TEXTILE INTELLIGENCE CENTRE
IBTEX
INFORMATION BUREAU TEXPROCIL

TEXPROCIL NEWS CLIPPINGS

An ISO 9001:2015 CERTIFIED COMPANY
ISO 9001:2015
TÜVRheinland CERTIFIED
www.tuv.com ID 9105079408

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

IBTEX No. 102 of 2023 June 06, 2023

CLICK HERE
To Watch Currency Outlook by CR Forex Advisors

NEWS CLIPPINGS

Currency Watch	
USD	82.63
EUR	88.61
GBP	102.79
JPY	0.59

INTERNATIONAL NEWS

No	Topics
1	Global trade sharply slowing after rapid post-pandemic recovery: Fitch
2	German exports rise unexpectedly in April on China reopening
3	Economic activity in US manufacturing sector contracts in May: ISM
4	What Happens if West Coast Port Disruption Drags On
5	US Retail Jobs Saw an Increase in May
6	Vietnam & Cambodia sign deal to amplify bilateral trade in 2023-2024
7	Vietnam's goods exports may hit $618 bn, imports $578 bn by 2030

NATIONAL NEWS	
No	**Topics**
1	Why our export mix is changing
2	India and Indonesia to drive Asia's growth: Morgan Stanley, Nomura
3	ONDC launches B2B transactions, exploring enablement of financial products
4	CBIC should clear the air quickly on pre-import issues
5	Hand holding states, government sellers to integrate with ONDC: DPIIT Joint Secretary
6	International trade has a carbon problem
7	North India sees cotton yarn price surge amid global market rise
8	Satellite images and AI to help detect organic-cotton fields
9	Sowing of early varieties of cotton begins

SAYING NO TO CHILD LABOUR

INTERNATIONAL NEWS

Global trade sharply slowing after rapid post-pandemic recovery: Fitch

Global trade is now sharply slowing after a rapid post-pandemic recovery in 2021 and 2022, according to Fitch Ratings, which recently forecast global trade growth of 1.9 per cent this year—a sharp reduction from 5.5 per cent in 2022.

That would align it with global gross domestic product (GDP), which Fitch projects to grow by 2 per cent, down from 2.7 per cent last year. Trade growth seems unlikely to outpace GDP in the medium term, as globalisation stalls, Fitch noted.

In a new report, Fitch said that monetary tightening, fading fiscal support and service sector reopening are now weighing on global goods demand, which leapt extraordinarily during the pandemic.

World industrial production is also decelerating rapidly, it noted in a release.

The volume of world trade in goods is now falling, partially offset by a recovery in services trade as tourism and transport rebounds. But services account for only 22 per cent of total trade and this is not enough to fully cushion aggregate trade growth, it said.

Supply-chain bottlenecks are no longer a key constraint on trade flows. The recent slowdown in trade now seems more a reflection of slowing demand, it noted.

US and global demand for consumer goods is weakening, which reflects the phase-out of US consumer-focused fiscal stimulus, monetary tightening and the rebalancing of demand back towards services after the lifting of COVID-19 restrictions.

Source: fibre2fashion.com – June 06, 2023

HOME

****

German exports rise unexpectedly in April on China reopening

German exports rose unexpectedly in April, boosted by deliveries to China following its post-pandemic reopening, but analysts warned that the momentum could be short-lived.

German exports increased by 1.2% on the previous month, the federal statistics office said. A Reuters poll had predicted a month-on-month decline of 2.5%.

April's increase follows a revised 6.0% plunge in exports the previous month. "The increase is not nearly enough to make up for the sharp decline of the previous month," said Alexander Krueger, chief economist at Hauck Aufhaeuser Lampe bank.

Exports to China were up 10.1%, while exports to the U.S. were up 4.7% and exports to the European Union rose 4.5%, the office said.

"This is a strong start to the second quarter for net exports, but we doubt it will be enough to provide a boost to GDP growth," Pantheon Macroeconomics' chief euro zone economist Claus Vistesen said. "The upturn in net exports, which helped GDP growth in 4Q and 1Q, is now petering out."

Imports fell by 1.7% compared with March, versus analysts' expectations for a 1.0% fall.

The foreign trade balance showed a surplus of 18.4 billion euros ($19.68 billion) in April, up from 14.9 billion euros the previous month.

CLOUDED OUTLOOK

Despite April's increase in exports, the outlook remains clouded.

"The temporary push in exports to China will fade with time," ING's global head of macro at ING Carsten Brzeski told Reuters. He added that exports to China would also suffer on the back of geopolitical changes.

Germany exported goods in the value of 8.5 billion euros to China and of 13.1 billion to the U.S., this being the main export partner of the euro zone's largest economy.

"The U.S. economy is slowing down and that will have an impact in our exports," Holger Schmieding, chief economist at Berenberg, told Reuters.

Sentiment among German exporters fell in May to its lowest level since November 2022, an Ifo survey showed.

"The German export economy lacks momentum," said Klaus Wohlrabe, head of surveys at Ifo.

The statistics office publishes more detailed economic data on its website.

Source: reuters.com – June 05, 2023

HOME

****

Economic activity in US manufacturing sector contracts in May: ISM

Economic activity in the US manufacturing sector contracted in May for the seventh consecutive month following a 28-month period of growth, according to the latest manufacturing report on business by the Tempe, Arizona-based Institute of Supply Management (ISM).

The May manufacturing purchasing managers' index (PMI) registered 46.9 per cent, 0.2 percentage point lower than the reading of 47.1 per cent recorded in April.

"Regarding the overall economy, this figure indicates a sixth month of contraction after a 30-month period of expansion", said Timothy R. Fiore, ISM manufacturing business survey committee chair, in a release.

The new orders Index remained in contraction territory at 42.6 per cent, 3.1 percentage points lower than 45.7 per cent recorded in April.

The production index reading of 51.1 per cent is a 2.2-percentage point increase compared to April's 48.9 per cent.

