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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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Founder & Managing Director

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INTERNATIONAL NEWS

IMF urges China to raise productivity, rebalance economy amid rebound

International Monetary Fund (IMF) managing director Kristalina Georgieva recently urged China to make more policy efforts to raise productivity and rebalance the economy away from investment and toward consumption-driven growth, which will be more durable, less reliant on debt and help address climate challenges.

China's economy is witnessing a strong rebound that will contribute about a third of global growth this year, she said. IMF's January forecast puts China's gross domestic product (GDP) growth at 5.2 per cent this year—a sizeable increase of more than 2 percentage points from the 2022 rate, she said.

Driving this growth is the anticipated rebound of private consumption as the economy has reopened and activity has normalised, she said addressing the China Development Forum 2023 in Beijing yesterday. China's economic rebound comes at a time when the global economic prospects remain challenging, she said.

"At the same time, market-oriented reforms to level the playing field between the private sector and state-owned enterprises, together with investments in education, would significantly lift the [Chinese] economy's productive capacity," she said.

"IMF research shows that productivity-enhancing reforms in China could lift real GDP by as much as 2.5 per cent by 2027, and by around 18 per cent by 2037—growth that would be both higher quality and more inclusive. What's more, it would also help offset demographic pressures and narrow the gap to advanced economy income levels even faster," she said.

"For the world economy, however, spring is yet to come," she said, as uncertainties are exceptionally high due to the risks of geo-economic fragmentation and rising financial instability at the time of higher debt levels.

Response actions taken by policymakers in advanced economies have eased market stress to some extent, but uncertainty remains high and underscores the need for vigilance, she added.

Source: fibre2fashion.com- Mar 27, 2023

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UK & Gulf Cooperation Council hold FTA negotiations

The third round of negotiations for a free trade agreement (FTA) between the UK and the Gulf Cooperation Council (GCC) took place recently. The round was hosted by GCC in Riyadh, Saudi Arabia and held in a hybrid fashion. A number of UK negotiators from across the government travelled to Riyadh for in-person discussions and others attended virtually.

Draft treaty text was advanced across the majority of chapters. Technical discussions were held across 13 policy areas over 30 sessions. Good progress was made and both sides remain committed to securing an ambitious, comprehensive, and modern agreement fit for the 21st century, UK's department for international trade said in a press release.

An FTA will be a substantial economic opportunity and a significant moment in the UK-GCC relationship. Government analysis showed that, in the long run, a deal with the GCC is expected to increase trade by at least 16 per cent, add at least £1.6 billion a year to the UK economy, and contribute an additional £600 million or more to the UK.

The fourth round of negotiations is expected to be hosted by the UK later this year.

Source: fibre2fashion.com- Mar 27, 2023

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China's RMB cross-border payments see steady expansion in 2022: PBOC

The business volume and transaction value of cross-border payments in China made in renminbi (RMB) expanded steadily last year, according to a report by the People's Bank of China (PBOC) that shows over 4.4 million transactions were handled through the country's RMB cross-border payment system, surging 31.68 per cent year on year.

The total value of these transactions was 96.7 trillion yuan ($14.14 trillion), up by 21.48 per cent year on year, the report said.

Nearly 17,700 transactions were processed daily during the year on an average, with a transaction value of about 388.34 billion yuan, a state-controlled news agency reported.

Source: fibre2fashion.com- Mar 28, 2023

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Is free trade moribund in the US?

For a long time, the US was regarded as the citadel of free trade. This was best illustrated in the famous Radio Address to the Nation on "International Free Trade" by President Ronald Reagan on November 20, 1982, where he said categorically, "The United States took the lead after World War II in creating an international trading and financial system that limited governments' ability to disrupt free trade across borders. We did this because history had taught us an important lesson: Free trade serves the cause of economic progress, and it serves the cause of world peace".

Despite its twists and turns, the most apparent rift in the US-professed policies towards free trade is discernible from another Republican President nearly after 35 years. Donald Trump, during his 2016 presidential campaign, promised to reduce the US trade deficit with China.

In the context of the China-US trade war and the US move towards protectionism, reflecting the spirit of mercantilism, Trump tweeted in March 2018, "When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good and easy to win".

Surprisingly, similar policies continued under the Biden administration, and some new policy measures have been introduced, which possibly suggest the ushering of an era of even more active state intervention in industrial and trade policies in the US.

In February 2023, the Biden government launched the first 'Chips for America funding opportunity' to incentivise the manufacturing of semiconductors or chips in the US.

The funding opportunity is a fiscal incentive given to US firms "for projects to construct, expand, or modernise commercial facilities for the production of leading-edge, current-generation, and mature-node semiconductors." This policy marks a radical change in how the semiconductor industry has operated since the 1970s.

The semiconductor or chip industry is at the cutting edge of technology, and the US has a dominant presence in this industry. However, the US semiconductor firms like Intel, Micron, Qualcomm, and Global Foundries have traditionally depended on other lower-wage countries for manufacturing and fabrication of the chips. Most top US firms have subsidiaries or contract manufacturers in countries like Taiwan, South Korea, and increasingly China to produce semiconductors.

The rapid rise of China as a global manufacturing base has led to concerns that it has led to substantial job losses in the US. More importantly, as China and the US are currently engaged in a battle for dominance in the advanced technology field, depending on China for manufacturing of semiconductors has become a tricky issue for the US from multiple angles, like maintaining trade secrets and intellectual property rights and securing supply chains at right prices.

During the Covid years, the disruption in the supply chain due to production lockdowns in China has only aggravated the problem. Against this backdrop, the 'Chips and Science Act' of August 2022, which operationalised the 'Chips for America funding opportunity', says that this is an "industrial strategy to revitalise domestic manufacturing, create good-paying American jobs, strengthen American supply chains, and accelerate the industries of the future."

What is also remarkable here is a change in the approach of US policymakers towards industrial policy and their willingness to engage in a more active role of the state in supporting particular industries. Since the 1980s, the US policymakers have been ardent advocates against an active role of the state in the industry.

According to this doctrine, a state-led industrial policy favours certain industries and distorts the efficiency of market economics.

Supply-side economics

Instead, ideologically they propagated supply-side economics where the role of the government is to act as a facilitator to improve the overall business environment, which should induce more private investment without directly supporting any particular industry. Though it can be argued that the US government has always played an important role in the US economy through its huge research and development expenditures,

government purchases and subsidy programmes, it so far did not announce any explicit industrial policy helping specific industries.

The new ‘Chips and Science Act’ marks a possible ideological shift in the approach of the US policymakers towards industrial policy, and interestingly, this new shift in policy has driven to a large extent, to counter the state-led industrial policy of China.

It is important to highlight that the WTO regime was designed to take the world towards “freer trade”, and state intervention in industrial and trade policies was discouraged. WTO rules reduced the policy space available for late-industrialising developing countries to a large extent.

While many developing countries, including India, have voiced their concern over this issue in WTO, the ideological support for free trade mainly came from the developed countries, particularly the US.

The stance of the US has changed since the Trump administration and the return of industrial policy in the US may spell a very uncertain future for the WTO in the coming years. This is already foreshadowed by the US refusal to elect appellate body members in the WTO, which has crippled the dispute settlement mechanism of the WTO system.

Interestingly, such ideological shifts in industrial and trade policies are not seen in the financial world, where Wall Street and the US Fed can dictate gyrations in financial markets the world over. Long back, David Hume said, “Nothing is more usual, among states which have made some advances in commerce, than to look on the progress of their neighbours with a suspicious eye, to consider all trading states as their rivals, and to suppose that it is impossible for any of them to flourish, but at their expense”. Has a time come for the US to reread Hume?

Source: thehindubusinessline.com- Mar 27, 2023

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USA: Heightened Economic Uncertainty Fuels the Cotton Bears

We are getting ready for the third consecutive week with essentially all cotton contracts below 80 cents. In fact, 80 cents is in the rearview mirror.

Prices were hammered all week, the result of domestic and international economic news. U.S. congressional spending has essentially blown the markets out of the water. The economy is six months into an 18-to-24-month fix. If that were not enough, world governments continue to publicly display their disdain for one another – important in that the disdain simply increases the uncertainty faced by fund managers.

Heightened uncertainty is fuel for the bear.

Cotton settled at the lowest level since Halloween (maybe the spooks and goblins know things the analysts do not). Yet, the 74-75 cent level still appears to be the direction of least resistance. Demand woes hold center stage in the cotton market. And, despite an excellent weekly export sales report, cotton continued its downward trend.

