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Currency Watch			
USD	EUR	GBP	JPY
83.25	87.91	101.77	0.56

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INTERNATIONAL NEWS

25% of UK Trade Threatened by Potential Maritime Strike

British ports may be in for more strikes a year after the United Kingdom's major gateways at Felixstowe and Liverpool suffered multiple days-long labor stoppages.

Unite the Union warned Associated British Ports (ABP) that strike action could be brewing across its 21 ports. These gateways handle around one-quarter of the U.K.'s seaborne trade, or $183.2 billion in total goods, according to the labor organization with over 1.2 million members in sectors including construction, manufacturing, transport and logistics.

The union said Friday it registered a dispute regarding increased medical standards of maritime pilots who navigate ships in and out of the U.K.'s waterways and ports. The pilots said the new standards were introduced without consulting them first as required under national health and safety legislation and Unite's recognition agreement.

The pilots could go on strike by the end of December or early next year if negotiations fail and if authorization is given for a work stoppage.

Maritime pilots know local waterway details including weather, depth, currents and hazards. They efficiently guide the ship's passage and have expertise in handling ships of all types and sizes. Only 60 or so individuals complete the five-year training to do the job in the U.K.

"Maritime pilots are scarce, skilled and highly experienced. Ships can't leave or enter the U.K.'s ports without them," said Sharon Graham, general secretary of Unite the Union, in a statement. "It's all the more incredible that ABP Ports is refusing to negotiate important changes to their health and safety."

According to Unite, the union has no objection to improving the medical standards, "but there has been no negotiations and no detail about how these medical tests will be done or what happens if a member fails. This is a serious concern as ultimately members' jobs could be at stake."

According to The Independent, the British media outlet, the union pilots are concerned whether they would pass or fail the health examinations under the new standards, particularly since the criteria are unclear.

“The health, safety and wellbeing of all colleagues is of critical importance to ABP,” an ABP spokesperson told Sourcing Journal. “Having reviewed our already comprehensive package of health provision for our maritime colleagues, we have implemented a new regular health assessment to help ensure the safety and wellbeing of maritime colleagues, reflecting the demanding nature of the roles they carry out. We are disappointed that Unite have chosen to oppose the introduction of these measures, which we strongly believe are in the interests of their members. We continue to engage with Union representatives and the mention of industrial action is unhelpful.”

Most Unite members work in South Wales (Swansea, Port Talbot, Barry, Cardiff and Newport) as well as two areas in England: Southampton and the Humber (Port of Hull and Immingham). But the dispute could impact all 21 ports operated by ABP.

“Unite is not opposed to enhanced checks but they need to be negotiated and introduced fairly,” Graham said. “ABP needs to realize that Unite stands ready to defend our members’ jobs, terms and conditions.”

Pilots carry specific responsibilities addressed in national U.K. legislation such as The Pilotage Act 1987. Under law, the pilots are also already required to hold medical certificates.

Unite regional coordinating officer, Jane Jeffery, said: “Pilots must be in a good physical condition to tolerate the physical stresses of boarding and landing ships.”

Such a strike would be different from the 2022 labor disruptions that slowed the movement of goods at the Port of Liverpool and the Port of Felixstowe—both of which involved dockworkers represented by Unite the Union.

Approximately 1,900 of Felixstowe’s 2,500 dockworkers walked out for two separate strikes, each eight days long, in August and September, before finally accepting a new deal in December. The agreement authorized an 8.5 percent pay rise plus an extra one-off payment of 1,000 pounds ($1,157) starting from January 2023.

Workers at the Port of Liverpool held three separate strikes last year from September through November, with roughly 600 workers walking off the job. In November, a resolution was reached that secured better pay for workers.

The strikes happened before of the two-week strike at Canadian West Coast ports that ended in August.

The newest maritime pilot strike would occur amid low cargo demand, with one hub even cutting jobs several times. The Port of Liverpool said late last month that it was preparing to lay off up to 125 out of 850 employees.

Source: sourcingjournal.com– Oct 09, 2023

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UK retailers face meagre 0.2% LFL sales growth in Sept 2023: BDO

Retailers in the UK recorded total like-for-like (LFL) sales growth of just 0.2 per cent across discretionary categories in September 2023, with this low level of growth comparing to an already very weak base in September 2022, as per BDO.

Despite in-store LFL sales growing by 1.0 per cent compared to September 2022, online sales grew just 0.1 per cent, demonstrating a weak performance overall. This is the 14th month in a row that sales growth has been lower than the rate of inflation, meaning that sales volumes have continued to decline each month, painting a gloomy outlook for retailers, according to BDO's latest High Street Sales Tracker.

The fashion sector saw sales fall by -3.4 per cent, compared to 6.7 per cent growth in September 2022. This poor performance was largely driven by in-store sales declining by -5.0 per cent.

The lifestyle sector emerged as the only winner from September's results, with sales up 4.8 per cent from a base of 1.2 per cent in September 2022. In-store sales were particularly strong, growing by 7.4 per cent compared to the same period last year.

Sophie Michael, head of retail and wholesale at BDO LLP, said: "Despite people returning from summer holidays and school terms commencing, September was a very poor month for the retail sector. Sales growth has flat-lined in categories like fashion and homewares, and such minimal growth in a high-inflation environment means that sales volumes of discretionary goods have shrunk.

"The context of these results, comparing back to September 2022, is really important, we saw very weak sales growth in that period amid the economic uncertainty prompted by the government's 'mini budget'. Performing so poorly against such a weak base will be really worrying for retailers."

Source: fibre2fashion.com– Oct 10, 2023

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American Circular Textiles Coalition Urges Biden Administration to Prioritize Sustainable Products, Services

The American Circular Textiles Coalition (ACT) wants the Biden Administration to include textiles in its plan to maximize federal purchases of sustainable products and services.

Announced on Aug. 1 as a part of Biden's Investing in America Agenda, the proposed Sustainable Products and Services procurement rule would help the U.S. achieve net-zero emissions from federal procurement efforts by 2050.

The legislation would update existing purchasing standards to ensure that the government prioritizes purchases of sustainably made goods from U.S. companies.

Proposed through the Federal Acquisition Regulation (FAR) Council, the rule would strengthen directives that federal buyers purchase sustainable products and services "to the maximum extent possible." Federal purchasers would be subject to the Environmental Protection Agency's (EPA) Recommendations of Specifications, Standards, and Ecolabels for Federal Purchasing, which contains recommendations of products and services across 34 purchase categories.

The proposed law also aims to protect public health by directing government agencies to avoid buying products that contain PFAS, the class of chemicals that persist in the environment and have been linked to health problems.

This week, ACT, a coalition of circularity-focused companies including The RealReal, ThredUp, Rent the Runway, Arrive, Fashionphile, Recurate and SuperCircle, as well as brands like H&M and Reformation, submitted public comments to the Biden administration emphasizing the need to include textile circularity as a tenet of the Sustainable Products and Services procurement rule.

ACT wants to move fashion from a linear production model to a circular economy while raising public awareness and advocating for policy solutions.

Submitted by ACT executive director Rachel Kibbe, the letter extends an opportunity for the administration to work with industry stakeholders to support this this goal. Kibbe wrote that textiles should be included in the rule because of their significant impact on America's overall waste generation and greenhouse gas (GHG) emissions.

ACT's data indicated that U.S. textile waste has grown by 80 percent since 2004, making it the nation's fastest-growing waste stream. Americans and trash collectors spend billions each year to send 30 billion pounds of waste to landfills and incinerators. The collection, recycling and reuse—including repair and rental—of apparel and uniforms "can reduce these intimidating statistics," the letter said.

