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2022 China's textile and apparel exports review

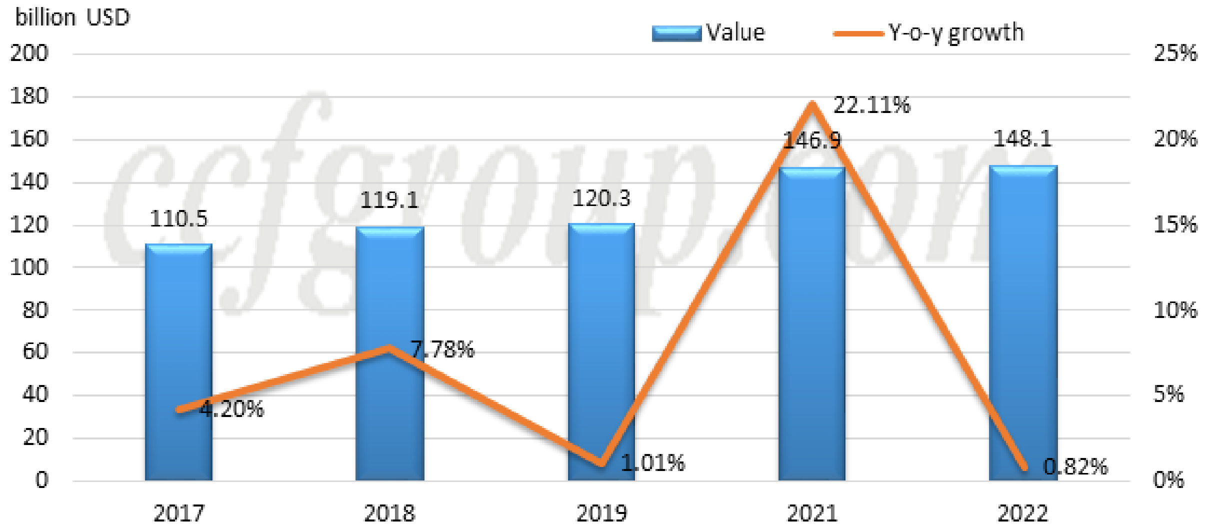
According to the latest data, China's textile and apparel exports totaled 323.5 billion USD in 2022, up slightly by 0.2% year on year, and the growth was much slower than that in 2021.

In terms of export structure, garment exports decreased by 0.23% y-o-y to 175.4billion USD in 2022, while textile exports increased by 0.82% to 148.1billion USD. Compared with 2021, total textile and apparel exports growth in 2022 slowed down due to the impact of the interest rate hike of overseas governments and the economic recession.

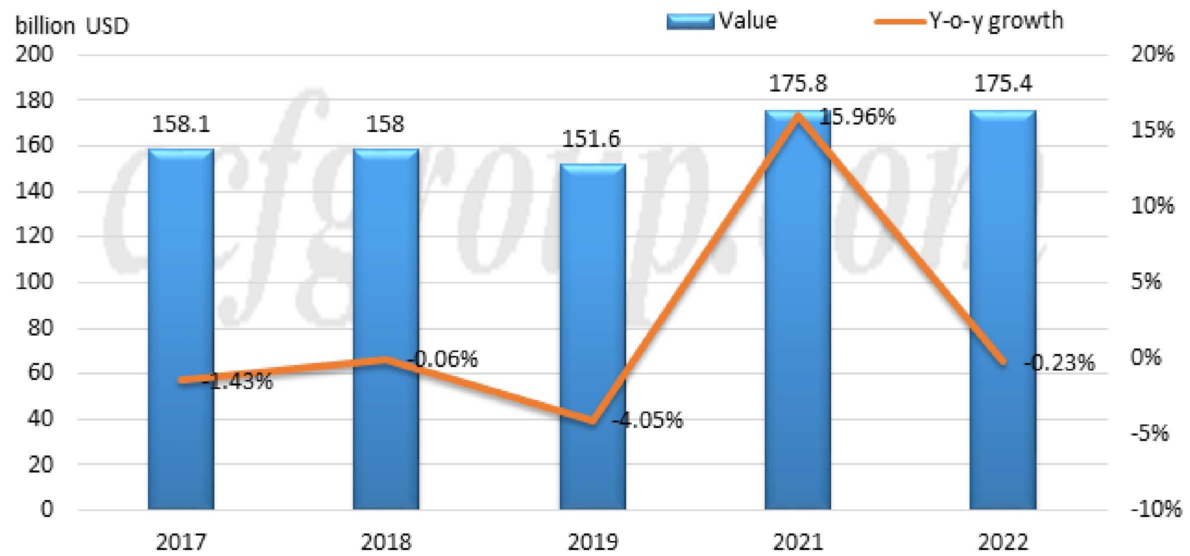
However, the overall exports in 2022 still showed significant increase of 19.0%, or 51.6 billion USD compared with the year of 2019, and it rose by 46.3billion USD, or 16.7%, compared with 2018. With the structural point of view, textile exports outperformed those of apparel.

In terms of specific varieties, two most important export categories of cotton and chemical fiber products were selected. Although the overall export remained stable last year, there were some changes in the export structure.

Textile exports in 2017-2022(excluding 2020)



Apparel exports in 2017-2022(excluding 2020)



Export volume of specific varieties			
Variety	Quantity	Unit	Y-o-y growth
Cotton woven garment	3152795843	sets	-6.74%
Cotton knitwear	8767258874	sets	-8.72%
cotton fabric	6474997870	meter	-11.97%
Cotton yarn	284525923	metric tons	-3.59%
Woven garment made of chemical fiber	7906154981	sets	-12.07%
Knitwear made of chemical fiber	10728141965	sets	2.86%
Chemical fiber woven fabric	28958132048	meter	9.43%
Chemical fiber yarn	5169066870	metric tons	9.39%

It could be seen that the export volume of chemical fiber products was larger than that of cotton products. However, it was worth noting that the exports of woven garments made of chemical fibers performed relatively poor among overall chemical fiber exports.

Share of major export destinations in 2022		Share of major export destinations in 2021	
United States	16.47%	United States	18%
Japan	6.17%	Japan	6.32%
Vietnam	5.88%	Vietnam	5.50%
South Korea	3.18%	South Korea	3.22%
Bangladesh	2.85%	Germany	3.02%
Germany	2.67%	United Kingdom	2.86%
Kyrgyzstan	2.59%	Bangladesh	2.66%
Australia	2.41%	Russia (RU)	2.25%
United Kingdom	2.36%	Australia	2.17%
Malaysia	2.12%	Malaysia	2.04%
Others	53.30%	Other	52%

With exporting destinations, changes have also taken place. The top 10 destinations of China's textile and apparel exports in 2022 and 2021 are listed.

