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## INTERNATIONAL NEWS

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# INTERNATIONAL NEWS

## China's trade with RCEP partners surge 7.9% in Jan-Nov, as pact becomes major boost for trade

China has witnessed soaring trade with other members of the Regional Comprehensive Economic Partnership (RCEP) in the past 11 months, with trade with RCEP partners accounting for more than one-third of China's total foreign trade, official data showed on Thursday.

The RCEP, which took effect on January 1, has become a powerful support for China's foreign trade, and it plays a leading role in the recovery of the global economy, Chinese observers said. They predicted that China will continue to play an important locomotive role for the recovery of global trade.

Trade between China and other RCEP members hit 11.8 trillion yuan ($1.69 trillion) from January to November, a year-on-year increase of 7.9 percent and accounting for 30.7 percent of China's total foreign trade, according to data from the Ministry of Commerce (MOFCOM).

China's exports to other RCEP members reached 6 trillion yuan, a year-on-year increase of 17.7 percent, faster than the overall growth rate of exports by 5.8 percentage points.

The MOFCOM will continue to work with relevant departments to promote the high-quality implementation of the RCEP and other free trade agreements, said Shu Jueting, a spokesperson for the MOFCOM.

The RCEP, encompassing roughly one-third of the world's GDP, includes China and over a dozen other countries. Its launch earlier this year marks a milestone for regional and global economic cooperation as well as China's expanding trade profile.

"More agricultural products from ASEAN countries are entering the Chinese market since the RCEP came into effect," Wang Zhengbo, chairman of TWT, a Guangxi-based cross-border trade and supply chain operator, told the Global Times on Thursday.

According to Wang, in the past, the company imported durians from Malaysia and Thailand, but now, durians from Vietnam also can enter China thanks to the RCEP, which put many RCEP members' fruit crops on the access list. Tariffs on fruits exported to Australia, New Zealand, Japan and South Korea have been reduced to zero or close to zero.

"Our trucks between China and Vietnam are getting busier, rising from previously dozens of trucks in the Spring Festival holidays to 1,000 or 2,000 now," he added. With the help of an Electronic World Trade Platform, the first batch of Cambodian longan fruit arrived at Shanghai port on December 9 and was available via an e-commerce platform on December 12, according to a note AliExpress, the global retail online marketplace under Alibaba Group, sent to the Global Times on Thursday.

With the implementation of the RCEP, more farm products from ASEAN countries are entering China, AliExpress said. Multinationals remain optimistic over the Chinese market, with more than 90 percent of surveyed firms from RCEP members seeking to expand trade with China, according to a survey conducted by HSBC in November of this year.

The survey said that 82 percent of firms expect growth for their businesses in China in the next year, and 93 percent expect more trade with China, with the RCEP unleashing potential. "The RCEP has become a big support for China's foreign trade, and it plays a leading role in the recovery of the global economy and the restoration of confidence," Song Wei, a professor at the School of International Relations and Diplomacy at Beijing Foreign Studies University, told the Global Times on Thursday.

The RCEP has been in effect for less than one year, and there is still huge potential to be unleashed in trade, technology, infrastructure, capital and management, Zhou Shixin, director of the Institute for Foreign Policy Studies at the Shanghai Institute for International Studies, told the Global Times on Thursday.

The MOFCOM said that it will take the RCEP as a new starting point to negotiate and sign more free trade agreements.

Source: globaltimes.cn - Dec 29, 2022

**HOME**

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# Customs Blacklisting, New Data Show Ongoing Fight Against Forced Labor

U.S. customs officials have blacklisted merchandise produced by three Chinese companies, including one that makes and distributes clothing, after an investigation revealed that they used North Korean labor in their supply chains.

Customs and Border Protection (CBP) revealed Tuesday that it has been detaining shipments from Jingde Trading, Rixin Foods and Zhejiang Sunrise Garment Group Co. since Dec. 5 for violating the Countering America's Adversaries Through Sanctions Act (CAATSA), which bars the entry of goods made wholly or in part by North Korean nationals or citizens unless clear and convincing evidence that they were not made with forced labor can be provided. If no such proof materializes within 30 days of the detention notice, the merchandise can be subject to seizure and forfeiture.

The companies could not be reached for comment.

"CBP is committed to keeping America's supply chains free of goods produced with forced labor and to eliminating this horrific practice," said AnnMarie R. Highsmith, executive assistant commission at CBP's office of trade.

"North Korea's forced labor system operates both domestically and internationally and supports the North Korean government's weapons of mass destruction and ballistic missile programs, and it is also a major human rights violation. Legally and morally, we cannot allow these goods into our commerce."

CBP previously wielded CAATSA in March to block goods made by Li-Ning from entering the United States, also citing the presence of North Korean labor in its supply chain. But it was the Chinese sportswear maker's admission of using cotton from China's Xinjiang Uyghur Autonomous Region, where Muslim minorities continue to be persecuted, that led Norges Bank Investment Management to sell off its stake in the company. Li-Ning's stance, the world's largest sovereign wealth fund said, created an "unacceptable risk that the company contributes to serious human rights violations."

It's also America's boycott of Xinjiang goods, which under a year-old statute makes the rebuttable presumptions that any products stemming from the region are made with forced labor, that has ramped up CBP's enforcement of tariff rules that have prohibited products of modern slavery since 1930.

Signed into law by President Joe Biden last Christmas, the Uyghur Forced Labor Protection Act (UFLPA) has boosted the ranks of the interagency Forced Labor Enforcement Task Force (FLETF), which the United States-Mexico-Canada Agreement Implementation Act established in 2020 to monitor the movement of forced labor goods. As of Dec. 6, CBP said, the agency has identified more than 2,300 entries valued at nearly $740 million for further examination under the UFLPA.