"Textiles play a significant role in our daily lives, and their environmental impact and parallel opportunities often go unnoticed in crucial government decisions and actions concerning sustainability," Kibbe said in a statement. "As the largest purchasing body in the world, the U.S. government has the influence to catalyze more sustainable options, and scale innovation for environmentally preferred alternatives that creates jobs and boosts our economy." Kibbe said investing in textile circularity will enhance existing circular efforts and lead to new work opportunities for U.S. residents.

"I am optimistic that the Biden administration will reverse this trend of leaving textiles out of important funding opportunities and incorporate textile circularity, including recycled content, reuse, rental, and repair, into their efforts to enhance sustainable product and service procurement," she added.

Source: sourcingjournal.com– Oct 09, 2023

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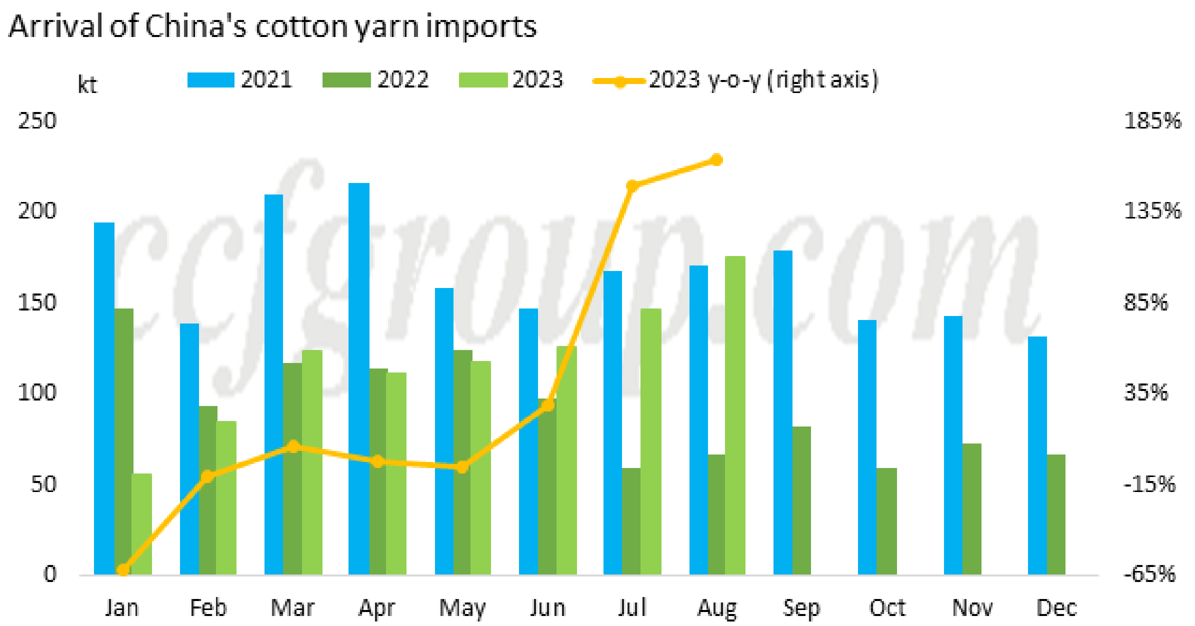
China: Cotton yarn imports increase sharply, with intensive arrivals of Indian yarn

I China's cotton yarn imports totaled 174.7kt in Aug

According to China customs, China imported a total of 190,000 tons of cotton yarn in Aug 2023, an increase of nearly 28,500 tons compared to July. The total import volume of cotton yarn from January to Aug 2023 is approximately 938,900 tons, indicating a significant increase in domestic imported yarn supply.

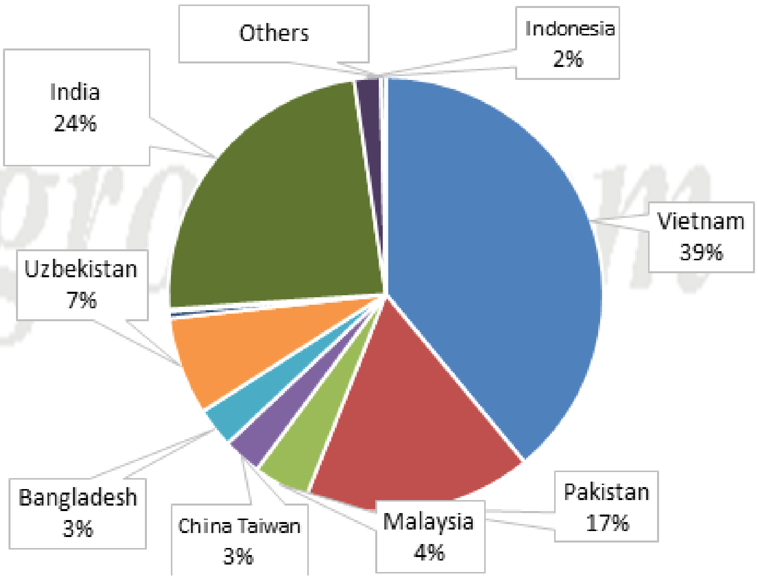
Currently, the price difference between domestic and imported cotton spot prices fluctuates around 3,000yuan/mt. The prices of Indian cotton and Pakistani cotton are generally slightly lower compared to domestic cotton spot prices, with a price difference between 4,000-5,000yuan/mt.

As a result, yarn orders are leaning towards lower-priced cotton-producing regions. Based on the current purchasing pace in the domestic market, the total import volume of cotton yarn for the whole year may reach 1.5 million tons.



II China's cotton yarn imports by origin

China's cotton yarn import by origin in Aug 2023



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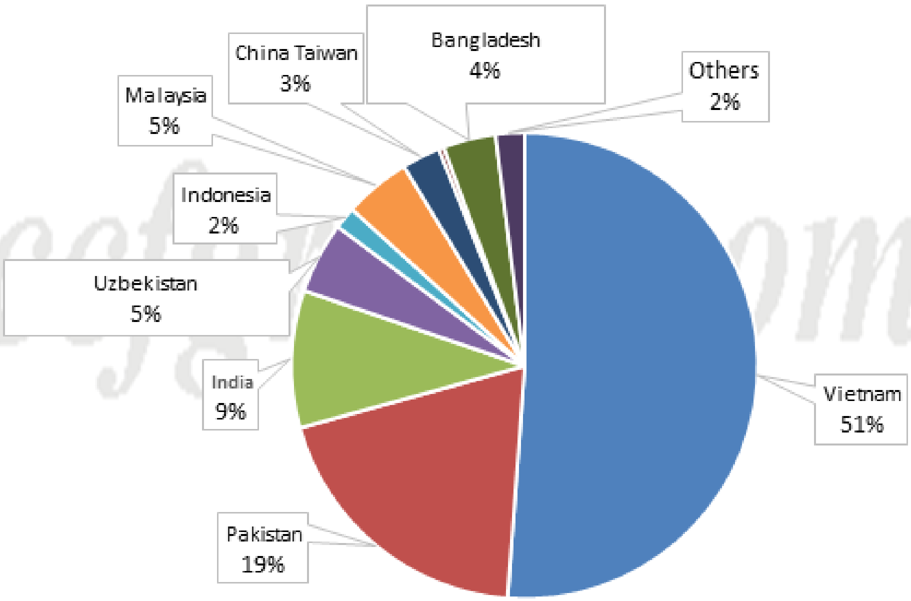
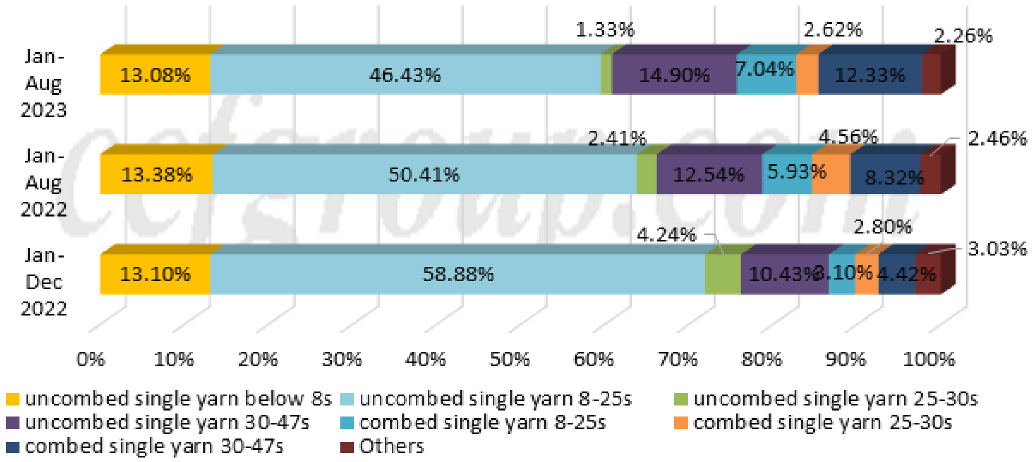