Compared with the year 2021, the proportion of the US, Japan, South Korea, the UK, Germany and Russia in 2022 declined, while the share of Vietnam, Bangladesh, Australia, Malaysia and Kyrgyzstan rose. On the whole, the proportion of traditional markets dropped significantly, yet that of emerging countries increased meaningfully.

Source: ccfgroup.com- Feb 20, 2023

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China's machinery industry to grow 5% YoY in 2023: CMIF

China's machinery industry is expected to achieve steady growth in 2023, as per the China Machinery Industry Federation (CMIF). The industry maintained stable operation in 2022, with operating revenues totalling 28.9 trillion yuan, up 9.6 per cent year-on-year (YoY).

The sector's sales revenue and profits are expected to grow 5 per cent YoY in 2023, while exports will maintain steady development momentum.

The machinery industry remained stable in 2022 in spite of issues like COVID-19, slow internal demand, and increasing manufacturing costs. The industry's total profit soared 12.1 per cent on a yearly basis to 1.8 trillion yuan.

"China's machinery industry is expected to achieve steady growth this year. The sector showed strong resilience, huge potential, and great vitality amid headwinds, with the automobile, electrical appliances, and other manufacturing sectors posting stable operations since the beginning of the year," CMIF executive vice president Luo Junjie was quoted as saying by local media reports.

Although confronting uncertainties caused by high prices of materials such as nickel, lithium, and graphite, and geopolitical tensions, the foreign trade of China's machinery industry rose 3 per cent on an annual basis to $1.07 trillion in 2022, continuing at a foreign trade value of $1 trillion for the second consecutive year.

Source: fibre2fashion.com- Feb 20, 2023

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Japan's clothing imports up 21.6% to 308,847 mn yen in Jan 2023

Japan's clothing and accessories imports increased by 21.6 per cent to 308,847 million yen (approximately $2,301.96 million) in January 2023, accounting for 3.1 per cent of the total imports of 10,047,783 million yen during the period under review, according to the provisional trade statistics released by the Far Eastern country's ministry of finance.

The imports of textile yarn and fabric were valued at 101,826 million yen in January 2023, a 5.6 per cent increase from the same period last year. Yarn and fabric imports accounted for 1 per cent of the total imports by Japan.

The imports of yarn and fabric from China were 10,076 million yen in January 2023, which was 4.3 per cent higher than the corresponding period in 2022. The imports accounted for 1 per cent of Japan's total imports from China, as per the data.

During January 2023, Japan exported textile yarn and fabric worth 31,372 million yen, a 4.6 per cent increase year-on-year. The country's exports of textile machinery were valued at 15,697 million yen, a 12.1 per cent increase from January 2022, contributing 0.5 per cent to the total exports.

In 2022, Japan's clothing imports were 3,494,110 million yen, a 23.2 per cent increase from the imports in 2021. The imports of textile yarn and fabric were valued at 1,261,222 million yen in 2022, a 25.7 per cent increase. Japan had exported textile yarn and fabric worth 772,688 million yen in 2022, a 15.2 per cent increase year-on-year. Its exports of textile machinery increased by 26 per cent to 301,414 million yen in 2022.

Source: fibre2fashion.com- Feb 21, 2023

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German export surplus drops to €80 bn, lowest since 2000

Germany's export surplus in 2022 dropped to its lowest level since 2000. The foreign trade balance fell by more than half, from a surplus of €175.3 billion in 2021 to €79.7 billion in 2022, according to the Federal Statistical Office (Destatis). One of the reasons for the decrease was the sharp rise in energy prices, which affected the cost of imports.

The country's total exports in 2022 amounted to €1,575 billion, while imports were to the tune of €1,495 billion, according to Destatis.

In addition, trade with China, which was previously the second most important country importing German goods, fell to fourth place in 2022. Germany recorded its largest trade deficit with China since the beginning of the time series in 1950.

China was the most important trading partner of Germany again, while the UK fell to rank 11. The US was the most important country importing German goods.

Source: fibre2fashion.com- Feb 18, 2023

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India, China to contribute more than half of global growth this year: IMF

Due to fading supply-chain disruptions and the boom in the service sector, India and China will contribute more than 50 per cent of the global growth in the upcoming year, the International Monetary Fund (IMF) said in a blog post on Monday. Asia will be a major driver of global growth, with other countries, apart from China and India, contributing another 25 per cent.

"These economies are hitting their stride as pandemic supply-chain disruptions fade and the service sector booms," it said. "Cambodia, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam are all back to their robust pre-pandemic growth".

It added that inflation in India is expected to moderate in the coming year.

"There are now encouraging signs that headline inflation peaked during the second half of last year, though core inflation is proving more persistent and has yet to ease definitively. We expect inflation to return to central bank targets sometime next year amid an easing of financial and commodity headwinds," IMF said.

However, the central banks across the region need to stay "alert" as the core inflation is still high, and the re-opening of China's economy may push inflation up due to higher demand.

"This means that central banks should tread carefully by reaffirming their commitment to price stability," it said.

On February 8, the Reserve Bank of India (RBI) raised its key interest rate, repo rate, by 25 basis points to 6.25 per cent. Despite a cumulative hike of 250 basis points in the last year, the inflation in January was above the RBI's upper tolerance limit of 6 per cent at 6.52 per cent.

The IMF said that the central banks may be required to raise interest rates further.

"Indeed, they may need to hike rates further if core inflation does not show clear signs of returning to target," IMF added.

However, as the global headwinds have improved and food and oil prices have cooled down, Asia is expected to grow at 4.7 per cent in 2023 and 4.5 per cent in 2024, it said. In 2022, the region grew at 3.8 per cent.

Source: business-standard.com- Feb 21, 2023

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China to extend zero-tariff treatment to Ethiopia, Niger, & Burundi

From March 1, 2023, China will offer zero-tariff treatment to 98 percent of taxable items originating from Ethiopia, Burundi, and Niger, according to the country's customs tariff commission of the state council. This move is aimed at strengthening China's friendship and cooperation with African countries, facilitating the development of the least developed nations, and fostering an open global economy.

China had pledged to provide tariff preferences for LDCs at the eighth ministerial conference of the Forum on China Africa Cooperation (FOCAC) held in Senegal last year.

These benefits will gradually be extended to all other least developed countries that have established diplomatic relations with China in the future.

Source: fibre2fashion.com- Feb 21, 2023

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European Commission offers EU-New Zealand trade pact for ratification

The European Union (EU)-New Zealand trade agreement recently took a big step towards ratification, with the European Commission sending it to the Council for signature. The EU feels the agreement is expected to deliver major gains for itself and bilateral trade is expected to grow by up to 30 per cent, with annual EU exports potentially growing by up to €4.5 billion.

