and imports from Macau were up 40.1 percent to $26.16 million.

Rounding out the Top 10, imports from Mexico increased 37.33 percent to $92.18 million, Egypt's shipments jumped 79.19 percent to $79.03 million and imports from Turkey were up 20.94 percent to $52.44 million.

In men's and boys' jeans, No.1 producer Mexico saw its imports into the U.S. rise 17.11 percent in the period to a value of $546 million, followed by Bangladesh's 46 percent gain to $443.7 million. Imports from No. 3 supplier Pakistan rose 33.21 percent year to date through October to $189.09 million, with other Asian nations among the Top 10 suppliers all posting increases except China.

Shipments from China declined 1.09 percent in the period to $71.69 million, while imports from Vietnam were up 19.36 percent to $93.33 million, shipments from Cambodia rose 47.66 percent to $46.64 million and imports from India increased 46.5 percent to $43.03 million.

Completing the Top 10, imports from Nicaragua rose 25.76 percent to $122.38 million, shipments arriving at U.S. ports from Egypt increased 21.47 percent to $113.97 million and imports from Lesotho were up 10.46 percent to $39.04 million.

Source: sourcingjournal.com- Dec 08, 2022

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Vietnam: Garment firms join major textile sourcing show in India

The Trade Office and Embassy of Vietnam opened the country's pavilion at Intex South Asia, an international textile sourcing show held in New Delhi on December 8.

At the event, Vietnamese businesses, including Mai Mai Service and Trading Co. Ltd, Max Blue Vietnam Co. Ltd, and Beevalue Import - Export - Production Co. Ltd, showcase a number of fashion items, along with fabric, yarn, and accessories in the textile - garment sector.

Intex South Asia is held by Worldex India Exhibition and Promotion Private Limited and the Federation of Indian Chambers of Commerce and Industry (FICCI), with sponsorship from the Ministry of Commerce and Industry and the Ministry of Micro, Small and Medium Enterprises of India.

The event, a leading international textile sourcing show in South Asia, has taken place for nine times in Sri Lanka, Bangladesh, and India since 2015.

This year, more than 100 major suppliers of fibre, yarn, fabric, apparel accessories, dyes, and chemicals have come to the show, which also includes a series of workshops and networking events.

Source: en.vietnamplus.vn- Dec 09, 2022

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Dhaka seeks zero tariff on RMG exports to US at 6th TICFA meeting

At the 6th meeting of the US-Bangladesh Trade and Investment Cooperation Forum Agreement (TICFA) held in Washington DC recently, Bangladesh proposed zero tariff on finished apparel products made with American cotton being exported to the United States. Bangladesh currently pays the highest tariff on its apparel products exported there compared to other nations.

Assistant US trade representative (USTR) for South and Central Asia Christopher Wilson and bangladesh commerce ministry's senior secretary Tapan Kanti Ghosh led the respective delegations at the meeting.

The topics discussed were removing fumigation requirement for imported US cotton, preferential access of Bangladesh products to the US market, production sharing of US cotton-based garments, trade and investment climate, intellectual property rights, technical cooperation for quality certification infrastructure and labour issues.

Wilson agreed to continue further discussion on the proposal made by Bangladesh. The US side requested Dhaka to simplify the profit repatriation for US investments in Bangladesh.

Both sides agreed to hold the 7th TICFA Meeting in October next year in Dhaka.

Source: fibre2fashion.com- Dec 09, 2022

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Pakistan: Textile value chain: APTMA demands restoration of 'zero rating'

All Pakistan Textile Association (APTMA) has urged the federal government for immediate restoration of 'Zero Rating' for the entire textile value chain in order to make available working capital for a cash-strapped textile industry.

Gohar Ejaz, Patron in Chief APTMA, in a letter sent to Federal Finance Minister Ishaq Dar has highlighted the issues being faced by the textile industry and requested the federal government for supply of gas priority for export sector, zero rating regime for textile sector, payment of pending refunds, waiver of demurrage charges and make available forex for cotton and other raw materials.

"These issues need to be addressed for the textile sector to maintain & grow exports to contribute at par in line with capacity towards a sustainable Balance of Payments", he said.

According to Gohar Ejaz, Bangladesh readymade garment sector exports witnessed a growth of 16 percent year-on-year basis by exporting garments worth $ 18.33 billion as compared to $ 15.86 billion last years, while Pakistan textile sector witnessed a decrease of 4 percent in exports as compared to same period from $ 7.76 billion to $ 7.44 billion.

Bangladesh's significant export earnings are attributed to capitalizing on market availability, something Pakistan is not doing at the present.

Currently, Pakistan's industry is struggling with costing and production issues, which include the realized value of exports, he mentioned.

He said that increases in Pakistan textile exports (in recent years) have been wrongly attributed to a commodity price increase. On the contrary, the textile export data for the last five years showed that volumetric textile exports are the primary driver with a double-digit increase in value added items.

Under current circumstances APTMA has requested immediate restoration of SRO 1125, i.e., Zero Rating for the entire textile value chain in order to make available working capital.

With the withdrawal of Zero-Rating (SRO 1125) and the implementation of a 17 percent General Sales Tax (GST) on export-oriented sectors, the cost of doing business has increased to unsustainable levels as a consequence of increased working capital and the much higher interest rates, said Patron in Chief-APTMA.