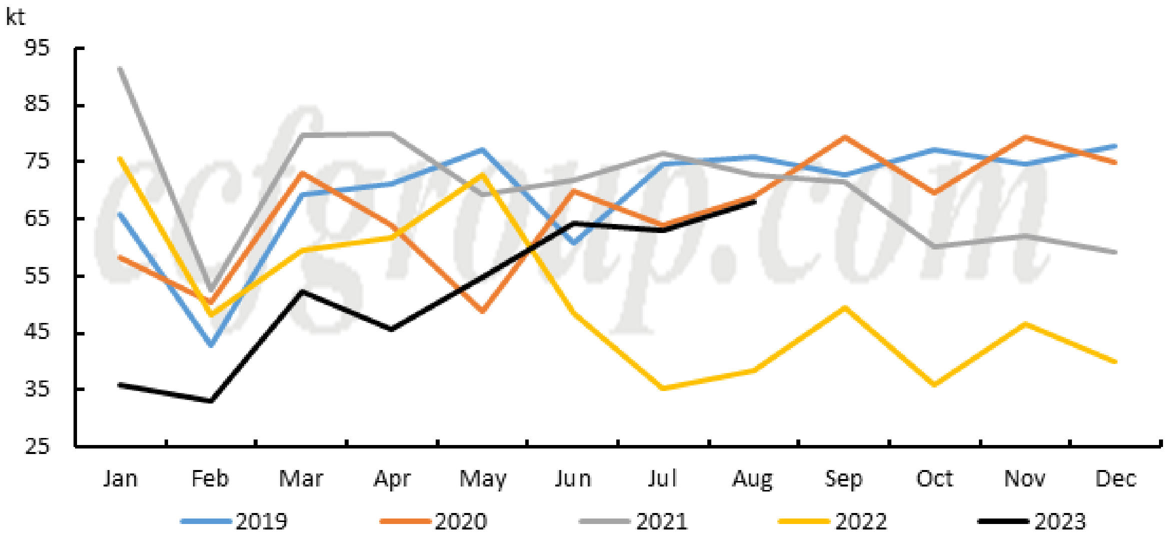
In recent months, the increase in cotton yarn imports has still been primarily from India. In August, India's yarn imports reached 41,500 tons, an increase of 13,500 tons compared to July, with imports accounting for 24% of the total. Vietnamese yarn imports increased by nearly 5,000 tons to 68,200 tons compared to July, but its market share was diluted to 39%. Pakistani and Uzbekistani yarn also saw a slight increase to 29,700 tons (17%) and 12,700 tons (7%) respectively, continuously breaking import records this year.

China's cotton yarn import by variety

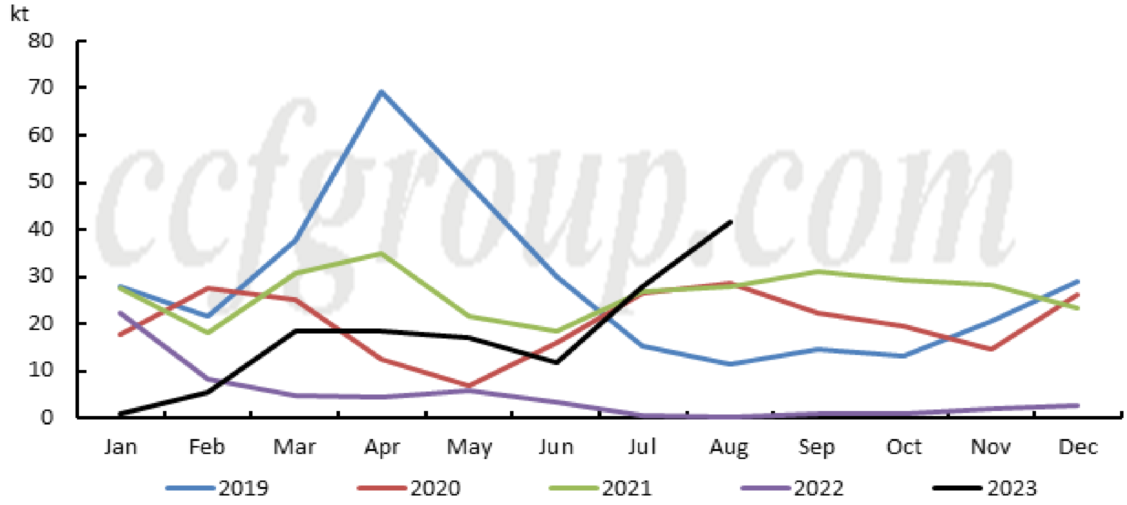


In terms of cotton yarn structure, the proportion of combed yarn has been gradually increasing to around 20%. Due to the return of imported yarn to lower price levels, carded yarn 30-47s has started to substitute for domestic yarn to some extent, with the import proportion increasing to 12.33%. In the spot market, the import volume of ring-spun yarn 40s from Vietnam, India, and Indonesia has significantly increased, while the import share of the previous carded single yarn 25s has dropped by nearly ten percentage points. The intensively arrival of cotton yarn imports is partly due to improved profit from previous orders, as well as preparations for the traditional peak season in September and October. However, the increased supply has put some pressure on the spot market, as downstream demand has not rebounded as expected, leading to weaker expectations for spot market transactions.

