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INTERNATIONAL NEWS

Chinese manufacturing output sees 6.5% YoY growth in April 2023: NBS

China's manufacturing output has seen a significant surge, increasing by 6.5 per cent year-on-year (YoY) in April 2023, according to the National Bureau of Statistics (NBS). Additionally, the value-added industrial output, a key economic metric, rose by 5.6 per cent during the same period, marking a growth rate 1.7 percentage points higher than March's figure.

Industrial production remained generally stable throughout April. In the first four months of 2023, the country's value-added industrial output grew by 3.6 per cent, accelerating by 0.6 percentage points compared to the first quarter.

There were disparities in growth by ownership type, with state-controlled enterprises reporting a 6.6 per cent increase in output, while the private sector saw a more modest growth of 1.6 per cent, according to Chinese media reports.

Source: fibre2fashion.com– May 18, 2023

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EU's textile trade deficit grows amid record €200 bn trade

In 2022, the European Union's (EU) trade in textiles and clothing exceeded, for the first time in history, the €200 billion mark. This record growth of total trade is mainly due to a sharp increase in clothing imports (36,6 per cent in value), especially from China and Bangladesh, which outweighs EU's positive export performance. As a result, the EU's trade deficit in textiles and clothing has increased to €70 billion, which is 48 per cent higher than the year before.

Such a growing deficit is a cause for concern; the objective of the EU's Industrial Strategy to strengthen the region's resilience and 'strategic autonomy' is not happening. Instead, its dependency has increased, and becomes critical in certain raw materials and fibres, according to the 2023 Spring Report by the European Apparel and Textile Organisation (EURATEX).

The report, which analyses the latest trade flows for textiles and clothing products, also challenges the commission's ambition to promote and prevail high quality and sustainable textile products on the single market—regardless of where they have been produced. With imports now reaching €140 billion, it will be a challenge to effectively control the quality and compliance over these imports. Market surveillance will need to be stepped up massively, without becoming a barrier to trade.

EURATEX calls for strengthening efforts towards the EU's export performance, so as to rebalance the region's trade relations with the rest of the world. EU companies are world leaders in high-end fashion products and technical textiles. More needs to be done to support their activities in established markets as well as emerging economies. For instance, the ongoing free trade agreement (FTA) negotiations with India should focus on improving market access and ensure fair competition with local companies.

The report has also highlighted significant differences between trade in value and in volume. EU's export of textile products has increased by 13 per cent in value, but actually dropped by nearly 7 per cent in volume. This reflects the very high inflation figures from last year, caused initially by the rising energy prices and changing central bank policies. This in turn leads to uncertainty for the consumer, resulting in low demand and gloomy prospects for the entire value chain.

Director general Dirk Vantyghem commented: "This report confirms once again that textiles is one of the most globalised sectors of the European economy, and hence the importance of taking that global dimension into account, when designing EU and national policies. Failing to do so may have a devastating effect on the global competitiveness of the European textile industry.

"It is essential to stabilise inflation, restore consumer confidence, and ensure a level playing field for all operators in the textile industry. On that basis, European companies can prosper and offer quality jobs to 1.3 million workers."

Source: fibre2fashion.com– May 17, 2023

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Japan's export growth hits two-year low on weak China demand

Japan's export growth hit its weakest pace in more than two years in April as China-bound shipments slumped amid lingering worries about faltering global economic demand.

Exports rose 2.6% in April from a year earlier, Ministry of Finance data showed on Thursday, slower than a 3.0% increase expected by economists in a Reuters poll and a 4.3% rise in March. It also marked the weakest gain since February 2021 when exports declined 4.5%.

The world's No. 3 economy emerged from recession in the first quarter, helped by a boost in consumer spending and tourism following the end of COVID-19 pandemic restrictions, but weak exports are weighing on factory activity and hampering a broader recovery.

Exports have expanded every month since the February 2021 decline, helped in part by a weaker yen that makes Japanese products competitive.

However, gross domestic product data for January-March on Wednesday showed exports slumped 4.2% in the period, the first quarterly decline in 18 months.

"Weakening exports will put a drag on capital spending, which may sap domestic demand as consumption lacks strength," said Takeshi Minami, chief economist at Norinchukin Research Institute.

"The global economy will slow further in the latter half of this year, so you cannot count on either domestic or external demand, leaving Japan's economy in a soft patch."

By destination, Japanese exports to China, the country's largest trading partner, dropped 2.9% in April year-on-year, dragged by declines in cars, car parts and steel shipments. It followed a 7.7% decline in March and marked a fifth straight month of falls. Likewise, Japan's shipments to Asia fell 6.3% year-on-year in April, down for a fourth straight month.

U.S.- and European Union-bound shipments grew 10.5% and 11.7% year-on-year in April, respectively, led by a rebound in cars and car parts as supply constraints eased.

Imports fell 2.3% in April, much bigger than the median estimate for a 0.3% decrease and the first annual decline in 27 months, as the base effects of surging energy costs and a weakening yen ran their course.