"The use of forced labor is a heinous act and our Department will continue to devote its full energy to combat it," said Secretary of Homeland Security Alejandro N. Mayorkas on the anniversary of the UFLPA's signing. "The enforcement of the UFLPA is a moral imperative; we will continue to prevent goods produced by forced labor, particularly through the repression of ethnic minorities in China, from entering the United States. We will uphold our nation's values, enforce our laws and protect the integrity of lawful trade and the rights of the individual worker."

To continue FLETF and CBP's ongoing engagement with the industry and civil society, the FLETF said it's planning to host its first biannual meeting with non-governmental organizations in January, followed by the first biannual meeting with the private sector.

The Department of Homeland Security (DHS) said that it will continue to "enhance" its enforcement efforts by identifying additional entities that meet the criteria of the UFLPA Entity List, improving transparency and data sharing with stakeholders, and honing its ability to identify and block offending imports.

"Forced labor is a scourge and DHS will continue to prevent goods made with forced labor from entering the United States, whether they come from the People's Republic of China or any other part of the world," said Robert Silvers, FLETF chair and undersecretary for policy at DHS.

"We are committed to eradicating forced labor from our supply chains. We are also committed to deepening our partnership with industry and civil society to further improve implementation of this new regime, ensuring that lawful commerce can proceed efficiently at the same time that we enforce our laws."

Despite facing growing sanctions, China's share of Xinjiang cotton is growing, according to recent data from the country's National Bureau of Statistics. Due to favorable weather, the region produced 5.4 million tons of the fiber in 2022, a year-over-year increase of 5.1 percent. Xinjiang now contributes 90.2 percent of Chinese cotton, which in turn makes up more than 20 percent of the world's supply. This means supply chains sourcing cotton from China are more exposed to modern-slavery risks than ever.

"Uyghur forced labor-spun yarn is shipped all across China. Uyghur forced labor-woven fabric is shipped all over China," Laura Murphy, a professor of human rights at Sheffield Hallam University's Helena Kennedy Centre for International Justice, told Sourcing Journal in September.

"Until apparel companies can show that their entire supply chains are free of Uyghur forced labor, there is [a] high risk that products made in China will be made with Uyghur forced labor."

Source: sourcingjournal.com- Dec 29, 2022

**HOME**

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# Chinese ports handle 270 mn TEUs of containers in Jan-Nov '22

China's ports handled around 270 million twenty-foot equivalent units (TEUs) of containers during January-November 2022, registering an increase of 4.2 per cent year-on-year (YoY), according to data from the country's ministry of transport.

Cargo throughput edged up 0.7 per cent YoY to 14.31 billion tonnes during the 11-month period under review.

While cargo throughput for domestic trade went up by 2.2 per cent YoY during the period under discussion, the same for foreign trade fell by 2.5 per cent, the data showed.

Source: fibre2fashion.com - Dec 29, 2022

HOME

*****************

# China emerges as major yarn supplier to Bangladesh

Traditionally, Bangladesh has been more dependent on India for its yarn and fibre. However, owing to price dynamics, China has now emerged as a major yarn supplier to Bangladesh. On an annual basis, yarn exports from China to Bangladesh are increasing for the past few years, except for a dip registered in 2020 due to the COVID-19 pandemic.

The prices of cotton and cotton yarn witnessed unprecedented rise in India and the global market this year. On the one hand, higher cotton yarn prices in India forced importers of Bangladesh to look elsewhere, while on the other, the US ban on cotton and cotton products originating from Xinjiang region caused decline in prices of yarn and fibre in China.

China exported yarn worth $1,265.464 million during January-October 2022, which is comparable to $1,358.100 million of 2021. In volume terms, China exported 348.438 million kg yarn during the first ten months of the current year, compared to 418.562 million kg yarn in 2021, according to Fibre2Fashion's market insight tool TexPro.

China's yarn export to Bangladesh dipped to $835.451 million (302.216 million kg) in the pandemic year 2020. Before COVID, the shipment was $1,068.588 million in 2019, $1,211.957 million in 2018 and $928.314 million in 2017.

On a monthly basis, export peaked in March 2022 when China exported yarn worth $169.991 million to Bangladesh, as per TexPro.

Source: fibre2fashion.com - Dec 30, 2022

HOME

*****************

## Japan's economy likely to recover, uncertainties extremely high: BOJ

Japan's economy is likely to recover, with the impact of COVID-19 and supply-side constraints waning, although it is expected to be under downward pressure stemming from high commodity prices and slowdowns in overseas economies, according to the Bank of Japan's (BOJ) December 2022 statement on monetary policy. Uncertainties are extremely high for Japan's economy.

Thereafter, as a virtuous cycle from income to spending intensifies gradually, Japan's economy is projected to continue growing at a pace above its potential growth rate, the statement said.

"The year-on-year rate of change in the consumer price index (CPI of all items less fresh food) is likely to increase towards the end of this year due to rises in prices of such items as energy, food and durable goods.

"The rate of increase is then expected to decelerate toward the middle of fiscal 2022-23 as the contribution of such price rises to this CPI is likely to wane.

"Thereafter, it is projected to accelerate again moderately on the back of improvement in the output gap and rises in medium- to long-term inflation expectations and in wage growth," BOJ said.

High uncertainties remain in developments in overseas economic activity and prices; in commodity prices; and the course of COVID-19 at home and abroad and its impact. In this situation, it is necessary to pay due attention to developments in financial and foreign exchange markets and their impact on Japan's economic activity and prices, the statement by the central bank suggests.

