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Currency Watch			
USD	EUR	GBP	JPY
83.95	92.79	110.07	0.57

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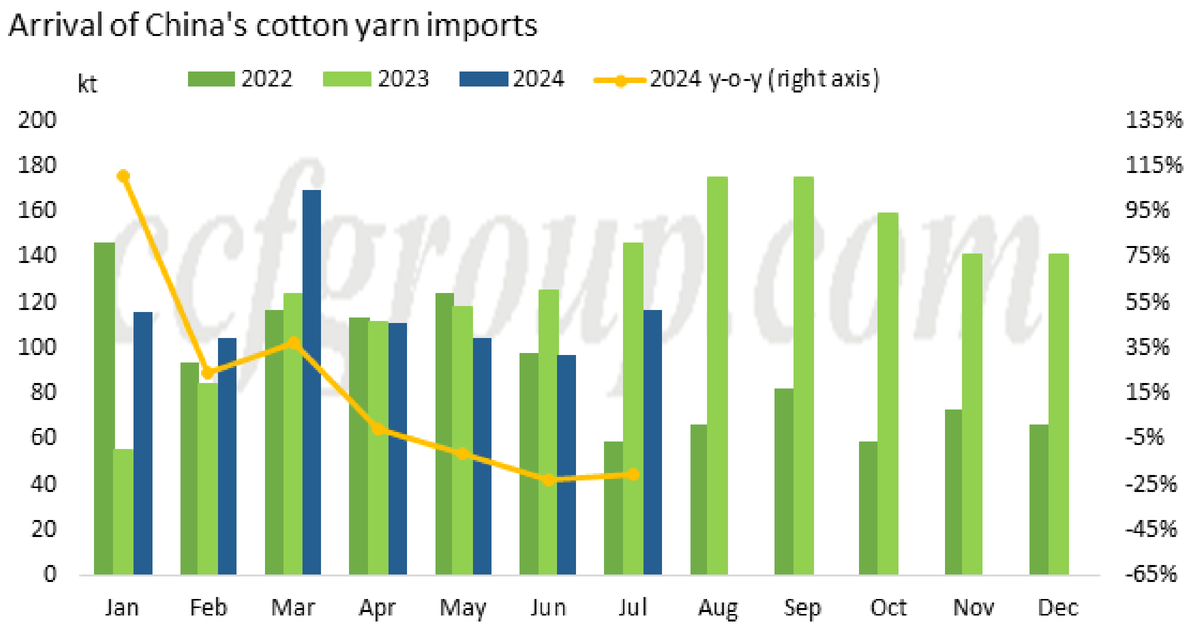
INTERNATIONAL NEWS

China: Cotton yarn arrivals rebound with imports from Uzbekistan increasing

I. China's cotton yarn imports totaled 116.3kt in Jul

In July 2024, China's cotton yarn imports ended a several-month decline, with a total of 116.3kt arrivals, an increase of approximately 19.7kt compared to June. However, it still reflects a year-on-year decrease of nearly 30kt compared to July of last year. As the arrival of cotton in the Northern Hemisphere gradually increases in the second half of the year, overseas yarn prices are likely to decline, which is expected to lead to an increase in domestic market procurement. From Jan-Jul 2024, China's total import of cotton yarn reached 817.8kt, still higher by 53.5kt compared to the cumulative import volume of the same period last year. However, the gap between the two years is continuously narrowing.