The trade balance came to a deficit of 432.4 billion yen ($3.20 billion), narrower than the median estimate for a 613.8 billion yen shortfall.

Source: reuters.com– May 18, 2023

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USA: Are Consumers 'Running Out of Momentum'?

U.S. retail sales rose for the first time since January, but consumers also had some wiggle room after paying down debt in the first quarter.

The Commerce Department said on Tuesday that retail sales, including food services, rose 0.4 percent from March to $686.1 billion, and was up 1.6 percent from a year ago. Economists were expecting an increase of between 0.7 to 0.8 percent, with most of that increase from auto sales.

Retail trade sales rose 0.4 percent from March, with sales at nonstore retailers—i.e., online sellers—up 1.2 percent in April. Apparel and accessories specialty doors lost some ground, slipping 0.3 percent, while sales at department stores declined 1.1 percent. Sales at furniture and home furnishings retailers decreased by 0.7 percent.

The data is seasonally adjusted for holiday and trading-day variances, but does not take into account price changes.

Well Fargo economists Tim Quinlan and Shannon Seery noted in a report on Tuesday that some categories suggest "consumers [are] running out of momentum." They pointed to department stores and furniture and home furnishing retailers as examples where consumers have dialed back their spending in April.

When factoring in inflation, the economists estimated that "real retail sales slid 0.2 percent in April, marking the third consecutive decline and fifth in six months." Retail spending is slowing gradually, they said, noting that a robust jobs market and steady real income gains are supporting consumption.

For now, the going is still good for retail, but perhaps not so much in the future. "We continue to expect consumer spending will moderate over the course of the year. Credit conditions are tightening, excess savings is dwindling and slack is materializing in the labor market. All of these capacity factors are moving in the wrong direction," the economists said.
"Retail sales rebounded in April, reflecting consumer resilience in the face of elevated economic uncertainty," National Retail Federation (NRF) president and CEO Matthew Shay said. "Moderating price levels, continued labor market strength and wage gains have increased consumers' ability to spend."

But even Shay said consumers remain cautious and concerned about the current economic environment.

That was largely evident earlier this year when inflation was higher and consumers began to shore up personal balance sheets. WalletHub's latest Household Debt Report indicates that consumers paid down $140 billion in debt during the first quarter of 2023, although that was 40 percent less than the first quarter of 2022. Total household debt fell to $17.13 trillion in the first quarter. When adjusted for inflation, household debt is $1.15 trillion below its peak from 2008. In addition, household mortgage debt—a large component of many consumers' monthly budget—fell by $82 billion in the first quarter, while debt from home equity lines of credit in the period was down by $2.7 billion.

David Silverman, senior director at Fitch Ratings, said that the sales slowdown is due somewhat to easing inflation, but also to a softening consumer and continued spending shifts toward services. "Fitch expects sales volumes across many retailers to be negative this year," he said, adding that "good inventory and cost control could support operating earnings and cash flow for better managed companies."

"Continued declines are a reality, but they can cloud the picture of underlying changes occurring as the consumer's lifestyle shifts and continued price elevation forces consumers to prioritize their spending decisions and make trade-offs," Marshal Cohen, chief retail industry advisor for Circana, formerly The NPD Group and IRI, said.

The University of Michigan's preliminary results for its May Surveys of Consumers show a decline confidence to 57.7 from 63.5 in April. The final data report for this month is due out on May 26. The Conference Board's Consumer Confidence Index is set to report its latest findings on May 30.

Source: sourcingjournal.com– May 17, 2023

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US retail sales rebound in Apr, clothing stores still struggling: NRF

Retail sales bounced back in April, showing both month-over-month and year-over-year growth, according to the National Retail Federation (NRF). Clothing and clothing accessory stores were down 0.3 per cent month over month seasonally adjusted and down 4.1 per cent unadjusted year over year. Online and other non-store sales were up 1.2 per cent month over month seasonally adjusted and up 6.4 per cent unadjusted year over year.

NRF's calculation of retail sales – which excludes automobile dealers, gasoline stations and restaurants to focus on core retail – showed April was up 0.6 per cent from March and up 2 per cent unadjusted year over year. In March, sales were down 0.7 per cent month over month but up 3.4 per cent year over year. NRF's numbers were up 3.7 per cent unadjusted year over year on a three-month moving average as of April.

"Retail sales rebounded in April, reflecting consumer resilience in the face of elevated economic uncertainty," NRF president and CEO Matthew Shay said. "Moderating price levels, continued labour market strength and wage gains have increased consumers' ability to spend. However, they remain cautious and concerned about the current economic environment. Retailers continue to provide competitive pricing and convenience to help cost-sensitive consumers stretch their budgets."

"Consumers remained engaged in April," NRF chief economist Jack Kleinhenz said. "Shoppers are being selective and price-sensitive, but we continue to expect that spending will see modest gains through the course of the year. Year-over-year growth slowed, which was partly because of upward revisions to last year's data but also an early indication that credit conditions are tightening, and excess savings are shrinking."