Source: fibre2fashion.com - Dec 29, 2022

HOME

*****************

# High costs lead to factory closures in Sri Lanka

Garment factories in Sri Lanka are closing down. One reason is enhanced electricity tariffs. Since factory owners are finding it hard to compete with other countries that have much lower overheads, they are taking steps to shift to other countries.

One company which has three factories in Sri Lanka has decided to shut down and has asked its 5,000 workers who will lose their jobs to apply for employment to its factories in India.

The US, EU and the UK comprise about 86 per cent of Sri Lanka's total apparel exports. But despite impressive exports so far in 2022 the industry envisages a 25 per cent to 30 per cent decline in the remainder of the year.

This is mainly due to the economic downturn's impact on future orders from the US and EU, while the war in Ukraine has pushed up logistics and energy costs.

Sri Lanka's apparel exports fell nine per cent in November 2022. Exports to the US were down by 17 per cent while shipments to the EU (excluding exports to the UK) saw a marginal drop of three per cent and exports to the UK fell by 29 per cent.

The apparel industry is Sri Lanka's largest exporter , employing nearly one million both directly and indirectly, across 350 manufacturing plants island wide.

Source: fashionatingworld.com- Dec 29, 2022

HOME

*****************

# NATIONAL NEWS

## India-Australia FTA comes into force; Piyush Goyal eyes more agreements in 2023

The India-Australia Economic Cooperation and Trade Agreement signed in April this year came into force on Thursday. Union Commerce Minister Piyush Goyal said he expected at least two more free trade agreements to be signed in 2023.

At an event in Mumbai, Goyal said negotiations are scheduled with the UK, European Union and Canada. Goyal said the FTA with Australia would benefit a slew of sectors, including textiles, gems and jewellery and information technology, which gets aided by the dropping of double taxation. He expected Indian IT companies' billing to Australia alone to grow to $1 billion in the next 5-7 years from $200 million.

"There is a lot of potential for exporting finished goods to Australia since they hardly manufacture anything. They are largely a raw material and intermediate producing country," Goyal said. The India-Australia FTA is the second such in 2022 to come into force after the India-UAE Comprehensive Economic Partnership Agreement operationalised on May 1.

The government estimates an additional 10 lakh jobs to get created in India under ECTA. "Indian Yoga teachers and chefs are set to gain with the annual visa quota. Over 1 lakh Indian students would benefit from post-study work visa (for 18 months to 4 years) under ECTA," the PIB said.

The government said India will benefit from preferential market access provided by Australia on 100 per cent of its tariff lines, including all the labour-intensive sectors of export interest to India, such as gems and jewellery, textiles, leather, footwear, furniture, food, and agricultural products, engineering products, medical devices and automobiles.

On the other hand, India will offer preferential access to Australia on over 70 per cent of its tariff lines, including lines of export interest to Australia, primarily raw materials and intermediaries such as coal, mineral ores and wines.

Goyal defended India walking out of the RCEP. As of now, with the agreement with Australia, India has separately struck trade agreements with 13 of the 15 countries in the RCEP, while only New Zealand and China remain.

Goyal said the ministry expected the bilateral trade between India and Australia to increase to US$ 31 billion in five years with the FTA in place, adding that India will get access to cheaper raw materials like coal from Australia while the finished Indian goods will have a market there. With the new government in Australia ratifying the agreement, 98 per cent of the Indian exports by value will enter the country sans any duties, Goyal said.

Prime Minister Narendra Modi termed the pact a "watershed" moment, unlocking the enormous potential of trade and economic ties and boosting businesses on both sides.

The first jewellery consignment under the India-Australia Economic Cooperation and Trade Agreement (ECTA) was flagged off Thursday from Mumbai, Surat and Chennai, the Gem and Jewellery Export Promotion Council said. The pact will boost the bilateral gem and jewellery trade to double to $2.5 billion from the present value of $1.27 billion over the next three years, GJEPC chairman Vipul Shah said.

The Global Trade Research Initiative (GTRI), a think tank, said the trade of value US$ 23 billion would become duty-free from day one. The GTRI estimates suggest that the bilateral trade will cross $70 billion in the next five years due to buoyant trade relations and Australia's gradual weaning away from China," GTRI Co-founder Ajay Srivastava said in a statement.

Source: deccanherald.com- Dec 29, 2022

HOME

*****************

# Expect to sign at least 2 more FTAs in 2023, says Piyush Goyal

Union Commerce Minister Piyush Goyal on Thursday said he expects at least two more free trade agreements to be signed up in 2023. Negotiations are scheduled with the UK, European Union and Canada, Goyal said at an event here, adding that his ministry does not have the bandwidth to tend to requests by smaller trading partners like New Zealand with which the bilateral trade stands at USD 350 million.

"India today works from a position of strength, we negotiate with confidence," Goyal said, adding that the country will sign at least two such free trade agreements.

Speaking at the event to mark the operationalisation of the India-Australia Economic Cooperation and Trade Agreement signed in April this year, Goyal said January itself is filled with meetings between Indian Commerce Ministry officials and their counterparts abroad.

After handing over certificates of origin to the first among the Indian goods being sent to Australia after the agreement, Goyal said the FTA will benefit a slew of sectors, including textiles, gems and jewellery and also information technology, which gets aided by the dropping of double taxation.

Goyal said he expects Indian IT companies' billing to Australia alone growing to USD 1 billion in the next 5-7 years from USD 200 million at present.