Remember the market adage, "Never bet against the trend."
The new crop December futures contract will continue to follow the price leadership of the old crop May/July contracts, most likely for another month to six weeks until peak northern hemisphere planting is in full force. The old crop May/July futures contracts will find excellent support just above 74 cents, and December's support will be some 50 to 100 points higher.

Weekly export sales were exceptional for the week. Net sales were 310,200 bales. Many felt this should have generated higher prices. Yet, most of the sales were made at market lows not seen for the past five months. Most of those sales will not be shipped until the 2023-24 marketing year begins and will not be fully supportive of the market until near the 2023 crop harvest. The sales do not reflect an increase in demand, but rather sales made at bargain basement prices.

Some 16 countries did make purchases as Vietnam, China, Bangladesh, Turkey, and Pakistan were the principal buyers. Shipments were also exceptional and near the level needed to make the USDA export estimate of 12.0 million bales.

Yet, as good as shipments were, they still fell below the level needed to make the USDA estimate. Demand continues as the weak point in cotton's price equation. Shipments to date – 6.2 million bales – remain 1.2% below the year ago level. Outstanding sales are some 20% below the year ago level. Some 1.5 million bales in sales to Turkey and Pakistan are in question.

The cotton on-call report also continues to suggest more price struggles for cotton. Textile mills have been scaling down price fixing and, unfortunately, cotton growers continue to delay their price fixing decisions, betting on higher prices. That is, mills are riding the price trend lower while cotton growers continue to fight the price trend and simply slip further and further under water.

It is not what a grower wants to hear, but the data does not lie.

The May on-call purchases (grower held cotton) is set up to be rolled to the July futures contract and will become a burden that tends to prevent the July contract from recovering. July could eventually climb back to the upper 70s but will find extraordinarily strong price resistance above 78-79 cents.

Source: cottongrower.com- Mar 27, 2023

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USA: 2023 Store Closings Nearing 2,000 Already

Nearly 2,000 store closures in the U.S. and Canada have been announced just three months into the new year.

So far in the first quarter of 2023, 1,508 fashion retail doors are already set to go dark. Adding in other retailers such as the 50 from Bath & Body Works, plus 300 CVS closures this year and up to 30 doors at Best Buy, the total quickly climbs to 1,871. Then there's the smaller, unreported boutique locations that are shuttered, grocery chains such as the 11 locations Sprouts Farmers Market that will close, and a store closure here and there by both Staples and Office Depot, and the store tally easily approaches 2,000 doors.

Inflation and layoffs are some of the big storylines that could lead to even more closures. Accenture is cutting 19,000, Indeed.com will cut 2,200, and Salesforce layoffs could reach 8,000, all of which could be a huge blow to consumer spending. For the year to date 522 tech companies have laid off 153,208 workers, according to tech and startup job tracking platform Layoffs.

Given the dismal macroeconomic climate, will 2023 be the year when retailers go hard on store closures? It's too early to tell, and a few variables are still up in the air at the moment.

In 2020, Covid sparked over 11,000 fashion-related store closings, most of which came from bankruptcies. Retailers could find themselves thinning the store herd if conditions continue to decline this year.

Amazon: Eight Go cashierless convenience stores and several Amazon Fresh supermarkets.

Backstory: The closures follow the shuttering of 68 bookstores and pop-up shops in 2022. Amazon is also cutting 9,000 more corporate and tech workers on top of the 18,000 previously announced.

American Eagle Outfitters Inc.: 25 stores
Backstory: Executive vice president and chief financial officer Mike Mathias said during the March 8 fourth-quarter earnings call that the retailer will open "approximately 25 new Aerie stores" while American Eagle brand net closures will total "approximately 25 stores."

Bed Bath & Beyond: 416 stores in the U.S., including some Buybuy Baby doors and shutting down its 45-store Harmons Beauty business. It's also closing all 65 Canadian doors, wiping out 1,400 retail jobs.

Backstory: The home retailer is paring back to survive a financial crisis. It plans to have just 360 Bed Bath & Beyond doors and 120 Buybuy Baby stores. That 480-store network is a sharp drop from the 953 locations it operated a year ago.

Big Lots: 7 locations, including three in California and four in Colorado.

Backstory: The retailer said it plans to expand in small-town markets.

Dick's Sporting Goods: 17 Field & Stream stores

Backstory: Dick's is closing all 17 Field & Stream stores. Chief financial officer Navdeep Gupta said 12 doors have already been closed and the remaining five stores would be converted to either its House of Sport concept or a Dick's large format locations by 2024.

Foot Locker Inc.: 545 locations by 2026, including 420 Foot Locker stores and 125 Champs Sports doors.

Backstory: The footwear retailer is looking to get rid of underperforming doors and plans to open more than 300 mostly off-mall "new concept" doors.

Gap Inc.: 46 Gap and Banana Republic locations, including four Banana Republic stores that have already closed.

Backstory: They're part of the company's plan to close 350 Gap and Banana Republic locations. So far, it has closed 276.

JCPenney: 2 stores

Backstory: One store in Elkhart, Ind. has started liquidating, and another in Oswego, N.Y. is set to close this year. Additional closures could be in the works.

The retailer shuttered 154 doors in 2020 during bankruptcy.

Macy's Inc.: 5 stores

Backstory: In February 2020, the department store retailer said it would close 125 stores over three years. CEO Jeff Gennette said the retailer has closed 80 so far, and will get to 85 by the end of the year.

The company is opening four Market by Macy's locations and one Bloomie's store, the new Bloomingdale's concept.

Nordstrom Canada: 13 stores, including six main-line and seven Rack stores

Backstory: CEO Erik Nordstrom said Nordstrom Inc. is getting out of Canada because the company no longer sees a "realistic path for profitability."

Its first foray into Canada was a store in Calgary in September 2014. Liquidation sales run by a joint venture between Hilco Merchant Retail Solutions ULC and Gordon Brothers Canada began last week.

Party City: 22 locations

Backstory: Covid dealt the party retailer a body blow when events were canceled en masse. The company filed for Chapter 11 bankruptcy in January to restructure.

Sears Hometown Stores Inc.: 115 franchise-operated locations in 36 states and Puerto Rico.

Backstory: Sears Hometown will close its remaining doors following its December bankruptcy. It already closed 100 prior to the Chapter 11 petition.

Sears Hometown and Outlet was spun off in 2012 by parent company Sears Holding Corp., which went bankrupt in 2018. Sears Holdings was acquired out of bankruptcy for $5.2 billion earlier by Transform Holdco, which is controlled by former Sears Holdings chairman Edward S. Lampert, in February 2019. In June 2019, Transform Holdco acquired Sears Hometown, which had 491 stores at the time.

Transform Holdco could close some of 17 full-line Sears stores that the sole remnants of the once-mighty retailer.

The RealReal: Six locations, including four stores and two consignment offices.

Backstory: The luxury fashion consignment firm announced job cuts affecting 7 percent, or 230, of its staff. Two flagships in San Francisco and Chicago will close, as well as one store apiece in Atlanta and Austin. In addition, the company is also clossing two consignment offices in Miami and Washington, D.C., and plans to cut the square footage in its New York and San Francisco offices.

Target Corp.: Four stores

Backstory: It plans to close four unprofitable locations, two in the D.C. metro area, one in Philadelphia and another in Minneapolis by May 13.
Tuesday Morning: 265 stores

Backstory: The off-price home decor chain filed for Chapter 11 bankruptcy in February. It previously filed for bankruptcy in May 2020 and closed 200 stores. Now it hopes to reorganize and move forward with roughly 200 stores left.

Walmart Inc.: Twelve including eight full-service stores and two pickup-only locations.

Backstory: Walmart regularly tweaks its store fleet to trim the fat and focus on profitable doors.

Source: sourcingjournal.com - Mar 27, 2023

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The Great Sourcing Hedge: China Plus

When a sourcing executive considers placing orders, price, delivery, quality, and reliability become critical. Also on the list are shipping rates, tariffs, input costs, and sustainability. But, of course, there are other factors considered, too. One such consideration that is often neglected, however, are broader geopolitical concerns. Let me explain.

Although many companies consider sourcing to be a strategic undertaking—after all, without product, there's nothing to sell—in reality, the sourcing process can be quite tactical. There is a checklist of items to be ticked off when placing orders. For years, the list could be recited by rote. And therein lies the problem.

Punch card sourcing. Many companies phoned in their orders for years, confident they would be fulfilled with minimal fuss or trouble. For sure, occasionally, the sourcing train would jump the tracks (Rana Plaza comes to mind), but by and large, things ran smoothly. Underscoring this was the hyper-efficient, logistically sophisticated, and well-financed Chinese industry.