Once the Council gives its nod, the EU and New Zealand can sign the agreement and it can be sent to the European Parliament for its consent. Following approval, the deal can enter into force. EU investment into New Zealand has a potential to grow by up to 80 per cent, the EU said in a release. The deal can cut some €140 million a year in duties for EU companies from the first year of application.

The agreement will provide new opportunities for businesses by eliminating all tariffs on EU exports to New Zealand; opening the New Zealand services market in key sectors such as financial services, telecommunications, maritime transport and delivery services; ensuring non-discriminatory treatment to EU investors in New Zealand and vice versa; and improving access for EU companies to New Zealand government procurement contracts for goods, services, works and works concessions.

It is also expected to facilitate data flows, predictable and transparent rules for digital trade and secure online environment for consumers; prevent unjustified data localisation requirements and maintain high standards of personal data protection; helping small businesses export more through a dedicated chapter on small and medium enterprises; and significantly reducing compliance requirements and procedures to allow for quicker flow of goods.

EU farmers will have much better opportunities to sell their produce in New Zealand immediately upon application of the agreement. Tariffs will be eliminated as of day one on key EU exports. Negotiations for such an agreement started in June 2018.

Source: fibre2fashion.com- Feb 21, 2023

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Vietnam to boost exports to Middle East

The number of tourists to the UAE this year is forecast to increase sharply, leading to rising demand for food and beverages, textiles, and footwear.

This is a good opportunity for Vietnam to boost the export of these items.

In particular, Vietnam leads the world in exporting frozen pangasius and fillets to the UAE, with a market share of over 50%.

Vietnam also dominates the UAE and other Middle Eastern countries in exporting farm produce and fruit such as dragon fruit, watermelon, and lemons

Source: en.vietnamplus.vn- Feb 20, 2023

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Bangladesh & UK deepen trade ties for mutual growth & prosperity

Bangladesh and the United Kingdom (UK) have agreed to enhance their bilateral trade partnership to increase mutual prosperity ahead of and after Bangladesh's graduation from Least Developed Country (LDC) status. The agreement between both countries was reached during the second Bangladesh-UK trade and investment dialogue held in Dhaka on February 19, 2023.

The two countries agreed to convene the dialogue annually and its Joint Working Group (JWG) regularly, covering a broad range of trade and investment issues, including mutual barriers to market access and trade. The JWG's agenda will be agreed upon in advance between the UK and Bangladesh.

During the dialogue, both countries discussed cooperation in areas such as investment, ease of doing business, higher education provision, taxation issues, and intellectual property protection, the government of UK said in a press release.

Emphasising the importance of maintaining a level-playing field for foreign companies interested in investing and operating in Bangladesh, the UK invited Bangladesh to engage with the UK private sector to pursue a commercial dispute resolution system to unlock the full potential of foreign direct investment (FDI) into Bangladesh.

The UK welcomed Bangladesh's economic growth and resilience, despite the impact of the global pandemic and ongoing global economic crisis. Bangladesh, in turn, acknowledged the UK's generous Developing Countries Trading Scheme (DCTS) and its role in integrating Bangladesh into the global economy.

The UK reflected its commitments under DCTS to international conventions on labour standards and human rights, anti-corruption, climate change, and the environment. The UK stressed the importance of Bangladesh putting in place economic policies and systems to achieve its ambition of rapid, sustainable, and green economic development.

Both countries recognised the importance of high-quality education and agreed to further deepen and widen the scope of collaboration in the area of higher education for mutual benefit.

"The UK and Bangladesh relationship is underpinned by the potential of our trade and investment relationship that will help both of our economies to grow. Foreign direct investment builds the foundation to provide jobs, transfer skills, generate revenue, create competition and drive standards higher. A conducive business climate and removal of market access barriers will benefit both countries and underline the great opportunities for UK businesses," said Alan Gemmell OBE, UK's trade commissioner for South Asia.

"The historic relationship between the UK and Bangladesh is based on mutual interest and common values. Bangladesh is very keen to take this relationship to a new height through enhanced trade and economic cooperation. I believe today's dialogue contributes to increasing trade and investment in both countries," said Tapan Kanti Ghosh, Bangladesh's commerce secretary.

Source: fibre2fashion.com- Feb 21, 2023

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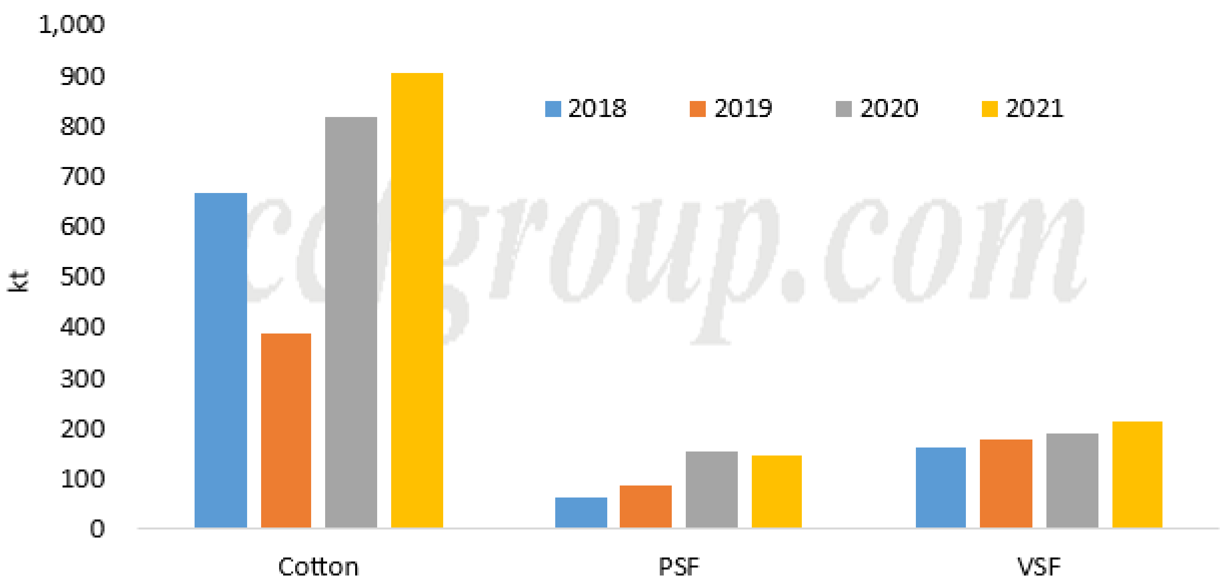
Pakistan: Exhausted Pakistani exchange reserves hurt cotton textile feedstock import

On Feb 11, Ministry of foreign affairs of CPC warned Chinese citizens to be careful to go to Pakistan given its recent domestic security situation. Pakistan was in a terrible situation of economic crisis and had to seek help from IMF. In January its CPI rose by 27.55% year-on-year and its foreign exchange reserve was nearly exhausted. Pakistan is one of the key manufacturing base of textile and apparel, while textile is China's pillar industry, contributing around 8% of GDP.