In FY22, the total amount retained by FBR as sales tax on domestic sales was only Rs 50 billion out of Rs 249 billion collected. Approxi-mately, Rs 250 billion of the industry remains with the FBR at all times as a result of this collection and refund mechanism. This indicates that 80 percent production is being exported while only 20 percent is being consumed domestically.

He mentioned that sales tax is consumption based, which inflates inventory and capital costs, serving as an impediment to new projects and expansion of exports as capital cost increases by 20 percent and refund can only happen after commercial operations.

Because of the high rate of sales tax, trade volumes outside the Sales Tax system have expanded, resulting in smuggling, outright fraud, and the import of used clothing into the country and Pakistan is among the top importers of used clothing.

Ejaz suggested that sales tax on domestic sales should be deducted at the Point of Sale. This will subject any product sold domestically from any source to a 17 percent sales tax, including smuggled goods, he added.

APTMA demanded change in gas allocation and urged the government for supply of gas to textile at priority. The present allocation of gas resources is highly unsustainable for the economy in the long term.

In order to ensure sustainable gas supply and competitiveness, priority of gas supplied to different sectors of the economy should be reviewed in a way that productive sectors of the economy that add more value to GDP be given preferential priority in domestic gas allocation and supply, APTMA demanded.

That means allotting the first priority of gas supply to industry including captive power ahead of the domestic sector and creating a two-tier allocation for industry in which export-based industry should be given preference.

Gohar Ajaz in his letter has also asked for pricing reforms in the Gas Sector and said that the export sector in Punjab is being provided gas at $9/ Mmbtu even under the RCET, while households' basic tariff was $1 and about $2 on average per Mmbtu. Similarly, gas prices for fertilizer start from $1/MMBtu, signalling a non-transparent and inefficient subsidy to the agriculture sector.

Gas/ RLNG being supplied to Punjab is priced at 9$ for less than 50% of the average consumption of mills last year.

The Gas/ RLNG being supplied to mills in Punjab is less than 1/3 of the required quantity of 200 MMCFD.

At present gas supply to the Sindh export industry is supplied at $ 3.75/ MMBTU (Rs 840) and at a quantity meeting 80% plus requirements.

"This is contrary to the commitment that the differential in gas/ RLNG pricing within the country will be less than $2 to keep Punjab industry competitive. There is huge difference in gas pricing as Punjab-based industry is paying for gas at $9 and electricity at Rs20/ kWh while bulk of Sindh industry is generating their electricity at 4 cents/ kWh.

"This kind of differential and encouragement of non-productive use of a scarce commodity must be curtailed, and the government must make the much-needed pricing reforms in the gas sector, through a weighted average cost of gas (WACOG) and pricing reflecting the true economic value addition through gas", he demanded.

He further mentioned that textile mills are facing difficulties since banks are not clearing import documents and the Collector Customs is refusing to waive port detention and demurrage charges.

As these are charges incurred/ paid by importers due to a lack of dollars in the country that is not the importer's fault. So far, the total cost of demurrage and detention is almost Rs 1.5 billion.

He urged the federal government for waiver of demurrage and detention charges as a consequence of the non-availability of forex may be refunded from Export Development Fund (EDF).

The issue of raw material clearance subject to cash against documents remains unresolved due to the non-availability of forex and there is no other procedure in place to release the raw material from ports. Mills are currently unable to obtain cash against documentation and are closing owing to a shortage of raw materials.

Therefore, he requested the government to issue instruction to banks to make available forex for cotton and other raw materials as first priority.

APTMA has also requested for extension in submission of Duty Drawback Claims for FY21 as many exporters are failed to submit their Duty Drawback claims by the deadline due to delays in collation and availability of documents.

It has also demanded refund of Textile Upgradation Fund (TUF) as many of members have also submitted bank guarantees as per procedure. Bank guarantees have been submitted for the past 1 to 2 years, but mills have yet to receive the TUF refund, so their bank guarantees and liquidity are tied up as a result.

"SBP has not yet approved the limit for the Banks and the Banks have categorically refused any indication for approval of LTFF limits," Ejaz mentioned and demanded immediate approval of Long-Term Financing Facility (LTFF) He also asked for provision of RCETs for Industrial Estates including LIEDA, FIEDMC and Sundar.

Source: brecorder.com- Dec 09, 2022

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‘Pak-Vietnam trade value to reach $1b’

Ambassador of Vietnam to Pakistan Nguyen Tien Phong on Thursday expressed the hope that the annual trade volume between Pakistan and Vietnam is likely to reach $1 billion by the end of 2023.

He said that the current annual trade volume between Pakistan and Vietnam is $800 million, which can be easily increased to $1 billion by the end of next year by developing it in more potential sectors. The Ambassador of Vietnam said this while addressing the roundtable on ‘Vietnam-Pakistan economic and trade ties to realize future prospects’ hosted by the Centre of Pakistan and International Relations (COPAIR).

The COPAIR is Islamabad-based think tank where media man, TV Anchors, and office bearers of Federation Pakistan Chamber of Commerce and Industry (FPCCI) attended the event held here.