The Regional Comprehensive Economic Partnership (RCEP), which India walked out of in 2019, would have become a free trade agreement with China in effect, Goyal said, adding that Indian industry was "petrified" with the earlier UPA government's move to start negotiations on the same. He called the walkout an economically prudent and wise decision.

As of now, with the agreement with Australia, India has separately struck trade agreements with 13 of the 15 countries in the RCEP, while only New Zealand and China remain.

He said on a conservative basis, the ministry expects the bilateral trade between India and Australia to increase to USD 31 billion in five years with the free trade agreement in place.

The agreement is a win-win document that has the complementarities as its fundamental building block, Goyal said, adding that India will get access to cheaper raw materials like coal from Australia while the finished Indian goods will have a market there.

With the new government in Australia ratifying the agreement, 98 per cent of the Indian exports by value will enter the country sans any duties, Goyal said.

Meanwhile, when asked about the critique of former chief economic advisor Arvind Subramanian about the tariffs hurting the government's production-linked incentive scheme, the country's inward-looking attitudes on trade and the disservice done to Indian enterprise by the government's urge to create "national champions" in the industry by promoting specific groupings, Goyal said the former CEA wants India to open up at a go while the government is in favour of adopting a calibrated approach.

"We believe that it is important that we calibrate the opening up so that Indian industry gets enough time to mature, develop themselves and be able to compete on fair terms," Goyal said.

Source: deccanherald.com- Dec 29, 2022

HOME

*****************

# Textiles and garment sector to gain from economic pact with Australia

The recently-concluded India-Australia Economic Cooperation and Trade Agreement (ECTA) that came into force on Thursday would benefit Indian exporters, especially in the textile and garment sector, said exporters here. Officials and representatives of Federation of Indian Export Organisations flagged off export consignments from Ennore Adani Container Terminal under the ECTA.

According to FIEO, textiles and garments would gain immensely, especially made-ups, apparel and garments. Other segments that could gain larger market share within short term from Tamil Nadu were gems and jewellery, leather and non-leather footwear segment, handicrafts, auto parts, and engineering goods. During financial year 2021-2022, export form Tamil Nadu to Australia was to the tune of $ 384 million and during the current financial year, from April to October, exports from the State to Australia were worth $ 322 million. It was expected to tough $ 500 million.

The Federation had updated HSN code wise import tariffs in Australia under ECTA, including Rules of Origin criteria for getting duty benefits and required standards and certification requirements for Australian Market.

According to T. Rajkumar, chairman of Confederation of Indian Textile Industry, India's ready-made garment exports to Australia saw growth of an average of 11.84% in the last five years. Though the share of India's textile exports was only around 5% now, free movement of textile and apparel goods on zero per cent duty would help exporters increase shipments to Australia.

Ravi Sam, chairman of Southern India Mills' Association, said allowing import of 51,000 tonnes of duty-free cotton from January 2023 and 419 tonnes of duty-free cotton from December 29 to 31, from Australia would benefit the cotton textiles value chain in the country that had started facing the shortage of quality cotton with the increased demand.

Source: thehindu.com - Dec 29, 2022

HOME

*****************

# MoT invites industry to explore opportunities in technical textiles

The Ministry of Textiles (MoT) has invited research proposals for funding for design, development and manufacturing of machinery, tools, equipment and testing instruments under National Technical Textiles Mission (NTTM).

In a statement, MoT informed that this step has been taken in order to position India as the global leader in technical textiles manufacturing.
As on date, high-tech machinery, equipment, plants, special tools and accessories are being largely imported.

In order to meet the diverse needs of the textile industry and to make our nation self-reliant and *Atmanirbhar*, it is essential to go for indigenisation by tapping the local skills in design, engineering, fabrication and prototyping. Hence NTTM under component-I (Research, Innovation and Development) envisages indigenous manufacturing of machinery, equipment, tools and testing instruments for technical textiles on 'Make in India' concept.

The companies engaged in manufacturing of any machinery (preferably textile machinery), textile/garment value chain manufacturers, research organisations, academic institutions (both public funded and private) can explore this opportunity.

The statement also added that the indigenous development of state-of-the-art technical textile machinery and equipment would support and enhance the manufacturing capabilities of high-end technological products, and thus would play an instrumental role in driving India's technology readiness level in technical textiles.

Source: apparelresources.com - Dec 29, 2022

HOME

*****************

# Exporters urge ministry to set up a textile wet processing park in Karur

Textile manufacturers and exporters of Karur on Thursday urged the Ministry of Textiles to set up a textile wet processing park in Karur.

The demand was raised at the Karur Textile Manufacturer Expansion Association's interactive session with Rohit Kansal, Additional Secretary, Textiles and Prajakta L. Verma, Joint Secretary, Textiles, New Delhi.

A memorandum submitted to the official that there was a need to establish a Common Effluent Treatment Plant (CETP). The park should be set up in the same premises so that many the micro and small industries could come forward to set up their factories in the park. It would help to bring down the cost of wet process for the exporters, manufacturers and also become competitive in the world market.

Similarly, the memorandum said that the Ministry of Textiles should come forward to establish an Integrated Textile Trade Facilitation Centre to market the products of Karur.

The Karur cluster had been showing tremendous growth over the years. It had resulted into the demand for skilled workers. Taking into various aspects and challenges of exporters in Karur, the Ministry should meet all the demands of the association so as to achieve ₹25,000 crore sales turn over by 2030.