Pakistan used cotton as the main feedstock for textile and relied on imported feedstock since it lacked chemical feedstock at home, and the exhausted exchange reserve therefore had impact on its textile industry. In 2021 Pakistan imported around 900kt cotton, largely from US, India and Brazil, 150kt PSF and 210kt VSF largely from China. Pakistan's imported volume of three major feedstock in recent years are showed in chart below.

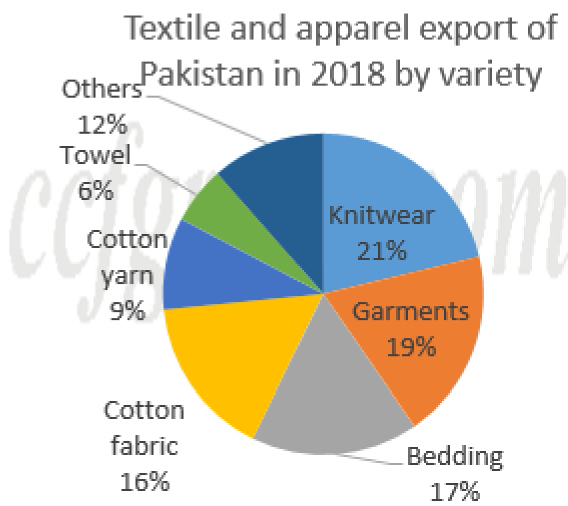
Three major cotton textile raw materials import of Pakistan



Pakistan is a well-known producer for global cotton. It produced 1310kt cotton in 2021/22 season and the figure dropped to 850kt in 2022/23 season, suggesting a shortage of cotton supply and a growing demand for imported cotton. However, the economic crisis in Pakistan already made it difficult for imports of food and energy resources, let alone textile feedstock. So will orders flow to other places?

Pakistan's textile industry was well developed and competitive in global cotton market. In 2022 its textile and apparel export reached $18.66billion, up 7.5%. Knitwear, garments, bedclothes, cotton yarn fabric and towels accounted for 90% of Pakistan's textile and apparel export.

As can be seen from its export structure, cotton products, including bedclothes, towels, cotton yarn fabric and some knitwear and garments, were competitive in global market. Pakistan's textile and apparel were mainly sold to European market such as US (30%), UK (10%), as well as Germany, Netherlands, Spain, Italy, Belgium and France (all together accounted for 30%).



The turbulence in Pakistan may drive its European clients to exporters with lower cost, such as Bangladesh, India and ASEAN regions, and even China. China imported more than 300kt Pakistani cotton yarn in 2017-2019, and 260kt-280kt in 2020-2021.

Last year the imported volume shrank to around 140kt due to long-term high foreign offers. Pakistan's economic crisis will undoubtedly influence China's cotton yarn import and requires close attention.

Source: ccfgroup.com - Feb 18, 2023

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Pakistan: APTMA seeks PM help to avert closure of export industry in Punjab

All Pakistan Textile Mills Association (APTMA) has requested the Prime Minister of Shehbaz Sharif to come forward to safeguard the country's exports and employment as the country cannot afford deindustrialization in Punjab that will lead more layoffs leading to significant unemployment of more than 10 million workers and further deterioration in the balance of payments in the shape of $10 billion exports per annum, as the government under IMF pressure has taken back regionally competitive energy tariff.

In a letter written on Monday to the Prime Minister, APTMA's patron-in-chief Gohar Ejaz urged the government to create a level playing field by implementing a uniform gas price of $7 per MMBtu for the export industry across the country, maintaining Rs19.99/kWh for the export sector across the country to retain competitiveness across the country and internationally.

He also asked for the first priority for gas supply to captive power plants of the export-oriented sector. Ejaz built the arguments with graphs and data that the total cost of regionally competitive energy tariff (RCET), if the differential is treated as the subsidy/cost is 2.67 percent in the last 4 years from FY19 to FY22. And with the RCET cost of 2.67 percent (Rs260.59 billion) in 4 years, the exports went up to Rs9761.32 billion. The actual cost of service (excluding cross-subsidy is 9.3 cents/kWh which implies that the government is not providing a subsidy to EOUs (export-oriented units) but indirectly to other sectors primarily the domestic sector.

"So, the narrative that the government subsidizes the textile sector is therefore inaccurate and needs to be revisited." "Textile exports witnessed a massive increase of over 55 percent in just two years: from $12.5 billion in FY2020 to $19.5 billion in FY2022 as a direct consequence of the competitive energy tariff," the latter said.

"The industry as a consequence of the improved competitiveness invested a further $5 billion in the expansion and new projects which enhanced the available export capacity by another $5-6 billion. Pakistan was therefore well on the way to achieving $26 billion in textile exports in 2023. Now this momentum is being lost."

Ejaz also pleaded that it is universally acknowledged that taxes, cross-subsidies and inefficiencies cannot be exported. The regionally competitive electricity tariffs depicted below highlights the cross-subsidy element when comparing to other competing countries' tariffs and the cost of service for B-3 and B-4 in Pakistan.

"The decision of the government to suspend the regionally competitive energy tariff (RCET) of electricity for EOUs across Pakistan will render the textile industry, especially in Punjab, uncompetitive within the country and the region. This particularly hurts Punjab based industries. The price differential between effective electricity prices in Punjab and Sindh is more than 3.65 times as EOUs in Sindh can generate electricity at Rs.11/kWh from gas being provided at $4/MMBtu while Punjab gets gas/RLNG at $9/MMBtu.

The gas/RLNG being provided to EOUs in Punjab also comes with the caveat that it will not be used for electricity generation. Therefore, the only available energy for EOUs in Punjab after March 1, 2023, will be grid electricity at over Rs40 per kWh. This will necessarily shift available orders to cheaper alternatives internationally and within Pakistan. The grid electricity apart from being uncompetitive is unreliable and substandard, reducing effective production capacity by over 25 percent.

This anomaly is further compounded by the intermittent supply of gas/RLNG to Punjab-based EOUs which has been at times nil supply, 25 percent supply and 50 percent supply based on average consumption of August, September and October 2021. This method also ignores new projects/expansions etc. rendering non-operational, a significantly enhanced capacity through Terf etc. over the last two years. "Under these circumstances, in addition to the jobs already lost in the past few months, there will soon be further major layoffs leading to significant unemployment of more than 10 million workers in Punjab."