A one-stop shop

China had it figured out. No question. Needed product? Not a problem: so-and-so will make it. Here are the samples; there are the terms. Are prices a problem? No worries, we'll figure it out. Behind the scenes, a vast infrastructure of raw material suppliers, spinners, weavers, knitters, sewers, and logistics personnel moved extraordinarily efficiently—a ballet of manufacturing prowess and subtlety. There's a good reason China became the world's largest supplier of textiles and apparel. They earned it. Once China joined the WTO in 2001, all bets were off. Trade soared.

For a long time, China remained a sure bet. And for many, sourcing from China was a self-fulfilling prophecy. Growth was established, along with confidence. China was so successful, in fact, that U.S. imports from China were nearly equal to the sum of all other countries (ROW in chart above) combined. That was the case for more than a decade. And guess what? It made sense until it didn't. The history is clear. What needs to be understood is a possible future, as a new trend is emerging.

A series of events

The success of China's textile and apparel industries set in motion its inevitable decline: costs rose, which reinvigorated the search by sourcing companies for cheaper producers elsewhere. Then the global financial crisis happened. Trump got into office. Covid-19 hammered the world. Biden doubled down on trade with China. And Xi locked down everything. Notice what has happened to the import data since 2020—global imports have continued to rise, while China's share has fallen. There's lots of cause and effect happening here, with many factors at play. The China engine sputtered while the rest of the world sped ahead.

Consequently, although China remains the largest supplier to the U.S., imports from China have waned as other suppliers increased their market share. Put another way: sourcing executives are well into the transition of diversifying their sourcing to other suppliers around the world. This diversification is stunning; China drove aggregate import growth for the last decade. Unfortunately that's no longer the case, as more than two-thirds of imports now come from a broader range of suppliers.

It's odd when considering anecdotal feedback from the market about how hard it is for companies to find new suppliers. The complaints include, "They don't make what we need and are unwilling to adjust their production to meet our needs." Some reporting in the media echoes that sentiment. Except, based on the statistics, that's not the case. Were that the case, explosive growth in India, Bangladesh, the ASEAN bloc, and the Western Hemisphere would never be possible. Spoiler alert: someone has figured it out.

When contemplating the recent tensions between Washington and Beijing, the safe hedge is to diversify sourcing to different parts of the world. Taiwan tension also looms large. From a risk management perspective, getting those eggs out of a single basket is prudent. Indeed, the politics between Washington and Beijing are simply the latest incentive to diversify sourcing.

The school of hard knocks

What may have reversed China's fortunes as a supplier to the U.S. coincides with Beijing's Zero Covid policy which began in 2019 with the initial outbreak in Wuhan; U.S. imports from China declined in 2020 and rebounded in 2021, only to fall by more than 10 percent in 2022 from

2021. Trade faltered during the pandemic; Chinese policy slammed the door. It wasn't a case that China didn't have the ability to ship products through the pandemic, instead, government policy made that incredibly difficult. By doing so, ironically, sourcing companies shifted to other suppliers—on an accelerated basis. And supply chain disruptions didn't help matters. The smart move was to diversify.

Trade diversification began before the pandemic. Peak sourcing consolidation in China occurred in the 2010s. From 2010-2019, U.S. imports from China grew by more than 25 percent. On the other hand, from 2019-2022, imports from China grew at a more modest 11 percent; over the same period, imports from the rest of the world grew by 49 percent. So something has been going on: more suppliers entered the market. Rising costs in China primed the pump. Chinese government policies settled it.

Now the question for China is if its industry can regain lost market share. There's nothing to suggest that China won't regain its mojo. But it's important to acknowledge that the confluence of events that compelled sourcing companies to diversify their buying to other countries in the first place still affects decisions to source everything from China. Because of this, a strategy of sole sourcing from China may no longer be viable. The risks may outweigh the benefits for companies during the pandemic.

Making Sense of What's Happened and Looking Ahead

For many companies, sourcing from China was a no-brainer. It made sense—while the system ran smoothly. But now, the industry is grappling with a more complicated sourcing matrix. Multiple sources make more sense than sole sourcing from one country. The hedges are in. We've seen it documented in the numbers; now the question will be whether the past couple of years' trend will become a harbinger of the future. These days, companies are less interested in phoning it in. Instead, they have to be more focused on staying ahead. What worked before worked great until it didn't. And that's the point: the world is changing, and those who fail to change will lose out.

Finally, there's so much buzz these days about de-globalization. As we've seen with China's story, our industry began to move away from China before the pandemic and before tariffs. Simple economics (higher prices) drove those initial decisions. And guess what? Other countries benefited from the shift. Look no further than Bangladesh and Vietnam. Sure, much

of the expansion in those countries is due to Chinese companies growing their base of operations beyond Mainland China. But in so doing, these investments, along with the muscle provided by local and regional investors, have kept globalization alive and well. It's just different from what we knew before, like in the 2010s. And included in this realignment of globalization are regionalization, near-shoring, and on-shoring. It's happening in tandem. The world is changing.

Source: sourcingjournal.com- Mar 24, 2023

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UK's retail sales may increase moderately by 9% in Apr 2023: CBI

UK's retail sales are expected to increase moderately by 9 per cent next month, marking the first positive growth expectations since September 2022, as per the Confederation of British Industry (CBI). The sales volumes for the country's retail sector were broadly unchanged in the year to March, a weighted balance of 1 per cent from 2 per cent in February.

UK's retail sales in March were judged to be good for the time of year, at 12 per cent from 6 per cent in February. Retailers expect sales to exceed seasonal norms to a broadly similar extent—13 per cent—next month, according to the CBI's latest Distributive Trends Survey.

Orders placed upon suppliers were broadly unchanged in the year to March, at -2 per cent from -25 per cent in February, and are expected to remain unchanged next month.

Retailers considered stock volumes in March to be elevated relative to expected sales, and to a broadly similar extent as last month, at 10 per cent from 8 per cent in February. Stock positions are expected to ease slightly next month but remain 'too high', at 6 per cent.

Martin Sartorius, CBI principal economist, said: "It's encouraging that activity in the retail sector showed signs of stabilising after a challenging winter. This resilience has helped inspire some spring shoots of optimism, with firms expecting an increase in sales for the first time since last September.

"The chancellor's decision to back CBI calls to increase support for occupational health and expand childcare provision will help address some of the labour shortages that retailers are currently facing. However, these measures alone do not go far enough for the sector. In particular, more will need to be done to tackle retailers' ongoing skills gaps, such as through transforming the Apprenticeship Levy into a more flexible Skills Challenge Fund."

Moreover, online sales continued to fall at a firm pace in the year to March, at -26 per cent from -30 per cent in February. Retailers expect a modest expansion of 5 per cent in online sales next month.

Elsewhere in the distribution sector, wholesale volumes grew at a firm pace in the year to March—18 per cent from -28 per cent in February. Wholesalers expect sales to remain broadly unchanged next month at 2 per cent.

The survey was based on the responses of 135 companies, including 48 retailers.

Source: fibre2fashion.com - Mar 28, 2023

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Malaysia's apparel imports from China jumps 53% to $640.6 Mn in 2022

Malaysia's apparel imports from China increased by 53.11 per cent to $640.603 million in 2022, but they did not reach the peak level of 2018. Malaysia's fabric imports from China decreased in the past years, almost halving in the last six years to $247.179 million in 2022.

China's share in Malaysia's total apparel imports was 31.23 per cent in 2022 amounting to $640.603 million, with Malaysia importing apparel worth $2.051 billion in total. Malaysia's apparel imports from the country were $418.710 million in 2021, slightly better than the inbound shipment of $406.833 million of 2020. Imports from China peaked at $749.303 million in 2018 but decreased to $544.825 million in 2019, according to Fibre2Fashion's market insight tool TexPro.

Malaysia's exports of apparel to China remained negligible in the previous years, with only $23.575 million recorded in 2022.

Malaysia's fabric imports in 2022 totalled $445.270 million, with China's share in total imports at 55.51 per cent, valued at $247.179 million. The inbound shipment of fabric from China was $248.648 million in 2021, $297.285 million in 2020, $343.807 million in 2019, $394.460 million in 2018, and $412.727 million in 2017. Therefore, fabric imports from china decreased by 40 per cent in the last six years, as per TexPro

Source: fibre2fashion.com - Mar 27, 2023

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Indonesia to destroy illegally-imported used clothing

Indonesia will restrict textile product imports to address Indonesian Textile Association's concerns over high levels of unrecorded imports of such products, cooperatives and small, medium enterprises (SME) minister Teten Masduki said. Meanwhile, trade minister Zulkifli Hasan said his ministry will focus on destroying illegally-imported used clothing.