The ambassador said that the two countries have extensive economic and commercial cooperation in the textile and yawn, leather, surgical, fabric and tourism sectors.

He said that the import of Vietnam’s fabrics is 34.45 billion, where Pakistan has wider opportunities and Pakistan’s exports to Vietnam in this sector are very less.

Similarly, Vietnam’s surgical equipment imports are $479 million, where Pakistan’s presence is negligible. Nguyen Tien Phong said that there are vast opportunities for trade cooperation between Vietnam and Pakistan in tourism.

He said that Vietnam was importing many products including cotton yarn, medicines, surgical instruments, leather products, fabrics, chemicals, meat and mutton products, pet food, fertilizers and Pakistan should enhance exports of these products to Vietnam to take the bilateral trade to over $1 billion.

He said that Pakistan has a talented workforce in IT and software field and Vietnam has good demand for these professionals, so Pakistan can increase the export of its IT manpower to Vietnam.

As of November 30 of this year 2022, 2.85 international tourists visited Vietnam in the last eleven months, which is increasing every year. In domestic tourism, 83.6 million Vietnamese people visited different places in their country.

The Vietnamese envoy said that Vietnam's tourism has an annual potential of $20 billion, which is increasing every year. Nguyen Tien Phong said that Pakistan is a country with a large population whose influence extends not only to South Asia but also to the Pacific.

He said that the historical mutual trust and mutual confidence and cooperation in both the countries is of utmost importance in mutual relations.

He said that shared property, regional connectivity and justice are the basic components of Vietnam's foreign policy. He said that in the coming year, it is possible for the two countries to exchange the heads of state or high-profile visits, which has a strong possibility of further strengthening of mutual relations.

Source: thenews.com.pk- Dec 09, 2022

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NATIONAL NEWS

FTA with Australia to Create Level Playing Field for Indian Garment/Home Textile Exporters

India Ratings and Research (Ind-Ra) opines India's free trade agreement (FTA) signed with Australia, effective 29 December 2022, will be beneficial for Indian garment and home textile exporters. Australia's zero import duty access to India (earlier 5%) will provide a level playing field with exports from China, Vietnam and Bangladesh. Given China accounts for almost 60% of textile imports into Australia (around USD12 billion in 2020[1]) with India at 5%-6%, Ind-Ra expects the volume of exports to gradually increase in 2023 and thereafter based on producer capacities.

A long-term shift for meaningful volume increases, which encourages incremental capex, would necessitate improving the cost competitiveness and availability of a pool of skilled labour. The availability of domestic sources of cotton and long-term visibility of demand (combined with other FTAs being signed) could encourage domestic entities to diversify exports and manage demand cyclicality better.

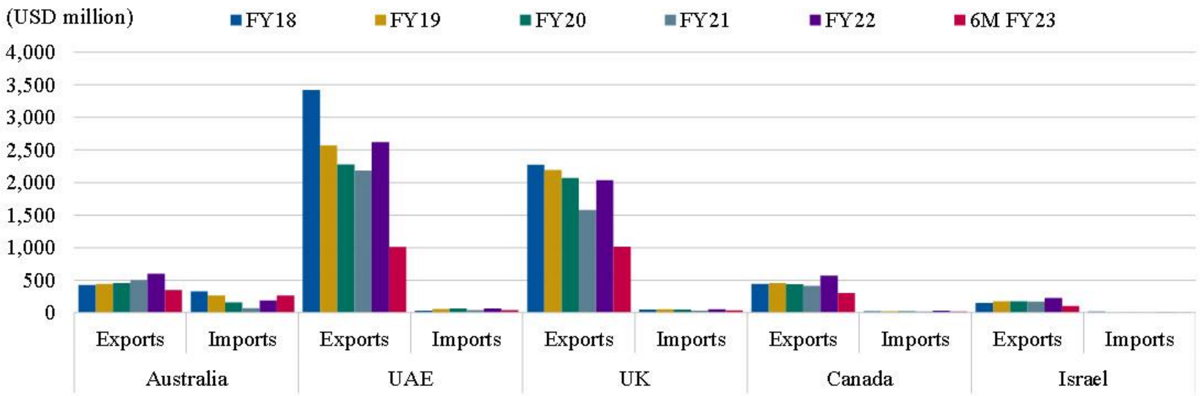
FTA Provides Level Playing Field: FTA with Australia eliminates the import duty on textile exports from India bringing them at par with China, Vietnam and Bangladesh. India's exports to Australia contribute 5%-6% to the total Australian requirement and at a value of USD500 million-600 million, they remained at 1%-2% of total textile exports from India in 2020.

Given the economic challenges being faced by some exporting nations and the increasing need to diversify supply chains, Indian home textile/garment producers are likely to benefit. Given the slowdown being experienced by the US and Europe, this could provide partial relief along with other FTAs likely to be signed with UAE, UK, Canada and Israel.

These markets have an aggregate textile import of USD60 billion and even an incremental gain of 5% for India would be a 50% gain on the existing exports of USD6 billion. The total textile export from India to the world aggregated USD43 billion in FY22.