The US Census Bureau said overall retail sales in April were up 0.4 per cent from March and up 1.6 per cent year over year. In March, sales were down 0.7 per cent month over month but up 2.4 per cent year over year.

Source: fibre2fashion.com– May 18, 2023

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China's fibre imports from Australia tumble, apparel exports rise

Geo-political tension has impacted China's import of fibre (predominantly cotton) from Australia, but Chinese exports of apparel to Australia have remained strong in recent years despite diplomatic issues. Trade data analysis reveals a 41 per cent reduction in fibre imports from Australia over the last four years, whereas apparel exports from China increased by 44 per cent in 2022 compared to 2018.

In 2018, China imported $3.177 billion worth of fibre from Australia, but this figure fell by 41 per cent to $1.860 billion in 2022, according to Fibre2Fashion's market insight tool TexPro. There was a steep fall in imports during the pandemic, with figures dropping from $2.592 billion in 2019 to $1.441 billion in 2020. However, a slight recovery occurred in 2021 with imports valued at $1.971 billion, before declining again to $1.860 billion in 2022. In the first quarter of 2023, China imported fibre worth $374.693 million.

In terms of volume, China’s fibre import was 591.499 kg during 2018 which came down to 539.079 million in 2019. During Covid year 2020, the import halved to just 250.601 million kg. It further eased to 216.051 million kg and 199.652 million kg in 2021 and 2022 respectively. The import stood at 50.583 million kg in January-March 2023.

TexPro data shows a significant increase in Chinese apparel exports to Australia following the disruptions caused by COVID-19. Exports stood at $3.837 billion in 2018 and rose to $5.530 billion in 2022. Despite a downturn in 2019 and 2020, with export values recorded at $3.700 billion and $3.636 billion respectively, a recovery was observed in 2021 with exports bouncing back to $4.784 billion and then rising to $5.530 billion in 2022. The outbound shipment value was recorded at $1.526 billion in the first quarter of the current year.

Source: fibre2fashion.com– May 18, 2023

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EURATEX: European Textile Industry Increasingly Exposed To Global Pressure

European textile industry is exposed to global pressures more than ever before; policy makers need to consider that global dimension.

EURATEX released today its 2023 Spring Report, which analyses latest trade flows for textiles and clothing products.

In 2022, EU trade in textiles and clothing has exceeded, for the first time in history, the €200 billion mark. This record growth of total trade is mainly due to a sharp increase of clothing imports (+36,6% in value), especially from China and Bangladesh, which outweighs our positive export performance. As a result, the EU's trade deficit in textiles and clothing has increased to €70 billion, which is 48% higher than the year before.

Such a growing deficit is a cause for concern; the objective of the EU's Industrial Strategy to strengthen our resilience and "strategic autonomy" is not happening. Instead, our dependency has increased, and becomes critical in certain raw materials and fibres.

It also challenges the Commission's ambition is to promote – and prevail – high quality and sustainable textile products on the Single Market – regardless where they have been produced.

With imports now reaching €140 billion, it will be a challenge to effectively control the quality and compliance over these imports. Market surveillance will need to be stepped up massively, without becoming a barrier to trade.

We also need to strengthen our efforts on the EU's export performance, so as to rebalance our trade relations with the rest of the world. EU companies are world leader in high end fashion products and in technical textiles. More needs to be done to support their activities in established markets but also emerging economies. For instance, the ongoing FTA negotiations with India should focus on improving market access and ensure "fair" competition with local companies.

The EURATEX Spring Report highlights significant differences between trade in value and in volume. EU's export of textile products has increased by 13% in value, but actually dropped by nearly 7% in volume. This obviously reflects the very high inflation figures from last year, caused initially by the rising energy prices and changing central bank policies. This in turn leads to uncertainty with the consumer, resulting in low demand and gloomy prospects for the entire value chain.

Director General Dirk Vantyghem commented on these latest figures: "This report confirms once again that "textiles" is one of the most globalised sectors of the European economy, and hence the importance of taking that global dimension into account, when designing EU and national policies. Failing to do so may have a devastating effect on the global competitiveness of the European textile industry.

Looking forward, he added: "It is essential to stabilise inflation, restore consumer confidence and ensure a level playing field for all operators in the textile industry. On that basis, European companies can prosper and offer quality jobs to 1.3 million workers".

Source: textileworld.com– May 17, 2023

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Indonesian textile industry sees $4.63Bn surge in investments, despite slow exports

The textile and textile products (TPT) industry in Indonesia witnessed a significant surge in investment realization during the first quarter of 2023, reaching $4.63 billion, an 89.41% increase compared to the same period last year.

Despite sluggish export orders, the rise in investment, particularly in domestic investment (PMDN), can be attributed to the growing demand for textile products within the country. Local investors, who have a better understanding of the domestic market, responded quickly to the increasing demand, resulting in the surge in investments. This trend was further supported by the ordering process of TPT equipment and machines that began last year, with the goods arriving as planned, even though export orders remained slow.