Source: thenews.com.pk - Feb 21, 2023

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Bangladesh sees less FDI as clearance to start biz takes longer: BIDA

Bangladesh attracts less foreign direct investment (FDI) as it takes comparatively longer time to start a business here compared to competing nations, according to Bangladesh Investment Development Authority (BIDA) executive chairman Lokman Hossain Miah, who recently said a committee led by the prime minister's principal secretary has been formed to look into the matter.

"We are hopeful about the progress within the next three months," he told the February luncheon meeting on 'Investment for Smart Bangladesh' organised by the American Chamber of Commerce in Bangladesh (AmCham).

Vietnam offers all services within 35 days, Indonesia offers in 49 days and India in 60 days, but the same takes about six months in Bangladesh, he lamented.

"Investing in a smart Bangladesh is not just an economic imperative, it is a moral one. By making the right investments in infrastructure, education, technology, energy, and social inclusion, we can build a sustainable better future for Bangladeshis. Let us work together to create a smarter Bangladesh for the generations to come," AmCham president Syed Ershad Ahmed was quoted as saying by Bangladeshi media reports.

"Whatever favourable policies and friendly rules for FDI exist in the country, proper implementation of those matters most. Good policies on paper and a verbal assurance of support by the policymakers will not attract foreign investors," Ershad added.

Source: fibre2fashion.com- Feb 20, 2023

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NATIONAL NEWS

SBI pegs India's Q3 GDP growth at 4.6%

Indian economy was estimated to have grown by 4.6 percent during the October-December quarter of the current financial year, said a research report by SBI.

This is higher than the 4.4 per cent growth projected by Reserve Bank of India (RBI) and National Statistical office (NSO). NSO will release the actual number on February 28.

India's Gross Domestic Product (GDP) grew 0.7 per cent and 5.4 per cent in Q3 FY21 and Q3 FY22, respectively, while growth during the first two quarters of the current fiscal has been pegged at 13.5 per cent (Q1) and 6.3 per cent (Q2). For the whole of current fiscal, GDP is estimated to grow between 6.8 and 7 per cent.

"We estimate India's GDP growth for Q3 FY23 at 4.6 per cent. This is based on an in-house SBI Artificial Neural Network (ANN) model," SBI research report titled Ecowrap said.

ANN is a computational network model that has artificial neural networks like biological neurons that are linked to each other in various layers of the networks. These neurons are known as nodes.

SBI ANN model has been developed with 30 high frequency indicators. ANN has been trained for the quarterly GDP data from Q4 2011 to Q4 2020. The research report has claimed that growth estimates of last two quarters based on ANN have been precise.

India Inc's growth

The report further said that corporate results, excluding BFSI (banking, financial services and insurance), for Q3 FY23 shows de-growth in EBIDTA (earnings before interest, depreciation, tax and ammortisation) by 9 per cent year-on-year against 18 per cent EBIDTA growth in Q3 FY22, though the top line continued to grew at a healthier pace.

Net sales grew by 15 per cent in Q3 FY23, while bottom line down by around 16 per cent. Further, corporate margin seems to be under pressure as reflected in results of around 3,000 listed entities (excluding BFSI), on account of higher input costs with decreasing EBIDTA margin, on aggregate basis, from 15.3 per cent in Q3 FY22 to 11.9 per cent in Q3 FY23.

"These could pull down the manufacturing growth in Q3 FY23," the report said.

Headwinds

It also mentioned that the geo-political uncertainty continues to rattle the global economic landscape.

With the Russian aggression into Ukraine completing a year this week, "we witness a domino effect coming in full force as tensions of formidable momentum, with meaty consequences for growth and prosperity for majority of world, take centre stage."

Other than the lingering long war in Europe that dealt a heavy blow to food/energy/commodity security (with its pass-through effect yet to dwindle materially despite prices easing from their stratospheric highs seen in mid-22), there are fresh points of conflict erupting primarily in Korean Peninsula and Middle East.

"We anticipate the multiple aggressions in these 'points of conflict' zones should keep the world powers at tenterhooks, allocating more resources to build capacity lest they suffer on many fronts going forward in these days of frenzied cacophony and above all, repricing of risk by financial institutions amidst such tumultuous times which could significantly alter the terms of trade through the year 2023," the report said.

Source: thehindubusinessline.com - Feb 21, 2023

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German Chancellor Scholz to lead high-level business delegation to India

German Chancellor Olaf Scholz will visit India on February 25-26 accompanied by senior officials and a high-powered business delegation, according to the Ministry of External Affairs. “He (Olaf) is scheduled to arrive in New Delhi on February 25 and will proceed to Bengaluru on February 26,” an MEA release issued on Monday said.

“Prime Minister (Narendra Modi) and Chancellor will hold discussions on bilateral, regional and global issues. The two leaders will also interact with CEOs and business leaders of both sides,” per the statement. Scholz’s visit will enable both sides to take stock and progress on the key outcomes of the 6 th Inter-Governmental Consultation (IGC), strengthen security and defence cooperation, work towards closer economic ties, enhance opportunity for mobility of talent and give strategic guidance to ongoing collaboration in science & technology, it added.

This will be Chancellor Scholz’s first visit to India in his current role and the first standalone visit of a German Chancellor to India since the biennial IGC mechanism commenced in 2011. The IGC is a whole-of-government framework under which Ministers from both countries hold discussions in their respective areas of responsibility and report on the outcome of discussions to the Prime Minister and Chancellor.

Modi and Scholz are also expected to discuss the future handling of the on-going crisis in Ukraine as Russia’s war on the country completes one year this week, sources said.

Germany has been a leading supplier of equipment and weapons to Ukraine in the on-going war and has significantly reduced its dependence on Russian energy. India, on the other hand, has denounced the war without taking sides and has increased its purchases of discounted oil from Russia since the war began.

Scholz will also call on the President Droupadi Murmu and will be accorded a ceremonial welcome at the forecourt of Rashtrapati Bhawan.

Source: thehindubusinessline.com - Feb 20, 2023

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Merchandise exporters to pay 18% GST on shipping costs: Govt

Merchandise exporters will have to cough up 18% goods and services tax, or GST, on the services of transportation of goods, a move that the industry says could lead to cash flow issues at a time when exports are declining. This follows a recommendation of the GST Council that the place of supply of transportation of goods must be determined on the location of the service receiver, rather than on the basis of destination of goods.

Government officials said the move aims to provide tax parity between foreign and Indian shipping lines with regard to integrated GST on transportation of goods by vessels from India to outside India and vice-versa. Currently, the export freight rate charged by Indian shipping lines to Indian exporters is taxable while freight charged by foreign shipping lines to Indian exporters for transport of goods to a place outside India is not taxable as it is neither an inter-state nor an intra-state supply. Experts said while the GST paid would be available as a credit to most of the exporters as they can claim a refund, this may impact their cash flow. India's exports contracted in January on the back of declining demand in advanced economies.