Figure 1

Indian Current Exports and Imports



Source: Ministry of Commerce and Industry, Ind-Ra

Impetus to Move Up the Value Chain and Reduce Cyclicality: India exports a significant proportion of its low value-added products (25%-30% in FY22) such as yarn and fabrics to China, Bangladesh and Vietnam which use them to value add and export to countries such as Australia and other potential FTA partners.

Ind-Ra expects removal of these tariff barriers through FTAs to increase the incentive to create value addition within the country and increase the proportion of such products in the overall export basket. This will aid the process of diversification and limit the inherent cyclicality associated with the industry.

The textile industry, especially lower down the value chain, remains susceptible to booms and busts, and it is likely that with a less cyclical demand, the risk of defaults and restructuring is reduced significantly over a period of time.

Cost Competitiveness Required for Structural Shift: The removal of duties under the FTA would need to be complemented with improved cost competitiveness with other Asian exporters. China, Vietnam and Bangladesh continue to hold major market shares in the import basket of Australia and a meaningful shift in volumes would necessitate looking at addressing tax anomalies, shortage of skilled labour and increasing the focus on sustainable practices including use of green energy. As wage costs in China continue to rise, India would stand to benefit, although, our costs are still higher in relation to Vietnam, Bangladesh and Pakistan.

Ind-Ra's Sectoral Outlook - Deteriorating: Ind-Ra as part of its Mid-Year Outlook FY23 has revised the sectoral outlook for textiles to deteriorating to reflect the slowing demand in the US and Europe. The build-up of inventories on account of the cut back on discretionary product expenditure and the reallocation of expenses to services have reduced imports into the key US market.

Consequently, the home textile segment continues to experience a demand slowdown whereas other segments of cotton, apparel and man-made spinning continue to benefit from the China+1 sourcing and continuing US ban on the use of cotton from Xinjiang, China. However, given the discretionary nature of textile products, Ind-Ra expects the slowing demand in Europe, the US and other parts of the world to have an impact on textile exports. In addition, small yarn players facing cotton availability issues are likely to get impacted.

Rating Outlook - Stable: The Stable rating Outlook reflects the cushion available in the existing ratings to absorb the deterioration in the industry outlook over the course of the next few months. Ind-Ra expects the credit metrics to moderate in FY23, given the impact on EBITDA margins and the ongoing capex plans.

“Our rating Outlook on textile companies remains Stable and while we expect a demand slowdown in exports to developed markets, some of that may be mitigated by domestic demand and softening cotton prices. The benefits of FTAs are likely to be at the margins in the initial couple of years, but over a period of time, this will provide opportunities for diversification and moving up the value chain for the Indian cotton industry”, says Rohit Sadaka, Director at Ind-Ra.

Source: indiaratings.co.in- Dec 08, 2022

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Global competition will help India innovate and grow fast and achieve the goal of Atmanirbhar bharat: Shri Piyush Goyal

Union Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, Shri Piyush Goyal has said that India will have to face global competition effectively to achieve the goal of becoming a prosperous and developed nation. He was speaking at the CII Global Economic Policy Summit in New Delhi today.

Speaking on the way forward for the Indian economy and the steps being taken to realize the vision of Prime Minister Shri Narendra Modi to make India a developed nation in Amrit Kaal, Shri Goyal remarked that the pandemic alerted us about our dependence on supply chains, particularly from geographies that are not friendly or transparent. It opened our eyes on a number of risk factors in our trading system, our manufacturing and technology gaps that existed in India, he said. This insight has helped us to move forward on the path to Atmanirbhar bharat, he said, adding that India will have to engage much more with the global economy if we want to develop fast. To achieve the goal of Atmanirbhar Bharat, we have to engage much more, not less, with the world, he said. We are not looking for closing our doors – but we are looking to opening our doors wider to global competition and it is the only way that the country will innovate and grow, he said. He gave the example of automobile sector that saw stagnation due to a long period of protectionism to domestic industry.

When we are planning for our journey for the next 25 years, we are looking at inclusive growth, democratized growth, so that no man or no family is left behind, Shri Goyal said. For us Sustainable Development Goals are not a target to be achieved by 2030, we wish to provide those goals much faster, he added.

Shri Goyal said that Prime Minister Modi recognizes that it is important focus on bringing prosperity to the people, to provide good governance, to ensure sustainable and modern infrastructure and use the talent of the youth that is unlocked through National Education Policy. Our work in the last 8 years has been to help build domestic strength, he said, adding that we cannot open our economy without first ensuring that it has the ability to face global competition.

Speaking on Production Linked Incentive scheme, Shri Goyal said that it is designed to support the industry where it is needed in initial years. Government plays a role of handholding support system through this scheme, he pointed out. PLI gives the kickstart, but then the industry has to move on its own strength, he said. The Minister informed that all the decisions linked to this scheme are taken by a committee that comprises all stakeholders from the industry itself. They are working on more ideas for PLI schemes, some of which are on the way, he said. This is one scheme that has found traction and acceptance across the country and good investments coming in, Shri Goyal said.

Shri Goyal said that the government is trying to rejuvenate the textile and cotton sector and is working actively to revitalize this industry, from farmers to exports – as PM articulated – from farms to fiber to fabrics to fashion to foreign. Similarly, National Technical Textile Mission is working to promote innovation and production, he said. We have over 200 projects where academia, industry and government is working in tandem, he informed the gathering. “I invite you to come up with more ideas in this area and we are happy to support all research in this area,” Shri Goyal said.