M. Natchimuthu, P. Gopalakrishnan, and S. Sivakumar, functionaries of the association, spoke.

Source: thehindu.com - Dec 29, 2022

HOME

*****************

# CEPA with UAE, NLP, tech textile projects mark 2022 in India

Signing of the India-UAE Comprehensive Economic Partnership Agreement, passage of the Energy Conservation (Amendment) Bill, 2022, launch of strategic research projects in technical textiles and the National Logistics Policy (NLP), and an agreement to launch the European Union-India Trade and Technology Council were some of the major developments in India this year, writes Dipesh Satapathy.

Policy

Indian Prime Minister Narendra Modi and Crown Prince of Abu Dhabi Sheikh Mohamed bin Zayed Al Nahyan in February virtually witnessed the signing of the India-UAE Comprehensive Economic Partnership Agreement (CEPA), which reduces tariffs for 80 per cent of goods and offers zero duty access to 90 per cent of India's exports to the United Arab Emirates. It is expected to boost annual bilateral trade to $100 billion within five years of its adoption from about $60 billion in 2021.

India and the Gulf Cooperation Council (GCC) also decided in November to resume negotiations for an FTA.

President of the European Commission Ursula von der Leyen and Prime Minister Modi agreed in April to launch the EU-India Trade and Technology Council at their meeting in New Delhi. This strategic coordination mechanism will allow both sides to tackle challenges at the nexus of trade, trusted technology and security, and deepen cooperation.

The Reserve Bank of India (RBI) in July put in place an additional arrangement for invoicing, payment, and settlement of exports-imports in Indian rupees to promote global trade and domestic exports and support the global trading community. Authorised dealer banks shall need approval from RBI's foreign exchange department to avail of this benefit. In November, India made amendments to the Foreign Trade Policy to allow international trade settlements in Indian rupees (INR). The Directorate General of Foreign Trade had earlier permitted invoicing, payment and settlements exports and imports in INR in sync with a July RBI circular.

The updated provisions for export realisation in INR were notified for imports for exports, export performance for recognition as status holders, exports under advance authorisation and duty-free import authorisation schemes and exports under the Export Promotion Capital Goods scheme. The lower house of Parliament passed the Energy Conservation (Amendment) Bill, 2022, in August seeking to promote use of non-fossil fuels, including green hydrogen, ethanol and biomass. It is also aimed at helping the country achieve its global commitments related to climate change goals. The upper house approved the bill in December.

India’s Goods and Services Tax (GST) Council at its 48th meeting in December approved allowing unregistered suppliers and composition taxpayers to make intra-state supply of goods through e-commerce operators subject to certain conditions. The scheme may be implemented from October 1 next year, it recommended.

The India-Australia Economic Cooperation and Trade Agreement (ECTA) will come into effect from December 29 this year, with Australia set to eliminate duties on 100 per cent tariff lines for India. Bilateral trade is expected to cross $45-50 billion in five years from $31 billion now. The Australian parliament approved the agreement in November.

Odisha state in late November approved seven policies to attract investment. These include the Odisha Apparel and Technical Textiles Policy 2022, which includes incentives like capital investment subsidy, employment cost subsidy and market development initiative; the Industrial Policy Resolution (IPR) 2022; the Odisha Logistics Policy 2022; and the Export Promotion Policy 2022.

RBI in December launched the first pilot for retail digital rupee (e₹-R). It would cover select locations in closed user groups comprising participating customers and merchants. The e₹-R would be in the form of a digital token representing legal tender. It would be issued in the same denominations that paper currency and coins are issued. It would be distributed through intermediaries, i.e., banks.

The country is taking steps towards developing small modular reactors with up to 300 MW capacity to fulfil its commitment to clean energy transition.

Textile & Garments

The textiles ministry in January cleared 20 strategic research projects worth ₹30 crore in specialty fibres and geotextiles under the National Technical Textiles Mission (NTTM). The 16 specialty fibre projects comprise five in healthcare, four in industrial and protective textiles, three in energy storage, three in textile waste recycling and one in agriculture. All four geotextile projects were related to infrastructure.

In September, the ministry cleared 23 such projects worth around ₹60 crore covering specialty fibres, sustainable textiles, geotextiles, mobiltech and sports textiles. In November, it cleared another 20 such projects worth ₹74 crore covering agrotextiles, speciality fibres, smart textiles, activewear textiles, strategic protective gear and sports textiles.

The ministry selected 61 applicants in April under the Production-Linked Incentive (PLI) scheme for textiles, with an expected total investment of ₹19,077 crore and a projected turnover of ₹184,917 crore over a period of five years.

Import duty on cotton was waived off in April till September end. Cotton marketing season in India begins on October 1. Importers had been paying around 11 per cent duty in total before that and the textile industry had been demanding removal of import duty on cotton. The waiver was further extended for a month.

A textile cluster was planned in the Burhanpur-Khandwa region in Madhya Pradesh with units for fabric processing, dyeing, printing, finishing and yarn resizing. The region, known for handlooms, is part of the state's cotton growing area. The first phase of the proposed cluster is likely to be operational within next year end. It is likely to attract investment worth ₹350-400 crore.

The government in July approved the continuation of the Scheme for Rebate of State and Central Taxes and Levies (RoSCTL) with the same rates as notified by the ministry of textiles for exports of apparel and garments and made-ups till March 31, 2024 to boost exports and job creation in the sector. After the introduction of GST in 2017, the Rebate of State Levies (RoSL) scheme was replaced by the new RoSCTL in March 2019.

A textile park will come up at Karnataka's Khursapur village of Shiggaon taluk in Haveri district. The foundation stone for the park and a garment factory of Texport Industries Pvt Ltd was laid in July.