While export-oriented industries usually rely on foreign investment, the decline in export orders did not have a significant impact on the local TPT industry. Many factories took advantage of the production slowdown to conduct maintenance and replace machines and spare parts. As a result, the investments in the first quarter were primarily focused on purchasing machinery and spare parts rather than constructing new facilities.

The Investment Coordinating Board (BKPM) reported a remarkable 401.25% increase in PMDN investment, amounting to $2.95 billion in the first quarter of 2023. However, foreign direct investment (PMA) declined by 9.4% to $114.2 million.

Most of the TPT investments realized in the first quarter came from the intermediate industry sector, particularly the knitting, woven, and finishing fabrics sub-sector. These investments primarily focused on procuring weaving machines, spinning machines, and spare parts. The timing of these investments coincided with the period before the general elections, during which the demand for TPT products typically increases for campaign support equipment such as t-shirts and banners.

To address the challenges posed by global uncertainty and declining exports, the Ministry of Industry implemented a machine restructuring program in the TPT industry. This program aims to enhance competitiveness by promoting the use of modern, efficient, and environmentally friendly equipment. By upgrading machinery, the industry can increase productivity, efficiency, and product quality. In 2022, the TPT industry demonstrated positive performance, with an export value of $13.83 billion and employing approximately 3.65 million people. It contributed 1.03% to the national GDP, experiencing a 9.34% annual growth rate.

The machine/equipment restructuring program will prioritize the fabric perfecting and fabric printing industries, targeting the participation of 13 companies. The allocated budget for 2023 is $4.7 million, which will provide a discounted price reimbursement of 10% for imported machinery/equipment and 25% for domestically produced ones.

Source: fashionatingworld.com– May 17, 2023

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Vietnam tops list in Cambodia's surging export markets to RCEP countries with $1.25 Billion

Vietnam emerged as the top destination for Cambodian exports within the Regional Comprehensive Economic Partnership (RCEP), with shipments worth $1.25 billion, followed by Thailand with $958 million, and China with $328 million.

Cambodia experienced a 16% growth in its exports to RCEP countries during the first quarter of 2023, amounting to a total value of $2.89 billion, according to recent data from the Ministry of Commerce. This figure represents a significant increase compared to the same period last year. On the other hand, China remained the largest source of imported goods for Cambodia, accounting for $2.53 billion, while Vietnam and Thailand closely followed with imports valued at $957 million and $440 million, respectively.

The RCEP, a free trade agreement, officially came into effect on January 1, 2022. It comprises 15 countries in the Asia-Pacific region, including the 10 ASEAN member states (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam), as well as their five trading partners: China, Japan, South Korea, Australia, and New Zealand.

Over the next 20 years, the mega-regional pact aims to eliminate up to 90% of tariffs on goods traded among its signatories. As the world's largest trade bloc, the RCEP possesses a combined GDP of $26.2 trillion, equivalent to approximately 30% of global GDP, 28% of global trade, and 32.5% of global investment

During the first quarter, Cambodia's trade with RCEP countries accounted for 19% of the nation's total trade. In 2022, Cambodia's exports to RCEP countries reached $6.34 billion, reflecting a year-on-year increase of 7%, as reported by the Ministry of Commerce. Furthermore, RCEP accounted for nearly 60% of Cambodia's international trade, amounting to $52 billion in the same year.

Source: fashionatingworld.com– May 17, 2023

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Kenya takes initiatives to revive domestic textile industry

Kenya recently said farmers will receive free chemicals and training to ensure maximum yield and the government is expected to provide enough raw materials for the textile industry.

The state department for industrialisation, the ministry of agriculture and the Rift Valley Textile East Africa Ltd (RIVATEX) will collaborate on the project.

The step is expected to boost the domestic cotton industry.

The government has injected Sh7 billion to modernise the Rift Valley Textile mills (Rivatex) and revived the Luanda ginnery in Busia, but the facilities are operating below their capacities due to the collapsed cotton value chain.

Agriculture and food authority acting director general Beatrice Nyamwanu said the renewed focus to rejuvenate the sector would scale up cotton production, which is presently 3,000 metric tonnes, according to Kenyan media reports.

Kenya produces 28,000 bales of cotton annually now against a requirement of 140,000 bales. To meet the demand, companies import 80 per cent of the raw material from India, China and the rest of East Africa.

Source: fibre2fashion.com– May 17, 2023

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Pakistan: Demand for subsidies amid resource shortage

It is the right of all trade bodies to send proposals for the next budget to the federal government, but given the current global and domestic scenarios, the proposals must be practical and in line with ground realities.

Current economic situation in Pakistan is so precarious that the state cannot afford any measure that further enhances its expenditure. However, the trade associations usually continue to ask for concessions that were abolished a few years back.

Export associations are also asking for subsidies that the government of Pakistan had to withdraw under the International Monetary Fund (IMF) pressure. Even otherwise the state could not afford these concessions.

Take the textile sector, the zero-rating facility was withdrawn by the PTI government in its first year in power. This was done because the state collected nominal sales tax from domestic sales that by some estimates crossed trillion rupees.