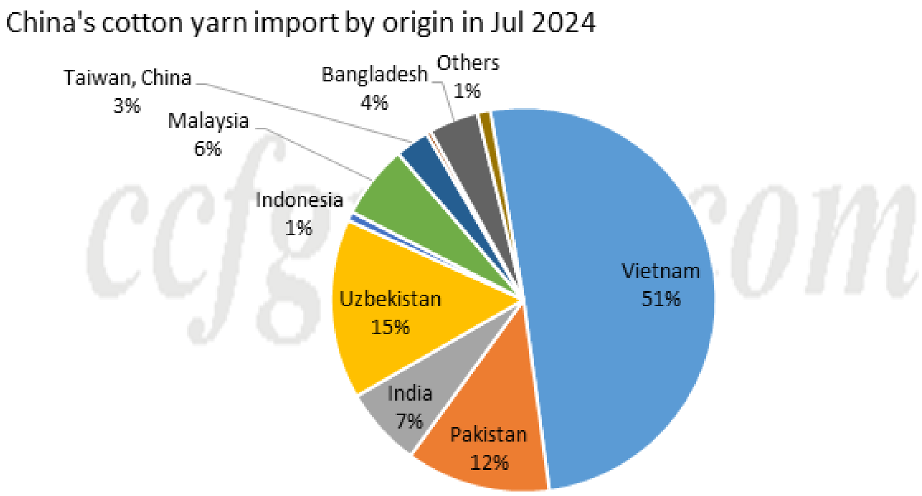


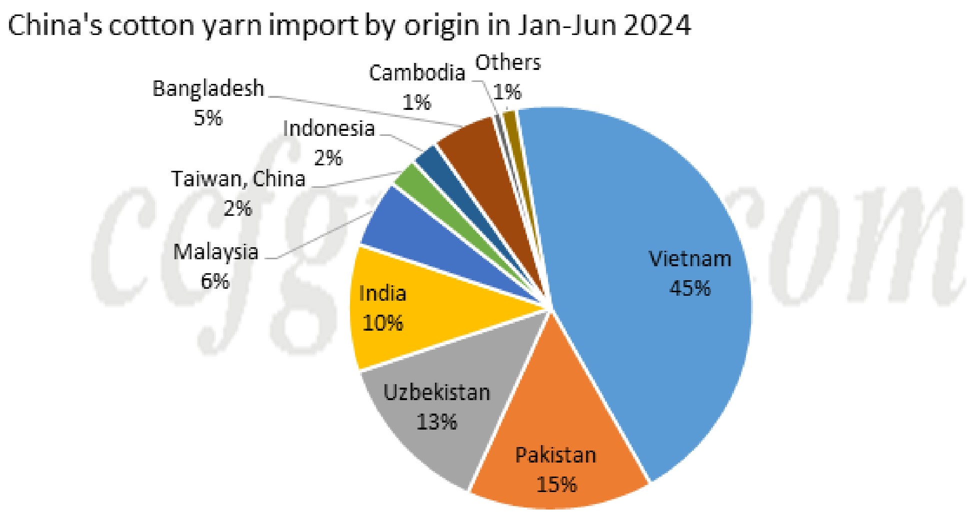
II China's cotton yarn imports by origin in July 2024

In July 2024, imports of cotton yarn from Vietnam continued to account for over half of China's total imports. Due to a recent longer ordering window, subsequent shipments of cotton yarn are expected to continue arriving until October.

Additionally, as domestic cotton prices remain sluggish, domestic cotton yarn-especially from large mills-is being sold off continuously, making it increasingly difficult for imported yarn to maintain a price advantage. In contrast, Uzbekistani cotton yarn, with slightly lower export prices compared to Vietnam and India, continues to attract replenishment from Chinese buyers.

In July, imports from Uzbekistan totaled approximately 17.6kt, nearly doubling compared to June's import volume, raising its market share to 15%. Imports of Pakistani cotton yarn saw a slight increase in July, reaching 14.1kt, but its overall market share continued to decline to around 12%. Meanwhile, imports of cotton yarn from India in July was approximately 7.8kt, reflecting an increase of about 2kt compared to June.





III China's cotton yarn imports by structure and by origin in Jul 2024

Currently, despite a certain increase in the monthly import volume of foreign cotton yarn in the domestic market, it remains below the historical average levels. The overall import volume from Uzbekistan, however, shows a strong upward trend. In terms of specific yarn specifications, the total import volume of carded yarn 8-25s in July was 57.3kt, accounting for 49.2% of the total imports. Among these, Vietnamese yarn continues to dominate, while the proportion of Uzbekistani yarn has increased to 11.09%, totaling 6.349kt.