Tamil Nadu is planning to set up a textile park in Kumaralingapuram village in Virudhunagar district and another in capital Chennai. It will unveil a new integrated textile policy to attract investments. Small textile parks are also being created.

The Cotton Corporation of India and The Cotton Textiles Export Promotion Council of India signed a memorandum of understanding in December on branding, traceability and certification of Indian 'Kasturi' cotton. Textiles minister Piyush Goyal also announced the creation of an advisory group on man-made fibre.

The textiles ministry in October released a draft on second round of PLI scheme for the textile sector. The draft states that textile units can produce apparel, home textiles and textile accessories like embellishments, zippers, trimmings, and elastic tapes under the scheme. Participating companies need to complete their investment during the two-year gestation period, i.e., 2022-23 and 2023-24. The required turnover has to be achieved from the subsequent year.

India's Haryana state cabinet in December approved a new AatmaNirbhar Textile Policy 2022-25 that aims to attract investment worth ₹4,000 crore and generate two lakh jobs. The new policy will supersede the Haryana Textile Policy 2019 and will promote value-added production. The estimated budget for the policy is ₹1,500 crore.

Logistics

Prime Minister Modi launched the National Logistics Policy (NLP) in September and said the PM Gatishakti National Master Plan will support the policy, which is part of concerted efforts to ensure quick last-mile delivery, end transport-related challenges, save time and cost of manufacturers, prevent wastage of agro-products.

The Unified Logistics Interface Platform (ULIP) will bring all digital services related to the transportation sector into a single portal, freeing the exporters from a host of long and cumbersome processes. Similarly, a new digital platform—ease of logistics services or E-Logs—has also been started to help industry association report about problems. “From 13-14 per cent logistics cost, we should all aim to bring it to single-digit as soon as possible,” Modi said.

The logistics division of the department for promotion of industry and internal trade in September created a user-interactive dashboard, which will now allow authorised user associations to log in and lodge issues or suggestions for the government to track and resolve in a transparent manner.

In December, the Asian Development Bank (ADB) approved a $250-million policy-based loan to support the Indian government’s reforms that aim to improve and modernise the country’s logistics infrastructure, increase efficiency and reduce costs. The loan will fund the first sub-programme of the Strengthening Multi-modal and Integrated Logistics Ecosystem Programme. This will rationalise India’s high cost of logistics and reduce greenhouse gas emission, ADB said.

Source: fibre2fashion.com - Dec 29, 2022

HOME

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# Textile companies on long road to recovery

A triple whammy of elevated raw material prices, lower exports demand due to the Russia-Ukraine war, and subdued capacity utilization eroded their margins.

The Indian textile sector faced a rough patch in 2022. A triple whammy of elevated raw material prices, lower exports demand due to the Russia-Ukraine war, and subdued capacity utilization eroded their margins. The situation worsened for spinners, with domestic cotton prices trading at a huge premium compared to international ones, making Indian cotton products uncompetitive globally.

Little wonder then that textile stocks have been beaten black and blue. For instance, in 2022, so far, midcap textile stocks, such as Vardhman Textiles Ltd and Trident Ltd, have corrected by 29% and 37%, respectively. Smallcaps, such as Indo Count Industries Ltd, bore a higher brunt falling around 47% in the period.

Of course, midcaps and small caps tend to see a steeper decline than large caps during a market correction. However, for this sector, near-term headwinds persist, which has also weighed on their stock performances. “H1FY23 has been a turbulent period for the Indian textile value chain owing to spiralling domestic cotton prices and retailers, globally, saddled with excess inventory," said ICICI Direct Research report. According to the research house, higher inventory levels of global retailers compared to earlier quarters is likely to hit the order book of Indian exporters during the holiday season (Q3FY23) and spring-summer (Q4FY23/Q1FY24).

As things stand, the demand scenario appears bleak owing to a looming global recession. But investors can take some comfort from the fact that the supply side scenario is improving. Cotton prices in India have corrected from ~ ₹1 lakh per candy to ~ ₹70,000. International cotton futures are down ~50%. Thanks to better rainfall, the increase in cotton production in the upcoming season should normalize the supply-side situation and ease the price differential between domestic and international cotton prices. According to analysts at Emkay Global Financial Services Ltd, the last five-year differential averaged at ~5% compared to more than 25% now. “Even in a slightly low-demand scenario, this differential decrease will bring relief to the Indian exporters, especially spinners," they said in a report.

However, India is at a disadvantage compared to Asian exporting peers due to additional tariffs. “When a Bangladeshi or a Pakistani firm exports a textile product to the EU, they are selling it without any import duty. But an Indian player pays up to 9.5% duty. Bangladesh and Pakistan are better placed in terms of labour cost as well," said Anuj Jain, research head and co-founder at portfolio management service Green Portfolio.

That said, the increased adoption of a China-plus-one strategy by global companies should aid the sector’s long-term outlook. China+1 strategy means reducing concentration risk in China by diversifying businesses in other countries.

As this further plays out, expectations are that the textile market share globally will move away from China, the world’s largest textile exporter, to key exporting countries such as India, Bangladesh, Pakistan and Vietnam. Global trade of textiles stands at $1 trillion per annum. At $350 billion, China commands 35% of global trade, while India is at 4%. Even if 1% of business moves from China to India, it means the Indian textile industry will double from here," he said.

Investors in textile stocks will want to keep an eye on the finalization of free trade agreements (FTAs) with the European Union and the UK. FTAs with the UAE and Australia are already done.

One of the benefits of FTAs is that they help reduce tariffs for exporting goods to a trading partner nation. Clearly, a delay in finalizing the FTAs will dampen sentiments.