Textile industry operates in such a way that it was impossible to separate exports from the domestic production as the same enterprise operated both domestically and globally. The then government came up with a transparent strategy under which the sales tax on exports was refunded promptly after realisation of export proceeds.

It was a good move because exporters do tend to delay export proceeds when the rupee was under pressure. The delay in export proceeds automatically delayed their sales tax refunds. The system is operating smoothly after initial teething problems and a brief period after the change of government.

It must be noted that the textile exports dipped in the first year of the PTI regime and then started picking up even when the Covid-19 was peaking. In fact, Pakistan recorded the highest textile exports last fiscal despite withdrawal of zero-rating.

The textile exporters however rightly protest against the withheld export refunds pertaining to the 2009-14 period. The government must give a schedule for gradual payments of refunds over a two-year period.

The withdrawal of subsidies on power and gas is a blow particularly for the spinning sector as these industries consume high power and energy. The government is helpless in this regard. The spinners in Bangladesh are also facing the same problem as their government has also jacked up power and gas rates to almost the same level as in Pakistan.

The concessional export finance scheme has always remained controversial. In the past, many allegations surfaced about millers diverting export refinance towards the real estate sector.

Moreover, the discount on export refinance is picked by the government of Pakistan. When the markup was in single digit the subsidy on export refinance was maximum 3-4 percent. Now with markup shooting to 21 percent the government already starved of resources can at best maintain the 3-4 percent discount.

As far as steep decline in textile and clothing exports is concerned, it is a global phenomenon. Bangladesh was the only country that continued to post growth in the recent past. But in April its textile clothing exports declined by 30 percent, its industry experts are expecting a steeper decline in the next three months. Textile exports from India and Vietnam have been falling in the 25-30 percent range during the last three quarters.

Planners must understand that our depressing textile exports are mainly due to decline in consumer demand in the developed economies that are grappling with high inflation. The high cost of inputs must have also have impacted textile exports, but not to an appreciable extent.

Source: thenews.com.pk– May 18, 2023

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NATIONAL NEWS

India-EU FTA negotiation is progressing well: Sh. Goyal

Union Minister for Commerce & Industry, Textiles, Consumer Affairs, Food & Public Distribution, Sh. Piyush Goyal said that the India-EU FTA negotiation is progressing well while addressing the media yesterday after the 1st India-EU Trade & Technology Council (TTC) meeting in Brussels, Belgium. Sh. Goyal said that the TTC is helpful as it is supplementing the FTA negotiations and the FTA will make India-EU relationship the defining partnership of the century.

Sh. Piyush Goyal said that India is engaging with the EU on Carbon Border Adjustment Mechanism (CBAM) as it is not the EU's intention to create a barrier to trade but to find a way forward towards sustainability as part of collective efforts. He stressed that India and the EU are working together to find the right solution to the CBAM issue.

Sh. Goyal said that India's tariffs are very often misconstrued to be very high on most items, raw materials, intermediates but in reality the duties are very low. The Minister said that the duties on technological items which are helping the Indian economy grow are very low. He said that the actual applied rates of tariffs are lower than the agreed bound rates at WTO.

Sh. Goyal mentioned that the political guidance received from the Prime Minister of India, Sh. Narendra Modi and the President of the European Commission, H.E. Ms. Ursula von der Leyen has been truly encouraging in setting the path for outstanding engagement.

The Minister praised the creation of TTC as a platform of coordination to address key issues related to trade, trusted technology and security between India and EU. He said that both India and the EU are open market economies, vibrant democracies and pluralistic societies driven by the common interest of security, prosperity and sustainable development.

Source: pib.gov.in- May 17, 2023

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Sh. Goyal meets Mr. Breton on the sidelines of the 1st Ministerial meeting of India EU Trade and Technology Council

Union Minister for Commerce & Industry, Textiles, Consumer Affairs, Food & Public Distribution, Sh. Piyush Goyal held a bilateral meeting with the European Commissioner for Internal Trade, Mr. Thierry Breton on the sidelines of the 1st Ministerial meeting of India EU Trade and Technology Council (TTC).

During the meeting, both sides underscored the importance of shared democratic values and complementary nature of both India and EU going forward. Both sides agreed that appropriate political commitment can be made to strengthen our bilateral relations taking to new heights.

Sh. Piyush Goyal informed that India has undertaken an ambitious growth trajectory for the next 25 years and has achieved many of the sustainable development goals. The target of having about 40% source of energy from renewables has already been achieved much before the committed timeline of 2030.

India has set a further target of creating 500GW of renewable resources to be achieved by 2030. He noted that both our economies have different basis and this provides an opportunity for greater engagement given the current geopolitical scenario. On the suggestion of Mr. Breton for exploring engagement in the space sector, Sh. Goyal informed that India is amongst the major powers in the space sector and that both sides can have deeper engagements in the sector.

Further, the Minister informed that India has become a global leader in respect of fintech with UPI and Rupay. India has also come out with an open network for digital commerce (ONDC) which has capability to integrate all the buyers and sellers across networks.