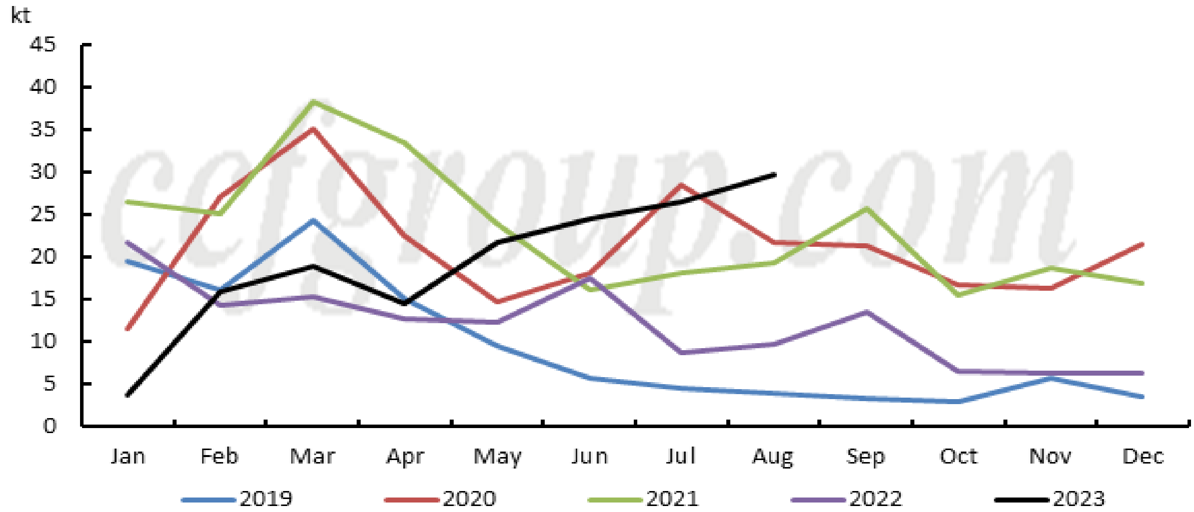
Vietnamese yarn imports by month, 2019-2023



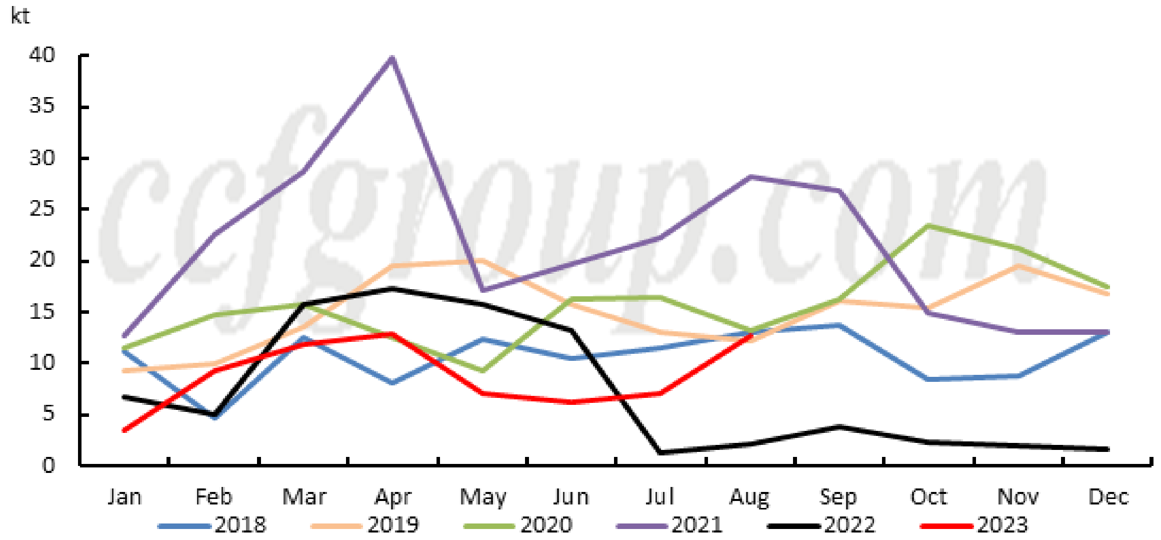
Indian yarn imports by month, 2019-2023



Pakistani yarn imports by month, 2019-2023



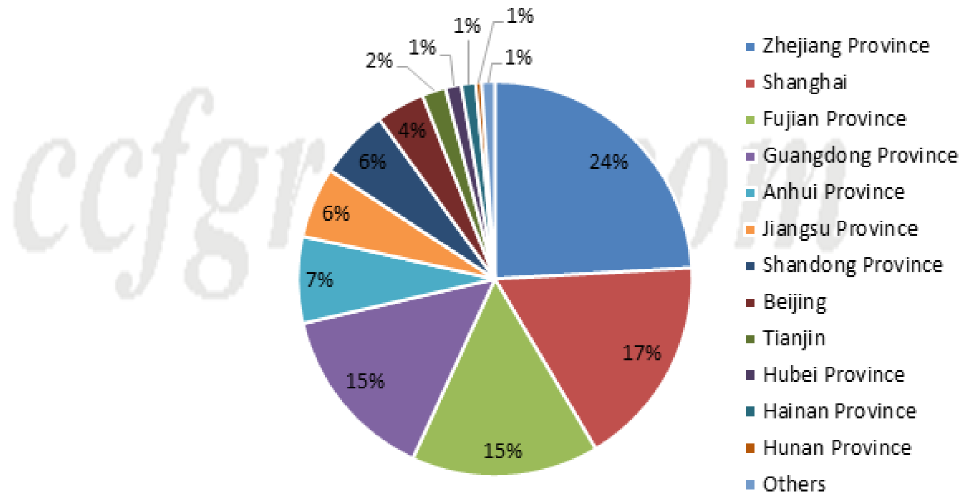
Uzbekistani yarn imports by month, 2019-2023



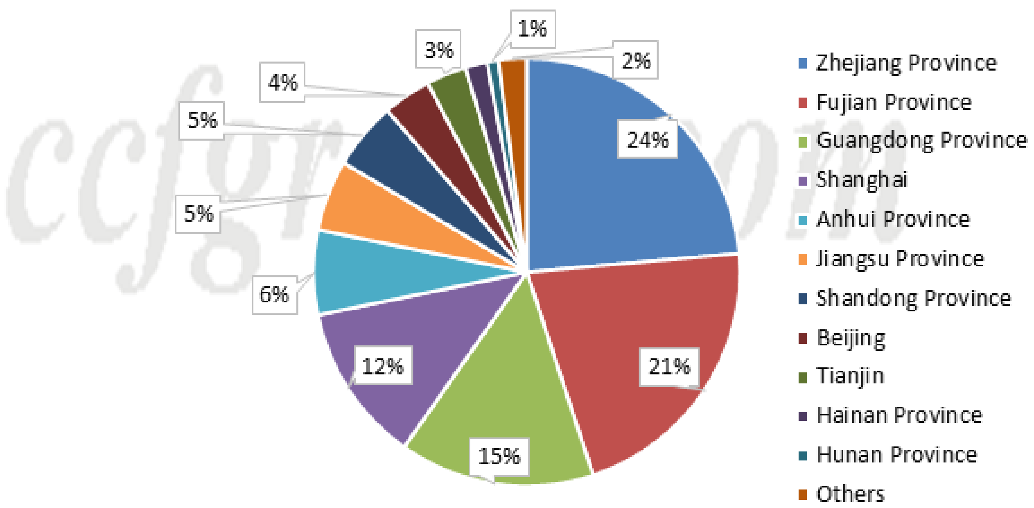
III China's cotton yarn imports by locations of importers

The price difference between domestic and imported cotton has attracted continuous inflows of funds for yarn imports. From January to August, the import share of Zhejiang Province remained relatively stable at around 24%, while Guangdong Province accounted for approximately 15%, which is similar to last year. Fujian Province has shown strong import expansion in recent months, with the cumulative share rising to 21% from January to August. With the emergence of ordering opportunities, small and medium-sized traders have experienced a rapid recovery in procurement and letter of credit openings, leading to a doubling of cotton yarn import volumes in certain large state-owned enterprises, especially in the Fujian region.