The prices index registered 44.2 per cent, down by 9 percentage points compared to April's 53.2 per cent.

The backlog of orders index registered 37.5 per cent, 5.6 percentage points lower than April's 43.1 per cent.

The employment index indicated another month of expansion, registering 51.4 per cent—up by 1.2 percentage points from April's 50.2 per cent.

The supplier deliveries index figure of 43.5 per cent is 1.1 percentage points lower than the 44.6 per cent recorded in April; this is the index's lowest reading since March 2009 (43.2 per cent).

The inventories index dropped by 0.5 percentage point to 45.8 per cent; the April reading was 46.3 per cent.

The new export orders index reading of 50 per cent is 0.2 percentage point higher than April's 49.8 per cent.

The imports index remained in contraction territory, registering 47.3 per cent, 2.6 percentage points lower than 49.9 per cent reported in April.

Apparel, leather & allied products and textile mills were among the 14 industries reporting contraction in May.

"The US manufacturing sector shrank again, with the manufacturing PMI losing a bit of ground compared to the previous month, indicating a faster rate of contraction. The May composite index reading reflects companies continuing to manage outputs to better match demand for the first half of 2023 and prepare for growth in the late summer/early fall period," Fiore said.

He, however, clearly observed more business uncertainty in May.

Source: fibre2fashion.com – June 05, 2023

HOME

****

What Happens if West Coast Port Disruption Drags On

After a weekend marked by disruption at major West Coast ports when dockworkers didn't show up to work, the Port of Long Beach's largest terminal remained closed Monday, with a second also shutting down later in the day.

Total Terminals International (TTI), one of the Port of Long Beach's six container terminals, decided to close "based on its own operational needs," a port rep confirmed to Sourcing Journal.

On early Monday morning, the rep said that the remaining terminals at the gateway were open, and that "cargo is moving." But by 11 a.m. PT, the 256-acre Pacific Container Terminal (PCT) at the Long Beach port's Pier J had closed, the rep said. The terminal, owned by SSA Marine, will also be closed Tuesday.

TTI initially told truckers Sunday it will close for Monday's day and night shifts, according to an email obtained by CNBC. But in a later statement, the Long Beach port said both TTI and PCT will open for evening shifts on Monday. Day shifts typically operate from 7 a.m. to 5 p.m. PT.

Both the Port of Los Angeles and the Port of Oakland confirmed that their marine terminals were operational on Monday, with L.A. saying there have been no reports of labor shortages at any terminals.

The disruption comes amid dockworker contract negotiations in progress since the previous labor agreement expired on July 1, 2022.

In April, the International Longshore and Warehouse Union (ILWU), representing 22,000 workers at 29 West Coast ports, had reached a tentative agreement on some key issues with the Pacific Maritime Association (PMA), which is negotiating on behalf of 70 ocean carriers and terminal operators. But they haven't been able to agree on wages and worker safety improvements, with both sides broadly agreeing not to speak with the media about the talk.

Currently, the Long Beach disruption shouldn't really affect incoming ocean freight. Three vessels are currently docked at TTI, all of which arrived after Friday. Two ships are owned by container shipping giant Mediterranean Shipping Company (MSC) and another by Hynduai

Merchant Marine (HMM). The ships are not expected to depart until at Thursday at the earliest, according to the terminal's vessel schedule.

More of the immediate impacts would be felt on the trucking side. Any import load set to be picked up out of TTI that had an appointment for Monday will be rescheduled. Additionally, empty containers initially destined for TTI will now be redirected to another terminal, according to a LinkedIn post from Ian Weiland, chief operating officer at Long Beach-based trucking company Junction Collaborative Transports.

How long-term ramifications could play out

While the port disruption appears to be temporary, by the ILWU's suggestion, the closures would be a significant problem is they dragged on. For one, the West Coast could see vessel queues swell to 2015 proportions, when labor disruptions led to a backlog 40 ships deep, according to Lars Jensen, founder of Sea-Intelligence and CEO of container shipping consultancy Vespucci Maritime.

"If a queue builds up of vessels, then we will see congestion issues once operations revert to normal and a surge of cargo is offloaded," Jensen said in a LinkedIn post. "It can hamper both pickup and drop off of containers, leading to added detention and demurrage disputes between shippers and carriers, not to mention the impact on truckers."

Jensen also noted shippers might shift even more cargo to the East Coast, and look at re-routing through Canada and Mexico.

"A shift to the East Coast is hampered by the low water levels in the Panama Canal which is reducing the effective carrying capacity on this routing," Jensen said. "This can cause a temporary shift to more capacity used on the Suez-routings which in turn will help carriers absorb some of their excess capacity."

The National Retail Federation (NRF) urged the Biden administration to intervene and help dockworkers and employers finalize a new contract. In March, the NRF led a group of 238 trade associations that sent federal authorities a letter asking the government to move the negotiations forward.

“As we enter the peak shipping season for the holidays, these additional disruptions will force retailers and other important shipping partners to continue to shift cargo away from the West Coast ports until a new labor contract is established,” said David French, senior vice president, NRF, in a statement.

“It is imperative that the parties return to the negotiating table. We urge the administration to mediate to ensure the parties quickly finalize a new contract without additional disruptions.”

Source: sourcingjournal.com – June 05, 2023

HOME

****

US Retail Jobs Saw an Increase in May

The U.S. retail trade sector added 11,600 new jobs in May.

In general, the U.S. labor market remained resilient in May, adding 339,000 jobs, seasonally adjusted. That's far better than the 200,000 many economists were expecting. The bulk of the job gains occurred in professional services, government, health care, construction and transportation and warehousing. The unemployment rate rose to 3.7 percent from 3.4 percent, with 6.1 million now without a job.

The jobs data is key for Fed officials looking at whether to pause rate hikes this month. However, the strong labor report could pave the way for another quarter-of-a-point hike.