The total import volume of carded yarn 30-47s reached 15.5kt. Notably, Uzbekistani cotton yarn imports increased to 9.164kt, up by over 4kt compared to June. Vietnamese yarn in this specification totaled 5.433kt, while Malaysian and Indonesian yarn only amounted to a few hundred tons in July. Indian yarn 32s and 40s continues to see minuscule import volumes due to long-standing significant losses in import profits.

Click here for more details

Source: ccfgroup.com– Sep 03, 2024

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UK to become member of CPTPP by December 15

The UK has secured the sixth and final ratification needed to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a major free trade area that spans five continents and includes almost 600 million people. This milestone was achieved following Peru's ratification of the UK's accession, paving the way for the agreement to officially enter into force by 15 December 2024.

Once the UK becomes a member of the CPTPP, over 99 per cent of current UK goods exports to CPTPP countries will be tariff-free. This development is expected to enhance the ability of UK businesses to export to these markets, supporting the government's efforts to drive economic growth. The CPTPP agreement could potentially boost the UK economy by around £2 billion (~$2.63 billion) annually by 2040.

Before Peru's ratification, five other CPTPP members had already approved the UK's accession: Japan, Singapore, Chile, New Zealand, and Vietnam. The agreement will come into force with these members by December 15, 2024, with other member countries expected to follow as they complete their ratification processes. As the first country to accede to this agreement the UK will be well positioned to shape its future development, from influencing the development of the CPTPP rulebook to championing the group's expansion to new economies, the government of UK said in a press release.

Minister of State for trade policy Douglas Alexander said: "This is good news for UK businesses, who are now one step closer to being able to take advantage of the opportunities our membership of CPTPP will bring. My message to businesses is to get in touch with the Department for Business and Trade to find out how CPTPP could benefit your business, if you haven't already. We're extremely grateful to all the CPTPP partners that have already ratified our accession - Japan, Singapore, Chile, New Zealand, Vietnam and now Peru - and look forward to more doing so over the coming months."

The UK government continues to work closely with the remaining CPTPP member countries to finalise the ratification process.

Source: fibre2fashion.com– Sep 02, 2024

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Global Sourcing Expo Melbourne to boost international business ties

As the textile and apparel industry continues to evolve, the Global Sourcing Expo stands out as a leading event that brings together key players from around the world. Following the resounding success of the Sydney Show earlier this year, the Expo is set to make a splash in Melbourne from 19-21 November 2024. This event offers a unique platform for companies from across the globe to showcase their products, connect with buyers, and explore new business opportunities – all under one roof.

Success in Sydney

The success of the Sydney edition of the Global Sourcing Expo is a testament to the event's significance on the global sourcing calendar. Attracting more than 500 world-class exhibitors and over 5000 visitors from various sectors, with 97% being decision-makers or influencers of buying decisions, the Expo provided an unparalleled opportunity for networking and business growth.

Marie Kinsella, CEO of the International Expo Group Pty Ltd (the organisers of the Expo), highlighted the success of the Sydney Show, saying, “The caliber of exhibitors and the quality of visitors we attracted exceeded our expectations. The feedback has been overwhelmingly positive, and we are excited to bring the same level of excellence to Melbourne.”

The Sydney 2024 event attracted decision-makers, trade buyers, leading manufacturers and brands as well as major retail groups and wholesalers from the fashion, homeware, textiles, apparel, accessories and footwear sectors. One exhibitor noted, “I could not believe how many buyers dropped by our stand!”

Testimonials from Sydney

The feedback from both visitors and exhibitors at the Sydney Show emphasises the value of participating in the Global Sourcing Expo. One exhibitor expressed, “It was an excellent platform to promote our hand-made products.”

Another exhibitor shared, “The Global Sourcing Expo in Sydney served as a very good platform for us to interact with numerous new and emerging brands. The well-structured event and the wide variety of visitors offered valuable insights into the global fashion landscape.”