Illegal imports account for 31 per cent of total clothing imports, he noted.

"Illegal used clothes enter our country as waste. Our MSMEs cannot compete with it," he was quoted as saying by a news agency.

The trade body noted that legally-imported apparel and footwear comprised 43 per cent of the domestic market.

Apart from acting against such importers, the government will also educate traders to protect domestic products.

Destruction of smuggled used clothing is essential to break the sales chain, Hasan said. Destruction operations have already been initiated in areas like Pekanbaru, East Java and Tangerang.

Source: fibre2fashion.com - Mar 28, 2023

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$142-bn Vietnam retail market likely to rise to $350 bn by 2025: Govt

Vietnam's retail market is worth $142 billion and is expected to rise to nearly 2.5 times to $350 billion by 2025, according to the country's industry and trade ministry.

The ministry recently said the total retail sales of consumer goods and services in January this year decreased by 6 per cent month on month (MoM) to more than VND 481.8 trillion ($20.4 billion) due to weaker demand as many commodities were purchased ahead of the Lunar New Year. However, it rose 13 per cent year on year (YoY) during the month.

For the first two months of the year, the country's total retail sales of consumer goods and services rose by 13 per cent YoY to over VND 994.1 trillion, according to Vietnamese media reports.

Thailand's Central Retail Corporation recently announced a capital increase of $1.45 billion in Vietnam, aiming to double the number of its stores to 600 in 57 of 63 provinces. Japan's Aeon Co Ltd is also planning to treble the number of its shopping malls in the country to 16 by 2025.

By 2030, the Vietnamese domestic consumer market will outstrip Thailand, the United Kingdom and Germany, research from HSBC showed.

Source: fibre2fashion.com - Mar 28, 2023

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Turkiye's apparel exports to Africa ease in 2022, imports shoot up

Turkiye's apparel exports to Africa decreased in 2022, after recovering in 2021 compared to the pandemic-hit year of 2020. Despite reaching $773.261 million in 2021, the exports dropped to $737.611 million in 2022. On the other hand, Turkiye's apparel imports from Africa increased in 2022, reaching $253.584 million compared to $152.597 million in 2021.

Turkiye's apparel exports to Africa experienced a sharp decline in 2020, reaching $570.534 million. However, before the pandemic, the country had been recording healthy growth, with exports going from $604.827 million in 2018 to $707.549 million in 2019, as per Fibre2Fashion's market insight tool TexPro.

Despite the pandemic, Turkiye's apparel exports to Africa showed promising recovery in 2021, but this momentum was not sustained in 2022. In 2022, Africa accounted for 3.87 per cent of Turkiye's total apparel exports, which reached $19.075 billion. Before the pandemic, Africa's share in Turkiye's total garment exports was 3.23 per cent, with total apparel exports amounting to $15.072 billion in 2019.

Nonetheless, Turkiye's imports of apparel from Africa increased significantly in 2022, compared to the previous year. The imports had slipped to $126.990 million in 2020 from $155.503 million in 2019 before bouncing back in 2021, as per TexPro.

Source: fibre2fashion.com- Mar 28, 2023

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Pakistan: Sharp decline in cotton production

While it is not really surprising that Pakistan's per acre cotton production has dropped to half the regional average, given the visible downward trend for at least two decades, it is still shocking that the government is not treating it as an emergency.

The ECC (Economic Coordination Committee), which is headed by the finance minister himself, merely took note of it and directed the ministry of national food security and research to 'look into developing a support price mechanism in consultation with the ministry of industries and production'. And the commerce division secretary underlined the need for adopting international principles and also undertaking a study on the comparative advantages of crops.

Since cotton production has been decreasing since it reached a high of 14.1 million bales in 2004-5 – dropping to seven million bales in 2020-21 and about 9.5 million bales in 2021-22 – and it is the key crop in Pakistan's agricultural economy, policymakers must answer why nobody thought of taking these steps earlier.

It seems it was only after last year's devastating floods cut production to only 4.7 million bales (against a target of nine million) that authorities felt that they had to really do something about this problem since cotton production was declining along with a shrinking of the plantation area, thinning margins and forcing farmers to opt for other crops like rice, maize and sugarcane.

This is bad news for textiles, Pakistan's flagship exports that are already losing ground to competitors up and down the region because of absurdly high costs of production that price them out of the market right at the beginning of the cycle. Yet the food ministry seems pretty confident that textile sector demand can be met by ramping production up to 15 million bales in 'a short span of time'. The cotton price intervention policy of 2021-22 stabilised domestic prices and raised production by two million bales despite a seven percent decline in cultivated area.

The 2022-23 policy was working on the same lines till floods damaged the standing crop. Now, after the floods, growers and the textiles mills' association are at odds over the new intervention price. It was revealed in February that the revised average cost of production "is now

approximately Rs 7,000 per 40kg", with growers demanding an intervention price of around Rs 7,000-8,000 per 40kg while the ministry for national food security was proposing Rs 8,500 per 40kg for ECC's consideration.

It's also very strange that stakeholders had to emphasise, for the government's benefit, that the announcement of the intervention price is best made ahead of the main sowing season to help double-minded farmers sort out things like planting area and investments in crop management in time. That alone goes to show that everybody is fed up with the ad hoc manner in which this problem is usually treated.

The ministry for national food security has also recommended the constitution of a price review committee with the mandate to propose interventions on a fortnightly basis, and also that ECC should advise TCP (Trading Corporation of Pakistan) and/or provinces when to sell the procured cotton after assessing local and international markets.

ECC will most likely accept these proposals, but that should not be the end of the matter. Cotton, just like other agricultural products, has been losing yield as well as production area, dragging the entire sector down. Just last week, during a conference in Karachi, participants agreed that restoring agri productivity and jacking up its growth rate to around six percent was the surest way to drag the country out of its crises of deficits.

It's bad enough that authorities have let things come to such a pass. But it's much worse that they're still not giving agri problems, especially declining cotton production, the attention they deserve.

Source: brecorder.com- Mar 28, 2023

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NATIONAL NEWS

How Will Mega Textile Parks From The PM MITRA Scheme Help In Boosting The Sector?

On March 17, the government announced that seven mega textile parks under the Rs. 4,445-crore PM Mega Integrated Textile Regions and Apparel (PM MITRA) scheme will be set up in the first phase. The notification for large-scale textile parks under PM MITRA had been given in October 2021.

The scheme which seeks to streamline the textile value chain into one ecosystem, taking in spinning, weaving and dyeing to printing and garment manufacturing, is expected to generate investments worth Rs. 70,000 crore. It would also lead to the creation of 20 lakh jobs, according to Commerce & Industry and Textiles Minister Piyush Goyal.

First Phase of PM MITRA Scheme

Under the first phase of the PM MITRA scheme, large textile parks, spread across at least 1,000 acres, will come up in seven States — Tamil Nadu, Karnataka, Telangana, Madhya Pradesh, Maharashtra, Gujarat, and Uttar Pradesh — housing the entire textile value chain, from fibre to fabric to garments. The parks will have plug-and-play manufacturing facilities and all the common amenities required.

The Central government's budget outlay for the scheme, which is Rs. 4,445 crore, is to be spent till 2027-28. Special purpose vehicles, with a 51% equity shareholding of the State government and 49% of the Centre, will be formed for each park. The State governments will provide the land, be part of the SPV, and give the required clearances.

The Central government will disburse Development Capital Fund of Rs. 500 crore in two tranches for each of the seven facilities. This is for the creation of core and support infrastructure. It will also give a Competitive Incentive Support of Rs. 300 crore per park to be provided to the manufacturing units.

How Is It Different From Previous Textile Schemes?

The textile and apparel sector has benefited from different programmes, such as the Apparel Park Scheme announced in 2002 and the Scheme for Integrated Textile Parks launched in 2005, which supported development of common infrastructure. The PM MITRA scheme is envisaged to be a unique initiative and the differentiating factors are the emphasis on large-scale production and provision of plug-and-play manufacturing centres. The scheme is to be implemented jointly by the Central and State governments.

The parks, which will be open for foreign direct investments, will be located in states that have inherent strengths in the textile sector. Each park will have effluent treatment plants, accommodation for workers, skill training centres and warehouses too. It is designed to attract investment from companies that are looking to scale up, and require integrated manufacturing facilities in one location.