Assuring the industry of all support, Shri Goyal said that in the FTA negotiations the amount of stakeholder consultations this government has done has helped it take correct decisions. “It helped us to decide to walk out of RCEP,” Shri Goyal said, adding that walking out of that negotiation was in national interest. He pointed out that on 29th December, India-Australia comes into effect. There is not even a single negative comment on India-UAE and Australia FTA because of the extensive consultations with stakeholders, he said.

Explaining the priorities of the government, Shri Goyal said that we have taken proactive measures to control inflation and have calibrated our export duties and import policies accordingly. He said that the government has stopped exports of items which were needed to ensure domestic supply. You can see the result in latest inflation numbers and I am confident that we will soon fall into the comfortable band, he concluded.

Source: pib.gov.in- Dec 08, 2022

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India-UK FTA: UK's Kemi Badenoch to meet Goyal to add momentum to talks

UK Secretary of State for International Trade Kemi Badenoch is likely to visit India next week to hold talks with her counterpart Piyush Goyal on bilateral trade and the proposed India-UK free trade agreement (FTA), which could not be sealed by the Diwali deadline, officials have said.

The sixth round of India-UK FTA negotiations is scheduled to begin on December 12 where negotiators will hold face-to-face talks for the first time after UK's new Prime Minister Rishi Sunak took charge in October this year.

New Govt's approach

"The two sides will discuss tricky issues yet to be ironed out, such as market access for automobiles, whisky, and processed food, visa rules for workers and students, IPRs, government procurement and financial services. Although no major change in the UK's stance is expected in most areas as there is no change in the ruling party, the negotiations could provide more clarity on the Sunak government's approach to work visas," an official told businessline.

Badenoch and Goyal's meeting, lined up for December 13, is expected to add momentum to the FTA negotiations that would be held simultaneously, the official added.

Negotiations delayed

India and the UK launched the FTA negotiations in January 2022 and set a target of doubling bilateral trade to $100 billion by 2030. The Diwali deadline for wrapping up the FTA talks set by then British Prime Minister Boris Johnson and Indian Prime Minister Narendra Modi lapsed as the political turmoil in the UK did not allow negotiations to proceed at the required pace.

"Now that the Sunak government has brought in stability, negotiations are resuming and hopefully will proceed fast. The new goalpost could be March 31, 2023, but nothing has been formally decided," the official said.

What UK wants

Although about 19 of the 26 chapters to be covered in the India-UK FTA have been more or less settled, the road ahead is bumpy. One of the main areas that still needs to be settled is the duty cuts that India will commit to in the areas of automobiles and parts, and wines and liquor.

Both sectors are protected in India with very high tariffs. Although India has agreed to bring down tariffs in a phased manner, wrangling is still going on over the level of cuts. Processed food and some other agricultural items are also high on UK's list of demands where India could hesitate to give in.

Areas such as government procurement, intellectual property and financial services are also problem areas, as the UK is demanding strong commitments while India's stand is conservative.

What India wants

On the other hand, India would want a liberal visa regime for workers and students, and the UK has to be forthcoming here to get concessions in other areas. Home Secretary Suella Braverman earlier this year expressed her concerns about the proposed India-UK FTA leading to increased immigration.

New Delhi also wants the elimination of tariffs on labour-intensive items such as garments, textiles, and leather products.

Source: thehindubusinessline.com- Dec 08, 2022

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A trade wave that wasn't? What a 16.7% plunge in October export numbers mean

After record highs that surpassed export targets in the previous financial year, exports plunged to a low of $29.8 billion in October. What does this mean for India's exports, which had been on a steady upward trajectory until now?

After setting record highs in exports, India is now losing speed and is in danger of losing its hard-won lead. Does it signal the end of a good run for an economy that had managed to move past the $300-billion barrier in exports after almost a decade?

The situation demands scrutiny, as the country had achieved a record export target of $418 billion in FY22, but the outbound trade showed modest growth in the first six months of the current financial year. Signs of global demand weakening became more evident in October when exports sharply contracted by 16.7% year-on-year, the first contraction in 19 months. Exports in October 2022 were $29.78 billion against $35.73 billion in October 2021, reflecting the slowdown globally on account of inflationary pressures, mounting recession fears, currency fluctuations and geopolitical turmoil.

Experts point out that the world is facing multiple challenges at the same time. Also, these issues arose after the global economy went through a subdued period during Covid.

Ajay Sahai, DG & CEO, Federation of Indian Export Organisations (FIEO), describes the global situation as being volatile, and people's purchasing power has come down. "The offtake has been low and countries have raised their interest rates as well. Moreover, the advantage that we had last time — when the prices of commodities were high, helping exports — does not exist now. That also affects the value of exports," he says.

This sentiment is reflected in the WTO Goods Trade Barometer, a composite indicator for world trade. The latest reading, released on November 28, revealed that trade growth was likely to slow in the closing months of 2022 and would remain subdued in 2023. It attributed this to several shocks, including the Russia-Ukraine war, high energy prices, inflation and monetary tightening in major economies.