"The recent change in the place of supply of transportation of goods will remove last mile connectivity costs of overseas exporters and importers for whom this GST was in any case not creditable," said Bipin Sapra, partner, indirect tax, EY India. A specific clarification that the default rule is operating rule for POS (place of supply) in case of not only transportation of goods but also for courier and mail services will help the industry benefit from this change, Sapra said.

Some experts said it will increase tax burden on certain exporter like those dealing in alcohol, which is outside ambit of GST. "While the desired principle will provide consistency between services of transportation of goods and courier services, the proposal will lead to applicability of tax for export of goods," said Abhishek A Rastogi, founder of law firm Rastogi Chambers.

Source: economictimes.com - Feb 21, 2023

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B V R Subrahmanyam named CEO as Iyer exits Niti Aayog

In a surprise move, the Union government on Monday appointed former commerce secretary B V R Subrahmanyam as the chief executive officer of the Niti Aayog, succeeding Parameswaran lyer, who has been appointed as an executive director at the World Bank.

Iyer, who was appointed for a two-year tenure with effect from July 2022, would demit Niti Aayog after a short stint of about eight months.

Subrahmanyam has been appointed as Niti Aayog CEO for two years while Iyer has been appointed in the World Bank for three years.

Subrahmanyam was a 1987 batch IAS officer of the Chhattisgarh cadre and a native of Andhra Pradesh. He has an engineering degree and a management degree from London Business School.

He is a widely experienced bureaucrat having worked as chief secretary of the Union Territory of Jammu and Kashmir, additional chief secretary (home), Chhattisgarh and joint secretary in the PMO between 2004–2008 and March 2012–March 2015, serving under Manmohan Singh and Narendra Modi.

Sources said Subrahmanyam with his experience in commerce ministry would bring the much-needed expertise to the country's top think tank as India plays an increasingly assertive role in the global geopolitical political-economic landscape.

Iyer, a 1981-batch IAS officer of the Uttar Pradesh cadre, is a well-known sanitation specialist, and is best known for spearheading Modi government's flagship scheme, the Swachh Bharat Mission between 2016 and 2020.

Iyer had taken voluntary retirement from the Indian Administrative Service in 2009. He had also worked as a senior rural water sanitation specialist at the United Nations.

Source: financialexpress.com - Feb 21, 2023

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Cotton import bill crosses $1 billion in FY23 as prices soar

Driven by record high cotton prices amid a global shortage last year, New Delhi's cotton import bill surged 200% to surpass the $1bn mark in the 10 months to January, official data showed. While cotton prices have since eased due to a global demand slowdown, experts are worried over domestic production.

Stagnant cotton production is especially worrying as prices of textiles have risen consistently over the last three years, the Economic Survey 2023 said, adding that clothing and footwear were among the major contributors of headline inflation in FY23. In its latest crop projection the Cotton Association of India (CAI) reduced India's cotton crop size to 33 million bales (each of 170 kg), down by 925,000 bales from the earlier projection for the 2022-23 season.

"Global production is projected down 300,000 bales to 115.4 million and largely attributed to lower yields in India. Consumption is forecast down due to lower use in India, Indonesia, and Vietnam," the US Department of Agriculture Foreign Agricultural Service said in a report.

India's cotton import bill logged a 200% rise to $1.34 billion between April 2022 and January 2023 compared to $450.40 million during the comparable period last financial year, official data showed.

Trade data further showed that imports picked up sharply between July and December. India imported close to 1,750,000 bales in the second half of 2022 compared to only 490,000 bales in the same period last year. To ease pressure on the industry, the government had waived customs duty on cotton imports on 14 April 2022, until 30 September 2022.

The Cotton Association of India (CAI) in a note said that it is imperative to provide policy support to scientists and technology to increase productivity. "Popularizing high density planting, farm mechanization and giving a thrust to research-oriented agronomy are some other important way-forwards to increase our cotton productivity at least to the world cotton average productivity mark," CAI said.

Source: livemint.com - Feb 21, 2023

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Textile exports should pick up in H2 2023, domestic demand robust: HGH India's Arun Roongta

From the highs of the pandemic, growth and demand for the textiles sector has moderated this financial year. The Russia-Ukraine war, high inflation and the threat of a looming recession in key markets like the US and Europe have led to a slowdown in exports. The silver lining for the sector has, however, been robust domestic demand and new pockets of growth. In a conversation with ET Digital, Arun Roongta, Managing Director, HGH India, talks about the trends and challenges for the sector and the opportunities. Edited excerpts:

Economic Times (ET): What is the status of the home textiles and furnishing industry in India?

Arun Roongta (AR): Indian home textiles and furnishing industry continues to grow despite several challenges. Exports to Europe and the EU, which make 80% of India's market for these categories, are stagnant at this point. However, the domestic market continues to grow at 15% per annum.

Consumers are shifting towards ready-to-use products like readymade sofas, cushion covers, curtains, blinds, bed sheets and towels instead of customising them. In 2022, the overall size of the home textiles & furnishing industry, including the unorganised sector, was about $18-19 billion, of which $8.2 billion was exported and remaining $10 billion was domestic consumption. About 40% of domestic consumption in home textiles was for the bed & bath category alone. Still, over 95% of domestic demand is met by the unorganised and MSME sectors. Wider definition of furnishing will also include furniture and home décor accessories and these numbers would get bigger.

India is targeting an average GDP growth of over 7% per annum to become a $5-trillion economy by 2025-26. As the world's fifth-largest economy with a population of 1.4 billion people, it is today one of the biggest and rapidly emerging markets in the world. India's aspiring, young consumers with rising incomes are consistently moving upwards, adapting to better products, better designs and an international lifestyle. With demand for home products increasing at 20% per annum, business growth opportunities in the Indian market will continue to grow for domestic and global players.

India is a huge but highly diversified market where connecting with the right business partner is a major challenge faced by both international and Indian brands and manufacturers.

ET: What was the impact of the pandemic on exports and domestic consumption and what does it look like now?

AR: After short cyclical ups and downs in demand, the net effect of the pandemic on the domestic market has been a net increase in size of the domestic market by 15-20%, as people learnt to spend more on their homes and living environment and opt for better quality. While exports picked up for some time, other non-pandemic factors like the Ukraine war and high inflation marred them in key markets like the European Union, USA and Japan. More recently, some signs of international demand re-emerging are visible, though slowly. The domestic market for furnishing fabrics particularly took a pause during the last Diwali season, due to overconsumption and very high sales in 2021-22. The current year looks very promising in the domestic market across all home product categories, including home textiles.

ET: There is a slowdown across markets like Europe and the US. What impact is that having on Indian producers and how are they coping with the situation?