For the retail trade sector, 11,600 jobs were added in May, up from the 10,000 added in April, seasonally adjusted. Despite the increase, the U.S. Department of Labor Statistics considers the increase "little changed over the month" because of the modest gains. May's report is still better than when the retail trade sector lost 51,400 jobs a year ago.

The manufacturing sector lost 2,000 jobs in May, versus the 10,000 created in April, seasonally adjusted. "There's good reason to be bullish on the future of American manufacturing with factory construction booming, but we can't overlook the current weakness in employment numbers," Alliance for American Manufacturing president Scott Paul said.

"Factory jobs have been stalled this year, partly a product of the Federal Reserve's interest rate hikes." Paul said that with the debt ceiling drama in the rearview window, his organization plans to work with Congress to ensure a "strong future for American manufacturing."

Economists at Wells Fargo said May's 339,000 increase in nonfarm payrolls was higher than the average monthly gain of 314,000 year-to-date, and well above the average monthly increase of 177,000 over the 2018-2019 period. They said that the May jobs report had "just enough softening" that the Fed could elect to pause on rate hikes. That softening comes from a slightly higher unemployment rate, alongside modest slowing in wage growth.

The May jobs report also indicated that average hourly earnings for non-farm workers rose by 11 cents, or 0.3 percent, to $33.44. In comparison, the average hourly earnings have risen by 4.3 percent over the past 12 months. But because of the relative strength of the jobs data, alongside high inflation, the economists said they also wouldn't be surprised if there was another hike later this month.

The Conference Board's senior economist Selcuk Eren said the strong U.S. labor market continues to defy expectations. He said the upward revision of April's data to 294,000 total jobs added was another sign of the labor market's ongoing strength. And while the pace of wage growth continues to moderate, it remains above pre-pandemic rates, he said.

"The persistence of strong job gains and elevated wage growth, coupled with the prevailing inflationary pressures, leads us to anticipate that the Federal Reserve will take further measures to tighten monetary policy," Eren said, predicting a quarter-of-a-point hike.

And despite the gains in transportation and warehousing, which added 24,000 jobs in May, Eren said that's one of the sectors where he's anticipating that layoffs could become "more prevalent" going forward. He's anticipating a "short and shallow recession" to take hold in late 2023 as Fed policy rate increases begin to cool down inflation. Eren also expects the unemployment rate will rise to 4 percent before January and to 4.4 percent by the second quarter of 2024.

On Wednesday, private payroll firm ADP said private employers added 278,000 jobs in May, but also noted that pay growth continued to decline. "This is the second month we've seen a full percentage point decline in pay growth for job changers," ADP chief economist Nela Richardson said. "Pay growth is slowing substantially, and wage-driven inflation may be less of a concern for the economy despite robust hiring."

There was talk in early May at the Fed's last rate hike that after 10 straight increases, it could be time for a breather, particularly since there was a bit of credit tightening following deposit runs in March after the collapse of Silicon Valley Bank and Signature Bank. Federal Reserve chairman Jerome Powell said at the time that "additional policy firming may be appropriate," depending on what the next data indicates.

May's Consumer Confidence Index report on Tuesday from The Conference Board fell to 102.3 from April's upwardly revised 103.7. Most of that decline came from respondents' deteriorating assessment of current employment conditions. Consumers need to feel good about their job prospects in order for them to spend on discretionary purchases such as apparel, accessories and footwear.

Source: sourcingjournal.com – June 05, 2023

HOME

****

Vietnam & Cambodia sign deal to amplify bilateral trade in 2023-2024

Vietnam and Cambodia have agreed to bolster bilateral trade in the period 2023-2024, following a virtual signing ceremony between Vietnamese minister of industry and trade Nguyen Hong Dien and Cambodian minister of commerce Pan Sorasak. This continues a practice first initiated in 2006, with agreements renewed every two years.

The strategic agreement provides a vital legal framework for the business communities of both nations, extending preferential tariffs to facilitate the entry of their beneficial commodities into each other's markets, according to local media reports.

Due to the agreement's influence, annual bilateral trade has surged, with growth rates of 18.5 per cent in 2010-2015 and 21 per cent during the 2015-2020 period. Notably, despite the COVID-19 pandemic's disruptive impacts, trade between the two nations reached $10.57 billion last year, reflecting a nearly 11 per cent year-on-year increase. As a result, Vietnam has emerged as Cambodia's third-largest trading partner, following China and the US.

Source: fibre2fashion.com– June 06, 2023

HOME

****

Vietnam's goods exports may hit $618 bn, imports $578 bn by 2030

Vietnam’s goods export could hit $618 billion by 2030, with an average annual growth rate of 7 per cent between 2021 and 2030, according to a recent Standard Chartered report. The country’s imports are predicted to hit $578 billion by 2030, with an average annual growth rate of 6.9 per cent during the period.

According to Standard Chartered, Viet Nam is set to become a key high-tech manufacturing hub in the ASEAN region.

In addition to its large and educated workforce and competitive manufacturing costs, the country also benefits from its wide-reaching web of free trade agreements (FTAs) across North America, Asia and Europe, the report, titled ‘Future of Trade: New opportunities in high-growth corridors’, noted.

These fundamentals, conducive to manufacturing and trade are expected to continuously drive Vietnam's economic development and competitiveness, it said.

The country is also improving the quality of its logistics infrastructure to further integrate itself into the international trade system, a Vietnamese media outlet reported.

The United States, China and South Korea are expected to be Vietnam's key trade partners in the coming years and trade with India, Singapore and Indonesia is projected to witness robust growth from 2021 to 2030, noted the bank.

Source: fibre2fashion.com– June 05, 2023

HOME

****

NATIONAL NEWS

Why our export mix is changing

The fiscal year 2023 trade data unveils two trends in India's merchandise exports. The first is the decline in the share of pharmaceuticals and labour-intensive sectors such as apparel, leather, and marine products, and the second is a modest increase in the share of electronics and machinery exports. Both trends will have profound importance in years to come as they become more pronounced.