Mr Breton informed that EU is working on new Digital Services Act to which Sh. Goyal said that both sides can collaborate further given India's status as an IT giant. He further informed that India has the world’s third largest startup ecosystem and has included B20 track in G20 meetings. This provides for greater engagements in digital space and other areas.

On the issue of carbon border adjustment mechanism (CBAM), Sh. Goyal informed that further study needs to be undertaken as to how this could impact enterprises on both sides, impact on trade and the effect on consumers due to increased price of goods and services.

Source: pib.gov.in- May 17, 2023

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Directorate General of Trade Remedies celebrates 6th Creation Day

Directorate General of Trade Remedies (DGTR) celebrated its 6th Creation Day today by organising an outreach program on ‘trade remedies’ for MSMEs. The event was graced by the Secretary, MSME, Sh. B. B. Swain as a chief guest.

Sh. Swain complemented DGTR’s efforts to make the department more approachable for the MSMEs. DG, DGTR, Sh. Anant Swarup provided an overview of DGTR and the recent steps it has taken to make trade remedies investigation more accessible to MSMEs by simplifying the application formats and procedures.

Head, Centre for Trade and Investment Law, Prof. James Nedumpara introduced the newly established Trade Remedies Advisory Cell – which is aimed at providing free consultation and guidance to MSME to file applications with the DGTR.

More than 250 participants including MSMEs, various associations and practitioners of trade remedies took part in the event and raised their concerns regarding the problems faced by them due to unfair trade practices by exporting countries.

Industries shared their experiences how DGTR has contributed to their growth and provided a level playing field against unfair trade practices. Some industries also highlighted certain issues faced by them that are required to be addressed and also made suggestions for the way forward.

The DGTR’s efforts have been instrumental in granting protection to the Indian industry – which has had a direct effect on the Indian economy by contributing to the inflow of investments in the manufacturing sector and generation of employment.

The DGTR was created in the year 2018. Before the DGTR, the Directorate General of Anti-dumping and Allied Duties (DGAD) and the DG Safeguards were responsible for administering the trade remedial investigation against unfair trade practices such as anti-dumping and countervailing duties, as well as safeguard measures.

Since 1995, India has initiated more than 1100 trade remedy investigations. DGTR also assists the Indian exporters in getting a fair outcome in trade remedy investigations conducted by other WTO Members against India.

Source: pib.gov.in- May 17, 2023

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Stakeholders Event for Working Groups 1 & 2 at the first Ministerial meeting of India-EU Trade and Technology Council

As part of the first Ministerial meeting of India-European Union Trade and Technology Council (TTC), a Stakeholders Event for Working Groups 1 & 2 was co-chaired by Sh. Piyush Goyal, Union Minister for Commerce & Industry, Textiles, Consumer Affairs, Food & Public Distribution is one of the co-chairs along with Dr. S Jaishankar, External Affairs Minister (EAM) and Sh. Rajeev Chandrashekar, Union Minister of State for Electronics and Information Technology (MEITY) on the Indian side and Ms. Margrethe Vestager, Executive Vice President of European Commission, and Mr. Theirry Breton, European Commissioner, on the EU side.

The event was attended by 18 stakeholders, from various business sectors both India and EU presented their views and suggestions. From the Indian side, there were five stakeholders who represented the digital and technology sector (Working Group 1) while three represented clean and green energy technologies (Working Group 2). The discussions included issues on digital technologies, innovations and disruptions; interoperability for cross border merchant payments; re-globalisation; enabling harmonised standards, regulations and policies to enhance digital trade and investment between India and the EU; digital transformation to scale, need to reskill and improve talent; certifications enabling new innovations and technologies; engagements on production of green hydrogen; battery systems and recycling; scaling up charging systems for better access; waste and water management, etc.

Sh. Piyush Goyal, in his address and subsequent interventions, underscored the importance of new digital technologies and their transformations helping to reskill and upskill existing talents.

The Minister informed that mutual recognition of degrees/courses would enable joint skill development on both sides. He also suggested that in order to have deeper understanding based on mutual sensitivities, working groups need to engage periodically and identify separate tracks for skilling and talent, semiconductor ecosystem etc. to move towards clear and identifiable deliverables.

Source: pib.gov.in- May 17, 2023

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India asks Japan to reduce regulatory barriers to trade at WTO review

India has asked Japan to review its stringent technical quality regulations in sectors such as textiles and apparels as well as market access restrictions in areas like IT, pharmaceuticals and steel, as part of Tokyo's trade policy review carried out by the WTO.

The regulations and restrictions imposed by Japan have resulted in excessive cost burden and barriers to exports of goods and services, India's representative pointed out at the review meet.

"While Japan remains an open economy, some of the policies that are restrictive in nature are coming in the way of realising the full potential of our economic partnership," the Indian representative commented.