AR: I think this is a short-term trend triggered by the Ukraine war, high oil prices and high inflation in post-Covid markets. Consumers in the USA, Europe and Japan are simply spending less at the retail level on textile purchases to balance their budgets. These countries make up over 80% of India's exports of textiles across all categories, like readymade garments, apparel fabrics and home textiles.

As inflationary conditions cool off and retailers exhaust their stocks, added by growing preference of importers to move away at least part of their sourcing from China, Indian textile exporters should see good demand from the second half of 2023. We are certainly facing stiff competition from countries like Vietnam and Bangladesh, who besides having labour cost advantage also enjoy favourable trade terms and duty-free access to many markets. India just concluded an FTA with Australia and the UAE. This should work to its advantage. We need to do similar agreements with larger buyers like Europe and USA.

Skyrocketing prices of cotton, which constitute a major part of India's textile exports, impacted demand adversely in this segment. Now that the prices are reverting to normal, with a good new cotton crop, things should get better. Besides, India needs to work more effectively in its export promotion and marketing efforts. Products need to be contemporised further in terms of designs, quality and performance. We need to offer better functionality and features, besides good feel and good designs.

ET: How has the domestic market evolved when it comes to demand and where are the pockets of consumption?

AR: Interestingly, besides metros and big cities, the demand from tier 2-3 cities is increasing now. That is where one has to look at more seriously now. The total market size in India is expanding. Non-consumers are turning into consumers. That is the segment that is very interesting. Certainly, the market is spreading more evenly across the country. Earlier, the market size was restricted to 12-15 cities, metros and mini metros. About 15 years back, people from Ludhiana would come to Delhi to shop for home furnishings. But now cities like Satara also have their own home furnishing stores. Pockets of consumption are wider and deep now in smaller cities. About 100 smart cities that are being established have a huge opportunity for home textile as well because people are shifting to these places and getting established there. So, markets are no more restricted to metros. It is a good sign for manufacturers, retailers and for India as a country, as prosperity is spreading in the smaller pockets. It is becoming visible in retail sales in home categories as well.

ET: What are the current challenges for the sector and how can we overcome them?

AR: The biggest challenge which we feel exists is that we are not still paying enough importance to product development, marketing and distributing. Production is not a challenge. India's quality is already considered the best. When people want to buy home furnishing products, they already prefer made-in-India products. But there is less synchronisation in production and marketing, I would say. Export production is always led by buyer specification. So we have little say there. For example, if Walmart is placing an order, they will just tell what they want and Indian companies will produce it and export it as per their samples. But when it comes to the domestic market, I think we still need to spend a lot more effort on design and product development, marketing and expanding retail distribution into tier 2-3 cities.

Our distribution channels are unorganised to a large extent and I think the retailer here needs to be better informed about the product. They are selling in India with price and discounts as drivers rather than value-driven sales. These are some efforts that HGH India has also been making off late. For example, World of Sleep is a key focus area at HGH India where we train the retailers on what is the difference between a Rs 20,000 mattress and a Rs 2-lakh mattress.

ET: Sustainability is the buzzword now. Are Indian producers geared up to face the new realities?

AR: Yes, very much. Producers are increasingly using sustainable raw materials, recycled fibres, biodegradable inputs from raw materials to process and package goods. Alternatives like organic cotton, recycled polyester, organically produced natural fibres like bamboo, jute are increasingly being used. Natural dyes and organic chemicals are being used for textile processing. Welspun, Trident, Indo Count, Himatsingka are all offering products that meet the defined standards of European and American agencies, certifying their products as sustainable, organic, biodegradable and eco-friendly.

ET: HGH India is scheduled to take place around July this year. What is the key scope of the bi-annual trade show this year?

AR: The 13th edition of HGH India, scheduled for July 4-07, 2023, at the Bombay Exhibition Centre in Goregaon, Mumbai, will highlight innovations for festive and the autumn/winter 2023 retail season.

As retailers and consumers seek innovations at a quicker pace, exhibitors across categories will introduce new concepts in products, designs, colours and materials from home textiles, home décor, home furniture, area rugs, floor coverings, handicrafts, outdoor, houseware, cookware, kitchenware and gifts.

HGH India will have brands showcase their autumn/winter 2023 range in the July 2023 edition, allowing buyers to replenish supplies for the forthcoming festive season. HGH India, being bi-annual, now just helps our participating brands to explore business in shorter cycles in a dynamic and growing consumer demand and competitive market environment.

ET: Why are trade shows like HGH important and how will they benefit Indian exhibitors?

AR: In an ever-evolving and emerging market like India, where consumer demand for most of the home products is increasing by 20-25% year on year, it is vital for retailers, manufacturers and brands to stay aligned to global product and design trends. HGH India helps in identifying these trends, connect the manufacturers and brands with retailers and distribution partners, and helps retailers source innovative products from Indian and international sources to meet the demand of aspiring, young Indian consumers.

Trade shows like HGH India enable Indian and international brands, manufacturers, exporters, importers and suppliers to present their product range, innovations and latest collections to Indian trade buyers and enable them to connect directly with Indian retailers, importers, distributors, trade representatives, wholesalers, institutional buyers and interior designers from all over the country. It helps new brands, designers and manufacturers launch their products among trade channel partners, all over the Indian market.

ET: What is the number of participants you expect at this year's trade show?

AR: About 700 exhibitors from 32 countries, India's leading brands, large companies, MSMEs and various segments of handicrafts & handloom sectors are expected to attend HGH India 2023 in Mumbai.

Source: economictimes.com - Feb 21, 2023

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Global Investors Summit done, Uttar Pradesh turns to banks for credit line

After garnering investment proposals worth Rs 33.50 trillion at the Global Investors Summit (GIS) 2023, the Uttar Pradesh (UP) government has asked commercial banks to loosen their purse strings for private sector projects.

The state has exhorted banks and financial institutions to support the investment roadmap by providing loans to the GIS projects.

The pool of GIS projects is likely to play a major role in improving the credit deposit (CD) ratio of banks. Currently, the CD ratio of UP is nearly 53 per cent, but the Yogi Adityanath government is striving to touch 60 per cent.

"Today, the CD ratio of UP is 53 per cent compared to 46 five years back.

Although it has increased, there is a need for further improvement to expand the scope of banking credit," he said at a session on the banking sector.

UP Finance Minister Suresh Khanna said the GIS projects would not see the light of the day without the active support of the financial institutions. "The banks should provide easy loan facilities, so that the state harvests the benefits," Khanna told the top management of leading banks.

In a report, the National Bank for Agriculture and Rural Development (Nabard) has also indicated poor access to institutional credit, lack of availability of raw materials at an appropriate cost, outdated design/skill development, and lack of common facility centres as impeding the growth of the micro, small and medium enterprises (MSME) sector.