China’s cotton yarn imports by locations of importers in 2022



China’s cotton yarn imports by locations of importers in Jan-Aug 2023



In summary, China's cotton yarn imports have reached new highs this year, with market participants rushing in when there was a significant price difference between yarn spot and futures prices in the early stage. However, the recent appreciation of the exchange rate has eroded the target profits once again. In the future, due to the gradually arrival of new cotton in the international markets, yarn orders may continue to switch to low-cost cotton-producing areas such as India, Pakistan, and Uzbekistan.

With the pre-peak season for cotton yarn and the current situation of oversupply, domestic yarn has started to lower prices, resulting in significant sales pressure on imported yarn. In addition to ensuring sufficient exchange settlement space for subsequent replenishment, it is also important to choose differentiated strategies to avoid the vicious competition brought about by price internalization.

Source: ccfgroup.com– Oct 09, 2023

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German retailers face business downturn in Sept 2023: ifo Institute

The business climate for German retailers has seen a decline, with the indicator dropping from minus 7.2 points in August to minus 9.8 points in September, according to the ifo Business Survey. Despite this, there's a silver lining as expectations for the upcoming months show slight improvement.

However, a significant number of retailers dealing in personal and household goods have voiced concerns over cautious consumers. As a result, they rate their current business situation as unsatisfactory. This sentiment is echoed by the larger retail community, with 37.8 per cent remarking on noticeably emptier stores.

“The recent noticeable increases in incomes among many consumers should further strengthen purchasing power, and retailers stand to benefit from this, too,” said ifo expert Patrick Hoppner.

Source: fibre2fashion.com– Oct 09, 2023

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European council adopts new renewables energy directive for 2030

The European Council has taken a definitive step towards environmental sustainability by ratifying the new Renewables Energy Directive. This landmark decision is set to elevate the share of renewable energy in the EU's overall energy consumption to an impressive 42.5 per cent by 2030. An additional aspiration to add a 2.5 per cent top-up might bring this target to a potential 45 per cent. Every member state within the EU is expected to play their part in achieving this collective goal.

The directive has set ambitious targets across various sectors, aiming to fast-track the incorporation of renewables, especially in sectors where the transition has been historically slower. In the transport sector, member states are presented with two distinct options. They can either commit to a binding target to diminish greenhouse gas intensity from renewables by 14.5 per cent by 2030 or ensure that renewables constitute at least 29 per cent of the final energy consumption in transport by the same year.

There's also a combined ambition to achieve a 5.5 per cent representation for advanced biofuels and renewable non-biological fuels, which prominently includes renewable hydrogen. A stipulation is in place to ensure that, by 2030, at least 1 per cent of these fuels derive from non-biological renewable sources.

Industrial sectors aren't exempt from this green wave either. There's a directive for industries to boost their renewable energy use by 1.6 per cent annually. By 2030, it is anticipated that 42 per cent of the hydrogen used industrially should originate from renewable non-biological sources, with an ambitious target of 60 per cent by 2035. However, there's a provision allowing member states to decrease this contribution by 20 per cent under specific conditions, European Council said in a press release.

Furthermore, the directive places a renewed focus on the sustainability of bioenergy. Stricter benchmarks have been laid out for the energy use of biomass to curtail the risks associated with unsustainable bioenergy practices. The emphasis is firmly on upholding cascading principles and providing steadfast support at the national level.

In a strategic move, and as a part of the EU's REPowerEU plan to curtail dependency on Russian fossil fuels post Russia's invasion of Ukraine, the permit granting procedures for renewable projects will witness significant acceleration. To facilitate this, member states are tasked with establishing 'renewables acceleration areas'. These areas will be characterised by streamlined and simplified permit-granting processes. In addition, considering renewable energy as an 'overriding public interest' is expected to considerably reduce legal objections to new renewable installations.

In terms of immediate next steps, with the directive's formal approval, its publication in the EU's official journal is imminent. The directive will spring into action twenty days after its publication. Thereafter, member states will have a window of 18 months to assimilate and enact it within their national legislations.

"This is a great achievement in the framework of the ´Fit for 55´package which will help to achieve the EU's climate goal of reducing EU emissions by at least 55 per cent by 2030. It is a step forward which will contribute to reaching the EU´s climate targets in a fair, cost-effective and competitive way," said Teresa Ribera, Spanish acting minister for the ecological transition.

Source: fibre2fashion.com– Oct 10, 2023

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Bangladesh's CPD suggests Tk 17568 minimum monthly wage for RMG sector

Bangladesh's think tank Centre for Policy Dialogue (CPD) recently suggested Tk 17,568 as the minimum monthly wage for garment workers at the entry level. Leaders of workers' unions, however, feel the amount should be Tk 23,000-25,000, keeping in view the rising inflation.

CPD research director Khondokar Golam Moazzem said a mere $0.07 increase in the manufacturing cost of a garment product by buyers would be adequate to offset the heightened labour expenses.

Any irrational wage hike could risk the sector's competitiveness, industry leaders said at a discussion on 'Readjusting Minimum Wages in Garments Sector: Observations and Recommendations', organised by CPD and Christian Aid in Dhaka.

A CPD survey found that 42 per cent of garment workers are getting salaries below Tk 8,000, 31.1 per cent of workers are not even aware of what grade they work in and 32 per cent are unaware of how much time is required to get the next grade promotion.

The survey collected data from 228 workers in 76 factories located in Dhaka, Narayanganj, Gazipur and Chattogram.

However, Siddiqur Rahman, who represents garment sector owners on the Minimum Wage Board, questioned the survey's methodology, according to domestic media reports. He cautioned against wage increases that could lead to factory closures.

Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), criticised international brands and buyers for imposing additional costs on the country's apparel manufacturers under the guise of ethical practices, when many entrepreneurs in the sector are burdened with bank loans, individual debts, lawsuits and warrants.

Source: fibre2fashion.com– Oct 09, 2023

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NATIONAL NEWS

Union Commerce & Industry Minister Shri Piyush Goyal unveils system based automatic 'Status Holder' certificates under Foreign Trade Policy 2023

In a meeting with the Export Promotion Councils today, the Union Minister of Commerce & Industry, Consumer Affairs, Food & Public Distribution and Textiles Shri Piyush Goyal unveiled a significant initiative to issue system based automatic 'Status Holder' certificates under the Foreign Trade Policy (FTP) 2023.

Now the exporter will not be required to apply to the office of Directorate General of Foreign Trade (DGFT) for a Status Certificate and the export recognition will be provided by the IT system based on available Directorate General of Commercial Intelligence and Statistics (DGCIS) merchandise export electronic data and other risk parameters.

This perspective is a paradigm shift in doing things as it not only reduces compliance burden and promotes ease of doing business but also recognizes the need and importance of collaboration within the Government.

At present, the exporter is required to file an online application along with an export certificate from a Chartered Accountant for grant of Status.

The DGFT Regional Offices, as per the laid down timelines are supposed to issue the certificate in 3 days. The new arrangement will lead to a simplified regime where no applications are invited from exporters and the certification is granted every year in August based on annual export figures available with the partner government agency i.e. DGCIS.

Exporters who are eligible for a higher status based on additional export data relating to services export, deemed exports or double weightage to some entities like MSME etc., which is not getting captured in disaggregated form presently, can apply online for a Status modification also at a later date.