India's global market share in sectors like apparel, leather, shoes, and marine products has been decreasing, primarily due to concerns over quality rather than pricing issues. Chart 1 highlights the data depicting the decline in India's share in world trade between CY 2015 and 2022.

The apparel sector has been particularly affected, as exports in FY2023 fell below the levels achieved in FY2018. Several factors contribute to this decline, including challenges in importing quality fabric, insufficient focus on non-cotton fashion apparel (which constitutes 70 per cent of world trade), an inverted duty structure, and labour issues. Resolving these issues is crucial as the apparel industry is a significant job creator. Additionally, the sector must address sustainability concerns that are becoming increasingly critical.

The quality factor

The pharmaceutical industry also faces quality challenges. The reputation and orders of the industry can be severely impacted by a single instance of poor-quality cough syrup. To maintain its position as the "Pharmacy of the world", India must prioritise addressing quality issues.

Furthermore, reducing critical dependence on imports of Active Pharmaceutical Ingredients (APIs) and Key Starting Materials (KSMs) from China is essential. Re-establishing domestic manufacturing capabilities, which were present in the 1980s, will strengthen the industry's resilience.

Quality issues are not limited to pharmaceuticals but also affect Indian aquaculture products, such as shrimp and prawns. Many countries reject these products due to the presence of Salmonella, highlighting the need for a robust internal system. Ensuring thorough quality checks within India will prevent rejections in foreign countries, which tarnish the reputation of Indian products and lead to loss of orders.

India's exports: Falling share in world trade

Table1

Product sector category	India's global exports ($ billion) 2015	India's global exports ($ billion) 2022	India's share in world trade(%) 2015	India's share in world trade(%) 2022	Change in share (%)
Gems and Jewellery	38.5	39.3	7.47	4.74	-36.5
Pharmaceutical products	12.5	19.8	2.79	2.25	-19.4
Apparels, not knitted	9.3	8.5	4.60	3.70	-19.6
Apparel, knitted	7.8	8.2	3.85	3.10	-19.5
Cotton	7.5	6.9	14.54	12.51	-14.0
Fish and crustaceans	4.6	6.6	4.77	4.52	-5.3
Made-up textile articles	4.6	6.0	7.76	7.69	-0.9
Coffee, tea, maté and spices	2.9	4.0	6.37	6.07	-4.8
Meat	4.3	3.3	3.91	2.00	-48.7
Footwear	2.8	3.0	2.28	1.72	-24.3

The tea sector requires deregulation to foster growth. Allowing more players to cultivate and sell tea will create a more competitive environment. Quality issues have also impacted Indian tea exports, with reports of countries holding consignments of Indian teas citing phytosanitary issues and the presence of pesticides exceeding permissible limits. Addressing these concerns is vital to enhance the reputation of Indian tea in global markets.

The industry must tackle quality challenges across various sectors to regain market share and maintain a positive perception globally.

India has improved market share in sectors with a low global share. Chart 2 lists data for products where India's share in world trade has increased during CY 2015 and 2022.

Two key sectors that witnessed higher share in global trade are: (ii) Electronics, Telecom, Mobile Phones, Electrical equipment, and (ii) Machinery. This is great news as electronics and machinery are the most significant product groups in world trade with global trade exceeding $6 trillion, India's share was always low.

India's exports: Rising share in world trade Table 2

Product sector category	India's global exports ($ billion)		India's share in world trade(%)		Change in share (%)
	2015	2022	2015	2022	
Petroleum etc.	31.4	98.5	1.87	2.48	32.9
Machinery, mechanical appliances	13.2	27.5	0.75	1.05	40.3
Electronics, Telecom, Mobile Phones Electrical equipment	7.9	26.6	0.41	0.71	72.9
Automobiles, parts etc	14.1	21.3	1.11	1.32	19.8
Iron and steel	6.3	15.2	1.98	2.66	34.6
Cereals	6.8	14.1	6.63	7.8	17.6
Articles of iron or steel	6.5	9.9	2.4	2.63	9.5
Aluminium and articles	2.7	9.6	1.69	3.55	109.6
Sugars, confectionery	1.4	6.3	3.62	11.21	209.3

India has made significant strides in improving its market share in sectors with a low global presence. The two key sectors that witnessed a higher share in global trade are Electronics, Telecom, Mobile Phones, and Electrical Equipment, as well as Machinery. This development is particularly noteworthy as these product groups hold substantial importance in world trade, which exceeds $6 trillion. India's historically low share in these sectors is gradually but decisively improving.

Changing shares

In 2015, India's share in global merchandise trade stood at 1.8 per cent. However, its share in machinery and electronics was a mere 0.75 per cent and 0.4 per cent, respectively. Over the course of seven years, there has been a marginal yet significant improvement in these shares. To build on this positive momentum, India must focus on deep manufacturing rather than relying on simple assembly-led operations.

The emphasis should be on mastering the manufacturing of components, rather than mere assembly. For instance, the Production Linked Incentive (PLI) scheme should support the production of Electric Vehicle (EV) cells instead of batteries, Photovoltaic (PV) cells rather than Solar modules, and Printed Circuit Board Assembly (PCBA) rather than laptops.

Additionally, the government may consider announcing a new PLI scheme to facilitate the establishment of industrial labs for reverse engineering industrial machinery used in sectors such as textiles, mining, metalwork, and agriculture. This will help reduce dependence on imported machinery.

India has also witnessed an increased share in the export of petroleum products, bolstered by high petroleum prices. Additionally, the country's share in rice and sugar exports has shown improvement. However, India must navigate carefully through World Trade Organisation (WTO) cases related to subsidised rice and sugar exports.

While the share of iron and steel, as well as aluminium, has seen an upward trajectory, challenges lie ahead for both metals due to the imposition of carbon taxes by the European Union (EU) and other countries.