Impact Of The Scheme On MSMEs

The micro, small and medium enterprises (MSME) sector is said to control almost 80% of the textiles and apparels currently made in India. Further, the Indian textile and clothing units are more cotton-based. The industry has mixed views on the immediate impact of the huge investments that are expected to come into the parks in existing units.

However, with mounting challenges such as the global geopolitical situation, and overseas buyers exploring China as well as other sourcing options, the past two years have seen notable shifts in supply chains. Orders are transitioning to suppliers who are highly price competitive and have sustainable production processes.

Even those who cater to low-volume orders are going in for value addition for better price realisation. Thus, manufacturers with vertically integrated facilities are at an advantage compared to smaller, standalone players. The MSME exporters are also realising that there is a need for integrated, larger facilities and these factors are expected to drive the industry's investment plans.

Can The Industry Expect A Boost In The Exports?

Indian textile and clothing exports have stagnated at around the $40-billion mark over the past four years, and stood at $44 billion last year; the aim is to achieve $100 billion in exports and target a domestic business

of $250 billion by 2030. The PM MITRA parks aim to augment the export potential of the sector. Cotton-based products make up approximately 65% of the total textile and apparel exports.

Indian exports, which cover a gamut of products, are mainly known for yarn, bedsheets and towels, T-shirts and denim fabric. Expanding the fibre and product line will give India a larger share in the global market, from the current 5%. In order to make a giant leap in exports and domestic sales, the industry has to also be price competitive right from the raw material stage and gear up to meet the sustainability and traceability demands of international buyers.

The State governments and developers should give thrust to the PM MITRA parks for sustainable and cost-effective solutions for pollution control and other issues that the value-adding segments of the textile chain face. India can take a cue from countries such as Turkey where integrated textile parks are highly efficient.

Some of the MSME players who have the appetite to invest but are in need of resources are hoping the government will combine the Production Linked Incentive scheme II with PM MITRA, though guidelines issued in January last year say incentives under PM MITRA will be available only to those companies that have not availed of benefits from the PLI scheme. The Central and State governments have to encourage MSME units to invest in the PM MITRA parks and scale up, say insiders. Else, India faces the risk of missing out on the opportunity to become the prime destination for textile production and exports.

Source: indiatimes.com- Mar 27, 2023

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1st G20 Trade and Investment Working Group (TIWG) Meeting in Mumbai, March 28th – 30th, 2023

The 1st TIWG meeting under India's G20 Presidency is scheduled in Mumbai, from March 28th – 30th, 2023. During this three-day Meeting, over 100 delegates from G20 member countries, invitee countries, regional groupings and international organizations will engage in deliberations to accelerate global trade and investments. Over 50 delegates have already arrived in Mumbai to attend the meeting.

The Secretary, Department of Commerce, addressing a press conference on the First Trade and Investment Working Group Meet, in Mumbai today

On the first day, on March 28th, an International Conference on on 'Trade Finance' will be held. The role of banks, financial institutions, development finance institutions and export credit agencies in closing the trade finance gap, and how digitalisation and fintech solutions can improve access to trade finance will be discussed through two panel discussions. Eminent speakers from India and abroad have been invited to deliberate and provide concrete solutions for mitigating the growing trade finance gap. It will be followed by a guided tour of Bharat Diamond Bourse for the G20 delegates.

Various experience zones on spices, millet, tea and coffee will be set up, and an exhibition on textiles will be on display during the TIWG meeting at the conference venue.

On March 29th, the TIWG Meeting will be inaugurated by Hon'ble Commerce & Industry Minister of India, Shri Piyush Goyal, along with Hon'ble Minister of State for Finance, Dr. Bhagwat Kishanrao Karad. The priorities related to global trade and investment, which the Indian Presidency is pursuing, will be discussed on March 29th and 30th across four technical closed-door sessions.

On March 29th, the deliberations will focus on making trade work for growth and prosperity, and building resilient Global Value Chains (GVCs). The emphasis will be on achieving shared outcomes for making growth inclusive and resilient, increasing the participation of developing countries and the Global South in GVCs, and building resilient GVCs to withstand future shocks.

On March 30th, the TIWG priorities on integrating MSMEs in Global Trade, and building efficient logistics for trade will be discussed in the two working sessions. The Indian Presidency aims to carry forward the work done by past G20 Presidencies to better integrate MSMEs into global trade, considering their primacy in sustaining livelihoods in both the developed and developing countries. The G20 delegates will also discuss the ways of developing robust logistics infrastructure that could reduce transaction costs both across borders and in the hinterlands.

The aim under India's G20 Presidency is to build a shared understanding of the challenges being faced in accelerating global trade and investment, and how existing opportunities can be harnessed to formulate human-centric concrete outcomes and deliverables.

Source: pib.gov.in- Mar 27, 2023

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GST on transportation services - navigating through turbulent waters

GST on services by way of transportation of goods by aircraft / vessel is certainly on a roller-coaster ride these days. The story began in September 2022, when the GST exemption pertaining to goods transportation services witnessed a sunset from 1 October 2022 onwards.

This resulted in taxing the transportation of export cargo by the Indian transporters / freight forwarders, liable to Integrated GST (IGST). This created a lot of buzz amongst the exporters as well as the Indian transporters /freight forwarders. Consequently, owing to the hardships faced, various associations and trade bodies filed representations before the Government against such withdrawal of GST exemption.

The following challenges were being faced by the Indian transporters / freight forwarders: a) As per the GST law, the place of supply for export cargo was the destination of such goods, i.e., place outside of India. Due to this, question arose as to whether the exporters in India could claim input tax credit (ITC) of the GST so collected by the transporters / freight forwarders since it was believed that such credit could only be taken at the place of supply. The exporters, nevertheless, took a chance and rightly so, as principally it did not make sense to deny the benefit of ITC which culminated into refund to exporters when exports are zero-rated.

b) The larger issue was that Indian transporters / freight forwarders became uncompetitive as compared to the foreign transporters / freight forwarders, given that the place of supply for export cargo for the latter would be destination of goods.

Given this, the CBIC, pursuant to the decision in 48 th GST Council meeting, cleared the air on point a) above by issuing a clarification that ITC shall be eligible even if the place of supply was outside India. This is also being provided the legislative blessing by way of an amendment through the Finance Bill, 2023.

Accordingly, it can be observed that hitherto, the export transactions where the location of both the transporter / freight forwarder as well as the service recipient was in India, straightaway attracted IGST irrespective of the location of the recipient. Going forward, such transactions shall attract CGST + SGST or IGST, basis the location of recipient.

This amendment, however, did not resolve the larger issue which was impacting the logistics industry adversely. The stakeholders in the Government were in no mood to re-introduce the exemption allowed till September 2022.

However, to everyone's surprise, the GST Council in its 49 th meeting held few days ago, recommended to delete the relevant GST provisions thereby subtly correcting the disparity between Indian and foreign logistics industry. The said amendment shall now allow export benefits to Indian transporters / freight forwarders rendering transportation services to foreign exporters / agents, as they shall be entitled to benefits of zero rating on satisfaction of other conditions.

It is noteworthy that transportation services for import shipments through aircraft already enjoy exemption from GST; however, the supplier is warranted to reverse proportionate ITC to the extent of inward supplies used vis-à-vis the aforesaid exempted supplies. By virtue of this change, such reversals would also not be required.

Apart from the above, another implication of the proposed amendment would be that if the exporter from India choses a foreign transporter, then he has to discharge GST on reverse charge basis. Whereas, if an Indian service provider is appointed, then GST would be discharged by the service provider for which the exporter can continue to enjoy extended credit period prevalent in market. Hence, this amendment may not be a perfect solution for Indian logistics industry, but at least they may become a preferred choice for exporters.

To summarise, the impact of the proposed amendment is discussed below:
1. Where location of transporter is in India but the service recipient is outside India (foreign exporter / agent), the importation of goods by sea, which hitherto was liable to CGST + SGST or IGST, would now be zero-rated (subject to fulfilment of other conditions).

2. Where location of transporter is in India but the service recipient is outside India (foreign exporter / agent), the importation of goods by air, which hitherto was exempt from GST, would now be zero-rated (subject to fulfilment of other conditions). No ITC reversal would be warranted.

3. In case of export of goods, where the location of transporter is outside India but the recipient is in India, the transaction would now attract GST under reverse charge mechanism. This recommendation, however, needs to be passed in the Parliament before it is effective. We expect this proposal to be included in the Finance Bill, 2023 which is slated to be passed during the ongoing Budget session.