India-Canada free trade pact may include new areas such as labour, environment, gender

India also pointed out that Japan imposed high tariffs on food products such as wheat, rice and vegetables, which needed to be brought down.
CEPA pact

Although India and Japan entered into a Comprehensive Economic Partnership Agreement (CEPA) in 2011 extending duty free/low duty market access to most items, Indian exporters have not been able to take advantage of it mainly because of quality and technical barriers and other restrictions in the Japanese market.

In fact, India's exports to Japan declined to $5.46 billion in 2022-23 from $6.33 billion in 2011-12. On the other hand, its imports from Japan increased to $16.49 billion in 2022-23 from $11.96 billion in 2011-12, per Commerce Ministry figures. This has resulted in a huge trade deficit for India.

"India has been bilaterally taking up its concerns with Japan on the issue of regulatory barriers for some time but raising it at the WTO, where other countries too are complaining about it, helps to build pressure," a source said.

Japan's trade policy is reviewed at the WTO every two years as it is amongst the top four members with largest share of world trade. The next 16 are reviewed every four years while the rest of the member countries have the review process every six years. The details of this review, carried out in March, were made available recently.

Noting that other countries, too, had similar concerns about Japanese regulations, India said that Japan needed to act on these. "We hope that Japan will review these requirements to make them simpler, and reduce the regulatory barriers to trade, consistent with international norms and standards," the Indian representative said.

In its reply, Japan acknowledged that several members referred to its measures regarding the Technical Barriers to Trade (TBT) Agreement, specifically its compliance with international standards.

"In general, they are based on relevant international standards, to the maximum extent possible, in accordance with the TBT Agreement. Regarding Japanese Industrial Standards and Japan Agricultural Standards, 97 per cent and 77 per cent of them are harmonised with relevant international standards," the Japanese representative stated.

Source: thehindubusinessline.com- May 17, 2023

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Ministry seeks ₹2.5K cr more to back exporters

The move aims to mitigate the challenges small exporters face in view of rising interest rates and diminishing exports

The commerce ministry has sought an additional ₹2,500 crore to settle arrears related to its interest rate equalization scheme that aims to alleviate stress among exporters by compensating them for a portion of the interest they pay on loans. The move aims to mitigate the challenges small exporters face in view of rising interest rates and diminishing exports.

The borrowing rate for most micro, small, and medium enterprises (MSMEs) has already crossed the double-digit mark, exporters said.

“We ran out of money for the interest equalization scheme and asked for an additional ₹2,500 crore from the finance ministry. The plan has received approval from finance, but the final call would be taken by the cabinet," a government official said on the condition of anonymity.

Queries sent to the spokespeople for commerce and industry, and finance ministries remained unanswered.

The additional requirement of ₹2,500 crore for the scheme in FY23, if cleared by the cabinet, means the total spending by the government would be a a record ₹4,876 crore, almost double the allocation made for the year. The government allocated ₹2,932 crore in FY24 for the interest equalization scheme, up by about a fourth of ₹2,376 crore allocated in FY23.

The Reserve Bank of India (RBI) had raised key policy rates six times in a row to tame inflation before it decided to pause in April. The central bank had hiked the repo rate cumulatively by 250 basis points (bps) since May 2022 to 6.5%.

The allocation for the interest equalization scheme was already increased sharply to ₹2,376 crore compared with ₹1,900 crore in FY22 and ₹1,600 crore in FY21 as the war in Ukraine and the covid-19 pandemic drove central banks globally to increase the cost of borrowing to arrest record-high inflation.

India’s goods exports fell the steepest in three years in April thanks to weakening global demand and declining commodity prices. Exports declined by nearly 13% in April to $34.66 billion from $39.70 billion in the year-ago period. Besides, merchandise imports also fell by 14% to $49.90 billion during the month, from $58.06 billion a year earlier.

Explaining the benefit of the interest equalization scheme, FISME’s Animesh Saxena said that exporters receive a subsidy on interest rates under the scheme.

“If I have a working capital limit from a bank and if the bank is charging 8% from me and the subsidy is 3%, some banks will charge 8% of whatever I have borrowed and every quarter, they will refund me the 3%. Some banks only charge 5% at the outset after adjusting the subsidy," Saxena said.

He further added that the scheme is crucial for exporters because, internationally, interest rates are about 4-5%.

“Indian companies, when they were borrowing at 8-9%, their goods were becoming expensive. So, to give them some relief, the government brought this scheme so that Indian exporters do not face abnormally high prices," he further added.

Amid demand for additional funds, Saxena said that this scheme helps exporters remain competitive, but the demand scenario has to improve for India’s exports to grow at a healthy pace.

Barring four countries, exports to all top major destinations declined from 4% to 43% in April this year compared with last year.

Driven by petroleum product exports, outbound shipments to the Netherlands, UK, Saudi Arabia, and Italy grew 23%, 20.7%, 8.38% and 3.59%, respectively.

Meanwhile, overall petro-product exports slipped by 1.38% amid a sharp decline in crude oil prices. Exports in the category last month stood at $6.48 billion compared to $7.86 billion in April 2022.