Another major trend is the rising importance of petroleum products, which played a pivotal role in driving India's overall merchandise exports to grow by 6.7 per cent in FY2023 compared to FY2022. However, excluding petroleum products, India's exports experienced a decline of 0.4 per cent during the same period.

Focus on resolving quality issues and deep manufacturing must be the top priorities for the government and industry to stay ahead in the export game amid the difficult global economic conditions.

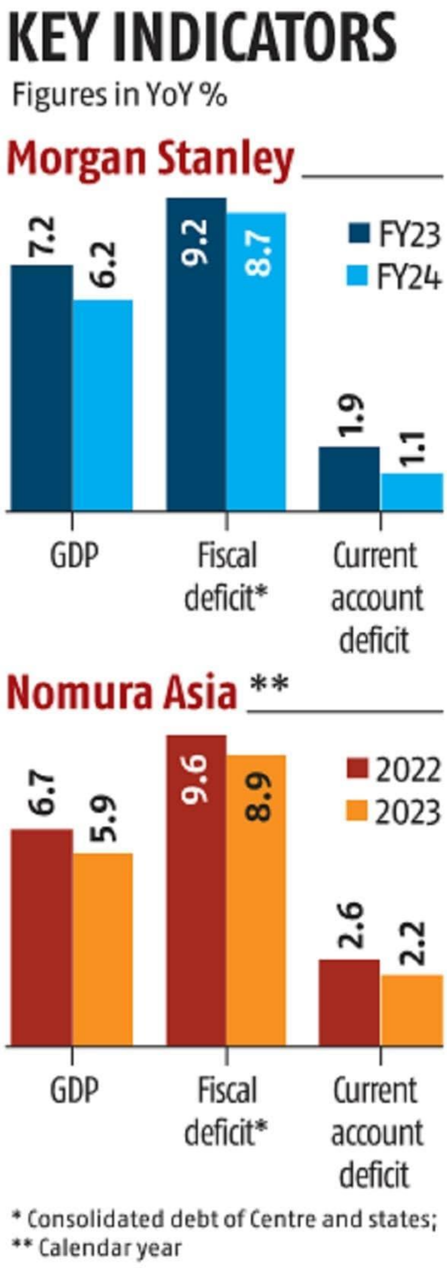
Source: thehindubusinessline.com– June 05, 2023

HOME

****

India and Indonesia to drive Asia's growth: Morgan Stanley, Nomura

India, along with Southeast Asian countries such as Indonesia, is expected to sustain growth in the medium-term in Asia region, replacing China as the key growth driver, Morgan Stanley and Nomura said in two separate reports released on Monday.



While Morgan Stanley projected a 6.2 per cent gross domestic product (GDP) growth forecast for India in FY24, Nomura estimated the Indian economy to grow at 5.9 per cent in 2023.

"Even with a slowing China, we expect GDP growth in Asia to sustainably outperform other emerging markets and the US. India and Southeast Asia are set to be the fastest-growing economies this decade. Asia's flying geese model is once again in action," Nomura said in a global markets research report.

In its global economics mid-year outlook, Morgan Stanley said: "China's recovery should support regional strength on a cyclical basis, but medium-term strength comes from India and Indonesia. Other emerging markets are forecast to remain subdued, though we see growth improving in most economies in 2024 as real rates edge down and domestic demand recovers."

Morgan Stanley said India's recovery was being driven by a confluence of cyclical and structural tailwinds like stronger balance sheets, improved macro stability, and broad-based improvement in consumption and capital formation.

The high-frequency data shows broad-based recovery with real credit growth at 12.6 per cent, real GST collections rising 8.8 per cent, services PMI at a 13-year high, and services exports tracking at an all-time high, the Morgan Stanley report notes.

"In India, we expect domestic demand to be the key growth driver and anticipate broad-based improvement in consumption and capital formation," the report said.

Besides, the Morgan Stanley report also notes that in India, the upside scenario is being driven by improvement in external demand, which is feeding into export growth and a quicker recovery in private capital expenditure (capex), as a combination of robust domestic and external demand, along with steady capex momentum, is likely to push growth higher.

"On the consumption side, a healthy trend in labour market conditions and concomitantly improving consumer sentiment bode well for the recovery to continue. Capex is being supported by fundamentally strong private sector balance sheets, a pick-up in government capital expenditure, and supply side-focused policy measures which are improving the private capex outlook," the Morgan Stanley report notes.

However, the report also notes that in India, a delay in the capex cycle could be affected by weaker business confidence and weaker external demand conditions.

"The possibility of a weaker-than-expected trend in domestic and external demand driven by tighter domestic and/or global financial conditions would weigh on capacity utilisation and push back the capex recovery," the report added.

Further, the Morgan Stanley report forecasts that the Reserve Bank of India could embark on a shallow rate cut cycle of 50 basis points starting from first quarter in FY24, as inflation remains benign and the current account deficit stays within policymakers' comfort range.

"Changes in global commodity prices and/or unfavourable weather conditions can pose idiosyncratic risks impacting growth and inflation adversely," the report added.

Nomura, on the other hand, said reforms and higher capex should help India's GDP growth reach around 6.6 per cent per annum over the medium term, and support the rupee.

"We see opportunities in infrastructure, financial and consumer discretionary sectors. The shifts in global supply chains are benefiting India and ASEAN. Public infrastructure spending is now a high priority in EM Asia. Digitalisation is enabling India to sustain its services-driven growth model," it added.

Source: business-standard.com– June 05, 2023

HOME

****

ONDC launches B2B transactions, exploring enablement of financial products

Open Network for Digital Commerce (ONDC) on Monday announced the enablement of B2B transactions on the government-backed e-commerce network. Though it is currently in the alpha mode, about 160 B2B transactions have already taken place between network participants. ONDC has also set up a working group which is looking at finalising protocols for financial products such as credit and insurance.