Source: livemint.com - Dec 30, 2022

HOME

*****************

# Indian economy is confronting strong global headwinds: RBI

The Indian economy remains vulnerable to formidable global headwinds, which act as a drag on its recovery, cautioned the Financial Stability Report (FSR).

“The Indian economy is confronting strong global headwinds (extraordinary external shocks, especially prolonged geo-political hostilities).

“Yet, sound macroeconomic fundamentals and healthy financial and non-financial sector balance sheets are providing strength and resilience and engendering financial system stability.”

In his foreword to the report, RBI Governor Shaktikanta Das noted that the international economic order stands challenged; financial markets are in turmoil due to monetary tightening in most parts of the world; food and energy supplies and prices are under strain; debt distress is staring at many emerging markets and developing economies; and every economy is grappling with multiple challenges.

The Governor observed that amidst such global shocks and challenges, the Indian economy presents a picture of resilience. He emphasised that financial stability has been maintained.

“On the domestic front, we recognise the destabilising potential of global risks, even as we draw strength from the robust macroeconomic fundamentals of the Indian economy. The Reserve Bank and the other financial regulators remain vigilant and in readiness to ensure the stability and soundness of our financial system through appropriate interventions, whenever necessary, in the best interest of the Indian economy,” he said.
Stress tests

The FSR said the declining tendency in the gross non-performing assets (GNPAs) ratio is likely to continue — under the baseline scenario of the stress testing framework, it is projected to fall further to 4.9 per cent in September 2023 .

The GNPA ratio had declined to a seven-year low of 5 per cent in September 2022 — down from 5.7 per cent in June 2022 and 5.9 per cent in March 2022.

Stress test results reveal that Scheduled Commercial Banks (SCBs) are well-capitalised and capable of absorbing macroeconomic shocks even in the absence of any further capital infusion by stakeholders, the report said.

Under the baseline scenario, the aggregate CRAR (Capital to Risk-Weighted Assets Ratio) of 46 major banks is projected to slip from 15.8 per cent in September 2022 to 14.9 per cent by September 2023.

Stress tests indicate that some non-banking financial companies (NBFCs) may be vulnerable to liquidity shocks. Pockets of stress are observed in select NBFC cohorts — NBFC-Investment and Credit Companies (GNPA ratio of 6.9 per cent) and NBFC-Factor (GNPA ratio of 6.8 per cent).

The FSR noted that in the financial sector, buoyant demand for bank credit and early signs of a revival in investment cycle are happening due to improved asset quality, a return to profitability and resilient capital and liquidity buffers.

These strengths are helping the financial system weather external spillovers, tightening global financial conditions and high volatility in financial markets.

Source: thehindubusinessline.com - Dec 29, 2022

HOME

*****************

# Decision to buy cotton from market taken to meet buyers' requirement, says CMD of CCI

The decision of the Cotton Corporation of India (CCI) to start procurement of raw unginned seed cotton, also known as kapas, from the open market was mostly to meet the requirement of the buyers, said Lalit Kumar Gupta, chairman and managing director (CMD) of the CCI.

Gupta, who was speaking with The Indian Express, said CCI has till date procured 25,000 bales (1 bale has 170 kg of combed gin pressed cotton) from 15 procurement centres.

He said the present operations were commercial in nature and the CCI was procuring mainly platinum grade raw unginned seed cotton. "We are one of the many buyers in the market and our buying is dictated by the requirement of our buyers," he said.

Platinum grade refers to raw unginned seed cotton among others having two per cent trash and maximum eight per cent moisture.

Other parameters include fibre strength, micronaire (thickness) strength etc. Some of the kapas, Gupta said, were being purchased at Fair and Average Quality also.

Most of the quality parameters are in accordance with the Kasturi brand being developed by the CCI. Kasturi is a superior quality of cotton bales marketed by the CCI with which it hopes to make a significant mark for Indian lint.

At present, the CCI has 15 procurement centres in Maharashtra, Gujarat, Haryana, Punjab and other kapas-growing states. The procurement centres, he said, was dictated by the requirement of the buyers of CCI. Most of the kapas procured are for domestic markets while the good quality ones are reserved for exports.

India's cotton marketing, November to October 2022-23, had started with farmers commanding prices of Rs 9,000-Rs 9,500/quintal. This buoyant price had led to farmers to hold on to their crop in hope of better prices.

Last season, due to a global cotton deficit, prices had touched Rs 10,000-Rs 11,000/quintal and farmers had hoped for a repeat of the same this season also. However, prices fell and are currently hovering around Rs 6,500-Rs 7,000/quintal.

Earlier this month, the Cotton Association of India (CAI) had downwardly revised its crop outlook. This season, they estimated, the country would have availability of 339.75 lakh bales.

Source: indianexpress.com - Dec 30, 2022

HOME

*****************

# Indian domestic market cotton prices begin aligning with global market

Indian cotton prices have begun to align with market fundamentals and global rates now that the demand, including for exports, has rebounded, industry participants and traders say.

Prices, however, have recovered from the lows of ₹56,000-56,500 a candy (of 356 kg) witnessed early this week. The reported move of Multi Commodity Exchange (MCX) to introduce new cotton contracts has helped buoy the market to some extent.

Currently, ginned cotton is quoted at ₹59,500 a candy at Rajkot. In comparison, cotton futures for delivery in March is quoted at 83.1 US cents a pound (₹54,450/candy) on the Intercontinental Exchange (ICE), New York.