Meanwhile, NABARD has estimated credit infusion of Rs 1.05 trillion to the MSMEs in UP during the financial year 2023-24. This will be 9 per cent higher than Rs 97,000 crore of the credit flow projected to the sector in the current fiscal year.

Source: business-standard.com - Feb 20, 2023

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Cotton yarn demand rises in north India; prices up in Ludhiana

North India's cotton yarn market has seen an improvement in sentiments today, with trade sources reporting that demand for cotton yarn has already picked up. The garment industry is also expected to perform better as global buyers are expected to place large orders by mid-2023.

In the Ludhiana market, cotton yarn prices have risen by ₹2 per kg. Spinners are increasing cotton yarn prices due to improved buying, and to recover from previous losses, they are increasing their margins. Mills have ramped up their production after receiving more orders from domestic and international buyers.

In this market, 30 count cotton combed yarn was sold at ₹287-297 per kg (GST inclusive). 20 and 25 count combed yarn were traded at ₹277-287 per kg and ₹282-292 per kg, respectively. Carded yarn of 30 count steadied at ₹267-277 per kg, according to Fibre2Fashion's market insight tool TexPro.

In the Delhi market, cotton prices were hovering at previous levels, but demand was better. "Domestic exporters are looking for higher orders of garments as global buyers are expected to place large orders by June 2023. Normally, in the market, raw materials pick up initially and intermediary and finished products experience higher demand later," a trader from Delhi market told Fibre2Fashion.

In Delhi, 30 count combed yarn was traded at ₹285-290 per kg (GST extra), 40 count combed at ₹315-320 per kg, 30 count carded at ₹266-270 per kg and 40 count carded at ₹295-300 per kg, as per TexPro.

Panipat's recycled yarn market remained steady with limited buying. Traders said that weak demand is likely to continue for now. 10s recycled yarn (Grey) was traded at ₹88-92 per kg (GST extra), 10s recycled yarn (Black) was traded at ₹60-65 per kg, 20s recycled yarn (Grey) at ₹105-110 per kg, and 30s recycled yarn (Grey) at ₹150-155 per kg.

Comber prices were noted at ₹150-152 per kg and recycled polyester fibre (PET bottle fibre) was noted at ₹79-81 per kg.

Cotton prices in North India showed a bearish tone due to higher arrivals and a decline in ICE cotton. According to the traders, cotton arrival increased in the last 8-10 days to 14,000 bales of 170 kg each in the north Indian states.

Cotton was traded at ₹6,325-6,450 per maund of 37.2 kg in Punjab, ₹6,300-6,425 per maund in Haryana and ₹6,500-6,575 per maund in upper Rajasthan, and ₹60,200-62,200 per candy of 356 kg in lower Rajasthan.

Source: business-standard.com - Feb 20, 2023

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Andhra Pradesh woos investors with 'lowest' cost of doing business, access to ASEAN markets

The Government of Andhra Pradesh, ahead of its Global Investors Summit 2023 to be held on March 3 and 4 in Visakhapatnam, has assured to provide the 'fastest' single-window clearance, quality power, plenty of land and state- of-the-art infrastructure to investors from Maharashtra seeking to set up base in the east coast to access markets in the ASEAN region.

The State Government has also attracted the attention of investors to Andhra Pradesh's vast coast line with six operational ports and four ports under construction "having potential for lowest cost of doing business."

"With its diversified portfolio across industry [including sectors such as automobiles, chemicals, aerospace & defence, pharmaceuticals, textiles], infrastructure [ports, road network], IT/ITeS, start-up ecosystem, gems and jewellery, finance and tourism, the state boasts of the highest per capita income of $3,800 in 2021-22," according to Gudivada Amarnath, Minister for Industries, Infrastructure, Investment & Commerce, Information Technology, Handlooms & Textiles, Andhra Pradesh.

"At the moment, 89 large projects are under active implementation with a total investment of ₹2.2 lakh crore ($27.54 billion) with potential to create employment for 20,000 people," he said.

With the availability of large industrial land banks, 530 industrial estates, 293 industrial parks, 31 MSME parks, 6 special economic zones (SEZs), 3 information technology SEZs, and 3 major industrial corridors, Andhra Pradesh is wooing investent in the areas of agriculture, agro-based industries, maritime sector, manufacturing, food processing, ports, IT and electronics, handlooms, and textiles, he added.

Source: thehindu.com - Feb 20, 2023

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Welspun expects ₹1,700-cr revenue from retail biz by FY26

Welspun India expects exports to bounce back by end of next fiscal after being hit by global recession in the last few months.

The company plans to deepen its reach in the domestic market by tapping smaller cities through franchise model. It has enhanced its store count to over 10,600 by opening 1,000 stores in the last quarter and targets to reach 50,000 by FY26 with revenue of ₹1,700 crore from home textile and domestic flooring business.

Dipali Goenka, Jt Managing Director and CEO, Welspun India, told businessline that the demand for home textile in the US and Europe has been hit by mild recession and high inventory due to logistics constrains during Covid times.

The retailers had raised prices due to high incidental cost and this led to drop in demand but retail prices have started falling with the easing raw material prices and logistics cost, she said.

The US is a vibrant economy and it will return to normalcy by the December quarter, she added.

The brand licencing pact with The Walt Disney Company for Europe, the Middle East and the Africa region will add another portfolio besides providing extra shelf space at top retail outlets. Interestingly, spending on kids' wellness has never seen a slowdown even during recession.

Home textile logged revenue of $1 billion with the emerging business contributing about 19 per cent and growing at CAGR of 25-30 per cent.

"We already have roadmap of 25,000 stores. Besides MDUs, we are also looking at franchise model as the brand get stronger," she said.

On the company's retail experience, Goenka said the company launched 200 company-owned and operated Spaces and Welhome, but had to shut it down by 2008 due to soaring real estate cost and other challenges.

Now, she said the company has changed strategy and managing retail through MDUs with a strong sales team which visits stores and tracks sales at MDUs using latest technology.

Easing cost

The company's margin was impacted by rising cotton, coal and container cost. However, cotton and container have started falling while coal prices continued to remain at elevated levels.

The average cotton cost in December quarter was ₹69,000 a candy against ₹83,000 September quarter. The average freight cost was down at $5,300 against $9,000 in Q2 and it has fallen further to about $3,500.

The company expects the ₹260-crore expansion projects of flooring, Advanced Textile and Home Textile to end this fiscal with an investment of ₹20 crore in March quarter. The company plans fresh capex of ₹200 crore in renewable energy to bring down cost besides another ₹150 crore on maintenance capex.

Source: thehindubusinessline.com - Feb 17, 2023

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