Trade during October 2022

		October 2022	October 2021
Merchandise	Exports	29.78	35.73
	Imports	56.69	53.64
Services	Exports	28.58	20.37
	Imports	16.3	11.64
Overall Trade	Exports	58.36	56.1
	Imports (Merchandise + Services)	73	65.28
	Trade Balance	**-14.63**	**-9.18**

Values in USD Billion

Source: PIB

ET Rise

The barometer showed a reading of 96.2, lower than the baseline value of 100 and indicative of slower trade growth ahead. “The barometer index was weighed down by negative readings in sub-indices representing export orders (91.7), air freight (93.3) and electronic components (91.0). Together, these suggest cooling business sentiment and weaker global import demand. The container shipping (99.3) and raw materials (97.6) indices finished slightly below trend and have lost momentum,” it stated.

‘Reasonable’ growth levels

Experts contend that the huge growth witnessed by most countries after the pandemic was due to the increased liquidity and pent-up demand that followed.

“There was a significant amount of liquidity in the EU and US owing to the largesse imparted to the economy,” says Atul Gupta, Partner, Deloitte India.

“Such liquidity in the world market was bound to result in a lot of money chasing a limited amount of production. Now the scenario is vastly different with markets such as the EU, US and China getting riled by their own economic worries of inflation and consumption being hit. Growth parameters for major economies have gone down by almost half of what was previously projected.”

One of the major determinants of export performance is the demand and supply equation. Demand is creating the issue now, he says. "I don't see this as a long-term trend. But we will get down to worldwide growth levels, which are reasonable.

You can't think of having a 6% growth in world output anymore, as was the case in 2021. A normal good year of world output is more like 4%. It is estimated at 3.2% in 2022 and 2.7% in 2023, according to the International Monetary Fund," Gupta says.

In fact, the IMF's World Economic Outlook in October had highlighted that this was the weakest growth profile since 2001, except for the global financial crisis and the acute phase of the Covid-19 pandemic. "The world's three largest economies — China, the euro area, and the US — will slow significantly in 2022 and 2023, with downgrades compared with the predictions made in April and, in most cases, July," it noted.

Trade during April-October 2022

		April - October 2022	April - October 2021
Merchandise	Exports	263.35	233.98
	Imports	436.81	328.14
Services	Exports	181.39	138.01
	Imports	106.45	77.89
Overall Trade	Exports	444.74	371.98
	Imports (Merchandise + Services)	543.26	406.03
	Trade Balance	**-98.52**	**-34.05**

Values in USD Billion
Source: PIB

ET Rise

A look at the numbers in October shows that India's exports have not been insulated from the impact of such developments in major economies. According to the Press Information Bureau, some of the commodity groups exhibiting negative growth in the month included iron ore, gems & jewellery, engineering goods, spices, carpets and ceramic products.

Another reason why a fall in exports should be more worrisome than earlier is that outbound trade has a larger say in the economy's growth now. In 2017-18, exports of goods and services contributed to 18.8% of

GDP. The 2021-22 provisional estimates peg that number at 21.4% of GDP.

Challenging times

While iron ore showed a steep export decline of 90%, according to official data, handicrafts, excluding handmade carpets, reflected a fall of over 50%; cashews saw a drop of around 41%.

This implies more challenging times are in store for the MSME sector, which contributes 40% to the country’s exports. Incidentally, even the rupee depreciation against the US dollar did not have a positive impact on MSMEs as anticipated because of global trade growth slowing and the high inflation this year spoiling business, household and government calculations.

The last two years have been particularly hard for small and medium enterprises, with the virus outbreak posing a severe threat to their survival. Many MSME units either shut down or faced extreme losses during that period. Their woes were further compounded with the Russia-Ukraine war slowing global demand and disrupting supply chains.

Now, with a host of factors contributing to a slower growth in trade, such enterprises would have to traverse a period unheard of in modern economic history.

“The main challenge for MSME exporters is demand. But it is beyond their control,” says Nisschal Jaain, CEO and Founder at Shypmax, a cross-border logistics platform. “The next 12-14 months will be crucial. Cutting costs wherever possible and having a strong supply chain in place can help them steer ahead in this time.”

What to expect

However, despite the global headwinds, industry experts are optimistic that exports will maintain a slow and steady momentum. “I don’t see us missing the target by any huge margin,” says Gupta of Deloitte India.

Labour intensive sectors like textiles have seen major contraction in exports.

Sahai of FIEO estimates exports will touch $450 billion in FY23 against the previous target of $470 billion. “According to the current trend, this seems to be the case. But the global situation seems to be quite volatile. It is important to review our targets at every step,” he adds.

The exports body had suggested companies adopt more aggressive marketing measures during this time to stay visible and have a fighting chance. SME exporters in most developing and developed countries get government support for marketing exposure. “In India, even though such support is provided, the support given under Market Development Assistance (MDA) Scheme with total allocation of less than Rs 200 crore for promoting exports to $460-470 billion is just a drop in the ocean. There is a need for creation of an Export Development Fund with a corpus of minimum 0.5% of preceding year’s exports,” it had stated at the pre-budget meeting with FM Nirmala Sitharaman in November.