The Status Holder certification program provides credibility to the Indian exporters in the international markets. In addition, it provides certain other privileges including simplified procedures under FTP 2023 and priority custom clearances on self-declaration basis, exemption from compulsory negotiation of documents through banks, exemption from filing Bank Guarantee for FTP schemes etc.

With the launch of this new system, the Department of Commerce, Ministry of Commerce and Industry will be recognizing about 20,000 exporters under FTP 2023 as Status Holders which will be a quantum jump from the earlier number of 12,518 exporters.

The biggest increase in Status certification is seen in the 1 Star category, which is the lowest category and requires a export performance of at least US$ 3 Million in the last 3 preceding financial years plus the 3 months of the current financial year. This will enable the Government to hand hold a larger number of small exporting entities and create a vibrant export ecosystem and help reach our export target of US$ 2 Trillion by 2030.

In line with digital India ethos, various e-initiatives have already been implemented where no manual examination or processing is required and various permissions/authorisations are issued under FTP 2023 based on a risk management system and self-declarations of the exporter including 24X7 online issue of Importer Exporter Code number (IEC), issue and renewal of Advance Authorisations.

Source: pib.gov.in– Oct 09, 2023

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UK envoys head to India as nations seek to conclude trade deal

UK envoys are due in New Delhi this week as the two countries seek to bring almost two years of trade negotiations to a conclusion, people familiar with the matter said.

A team of 30 UK officials including Director General for trade negotiations Amanda Brooks will head to the Indian capital to thrash out remaining issues as part of their 13th round of talks, officials from the UK and India said, requesting anonymity because a deal isn't yet sealed.

At stake is a commercial agreement between two of the world's largest economies that would represent a landmark for both. British Prime Minister Rishi Sunak would be able to hold the deal up as a benefit of Brexit, and for India, it would be a boost for Prime Minister Narendra Modi as he gears up for an election next year.

Earlier in the year, the two nations softened positions on most of their points of contention. Indian officials said that they had agreed to slash tariffs on British cars and scotch whisky, with Britain prepared to relax some visa rules for Indian professionals.

Sunak and Modi must now make a political call on pending issues, one person said.

With almost all outstanding sensitive issues resolved, Modi was due Monday to meet his own team to take a call on concluding a deal, the person said. The Indian premier will decide the position on a handful of critical issues for the South Asian nation, they said without providing further details.

The window of opportunity for finalizing the trade deal — India's biggest and most ambitious to date — is small given next year's national polls.

Two UK officials said significant progress has been made, with the majority of chapters closed, but that some issues are still being resolved. Sunak is regularly taking stock of progress, and he's preparing to visit India to announce the deal before the end of the year, one of them said.

An India trade ministry spokesperson did not respond to an email outside business hours. The UK Department for Business and Trade said in a statement that it wouldn't comment on the details of live negotiations, but added that the government continues to "actively engage" with India.

"We will only sign a deal that is fair, balanced and ultimately in the best interests of the British people and the economy," the department said.

Modi and Sunak are pushing to double bilateral trade by 2030 through a pact that slashes tariffs and increases market access. The deal would bolster India's ambition to become a manufacturing powerhouse while helping the UK to highlight the benefits of Brexit.

It is also expected to act as a springboard for India to clinch similar deals with other developed nations including the European Union.

Source: economictimes.com– Oct 10, 2023

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Talks on India-Peru trade pact from Oct 10: Government

The next round of negotiations for a trade agreement between India and South American nation Peru will start from October 10, an official statement said on Monday. The agreement is aimed at promoting bilateral trade and investments between the two countries. With the pact, the two trading partners will significantly reduce or eliminate customs duties on maximum number of goods traded between them.

"A special round of negotiations for the India - Peru trade agreement is scheduled to be held virtually on 10-11 October," the commerce ministry said. During the negotiations, the two sides will discuss different issues, including rules of origin, trade in goods, customs procedures and trade facilitation, technical barriers to trade, sanitary and phytosanitary measures.

"Discussions on services, movement of natural persons (professionals), trade remedies and investment chapter will be held later in the month based on mutual convenience of the negotiators," the statement said. Negotiations for the agreement was started in 2017 and the fifth round was concluded in August 2019. The negotiations were paused due to the coronavirus pandemic.

"It is anticipated that the agreement will significantly boost trade, investment and enhance cooperation in various sectors. The sixth round is slated to be held in December 2023 at Lima in Peru," it added. During 2022-23, the bilateral trade between India and Peru stood at USD 3.12 billion. India exported goods worth USD 865.91 million to Peru and imported goods valued at USD 2.25 billion. Key Indian exports to Peru include motor vehicles/cars, cotton yarn and pharmaceuticals while Peru primarily exports gold, copper ores and concentrates.

During the negotiations, the Indian track will be led by Chief Negotiator Vipul Bansal, Joint Secretary at the Department of Commerce, and the Peruvian track will be led by Gerardo Antonio Meza Grillo, Director for Asia, Oceania and Africa at the Ministry of Foreign Trade and Tourism.

Source: economictimes.com– Oct 09, 2023

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Remittances received in Vostro account to qualify as export of services, ending disputes on GST refunds

Remittances received in Vostro account to qualify as export of services, ending disputes on GST refunds

When an Indian importer wants to make a payment to a foreign trader in rupees, the amount will be credited to this Vostro account

A big relief to the exporters, as getting GST refunds will be easy due to clarity on the classification of remittances received in special Ruppe Vostro Accounts (SRVAs). Also, one can claim IGST refunds on supplies to SEZ units, as recommended by the GST Council. Experts believe these recommendations will facilitate the unblocking of working capital.

Rupee Vostro Accounts keep a foreign entity's holdings in an Indian bank in Indian rupees. When an Indian importer wants to make a payment to a foreign trader in rupees, the amount will be credited to this Vostro account, and when an Indian exporter needs to be paid for supplying goods or services, this Vostro account will be debited, and the amount will be credited to the exporter's account. As of the current date, Special Rupee Vostro accounts are permitted with 22 countries.

In its meeting on Saturday, the GST Council recommended issuing a circular to clarify the admissibility of export remittances received in the Special INR Vostro account, as permitted by RBI, for the purpose of "consideration of supply of services to qualify as export of services." According to Saurabh Agarwal, Tax Partner with EY, this clarification will bring respite to the exporters whose GST refunds were stuck for a long time due to disputes in respect of this particular aspect and were also being subjected to GST demands. Echoing the same sentiment, Divakar Vijayasarathy, Founder and CEO, DVS Advisors, says: "This would help in cases where the government has agreed to a rupee trade, for example, Russia, where rupee-rubble trade was agreed upon by both the countries."

Sanjay Chhabria, Director, (Indirect Tax) with Nexdigm felt this clarification should mitigate disputes arising from refund applications, where the GST officers would seek to deny the benefit on the ground that receipt of consideration in INR did not meet the condition prescribed for the purpose of qualifying as 'exports of services'.

Supply to SEZ

Meanwhile, the Council also recommended amending a notification (No. 1/2023-Integrated Tax dated July 31, 2023, and coming into effect from October 1, 2023) so as to allow the suppliers to a Special Economic Zone developer or a Special Economic Zone unit for authorised operations to make supply of goods or services on payment of integrated tax and claim the refund of tax so paid. However, this will not be applicable to commodities such as pan masala, tobacco, gutkha, etc.

Abhishek Jain, Partner with KPMG in India said with the revised provisions for zero rate supplies from 1 October, there was ambiguity on the possibility of claiming a refund of GST paid on supplies made by domestic suppliers to SEZ. “With explicit inclusion of such supplies for rebate route, the ambiguity on this comes to a rest and helps prevent apprehended potential working capital concerns for domestic industry engaged in SEZ supplies,” he said.