The first B2B transaction on the network took place in May. Two start-ups SignCatch and Rapidor have successfully enabled both the B2B buyer and B2B seller side platforms on ONDC.

T Koshy, CEO, ONDC said, "B2B transactions have their own nuances and involve contractual obligations and negotiations between buyers and sellers. So, we have been closely working with network participants on the processes and protocols for this. The possibilities on B2B are even more as there are very few established networks unlike B2C space. Eventually, we expect B2B to become a big piece for ONDC." He pointed out that this will involve different kind of buying in the form of bulk orders of products, warehousing and logistics.

Koshy added that many larger logistics players are expected to come onboard or enable B2B transactions in the coming weeks and months through ONDC "We believe eventually every enterprise that has a product or service and is being sold to a broad segment of buyers will make their catalogue visible through ONDC," he added.
Formal credit access

ONDC COO Vibhor Jain pointed out that out of the 100 million MSMEs in the country, less than one million transact digitally. " The ONDC network has the potential to enable transparency and efficiency in B2B transactions. It can also help reduce costs of logistics for such transactions and also promote traceability. The other key thing can be access to formal credit for MSMEs," he added.

"We have put in a working group involving ONDC, banks and NPCI under the guidance of RBI that is looking at protocols for financial products and service providers. This is expected to be finalised in a few months and includes credit and insurance.," Koshy added.

Meanwhile, DPIIT Joint Secretary Sanjiv said, " Network participants of course have to consider the profits and rightfully because then only the network will survive. But please keep in mind that the margins should be such that even small stores and buyers can onboard. The only thing they should keep in mind is that profit must be earned through volumes and not value."

Source: thehindubusinessline.com– June 05, 2023

HOME

****

CBIC should clear the air quickly on pre-import issues

On April 28, the Supreme Court, in the case of Cosmo Films Ltd [2023 (5) Centax 286 (SC)], upheld the pre-import condition in respect of imports made between October 13, 2017, and January 9, 2019, without payment of Integrated Goods and Services Tax (IGST) under advance authorisations.

The court gave the exporters who had violated the pre-import condition six weeks to regularise the matter by payment of IGST on their imports and claim refund or input tax credit (ITC) of the same. The court also instructed the government to prescribe the procedure to be followed, through a circular. More than five weeks have passed since the court directions but the government has still not issued any circular in the matter.

The exporters need clarity on several points. Can violation of pre-import condition be alleged when an exporter first exports the finished products and then imports the inputs without IGST payment under one advance authorisation but uses such inputs for making finished goods that are exported in discharge of export obligation against another advance authorisation?

Will interest be payable when there are judgments saying that no interest is payable in a revenue-neutral situation, such as payment of GST that can be taken as ITC? Can the government invoke extended period of limitation and whether penalty is payable, when it is a matter of interpretation where two high courts have expressed different opinions that were finally resolved through the said Supreme Court judgment?

Whether the IGST payment can be made through TR-6 challans or will the bills of entry be required to be re-assessed? If the IGST payment is made through TR-6 challans, will the government object to taking ITC on the basis of such challans, given that challans are not specified as documents on the basis of which ITC can be taken and any payment through challan may not get auto-populated in GSTR-2A?

Besides clarity on the above issues, the exporters are anxious to know whether the government will restrict its instructions on procedures only to those who litigated on the issue and obtained stay on IGST payment from high court or cover even others who have violated the pre-import condition. They are also worried that after expiry of six weeks from the said Supreme Court judgment, the field formations of the Central Board of Indirect Taxes and Customs (CBIC) will initiate coercive measures to recover IGST, interest and penalties from them.

It is difficult to understand why the government has not yet come out with a circular prescribing the procedures that the exporters have to follow. Of course, the issues are complex but the government, as the party that created the problem by introducing an unfair condition in the first place, should have thought of the complexities that would arise. The prolonged delay now creates an impression that the government is suffering from "winner's remorse".

In any case, there is no time to lose. The government must quickly issue necessary instructions and help the exporters regularise in accordance with the Supreme Court's order. They need time to find necessary money and pay the IGST. Having won the case at the highest judicial forum, the government must now avoid vindictiveness and show some magnanimity. After a prolonged lose-lose stand, the government must now see how both sides can win.

Source: business-standard.com– June 04, 2023

HOME

****

Hand holding states, government sellers to integrate with ONDC: DPIIT Joint Secretary

The Department for Promotion of Industry and Internal Trade (DPIIT) is hand-holding states and central government sellers like handicraft emporiums to gradually integrate with Open Network for Digital Commerce (ONDC), a senior official said on Monday.

ONDC is an initiative of the DPIIT to create a facilitative model to help small retailers take advantage of digital commerce. It is not an application, platform, intermediary or software but a set of specifications designed to foster open, unbundled, and interoperable open networks.

Joint Secretary in the DPIIT Sanjiv said that supporting MSMEs (micro, small and medium enterprises) has been a priority for the ONDC.

"This will unlock value in the huge B2B (business-to-business) market by increasing access and discoverability of various businesses across the network.

"As we look forward to the integration of credit in the ONDC, the business can hugely benefit from the open network ecosystem by being a part of the ONDC," he said here at a function - 'B2B Unlocked'.

The initiative assumes significance when it comes to digital commerce, that is, end-to-end transactions, from discovery to purchase, only a handful of Indian businesses are adopting digital.

As per estimates, less than 2 per cent of Indian businesses use digital tools to make themselves or their products visible digitally.

He said that ONDC has made significant strides in the last few months as sellers and service providers on the network have increased to more than one lakh and the network participants have increased to 51.

"There was a significant increase in the number of orders per day in the past month and as the network continues to stabilise, there will be an increase in the transaction volume," Sanjiv said.

The event marked the official entry of the open network into the realm of B2B trade, enabling merchants to engage directly with other businesses in wholesale trade.