Others are of the view that exporters should reach out to the government seeking clarity over export incentive schemes that can offer a leg up to the sector. “In addition,” says Krishan Arora, Partner, Grant Thornton Bharat, “appropriate representations should be made seeking the limited intervention of the authorities in day-to-day matters for exporters under SEZ and MOOWR (Manufacturing & Other Operation in Warehouse Regulation) schemes. Further, the government should also consider extending the PLI scheme to various other sectors to boost manufacturing, ultimately leading to an increase in exports.”

While it is undoubtedly a time of uncertainty, what remains to be seen is whether this would be a long-term trend or just a cyclical one. Gupta labels it more as a reaction to the unsurpassed growth levels seen after the pandemic. “I don’t see the recession lasting long. It seems that the worst in terms of inflation is tending to get out. If that happens, it would be a healthy sign for exports to pick up,” he says, bullish on the road to recovery in FY 24.

Source: economictimes.com- Dec 09, 2022

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Scrap 11% import duty on cotton, CAI urges Goyal

The Cotton Association of India (CAI), the apex body of the trade, has urged Commerce, Food and Textiles Minister Piyush Goyal to scrap the 11 per cent import duty on cotton with immediate effect.

In a letter to Goyal, CAI President Atul S Ganatra said the Government must remove the duty as domestic cotton prices are 15 per cent higher than in competing nations in the global market.

"Due to this, the availability of raw materials to our textile industry at a competitive rate has been severely impacted. This has eroded the competitiveness of our value-added products in the international market and the textile industry is only working at 50 per capacity," he said in the letter.

Currently, ginned cotton in the domestic market is offered at ₹66,750 a candy (356 kg). The weighted average price of raw cotton across the agricultural produce marketing committee (APMC) yards is currently ₹8,309 a quintal.

ICE futures price

In comparison, cotton at the Intercontinental Exchange (ICE), New York, is quoted at 82.7 US cents a pound (₹53,850/candy) for delivery in March. On MCX, cotton for delivery in December is currently quoted at ₹31,560 a bale of 170 kg (₹66,090/candy).

Removing the duty will go a long way in stabilising cotton prices and help the textile industry function at its optimum level, he said. Earlier this year, the Centre allowed the textile industry to import cotton at zero customs duty until October 31 on shortage of quality cotton. The price of the natural fibre surging to ₹1 lakh a candy was another reason to permit the imports.

The industry had sought extension of duty-free import till December 31 but the Centre did not respond to the plea.

Source: thehindubusinessline.com- Dec 08, 2022

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Cotton spinners' margins may fall 7 per cent this fiscal: Study

A global recessionary trend and a steady rise in raw cotton prices are expected to bring down cotton spinners' margins by 5-7 per cent this fiscal.

The decline in margins will, however, be restricted by higher production expected in the new season that started in October. Higher output could lead to lower prices, said CareEdge Ratings.

Further, yarn exports in the second half of this fiscal are expected to remain muted due to weak demand, it said.
Yarn exports

Cotton yarn exports declined by 59 per cent in the first half of this fiscal to 2.89 lakh tonnes, against 6.95 lakh tonnes logged in the same period last fiscal, and are expected to dip 28-30 per cent in this financial year.

Though raw cotton prices cooled down to Rs 65,000 per candy in October, as against a peak price of Rs 1.10 lakh per candy, the rates are still higher than pre-Covid levels.

Arti Roy, Associate Director, CareEdge, said spinners' margins are expected to decline by 5-7 per cent due to lower capacity utilisation and high raw cotton prices.

India produces about 350 lakh tonne of cotton yarn per annum, second only to China. Of this, 60-65 per cent is consumed domestically, while the rest is exported.

Cotton production in India has dropped from 352 lakh bales in 2020-21 to 315 lakh bales in the 2021-22 season. Low cotton production pushed prices, eroding India's competitiveness compared to competing countries such as Vietnam and China.

Further, cotton prices in India remained 20-25 per cent higher than international prices. The domestic price of cotton medium staple increased by 39 per cent to Rs 154 per kg from ₹110 per kg (medium staple), after recording a peak price of more than ₹1.10 lakh per candy during FY22.

CareEdge believes prices will moderate further with higher arrivals expected in the coming months.

Bangladesh has been the largest importer of cotton yarn from India, even as China's share has been declining. China's yarn imports have shifted to Vietnam over the years.

Countries such as Bangladesh and Vietnam continue to enjoy duty-free access in China, the largest cotton yarn importer globally.

Source: thehindubusinessline.com- Dec 08, 2022

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India's apparel imports from China doubles in July-Sept; traders worry

India's apparel imports from China almost doubled quarter on quarter (QoQ) to $126.202 million in July-September 2022 due to price dynamics. Domestic demand is getting affected due to rising imports from China, according to trade sources. Both countries compete mutually in the global market, but India imports more apparel from China than it exports.

India's apparel imports increased to $126.202 million in Q3 2022 from $67.442 million in Q2 2022. The inbound trade stood at $70.687 million in Q1 2022, $95.937 million in Q4 2021, $90.360 million in Q3 2021 and $40.770 million in Q2 2021.