This is yet another instance showcasing that the concerned stakeholders in both the Central and the State Governments have ears on the ground and are responsive to business-critical issues. At the beginning, there was an apprehension as to how the machinery of Central and State Governments would jointly take decisions on the challenges / issues faced in a newly introduced indirect tax legislation with a vision of "One Nation One Tax". However, the GST Council has been adept in addressing the industry concerns such as the present one and in the days to come, we hope that all vexatious issues are put to rest.

Source: economictimes.indiatimes.com- Mar 25, 2023

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Global buyers shift sourcing to India, place big orders at Texprocil Event

Buyers from around the world place big orders at an event organized by the Cotton Textile Export Promotion Council of India (Texprocil).

The event held in Australia had very encouraging response from the buyers from including Australia, Turkey, Malaysia, Poland, Kenya, Portugal, Russia, Mexico, Israel, Guatemala, Chile, Bangladesh, and Sri Lanka, seek to shift their sourcing away from China due to recent supply chain disruptions and a lack of trust.

The buyers at the event were particularly keen on using the free trade agreement signed between India and Australia to increase their sourcing from India. They were also seeking out Indian suppliers of recycled and organic cotton products.

Over 90 buyers attended the event, which showcased yarns, fabrics, and home textiles made from fibers such as cotton, polyester, and viscose. Around 50 Indian suppliers of cotton textiles and their blends were present to attract buyers, and the Council also held talks with a delegation from Bangladesh to explore opportunities for collaboration in the textile industry.

The Texprocil expressed optimism that such events would lead to increased collaboration between Indian textile suppliers and buyers from around the world, to their mutual benefit.

Source: fashionatingworld.com- Mar 27, 2023

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India needs to boost reforms push to raise potential growth: World Bank

The World Bank on Monday said India's potential growth could benefit from accelerated implementation of an already ambitious reform agenda, amid an expected slump in global potential growth to a three-decade low by 2030.

The report, titled "Falling Long-Term Growth Prospects: Trends, Expectations, and Policies," offers the first comprehensive assessment of long-term potential output growth rates in the aftermath of the Covid-19 pandemic and the Russian invasion of Ukraine. These rates can be thought of as the global economy's 'speed limit', it said.

The analysis shows that global potential GDP growth can be boosted by as much as 0.7 percentage points — to an annual average rate of 2.9 per cent — if countries adopt sustainable, growth-oriented policies that would convert an expected slowdown into an acceleration of global potential GDP growth.

"A lost decade could be in the making for the global economy," said Indermit Gill, the World Bank's chief economist and senior vice-president for Development Economics. "The ongoing decline in potential growth has serious implications for the world's ability to tackle the expanding array of challenges unique to our times—stubborn poverty, diverging incomes, and climate change. But this decline is reversible. The global economy's speed limit can be raised—through policies that incentivise work, increase productivity, and accelerate investment."

The report said addressing the aftermath of financial sector distress in India could unlock significant growth. "India has a less developed financial system than many of its peers, with a heavy state presence. To improve the sector's efficiency and depth, reforms could be undertaken to further rationalise the role of public sector banks, ensure a level playing field in the banking sector, and promote the development of capital markets," it said.

On India's infrastructure deficit, the World Bank said reforms suggested by the Task Force on the National Infrastructure Pipeline should be implemented, including improving project preparation processes, enhancing the capacity and participation of the private sector, improving

contract enforcement and dispute resolution, and improving sources of financing.

The World Bank said in the case of India, estimates of potential growth since 2010 have been in the range of 6-8 per cent a year amid slowing investment growth from an annual average of 10.5 per cent in 2000-10 to 5.7 per cent in 2011-21.

"In FY14, private investment, which accounted for nine-tenths of total investment, stagnated as global financial conditions tightened rapidly and capital outflows accelerated. Subsequent years saw continued muted investment growth relative to the preceding decade," the report said.

The Bank said several factors contributed to India's slowdown in investment growth, including heightened regulatory and policy uncertainties, delayed project approvals and implementation, continued bottlenecks in the energy sector, and reform setbacks.

"Large corporate debt overhangs and non-performing assets in the banking sector have weighed on credit and investment growth across the region. In India, the burden of regulatory compliance, delays in utility connections, difficulties in obtaining permits to start and operate a business, high taxes, and rigid labor markets raise the cost of doing business and discourage investment," it added.

The report highlighted India's recent shift in focus of government spending toward infrastructure investment, consolidating labour regulations, privatising underperforming state-owned assets, and modernising and integrating the logistics sector.

Source: business-standard.com- Mar 27, 2023

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S&P keeps India's economic growth forecast unchanged at 6% in FY24

S&P Global Ratings on Monday kept its forecast for India's economic growth unchanged at 6 per cent in the fiscal year starting April 1, before rising to 6.9 per cent in the following year.

In the quarterly economic update for Asia-Pacific, S&P saw inflation rate easing to 5 per cent in 2023-24 fiscal, from 6.8 per cent in the current financial year.

It saw India's gross domestic product (GDP) likely growing by 7 per cent in the current financial year ending March 31 (2022-23), before slowing to 6 per cent in the next 2023-24 fiscal.

"India leads, with average growth of 7 per cent in 2024-2026," the update said.

GDP is projected to rise to 6.9 per cent in the following two financial years -- 2024-25 and 2025-26 and rising to 7.1 per cent in 2026-27.

"In India, domestic demand has traditionally led the economy. But it has become more sensitive to the global cycle lately, in part due to rising commodity exports; and its year-on-year GDP growth slowed to 4.4 per cent in the fourth quarter (October-December 2022)," the rating agency said.

Pronounced core inflation in India suggests little slack in these economies, it said.

S&P expected the Reserve Bank of India to raise its already high policy rate further following a recent upside surprise to inflation.

"In our view, India's Consumer Price Index (CPI) inflation should moderate to 5 per cent in fiscal year 2024 (ending March 2024) but we also anticipate upside risks, including from weather-related factors," it said.

Stating that the current account balances of energy-importing economies in the Asia-Pacific have deteriorated, the rating agency said in India, the external deficit reached about 3-3.5 per cent of GDP in 2022.

S&P Global Ratings maintained "cautiously optimistic outlook for Asia-Pacific," saying China's economy was on track to recover this year.

"We believe the recovery in China will be largely organic, led by consumption and services. Our GDP growth forecast of 5.5 per cent this year, up from 4.8 per cent in November, exceeds the target of around 5 per cent announced at the National People's Congress meetings in March," said S&P Global Ratings chief economist Louis Kuijs.

External pressure from rising US interest rates will likely lift interest rates. The US and the eurozone are likely to slow significantly in 2023.

"We expect only 0.7 per cent growth in the US this year and 0.3 per cent in the eurozone," S&P said.

"China's recovery won't fully offset the impact of the slowdown in the US and Europe on the Asia-Pacific region. But it will alleviate it. The likely acceleration in China this year is broadly comparable to the likely slowdown in the US and Europe.

Source: business-standard.com- Mar 27, 2023

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How exporters are getting steamrolled by a six-decades-old law

"Getting tagged a risky exporter came as a bolt from the blue. But the turn of events after that was disheartening," says Anant Srivastava, describing his ordeal of dealing with the Customs Department after the government flagged up his business dealing.

A Ghaziabad-based SME exporter of textiles and home furnishings, Srivastava says that the government tagged his firm "risky" in 2022 because of someone else's inaction. "One supplier submitted his GST (goods and services tax) refund filing late, and we had to bear the ramifications of that. Our duty refunds and government incentives were suspended. It took us about 1 year of fact-finding to understand the source of the problem."

The GST law says in case a supplier files delayed tax returns, no input tax credit would be available to the recipient of the supplies.

The Central Board of Indirect Taxes and Customs (CBIC) identifies an entity as a "risky exporter" when it notices certain discrepancies, such as excess refund claims. All export consignments of the firm concerned are then scrutinised closely and its refunds frozen until the tag is removed. It becomes a problem for manufacturers and exporters when domestic suppliers do not file their GST claims on time.

This is what happened to Srivastava, who has been running Skier Exports since 2009 and exports home furnishing items to about 70 countries. He claims his shipment worth "crores of rupees" was stuck as the risky exporter tag froze all refunds and incentives till he managed to resolve the issue a year later. The call centre under the Central Board of Indirect Taxes and Customs (CBIC) — the Indian Customs Electronic Data Interchange Gateway or ICEGATE, which acts as an "interface between the trade users and the Customs Department" — was not

Experts say such issues do occur but in a handful of cases, and traders can move a court for relief. On why Srivastava did not opt for legal recourse, he clarifies that whenever he contacted various government departments, he was assured of a speedy redressal. So, he waited, and the issue was finally addressed a year later.