MCX futures

"In the global market, the going rate is 20-25 cents more than what the ICE futures quotes. Indian cotton is quoted some 10 cents above ICE. Therefore, prices are at par rather than the premium we witnessed earlier this month," said Anand Popat, a Rajkot-based trader in cotton, yarn and cotton waste.

"Indian cotton is now aligning with market fundamentals of demand . It is a good trend from the industry's point of view," said Prabhu Dhamodharan, Convenor, Indian Texpreneurs Federation (ITF).

Trade sources said prices have gained after reports that MCX will likely come out with new contract specifications for cotton futures on Friday. "We hear that MCX will launch futures for February, April, June and August. There will be some changes to the earlier specifications," said Popat.

On August 26, MCX announced it was modifying its cotton contract specification and that no fresh position would be permitted for January 2023 and subsequent contracts.

Maharashtra road blockade

"Cotton prices which had dropped by ₹1,000 a quintal on Monday have recovered on the news that MCX is set to revive cotton futures," said Anil Ghanwat, President, Swantantra Bharatiya Party, the political wing of Maharashtra farmers' body Shektkari Sanghatana.

When prices dropped sharply on December 26 in Maharashtra, farmers staged a road blockage at Nandurbar. "The first trigger (for the price fall) came from the American markets. China cancelled a record 1.45 lakh bales of contracts, the first since 2012, leading to negative sentiments in the market," said Dhamodharan.

This is because China is facing turbulence in its own market. "China exports textile products valued at $270 billion and its domestic consumption for textiles is $300 billion," he said. Such a big player facing problems and staying away from the market has led to a negative trend in the market first in the US and now in India, the ITF convenor said.

Retails sales drop 30%

"Current prices have dragged the margin for spinners, while there is no parity for ginners. This has affected purchase of cotton," said Popat. "With prices dropping and disappointing growers, they have begun to cut the amount of cotton they bring to the market," said Ramanuj Das Boob, a sourcing agent for multinationals in Raichur, Karnataka.

Cotton prices have dropped globally since there has been a contraction of about 30 per cent in retail sales of global fashion companies. "November-end results show major contraction to the tune of 30 per cent for some global brands in China due to Covid issues," said Dhamodharan.

"Prices have gained a bit now after a sharp fall. Chances of any further sharp fall in cotton prices are remote," said Popat. One of the reasons for the likely trend is that farmers are unwilling to sell cotton at low prices.

" Kapas (raw cotton) prices have dropped to levels of ₹7,500 a quintal. This is against over ₹9,000 that farmers got last year. They are looking for better prices and have cut the volume they are bringing to the market," said the Raichur sourcing agent.

Tough to recoup offtake loss

According to data from Agmarknet, a unit of the Agriculture Ministry, prices of kapas are currently at ₹7,950 a quintal in Rajkot agricultural produce marketing committee (APMC) yard against ₹9,000 at the same time a year ago.

"In India, 50 per cent of the spinning capacity idled in October. Though the capacity utilisation is inching up, it is not possible to recoup 30-35 lakh bales of consumption that has been lost this cotton season (October 2022-September 2023)," said ITF's Dhamodharan.

With Indian cotton prices now aligning with the fundamentals, export demand has re-emerged. "Demand has come from Bangladesh. We expect China and Vietnam to seek cotton from us soon," said Popat.

"We have got only a small order from Bangladesh for exports. Demand is yet to pick up to expected levels," said Boob.

2023 outlook

In 2023, the textile industry will have an opportunity to grow as the industry has bottomed out. "As per Mastercard spending Pulse data released last week, US retail sales are showing some momentum with apparel sales increasing by 4 per cent in value terms on a two-month basis and 14 per cent on one-week basis," said Dhamodharan. Also, since major US and Europe retailers have not placed any orders over the past 2-3 months. "Their inventories have been exhausted or are on the verge of exhaustion. After the holidays, they will return to place fresh orders," he said

Chinese consumption will likely rebound. As domestic savings have increased by 50 per cent over the last two years in China, the ITF convenor said his organisation expects "revenge buying" in the Chinese retail market after 60 or 90 days. "The key to the industry's recovery is US retail sales and the Chinese uptrend during the beginning of 2023," he said.

Source: thehindubusinessline.com - Dec 29, 2022

HOME

*****************

# Disparity in cotton prices impacting Indian textile industry

The prices of raw cotton in India are currently at least 10-14 per cent higher than prices in international markets, and this disparity is impacting the Indian textile industry. Stakeholders are therefore urging the government to remove the 11 per cent import duty imposed on cotton to create a level playing field for the domestic industry.

The benchmark Shankar-6 variety of Indian cotton is currently ruling at around ₹60,000 per candy of 356 kg, which amounts to ₹169 per kg. In comparison, the price of ICE cotton is around ₹152 per kg.

The slowing of demand in export markets is another cause of worry for the Indian industry, especially the textile and apparel exporters. The industry is therefore looking towards the government for proactive support so it can face the twin challenge in the global market.

A Tamil Nadu-based industry expert said that Indian cotton is costlier than the international cotton, including the Chinese fibre. "Therefore, Indian exporters are unable to get orders from global market. Currently, the government has imposed 11 per cent import duty on cotton, which is spoiling feasibility of international trade."

Another industry source from Delhi said that India's cotton rates are not competitive globally. "Domestic market is also shifting faster from cotton to polyester and consumption is down. Hence, the government needs to remove the import duty and make the price of raw material at par with international prices."

Besides removal of import duty on cotton, the industry is also seeking a stimulus package from the government to support the spinning, weaving, fabricating, garmenting and home textiles sectors.

Source: fibre2fashion.com- Dec 29, 2022

HOME

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