The average monthly imports also doubled. It went up to $42.808 million in September 2022, $45.914 million in August 2022 and $37.479 million in July 2022. It was recorded at $17.441 million in April 2022, $16.982 million in May 2022 and $33.018 million in June 2022, according to Fibre2Fashion's market insight tool TexPro.

Annually, the imports amounted to $215 million in 2021, $244.748 million in 2020, $249.692 million in 2019, $230.970 million in 2018 and $212.095 million in 2017. Imports already crossed last year's shipment to reach $218.236 million in the first nine months of the current year, as per TexPro.

In terms of volume, India imported 187.846 million apparel products (in numbers) in the first nine months of this year. The volume of imports was 343.987 million units in 2021, 193.579 million units in 2020, 282.617 million units in 2019, 274.376 million units in 2018 and 138.268 million units in 2017.

Source: fibre2fashion.com- Dec 08, 2022

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Ahmedabad: Textile units demand new TUF scheme

Textile units based in the city are demanding that a new Technology Upgradation Fund (TUF) scheme be introduced, and that pending cases be cleared. The validity of the TUF scheme ended this March and no new scheme has been announced yet.

Industry is also demanding that a new TUF scheme be implemented with retrospective effect, to cover all investments. According to available data, 650-odd cases from Gujarat, for Rs 160 crore, are pending under the amended TUF scheme. The GCCI textile committee wants the central government to ensure that investments made after March 2022 also get TUF benefits.

Rahul Shah, co-chairman of the GCCI textile committee, said, "TUF ended on March 31, 2022, and no new scheme has been announced after that. The central government is working on a new scheme.

We have held meetings with textile ministry officials and they said there will be no blackout period and investments that came after March 2022 will also get TUF benefits, however, no notification regarding this has been issued so far. Industry players are awaiting the announcement of a new scheme, which may be on the lines of the production-linked incentives scheme."

He added that the government has directed textile ministry officials to release pending TUF benefits, but cases where documentation is incomplete have been delayed.

The textile commissioner's office recently held a special camp in Surat, where a total of 1,500 cases for a sum of Rs 210 crore were settled. The ministry of textiles has been implementing the TUF scheme since 1999, to facilitate technology upgrades. The amended TUF scheme was launched in January 2016, for adoption of innovative new technology by way of a one-time capital investment subsidy for eligible benchmarked machinery for a period of seven years, from 2015-16 to 2021-22.

Source: timesofindia.com- Dec 07, 2022

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Digitization of MSMEs

The Government runs various programmers/schemes to boost business potential and to compete with other e-commerce large business entities through various digitalization initiatives for MSMEs such as Udyam portal, MSME Champions Portal, Government e-Marketplace (GeM), Trade Receivables Discounting System (TReDS), msmemart.com. In addition, MSME SAMBANDH for monitoring of procurement by Central Public Sector Enterprises (CPSEs) from Micro and Small Enterprises (MSEs) and MSME SAMADHAAN portals for filling applications regarding delayed payments.

As on date 1.24 crore MSMEs are registered in Udyam Registration portal and further benefitted through various programmes. Procurement from Central Ministries / Departments / CPSEs made purchases about Rs. 95576 Cr. from MSEs under Public Procurement Policy (PPP) for MSEs and 21,360 applications filed by MSMEs have been disposed by MSEFC council.

The information with respect to the status of revenue and profitability of MSMEs is not centrally maintained by Ministry of MSME.

Under the MSME Champions Schemes 'Digital MSME' component has been included for digital empowerment of MSMEs in the country. The Ministry of MSME propose to support MSMEs through "Digital MSME" a component of MSME Champions Scheme to bring in digitization and digitalization and to make MSMEs digitally empowered and motivate them to adopt digital tools, applications and technologies in their production & business processes with a view to improve their competitiveness.

This information was given by the Minister of State for Micro Small and Medium Enterprises, Shri Bhanu Pratap Singh Verma in a written reply to the Lok Sabha.

Source: pib.gov.in- Dec 08, 2022

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Flipkart, Walmart sign pact with India's NSIC to boost MSME exports

Flipkart and Walmart recently signed an agreement in New Delhi with the National Small Industries Corporation (NSIC) to speed up capacity building for micro, small and medium enterprises (MSMEs), help them get the necessary support required to further expand their businesses nationally and across the globe and turn part of global and domestic retail supply chains.

It was signed at a summit to mark the milestone of 20,000 MSMEs completing their training under the Walmart Vriddhi Supplier Development Programme. The programme, which also includes training, seminars and mentoring sessions conducted regularly for MSMEs, has non-governmental organisation Swasti as a partner.

The partnership will enhance access for participating MSMEs to schemes offered by the NSIC while making learning resources of Vriddhi available to MSMEs registered with the NSIC.

"The Indian MSME sector currently comprises 6.3 crore MSMEs that employ more than 11 crore people. We look forward to Walmart's continued support to the growing MSME sector in the country," minister of MSMEs Narayan Rane was quoted as saying by a news agency.

"With our ongoing commitment to triple exports from India by 2027 to USD 10 billion annually, we look forward to supporting more small businesses in their efforts by providing potential access to online and offline markets in India and globally," Jason Fremstad, senior vice president, supplier development at Walmart, said.

Source: fibre2fashion.com- Dec 09, 2022

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