Source: livemint.com - May 17, 2023

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Cotton prices up, apparel exports down

AHMEDABAD: An overall recessionary trend in major economies across the world and increase in cotton prices have adversely affected exports in the entire textile value chain.

According to data furnished by Confederation of Indian Textile Industry (Citi), textile exports declined by 20% and apparel exports by 23% in April this year compared to the corresponding period last year. In April 2023, the textile exports fell to $1,540 million from $1,942 million in India whereas that for apparel fell to $1,210 million from $1,574 million, according to Citi. The overall textile commodity exports too declined by 12.69% during the same period.

With demand eroding in both the domestic and the international markets, fresh orders haven't been placed and as a result, manufacturers are reeling under a liquidity crunch amid a rise in inflationary pressures.

"The overall economic scenario across the globe has weakened prospects for exports from India for both apparel and textiles. As the demand is less, fresh orders are not being placed. Moreover, fluctuation in cotton prices has also affected the industry in terms of increasing production costs," said a senior member of Clothing Manufacturers' Association of India (CMAI).

There's a huge inventory pile-up, say yarn makers. Besides, price fluctuations in cotton have affected demand from textile industry players. Gaurang Bhagat, president of Maskati Cloth Market Mahajan, the apex body of textile traders of Ahmedabad, said, "Our textile exports have been affected adversely for the last one year due to high cotton prices. Cotton crop is good, but cotton arrival is slow and therefore, our cotton is costlier than what is available in the international market.

"Also, export demand is weak due to high inflation in the US and the European markets. Domestic demand is also weak, but we believe that there will be a revival soon as the market is bullish for the upcoming festival season," he added.

Source: timesofindia.com- May 18, 2023

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Gujarat textile Industry facing demand crunch

It is a scorcher of a summer for Surat, the largest textile cluster in the country with demand for textiles showing no signs of revival since the festive season of Diwali last year. Industry sources said the situation is so grim that around 5,000 of city's small traders who conduct their businesses from rented premises are finding it difficult to even renew their rent agreements.

Gautam Dhamsania, Spinners' Association Gujarat (SAG), said, "The textile demands from European Countries and from America has reduced to around half of the average demand at this time of the year. While the ongoing Russia-Ukraine war has taken a toll on demand in European countries, recessionary headwinds are responsible for lower demand in America."

Not only that, Dr Ashwin Thakkar, head, vice-president, Textile Association of India (Ahmedabad), attributed this subdued performance of the textile industry to "the change in consumption pattern after the Covid pandemic which has changed the consumption patterns. Consumers are spending more on lifestyle goods like healthcare and travel which has suppressed textile demand. The pandemic has also changed the costing pattern of the industry. The workers who migrated due to the lockdown have not all come back. This has led to shortage of labour which has increased the cost of production overall."

Bhavin Parikh, managing director of Ahmedabad-based Globe Textiles (India),a medium-sized textile player of Gujarat with estimated sales totalling `383 crore annually, also echoed similar views on the changed consumption patterns of consumers. "Inflation in most of the developed countries has also decreased the spending power of consumers.

The earnings and the inflation rate are not in sync with each other. Additionally the uncontrolled and rapid rise of cotton prices last year (`60,000 -65,000 in May-June last year to `1,10,000 in November) is one the reasons for the dire straits the industry finds itself in," he said.

Furthermore, Parikh maintains that the price rise has been "pretty rapid and no one was able to pass on the prices reasonably. As a result of that, the producers ended up having an inventory of high priced goods." Though synthetic fabric manufacturers are also facing problems, it is the cotton textile traders who are facing the brunt of the situation. "If the prices of cotton had been kept in control then the situation could have been different," Parikh lamented.

What has aggravated the crisis in the Indian textile sector is steep cost of textile production in India which is being challenged by countries like Vietnam, Jawa and Bangladesh as the labour cost in these countries is significantly lower than that of India. "Because of high costs in India, fabric from these countries is Rs 10 to 12 per meter cheaper than the Indian fabric", said Jayantbhai H Patel, vice-chairman, Textile Association of India.

Dhamsania of the Spinners' Association of Gujarat, said, "The yarn export from India has seen a reduction of around 30% in recent weeks. The yarn spinning units in Gujarat and North India are working at their full capacity for now. But the scenario is expected to worsen in the coming weeks since textile units in South India are already not working at their full capacity." In view of the looming crisis Dhamsania suggested urgent steps should be taken by the government. "The Textile Ministry needs to look into the import-export policies so the Indian players can have a level-playing field.

Additionally, we need to develop new cotton seeds as soon as possible. Our yield per hectare is only 60% of the world's average yield. If we are able to produce high quality seeds, it will improve our yield and double the cotton production and farmers' income. These steps will ensure that our industry is in a position to compete with global players."

Parikh of GTIL added, "If we want the initiatives like 'Make in India' and 'Made in India' to be successful, it is mandatory to provide domestic players the means to compete with global players. To achieve that, a system of quality, quantity or price cap could be applied to the imports. This will help us have the benefits of value addition and job creation."

Source: financialexpress.com - May 17, 2023

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