Karthik Mani, Partner with BDO India said that there was an uncertainty as to whether the supplies can be made to SEZ developers/units on payment of tax with a subsequent claim of refund of such tax, due to language employed by the notifications issued in this regard. “The announcement of the GST Council to retrospectively amend the notifications issued to allow the supplies to be made to the SEZ on payment of IGST and claim refund of such tax paid clarifies the issue and grants certainty to the taxpayers,” he said.

Source: thehindubusinessline.com– Oct 08, 2023

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Escalation in Israel-Palestine war could affect India's trade, diplomatic stance: Experts

Palestine-based terror outfit Hamas' deadly attack on Israel on Saturday and Israeli Prime Minister Benjamin Netanyahu's consequent declaration of war is likely to affect India's trade and diplomatic stance with the region. However, the seriousness of the impact will depend on how long the escalation continues, say experts.

"India's trade with Israel, at about $10.7 billion in FY23, may be seriously impacted if operations at the three largest ports of Israel-Haifa, Ashdod; and Eilat are disrupted. These ports handle shipments in agricultural products, chemicals, electronics, machinery, and vehicles. India's merchandise trade with Israel happens mostly through the Eilat port, located on the Red Sea. Fortunately, so far there is no report of port disruption. The real impact would depend on the duration and intensity of the war," said Ajay Srivastava, former Indian Trade Service officer, and Founder, Global Trade Research Initiative.

About 1,000 people have already been killed since the Hamas group launched its multi-front attack by land, air and sea, on Israel on Saturday, with over 600 killed on the Israeli side and about 370 in Gaza, according to reports from the region.

India is striving to bring back its stranded students from Israel, and the PMO is strictly monitoring the situation there, Union Minister of State for External Affairs Meenakshi Lekhi told reporters on Sunday. All Indian nationals have been asked the Indian Embassy in Israel to remain vigilant and observe safety protocols.

An escalation in the Israel-Hamas confrontation may not just hit India's trade with Israel, especially in critical items such as defence equipment, but also pose a serious challenge to India's diplomatic efforts in case other Arab countries get involved.

Prime Minister Narendra Modi has expressed deep shock at the attack, and said that India stood in solidarity with Israel, but some say that if the war continues for long, India's diplomatic stance could get complicated.

"If the Arab world gets pulled into this dispute, which has happened in the past, then India will have to measure its steps. India's economic and strategic ties with the Middle East have become even more important in the light of the India-Middle East-Europe economic corridor. In case the war intensifies, India has to tread carefully," said Biswajit Dhar, Distinguished Professor, Council for Social Development.

A direct conflict between Hamas and Israel may not impact India, but if other actors like Hezbollah and Iran get involved security and stability of the West Asian region will be terribly impacted which will have direct consequences for India's energy supply ,economy and investment and welfare of Expats, said Anil Trigunayat, Former Ambassador of India to Jordan, Libya and Malta.

"While PM Modi has expressed solidarity with Israeli people in the wake of these unprecedented Hamas attacks, India's position on the Palestinian issues and relations with them have remained robust . It is also an imperative that given the intensity of the conflict this time and perhaps in future too the international community must take the Palestinian issue seriously," he said.

Source: thehindubusinessline.com– Oct 08, 2023

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Indian's cotton exports down to 18-year-low of 15.5 lakh bales in 2022-23 season

Cotton Association of India ups 2022-23 season crop estimate to 318.90 lakh bales

India's cottonexports are estimated to have dropped to a record low of 15.50 lakh bales (170 kg each) in the 2022-23 season that ended in September, the Cotton Association of India (CAI), the trade's apex body, said on Monday.

Cotton exports were projected to be 30 lakh bales initially by the Committee on Cotton Production and Consumption (CCPC) but with the global economy, particularly China, being affected, the shipments got hit.

This is the lowest since the 2004-05 season when India exported 23.05 lakh bales, data from the US Department of Agriculture show.

Import too slip

CAI said the estimate is based on the outcome of its crop committee meeting on Saturday (October 7) and is equivalent to 16.27 lakh running bales of 162 kg each. During 2021-22, 43 lakh bales were estimated to have been exported by CAI as well as CCPC.

Imports, on the other hand, were also lower at 12.50 lakh bales (equivalent to 13.12 lakh running bales) against 14 lakh bales the previous season.

In view of the lower exports, the carryover stocks for the current season have been estimated at 28.90 lakh bales (equivalent to 30.33 lakh running bales of 162 kg each) against earlier estimates of 23.18 lakh bales. The carryover stocks last season were 24 lakh bales.

Difference in estimates

CAI at its crop committee meeting raised the cotton pressing estimate (crop projection) to 318.90 lakh bales against the previous estimate of 311.18 lakh bales. This is against the 2021-22 season production estimate of 299.16 lakh bales.

Cotton balance sheet*

Figures in lakh bales

	2022-23	2021-22
Opening stock	24.00	71.84
Crop	318.9	299.16
Imports	12.5	14
Total supply	355.4	385
Domestic demand	311	318
Exports	15.5	43
Closing stock	28.9	24

Source: Cotton Association of India

However, the CCPC has pegged the cotton crop estimated for 2021-22 at 311.17 lakh bales and for 2022-23 season at 343.47 lakh bales. The Ministry of Agriculture has also pegged the crop for the 2022-23 season at 343.47 lakh bales as per the third advance estimate.

Trade sources said there is a difference between the estimates of CAI and others, particularly the government. While CAI goes by the arrivals in the markets, the Centre goes by reports from field assessments made by State governments.

Holding back produce

Trade sources said there is a big difference between the estimates made by CAI and the government for the 2022-23 seasons as farmers held back their produce expecting better prices.

As farmers held back their produce and even stored them on their terrace and in their backyards, the trade, at one point in time, feared the crop was lower than expected.

However, growers brought more cotton between March 1 and September 30 as they feared prices could plunge. Arrivals during March 1-September 30 this year were a record 85.70 lakh bales against 36.14 lakh bales last year and 18.32 in 2021. During the Covid pandemic, the arrivals were about 60 lakh bales.

Current season estimate

Growers held back cotton last season as they received record high prices in the 2021-22 season with prices for a candy topping ₹1 lakh per candy (356 kg) in May 2021.

However, last season prices hovered above ₹60,000 a candy for most part of the season. High prices in the domestic market were also a deterrent to exports. Currently, Shankar-6 cotton, the benchmark for exports is quoted at ₹59,200.

Though CAI has not estimated the crop for the current season yet, Coimbatore-based Indian Cotton Federation has pegged the output at 330-340 lakh bales.

According to the Ministry of Agriculture, the area under cotton is lower this season at 123.87 lakh hectares compared with 127.73 lakh hectares a year ago.

The crop estimate for the current season is due anytime now with the Ministry compiling the data. Usually, the first advance estimate is released at the end of the pre-rabi conference, which ended two weeks ago.

Source: thehindubusinessline.com– Oct 09, 2023

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Israel-Hamas conflict: Exporters remain wary of serious consequences

The ongoing conflict between Israel and Palestine may not have made an immediate impact in India, exporters remain wary and believe that there can be serious repercussions if the situation worsens.