Important but not updated

The Ghaziabad-based SME exporter is now among the importers and exporters who insist that the custom operations and the Customs Act of 1962 need an overhaul to keep up with the times. Stakeholders say they have to deal with a complex maze by running after officers to prove their innocence in such cases.

The Customs Act and the Customs Tariff Act of 1975 are crucial laws for cargo operations. But the rules are outdated and insufficient to deal with the changing economic and technological landscape, say traders.

Take, for example, the case of Ritesh Bhansali, Director at Mumbai-based exporting firm Picaso Trade Enterprises. After the enterprise was labelled as risky, Bhansali claims to have gone from pillar to post for months to prove the mistake wasn't at his end. “The local GST officer would assure me that my name has been cleared from the list. But the Customs Department would not release my refunds. This went on for months.”

India is looking to strengthen its merchandise trade, but several provisions of the Customs Act are arbitrary and archaic.
In most cases, traders are irked that they aren't even told where and why their file is stuck. They also criticise the customs act for its inadequacy in dispute resolution, which has led to a backlog and delays in trade. This increases the costs for the traders and the government.

Problems in digitisation

The absence of real-time information exchange is a headache, and it becomes acute when dealing with issues relating to the global Harmonised System (HS) codes or getting refunds after filing export general manifests (EGMs), a comprehensive shipping document obtained after loading of goods at a port. The information filed by all parties in the supply chain of the goods exported has to be in sync with the EGM drawn up while shipping the products.

Srivastava claims to have been caught in the loopholes here as well. “Last September, we sent a shipment to Libya. It was flagged up with an EGM error. We were told that we have to first get it rectified at our dry port, in our case the container freight station (CFS), and then throughout the entire logistics chain, all the way to the shipping company. We finally got

it resolved only at the end of January. Through these 3-4 months, all our refunds got stuck," says the exporter.

The government does take some action now and then, but these do not serve the purpose in the long run, claim stakeholders. For example, the government had last year introduced the seventh edition of the HS nomenclature to reduce disputes with respect to various commodities' trade classifications. It gave products such as drones and smartphones more visibility, among other measures. The move was supposed to bring clarity to the way the government looks at certain issues of traders. Industry players laud the move but add that isn't enough.

Amrit Manwani, CMD of Noida-based Sahasra Electronics, says, "Reclassification of HS codes will help to an extent. But even now, there are a lot of grey areas that are left to the interpretation of the customs officers dealing with the cargo." Some of the officers' "anti-industry stand" then comes in the way of doing business.

Exporters say they want better rules so that the fate of an export order is not dependent on the mindset of an official.

Problem in interpretation?

Shoeb Ishak, CEO of Mumbai-based Fem Exports, uses the example of terry towel to explain his point. His ordeal started in August when a Dubai-bound shipment was stuck at the Nhava Sheva port. "The HS code we always use is 63026090. However, customs officials have been asking us to use the HS code 63049250. The issue is that Dubai customs officials say the goods can be imported only if we use 63026090 as that is what the comprehensive economic partnership agreement (CEPA) states. Else the goods will not get duty-free import status. Because of this mismatch, the merchandise is now subject to burdensome clearance issues," says Ishak.

This confusion arises, as blended items can be categorised in two or more ways. The use of "others" or "similar" adds to the ambiguity. For example, "carpets and other textile floor coverings" is an area that leads to confusion in classification of certain items because of the word "other".

Exporters have to run from pillar to post to find solutions to their problems under the Customs Act.

In case a shipment gets blocked due to some reason, it leads to a physical examination of goods before every shipment, leading to delays and cancellation from overseas buyers.

“The Custom Department comes up with arbitrary explanations now and then. There is no consistency in their approach,” Ishak says. “There are some officers who allow a certain HS code at certain ports while others don’t at other places. Also, the officials on duty are changed 2-3 months. The new officer often comes with his own understanding of the rules.”

The exporter says there is an urgent need to further simplify and harmonise these codes.

Ishak says he has flagged this issue with the Cotton Textiles Export Promotion Council (TEXPROCIL). The industry body is said to have raised this matter with the authorities, but it has not been resolved.

Urgent update needed

Industry observers assert that the emergence of e-commerce and digital trade has further highlighted the need for a thorough makeover of the laws made in 1962.

The current legislation has become outdated, says Tanushree Roy, Director-Indirect Taxes, Nangia Andersen India. “It has not been able to keep up with the changing economic and technological landscape. The legislation is struggling to curb trade fraud. It has several loopholes. An updated customs legislation will ensure compliance with international trade norms and economic regulations,” says Roy.

If India wants to be an export powerhouse, it is important that the rules here are in sync with global norms and emerging trends. Else the country won't be able to achieve the export target of $2 trillion by 2030, say stakeholders.

For example, the customs act has imposed anti-dumping and safeguard duties on specified imports. However, dumping continues to happen. Chinese exporters have traditionally been found to use a variety of means to evade India's anti-dumping laws. Sometimes they send the goods to another country before exporting them to India from there. Some overseas exporters shift their production facilities to another country to avoid anti-dumping duties. For example, Chinese companies set up production

facilities in Bangladesh or Vietnam to avoid anti-dumping duties on their products. Another issue is undervaluation of the export product to avoid paying high anti-dumping duties. Misclassification of products remains a menace, too. There have been reports that Chinese exporters often misclassify their products to avoid anti-dumping duties. For example, a product subject to anti-dumping duties may be classified as another product that is not subject to such duties.

Risk-based targeting

India's trading community wants the customs act to have more "more teeth" to effectively tackle all the issues. But there has to be a better targeting of corrupt practices, say traders.

To combat frauds, Nangia Andersen's Roy suggests that customs authorities undertake risk-based targeting. "Strengthen the use of intelligence-led investigations and collation of evidence to build a strong case against offenders. Using technology-based solutions should be increased to reduce paperwork. Further, shipments can be screened prior to crossing the customs frontiers. We should encourage seamless flow of data sharing between customs authorities and other law enforcement agencies for early detection of fraud," she says.

The government has been saying that its various departments, including the Customs Department, are proactively working towards going digital to weed out malpractices. The Customs Department is continuously modernising its procedures through the adoption of electronic data interchange (EDI) and global best practices to meet the evolving needs of businesses, say officials.

Queries sent to the Customs Department remain unanswered till the time of publishing this story.

The real face of faceless assessment

Saloni Roy, Partner at Deloitte India, says, "These technological reforms are assisting in improving competitiveness in Indian trade. Trading partners and others engaged in international trade are no longer required to prepare and submit voluminous paperwork. The digital initiatives reduce interface with governmental agencies, reduce time and cost of doing business."

If India wants to be an export powerhouse, it is important that the rules are in sync with global norms and emerging trends.

But industry players say the faceless assessment scheme has created more chaos than before, instead of easing trade processes. “Faceless assessment still does not work,” says Manwani, whose Sahasra Electronics has two factories in special economic zones (SEZs) in Noida. “SEZ units have to file documents online and then get physical approval by going to customs officials.”

After the pandemic, the government introduced the Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 (CAROTAR) to streamline the import process. Deloitte’s Roy says certain requirements under CAROTAR are cumbersome for importers, even though such compliances may not have been envisaged in the free-trade agreement between countries.

These provisions cover aspects such as the classification of goods, the country of origin, the valuation of goods and the documentation required for imports. The burden of proof is on the importer to prove that the goods meet the origin criteria of the FTA. This makes it very complex, says a wholesale trader of electronic goods in Delhi’s Nehru Place.

Burden of proof

“We face lots of issues while importing electronic products and computer peripherals. The government says to claim a preferential rate of duty, we must include information about the certificate of origin (CoO) in the bill of entry and make a declaration. The onus is on us to give evidence of how the origin criteria has been met. Also, we need to keep supporting documents for at least five years from the date of filing the bill of entry. This adds to the paperwork. If there is a suspicion that the origin criteria has not been met, the customs officer can ask for documents even after customs clearance. This happens often and is a disabler of trade,” says the trader on condition of anonymity.

There have been instances of delay in clearance of goods, and importers are forced to provisionally assess the goods despite submitting the technical details, datasheets and clarifications. “The special valuation branch (SVB) processes still take a long time. Importers need to furnish bonds and clear goods on a provisional basis until the process is completed. The Union Budget 2023 proposed to provide a time limit of 9

months to the Settlement Commission to aid in dispute resolution," Roy says, adding that she would also like to see measures to improve dispute resolution, CAROTAR formalities and SVB processes.