SignCatch and Rapidor have enabled both the B2B buyer and seller side platforms on ONDC, fostering seamless interoperability between sellers and buyers.

This implementation allows sellers to utilise SignCatch to receive orders from Rapidor B2B buyer platform and vice versa.

Incorporated on December 31, 2021, ONDC is a Section 8 company.

Source: economictimes.com– June 05, 2023

HOME

****

International trade has a carbon problem

The European Union's (EU) key climate law, the Carbon Border Adjustment Mechanism (CBAM), has spooked India. New Delhi fears that CBAM will cripple the export of its carbon-intensive products to the EU. While India's exports may be limited to aluminium, iron, and steel, and affect only 1.8% of its total exports to the EU, India has reportedly decried CBAM as being protectionist and discriminatory.

There is also talk of challenging the CBAM at the World Trade Organization (WTO)'s dispute settlement body. This debate brings to the forefront the inter-linkages between trade and the environment. While the international trade regime allows countries to adopt unilateral measures for safeguarding the environment, environmental protection should not become a smokescreen for trade protectionism. The CBAM needs to be viewed from this standpoint.

In 2005, the EU adopted an important climate change policy known as the Emissions Trading System (ETS). Now in its fourth stage, the ETS is a market-based mechanism that aims at reducing greenhouse gas (GHG) emissions by allowing bodies emitting GHG to buy and sell these emissions amongst themselves. However, the EU's concern is that while it has a mechanism for its domestic industries, emissions embedded in products imported from other countries may not be priced in a similar way due to a lack of stringent policies or due to less stringent policies in those countries. This, the EU worries, would put its industries at a disadvantage. To tackle this, the impacted industries in the EU had so far been receiving free allowances or permits under the ETS. Furthermore, the EU also apprehends the phenomenon of 'carbon leakage', that is, due to the application of ETS, European firms operating in carbon-intensive sectors might possibly shift to those countries that have less stringent GHG emission norms.

CBAM is aimed at addressing this quagmire, and, thus, levelling the playing field for the EU industries. Under the CBAM, imports of certain carbon-intensive products, namely cement, iron and steel, electricity, fertilizers, aluminium, and hydrogen, will have to bear the same economic costs borne by EU producers under the ETS. The price to be paid will be linked to the weekly average of the emissions priced under the ETS. However, where a carbon price has been explicitly paid for the imported products in their country of origin, a reduction can be claimed.

WTO consistency

A cornerstone principle of WTO law is non-discrimination. Thus, countries are required to accord equal treatment to 'like' products irrespective of their country of origin (most-favoured nation treatment) and to treat foreign-made 'like' products as they treat domestic ones (national treatment principle). While the CBAM's design is origin-neutral in appearance, it may, in its application, discriminate between goods from different countries on account of an inadequate carbon pricing policy, or due to onerous reporting requirements that importers would be subject to.

A key consideration in all this may be whether the carbon-intensive products to which the CBAM applies are 'like'. While steel products may appear similar, the process by which electric arc furnaces produce steel is less carbon-intensive than the steel produced in blast furnaces, for instance. Being products that are not 'like', the rules on non-discrimination would have little application in such a case. Accordingly, the debate on CBAM reignites a long-standing debate in international trade law circles: must processes and production methods be relevant for comparing products? Traditionally, the answer to that in WTO jurisprudence has been no, and, on that account, as commentators have noted, the CBAM violates WTO law for discriminating between EU and foreign products covered by CBAM based on the embedded emissions.

However, even if the EU's CBAM is discriminatory, there could be a claim for justifying it under the General Exceptions clause given in Article XX of the General Agreement on Tariffs and Trade (GATT). Under Article XX, measures taken by countries that otherwise violate GATT obligations are permitted if, first, they fall under one of the listed policy grounds, and second, if they satisfy the requirements of the introductory clause of Article XX, known as the chapeau. One of the listed policy grounds in Article XX is 'conservation of exhaustible natural resources'. CBAM would fall under this category.

However, it is doubtful if it would satisfy the chapeau, which inter alia requires that countries do not apply measures in a manner that results in arbitrary or unjustifiable discrimination between countries where the same conditions prevail. As commentators argue, the CBAM only considers 'explicit' carbon prices, not 'implicit' costs (non-price-based costs) borne by products originating in certain countries. Accordingly, it arbitrarily or unjustifiably discriminates between countries where the same environmental conditions exist.

Finally, CBAM is also an important issue in the ongoing India-EU free trade agreement negotiations. India should work with the EU to secure gains on CBAM and ensure smooth onboarding for Indian exporters to maximise the benefits of a bilateral deal, even as the possibility of a WTO challenge remains open.

Source: thehindu.com– June 03, 2023

HOME

****

North India sees cotton yarn price surge amid global market rise

The cotton yarn trade in north India experienced a slightly improved sentiment as buying activities in the market increased. Spinning mills, on the other hand, curtailed their sales in an effort to uphold yarn prices. The price of cotton yarn in the Delhi market saw an increase of ₹3-5 per kg. Meanwhile, the Ludhiana market reported stable cotton yarn prices. Trade sources revealed that a recent surge in cotton prices resulted in an uptick in yarn export demand from China, which had a positive impact on the market.

The price of cotton yarn in the Delhi market has seen an increase of ₹3-5 per kg, with combed yarn experiencing a boost in prices, while the price of carded yarn remained stable. A trader from the Delhi market told Fibre2Fashion, “The market noticed improved buying which supported yarn prices. Cotton prices witnessed a steep rise in China, which generated the demand for yarn in the country’s textile industry.”

According to Fibre2Fashion market insight tool TexPro, 30 count combed yarn was traded at ₹265-270 per kg (plus GST), 40 count combed yarn was at ₹290-295 per kg, 30 count carded yarn was at ₹237-242 per kg, and 40 count carded yarn was at ₹267-270 per kg in Delhi.