Exports (value in $ bn)

	Country	Apr-Jul (2023-24)	Growth (%)	2022-23	Growth (%)
GCC nations	Bahrain	179	-27.25	965.2	7.3
	Kuwait	505.8	0.07	1,560.50	25.6
	Oman	1131.8	-25.4	4,477.20	42.2
	Qatar	484	-25.9	1,966.80	7.02
	Saudi Arab	3586.7	-1.9	10,727.60	22.5
	UAE	10168.6	-7.11	31,608.80	12.7
Other West Asian nations	Iran	455.6	-37.8	1,659.10	14.3
	Iraq	1178.9	65.4	2,696.70	12.2
	Israel	1398.4	-30.9	8,451.50	76.2
	Jordan	476.7	-40.4	2,143.80	141.07
	Lebanon	123.1	-18.8	403	28.7
	Syria	25.58	-27.3	103.4	-1.9
	Yemen	239.61	-40.6	1,000.40	18.2
	Total	19953.79	-11.3	67764	23.8

After the pandemic, the region, including six Gulf Cooperation Council and seven other West Asian nations, has seen the highest growth in exports from India, dominated by traditional products, such as refined petroleum, cereals, sugar, apparel, diamonds and engineering products.

Similarly, even in the case of imports, the dependence is largely on crude oil, mainly from Saudi Arabia, Iraq, and the United Arab Emirates. In case the conflict escalates, India's trade with Iran may be the biggest casualty.

Imports (value in $ bn)

	Country	Apr-Jul (2023-24)	Growth (%)	2022-23	Growth (%)
GCC nations	Bahrain	211.97	**-41.83**	1,014.50	**34.68**
	Kuwait	2,243.30	**-48.35**	12,247.37	**11.32**
	Oman	1,450.04	**-55.78**	7,911.18	**15.65**
	Qatar	3,723.23	**-34.81**	16,808.10	**27.39**
	Saudi Arab	10,257.35	**-25.61**	42,035.27	**23.27**
	UAE	13,388.98	-27.42	53,231.66	18.73
Other West Asian nations	Iran	205.14	**6.1**	672.12	**45.05**
	Iraq	8,707.87	**-37.18**	34,385.50	**7.7**
	Israel	875.74	**-2.41**	2,323.19	**-24.42**
	Jordan	640.73	**-26.31**	2,290.40	**25.35**
	Lebanon	58.69	**199.37**	92.49	**184.9**
	Syria	4.45	**22.67**	9.22	**-40.95**
	Yemen	73.11	24.01	160.91	-29.37
	Total	41840.6	**-30**	173181.91	**16.8**

"In case of an escalation, there can be serious repercussions that can jolt global trade. The world cannot afford two wars. The worsening of the conflict can result in higher oil prices, and impact freight costs as well as supply of rough diamonds," Ajay Sahai, director-general and chief executive officer, Federation of Indian Export Organisations said.

Source: business-standard.com– Oct 09, 2023

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E-comm-integrated MSMEs better than non-integrated counterparts in turnover and profitability: ICRIER

On average, micro, small, and medium enterprises (MSMEs) integrated with e-commerce platforms report higher turnovers and profitability, with 60.4 per cent reporting a turnover of more than ₹5 million, compared to 47.6 per cent in the case of non-integrated firms, according to the annual survey of Micro, Small, and Medium Enterprises (MSMEs) in India by the India Council for Research on International Economic Relations (ICRIER)

The data is based on a survey encompassing 1,005 enterprises integrated with e-commerce platforms and 1,002 enterprises that are not integrated.

India's e-commerce market is rapidly growing, with 933 million internet users in 2022, positioning the country as having the world's second-largest internet user base after China.

E-commerce platforms provide new sales channels for MSMEs, enabling them to reach a broader geographical market beyond their local boundaries.

New opportunities

The surge in e-commerce adoption was particularly pronounced during the COVID-19 pandemic, with a significant increase in online purchases, both in India and globally. This trend presented new sales opportunities for MSMEs that had previously operated primarily in local markets.

Among integrated firms, approximately 35.5 per cent reported turnovers between ₹1 crore and ₹50 crore In contrast, among non-integrated firms, the proportion of firms in the ₹1 -50 crore turnover range was considerably lower, at 15.6 per cent (based on data from 2021–22).

In terms of profitability, roughly 40 per cent of integrated MSMEs reported profit margins of 15 per cent or below, while the corresponding figure for non-integrated firms was 58 per cent.

Conversely, among integrated firms, 57 per cent reported profit margins exceeding 15 per cent, compared to 40.5 per cent for non-integrated firms.

Trends

Further, the survey also revealed that MSMEs with younger and more educated owners were more likely to integrate with e-commerce platforms. Interestingly, women-owned MSMEs demonstrated a strong presence on e-commerce platforms, despite the underrepresentation of women in the broader MSME landscape.

Moreover, the survey indicated that a higher proportion of export-oriented firms were integrated with e-commerce platforms compared to non-exporting firms. This suggests a positive correlation between a firm's export orientation and its digitalization efforts.

According to the Ministry of Micro, Small, and Medium Enterprises, India is home to 63.38 million unincorporated non-agriculture MSMEs, primarily operating in the informal sector. In contrast, there are 17.6 million registered MSMEs, employing 121.7 million individuals, on the Udyam portal, a government platform that provides them with permanent registration and eligibility for priority-sector lending, government schemes, and various benefits.

Of the registered enterprises, 96.2 percent are classified as micro, 3.4 percent as small, and the remaining as medium enterprises. Furthermore, 27 percent of registered MSMEs are involved in manufacturing activities, while 73 percent operate in the services sector.

The current sample comprises of 2007 MSMEs (manufacturing units). Similar to the previous report, six sectors that have a large MSME presence have been covered—sports goods, toys, furniture, handicrafts, apparel, and processed and preserved food.

Source: economictimes.com– Oct 08, 2023

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India's Bihar seeks Bangladeshi investment in garments

Indian state Bihar wants Bangladeshi investment in textile and garments sector to harness the bilateral trade potential between the two neighbouring nations.

Sandeep Poundrik, additional chief secretary of the industries department of the government of Bihar in India, shared the information at a meeting with Faruque Hassan, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), at the BGMEA office in Dhaka today.

At the meeting, the Indian delegation led by Poundrik highlighted the investment potential in Bihar and urged investors to explore the investment opportunities in the region, according to a statement of the BGMEA.

Hassan underscored the importance of intensifying business collaboration between the two countries.

He emphasized the need to identify specific areas where both Bangladesh and India can collaborate to yield mutual benefits.

The BGMEA president expressed his optimism about the prospects of expanding trade and investment ties, particularly within the textile and apparel industry, which is a vital sector for both the nations.

Source: thedailystar.net– Oct 09, 2023

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Arvind, Renewcell forge partnership for denim production in India

Arvind and Circulose's partnership to produce eco-friendly denim aims to promote sustainability and circularity within the garment industry.
Arvind says Circulose in denim is a step towards sustainable apparel production and emphasises the need for efficient resource use in textile manufacturing, showing that eco-friendly practices can also be cost-effective.

The denim produced under this partnership is crafted from upcycled cotton textiles and viscose made with Circulose, to divert waste from landfills.

Circulose employs an advanced recycling process that transforms worn-out garments into cellulose pulp. From this pulp, new fibres are created, ultimately resulting in a fresh batch of denim. This circular approach claims to minimise waste and resource consumption.

The manufacturer claims that Circulose denim maintains the characteristics of conventional denim and provides a durable wardrobe staple despite its sustainable origins.

Since 2022, Arvind has been a partner of Accelerating Circularity, a non-profit organisation dedicated to catalysing new circular supply chains and business models, aimed at transforming used garments into mainstream raw materials.

Source: just-style.com– Oct 09, 2023

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