The Settlement Commission is an alternative dispute resolution mechanism available to importers and other parties involved in customs processes. It has the power to issue binding rulings and reduce or waive penalties and interest.

It is evident that policymakers have to take a long and hard look at the customs rules to actualise the government's "make in India, make for the world" objective.

Source: economictimes.com- Mar 25, 2023

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Nimble exporters are slowly displacing Chinese competitors with new products, strategy

A shift in consumer sentiments and a rising preference among companies to look at a base outside China are giving more business avenues to Indian exporters willing to step up and grab the opportunities.

By upgrading manufacturing processes, tapping into a global need for minimum order quantities (MOQs) and by foraying into innovative product categories, some exporters are going all out to leverage the situation.

Industry professionals attribute this change to a pivot in the global trade environment largely driven by the China Plus One model — global companies looking to reduce their dependence on China — and changing trade dynamics.

“Slowly but surely, Indian exporters are trying to fill in the vacuum and looking to displace competitors in however small but certain ways,” says Arun Roongta, MD of trade platform HGH India.

He sees this trend taking root in multiple businesses. “We have examples in the plastic industry where earlier China used to be strong in moulded products. But now, Indian exporters are becoming successful suppliers to American and European retailers. It is similar in the bulk drugs business, chemicals and automobile components.”

The exciting part is that Indian players are upgrading their manufacturing to make and export value-added products, instead of just making small tweaks. “There is enough indication that India is taking things up a notch in more value-added and technology-oriented products now,” he adds.

Manufacturing goes up a notch

Experts have long argued that India has to focus on value-addition or enhancement of products to compete in the global market. For example, instead of exporting shrimps, they say we should focus on exporting marinated or ready-to-eat shrimps to capture a larger share of the global market quickly.

Industry players point out that another reason for the pivot is a change in consumer behaviour, which is translating to more consistent rewards for India-made products.

Ceramic manufacturing company Clay Craft India reports many consumers are now rejecting made-in-China products. “We have seen such trends in our business category,” says Deepak Agarwal, Director at the Jaipur-based manufacturer. “People feel they are contributing to the overall tenet of Make in India. India is an emotional country. People connect emotionally to every occasion. This is evident more than ever in buyer behaviour now.”

Aashish Vij, Group Director of Pan Overseas, is among those who have seized this opportunity by widening his product offering. The Panipat-based seller of floor coverings and chenille bedspreads has entered the container storage business to tap an opportunity he sees there. “There is an ever-growing demand for soft storage. It is a relatively new category in India. We transformed our floor covering capability into making storage containers using baskets and containers. This gave us a tremendous response, even in the Indian market. China has been the champion in that,” he says.

Indian companies like Pan Overseas have seized the initiative as global companies looking to reduce their dependence on China.
Pan Overseas has shipped close to 100,000 units of soft storage solutions to various overseas destinations this year. Vij says they used their spare capacity to get into more innovative product lines.

Exporters should look into their respective fields and see if there is a vacuum in a category caused by China not being able to supply products, he adds.

The gains have been visible enough for exporters to expand their product lines and capacities in certain categories.

Clay Craft India’s Agarwal gives the example of double-walled vacuum bottles, where China had a monopoly. The supply chain issues after Covid, however, introduced a gap in the market. Clay Craft India scaled up its product line in this time to bridge this space. “We started with 500-1,000 bottles per day before Covid began. This has gone up to 5,000-7,000 now. We are running to full capacity,” he says.

The company sells approximately 15 lakh bottles in a year, 15% of which constitute sales from export markets.

Strategising ahead

Some exporters are changing track in a different way to move in tandem with the evolving trade situation. Vanjinath Govindadass, Managing Director of Coimbatore-based Cotton Concepts — a design house that makes and exports home textiles — says they focussed on minimum order quantities (MOQs) to gain more ground in the market. “China has always been known for mass quantities. Not all importers want such volumes and instead look at lower MOQs, which India is able to offer. Smaller orders are safer and better, and buyers are also happy to pay more premium for smaller orders,” he says.

Cotton Concepts now takes up orders with a minimum value of $5,000 and typically between 500 and 1,500 pieces, from $10,000 and 2,000-2,500 pieces earlier.

The move towards MOQs is a recent phenomenon. Earlier, for example, a large US retailer would place bulk orders of a product from Indian vendors and stock up their shelves with this merchandise. But as consumer behaviour changes, these large buyers now prefer to buy smaller quantities of many products. This helps them offer more choices and newness to consumers. The buyers are also able to keep their procurement costs lower.

MOQs come in handy in the Indian context for bulk buyers, as they are able to offer niche products instead of mass-produced goods from China. Buyers do not mind paying more for smaller orders, say industry players.

Playing to the strengths

By using companies such as Cotton Concepts, buyers can also comply with the UN’s Sustainable Development Goals. Cotton Concepts exports products made of recycled cotton. They are able to procure yarns and quickly churn out products. This adds to the narrative of sustainable products.

Govindadass says it also helps that the company is in a category where India plays a larger role than China. “India is able to design and create textiles in such a way that it is appreciated far more in the international

market. We have gone beyond basic designs and are growing 30% year-on-year," he adds.

Cotton Concepts says its buyers can also comply with the UN's Sustainable Development Goals as its exports products are made of recycled cotton.

Exporters have also seen a difference in market response, buyer interest and acceptability after the pandemic.

Ranchi-based Vedas Exports admits to seeing a change in market preference in their home decor offering. The company that used to supply products like metal wall art, vases and candle holders has now transitioned into utility products such as hooks, vases, planters and letter boxes. "We have seen a good growth of 40% in the utility category. Due to the anti-China sentiments, we have gained trust as well," says Palash Agrawal, Founder and Director.

Most companies trying to capitalise on such new opportunities agree that this is a new trend visible. So, it is too early to share specific increases in income or revenue, they say.

But Agrawal points out that this is the ideal time for exporters to explore different opportunities where India can do well. "For instance, toys and children's clothing are areas where more can be done," says the exporter who is planning to look at wall clocks.

Best foot forward

Though China has traditionally been a cheaper producer due to bulk manufacturing and lower cost, India exporters are also reaping the benefits of competitive container costs. "There has been a 30% increase in shipping costs from China, whereas the Indian market has been more stable. This difference in price of shipping gave an edge to exporters in India," Agrawal adds.

To make this growth trend more permanent, the country has to take some measures that will encourage more small manufacturers to take the leap.

Agarwal of Clay Craft India says an entire ecosystem has to be in place if more innovations are to come by. He uses the example of the cluster system in China, where policies are designed to bring together manufacturers, suppliers, exporters and other stakeholders of a particular

category of goods. Bringing all such players to one area can give immense benefits. But a lot of government support is needed for this. “As a private player, it is not up to the manufacturer or exporter to start making products. An ecosystem has to be prevalent,” he adds.

Friendly export policies, like in Vietnam, for instance, pave the way for a conducive ecosystem, making it easier for exporters to be competitive globally. Most goods and services exported from that country are exempt from tax and export duties are charged on only a few items, say industry observers.

What remains to be seen is how well the good run will continue for exporters and make strides manufacturers will make in products where China has dominance. Inflationary pressures and recessionary conditions have not made it any easier and Indian players will have to constantly keep innovating if they want to keep riding this wave of growth.

Source: economictimes.com- Mar 25, 2023

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Guarantees amounting to Rs. 4,06,310 crore approved under Credit Guarantee Scheme for Micro and Small Enterprises till February 2023

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) provides credit guarantee to its Member Lending Institutions (MLIs) for the loans extended by them to Micro and Small Enterprises (MSEs) without any collateral security or third party guarantee.

From inception in 2000 till 28th February 2023, 69,04,649 number of guarantees amounting to Rs. 4,06,310 crore have been approved under Credit Guarantee Scheme for Micro and Small Enterprises. The State wise details of the number and amount of guarantees approved under Credit Guarantee Scheme for Micro and Small Enterprises since inception in 2000 till 28 February 2023 are at Annexure-I.

As on 28th February 2023, out of the total number and amount of guarantees approved under Credit Guarantee Scheme for Micro and Small Enterprises, 21 percent by number and 14 percent by amount is constituted by women owned MSEs.

As on 28th February 2023, out of the total number and amount of guarantees approved under Credit Guarantee Scheme for Micro and Small Enterprises, 6 percent by number and 3 percent by amount is constituted by SC/ST owned MSEs.

Annexure

Annexure is referred to part (a)&(b) of unstarred Question no. 2999 due for reply on 27.03.2023

Click here for more details

Source: pib.gov.in- Mar 27, 2023

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