The Ludhiana market has observed a steady trend in cotton yarn prices, with market sentiment improving. Mills refrained from selling yarn at lower prices, indicating their intent to maintain price levels. A leading mill in Punjab has indeed held its cotton yarn prices steady.

A trader from the Ludhiana market spoke to F2F, "Mills were holding back on their sales to uphold prices. They were not willing to attract buyers with lower prices." As per the prices observed, 30 count cotton combed yarn was sold at ₹262-272 per kg (GST inclusive). The 20 and 25 count combed yarn traded at ₹252-257 per kg and ₹257-262 per kg respectively. The price for 30 count carded yarn was noted at ₹242-252 per kg, according to TexPro.

The recycled yarn market in Panipat registered an increase in cotton comber prices, with rates rising by ₹5-6 to reach ₹130-132 per kg. Over the last few days, comber prices have registered an increase of ₹10-12 per kg from a low point of ₹120 per kg. The escalation in prices can be attributed to the limited supply and increase in cotton prices. Despite these changes, the prices of recycled yarn have remained steady, with no significant fluctuations observed. Demand from downstream industries within India's home textile hub has also remained largely muted.

In terms of trade, the 10s recycled PC yarn (grey) was traded at ₹80-85 per kg (GST extra), the 10s recycled PC yarn (black) at ₹50-55 per kg, the 20s recycled PC yarn (grey) at ₹95-100 per kg, and the 30s recycled PC yarn (grey) at ₹140-145 per kg in Panipat. Over the last week, comber prices have dipped by ₹10 per kg, and today's trade value stood at ₹130-132 per kg. The price of recycled polyester fibre, derived from PET bottles, was noted to be ₹68-70 per kg.

Cotton prices in north India have trended upwards, following a rise in the global market. The prices increased by ₹25-50 per maund (a unit of weight equivalent to 35.2 kg). Traders noted that the market has seen slightly improved buying from mills, despite the arrival of cotton being quite limited. Positive market sentiment was driven by robust demand in the downstream industry. The quantity of cotton received was estimated at 2,800-2,900 bales, each weighing 170 kg. In terms of trading prices, cotton was sold at ₹5,875-5,975 per maund in Punjab, ₹5,775-5,875 per maund in Haryana, and ₹6,125-6,225 per maund in upper Rajasthan and at ₹55,600-57,600 per candy (a unit of weight equivalent to 356 kg) in lower Rajasthan.

Source: fibre2fashion.com– June 05, 2023

HOME

****

Satellite images and AI to help detect organic-cotton fields

Soon, a satellite in space could be involved in determining whether your favourite cotton dress is organic.

A new initiative by the European Space Agency (ESA) and Global Organic Textile Standard (GOTS) plans to combine data from satellite images and artificial intelligence (AI) to keep track of cotton certification in India.

The project is a collaboration between ESA, GOTS and AI company Marple that will automatically classify cotton fields in India in line with cultivation standards.

Under ESA's Business Applications and Space Solutions programme, the initiative will train AI models to 'read' ESA satellite data to identify and classify cotton fields in India.

"This project highlights how space solutions can have a positive impact on the world and is the kind of innovation that ESA supports through its Business Applications and Space Solutions programme," Guillaume Prigent, Business Development and Partnerships Officer at ESA, said in an email to The Hindu.

The project will help GOTS to generate accurate estimates of organic cotton yields in specific regions by incorporating standardised yield metrics.

GOTS is an alliance of four organisations -- Organic Trade Association (US), the Internationaler Verband der Naturtextilwirtschaft (Germany), The Soil Association (U.K.) and the Japan Organic Cotton Association (Japan) -- that brings together the textile and organic industries to promote organic textiles.

The initiative will identify cotton fields that meet predetermined standards as well as support those that demonstrate potential for a seamless transition to organic cultivation through the use of traditional and ecologically friendly farming practices.

The primary objective of the collaboration is to bolster the integrity of organic cotton by developing advanced risk assessment techniques and to prevent fraud throughout the supply chain.

The approach is expected to bring a greater number of small-scale farmers into the certified organic sector and supply chains, creating new economic opportunities for them and their communities.

It could also help address the escalating consumer demand for organic cotton within the textile industry.

The programme has already had a successful pilot run in Uzbekistan, one of the world's top cotton producers, in 2021. The data from the pilot project showed a 98% accuracy in differentiating between organic cotton fields and conventional ones.

The project will be implemented across various cotton-growing regions in India where organic cotton production plays a significant role. The first results are expected to be available in late 2023.

Source: thehindu.com– June 05, 2023

HOME

****

Sowing of early varieties of cotton begins

Indore: As farmers in some pockets of Indore division have started sowing early varieties of cotton, the agriculture department expects cotton to cover around 5.46 lakh hectare in Indore division.

Indore agriculture department joint director Alok Meena said, “Sowing of cotton has progressed in the division. The climate looks conducive for cotton. Looking at the initial trend, around 5.46 lakh hectare is likely to be covered by cotton this kharif season.”

Farmers in parts of Khandwa, Khargone and nearby areas have started sowing early varieties of cotton.

Last year in the 2022 kharif season, farmers had sown cotton on 5.40 lakh hectare, according to the farm department.

The per hectare productivity in cotton is also expected to jump in the kharif season, said the official data.

Meena said, “The anticipated yield in cotton is seen at 1,803 kg per hectare as against 1,480 kg per hectare in the last year.”

Soyabean, cotton, maize and pulses are the main kharif crops sown in Indore division.

Acotton farmer and owner of ginning units in Khargon, Kailash Agrawal said, “Cotton sowing has started especially in Khargone, Barwani and Khandwa pockets. This kharif season, area under cotton cultivation is seen going up as farmers received good prices of their produce last year.”

The average prices of cotton seed in this season are round Rs 8000 per quintal as against Rs 6000 –Rs 6200 per quintal in the last season.

Source: timesofindia.com– June 06, 2023

HOME

****