Exhibitors consistently noted that the Sydney Show provided them with invaluable exposure to new markets and allowed them to connect with high-profile buyers and establish important relationships. One exhibitor remarked, “The Global Sourcing Expo Sydney was a fantastic experience. The onboarding process was smooth and seamless. The show provided an opportunity to meet and interact with many different people. It was our first time exhibiting in Australia and it was a great experience. We look forward to participating in future events.”

Visitors were equally impressed. A retail buyer from Australia, shared, “I found my first time visiting the Expo to be very worthwhile. I enjoyed the chance to contact potential suppliers in person and see samples up close and inspect the quality.”

What to Expect in Melbourne

The upcoming Melbourne edition of the Expo promises to build on the success of Sydney, offering even more opportunities for exhibitors and visitors alike. The event will feature a comprehensive 3-day seminar program, world-class exhibitors from over 15 countries, and a focus on the latest trends and innovations in the industry.

The Global Sourcing Expo Melbourne presents an incredible opportunity for international exhibitors to connect with a global audience. As one of the largest sourcing events in the region, and according to Forbes, one of the Top Ten Fashion Expos in the world, this Expo attracts buyers from Australia, New Zealand and beyond, providing a platform for companies to expand their market reach.

Some of the registered exhibitors include manufacturers from Australia, India, Türkiye, Hong Kong, Indonesia, China and Bangladesh to name a few, with many more registering daily.

The Expo attracts top-tier buyers from leading retail chains, wholesalers, and distributors. Exhibitors have the chance to connect with decision-makers who are actively seeking new suppliers and products.

Kinsella shared, “The entire atmosphere and environment of a physical marketplace that connects buyers and sellers is very exciting. The opportunity to witness how different countries showcase their expertise and present their pavilions is something that I am personally looking forward to.”

Join Us in Melbourne

Kinsella encourages companies from around the world to seize this opportunity to join an event that is unique in connecting buyers and manufacturers in-person: “The Expo is the perfect platform for businesses to make their mark on the global stage. We invite you to join us in Melbourne and be part of this exciting showcase.”

Source: fibre2fashion.com– Sep 03, 2024

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Price expectations in Germany continue to decline in August

Recent data from the ifo Institute reveals a further decline in price expectations among German companies, signalling a possible easing of inflation pressures in the months to come. The ifo price expectations index fell to 16.3 points in August, down from 17.6 points in July, after seasonal adjustment. This decline is primarily attributed to reduced price expectations in the manufacturing sector and among business-related service providers.

Despite the overall drop, some sectors are bucking the trend. Consumer-related industries and construction have shown a slight uptick in companies planning to raise prices. Price expectations in the consumer-related services sector increased to 25.2 points, up from 20.0 points in July, driven largely by the hospitality sector, which saw a significant jump to 37.6 points from 26.7. Similarly, price expectations in the retail sector edged up slightly to 25.3 points, from 24.9 points in the previous month. The construction sector also saw a modest rise in price expectations, moving to 3.3 points from 0.9 in July, ifo said in a press release.

Timo Wollmershäuser, head of forecasts at ifo, commented on the findings: "Overall, the inflation rate in the coming months is likely to remain below the two per cent mark targeted by the European Central Bank (ECB). Energy, in particular, is significantly cheaper for consumers than it was a year ago."

However, Wollmershäuser cautioned that the core inflation rate, which excludes volatile energy prices and is considered a better indicator of underlying inflation trends, is expected to remain relatively stable at around 2.5 per cent. This level is still above the ECB's inflation target.

In contrast to the sectors experiencing an increase, wholesalers and manufacturing companies have shown a decrease in price expectations. The index for these sectors fell to 18.9 points and 5.0 points, respectively, down from 20.4 and 7.1 in July.

The ifo price expectations index represents the net percentage of companies intending to raise their prices. A positive balance indicates more companies planning price hikes than reductions, and vice versa. The recent data suggests a mixed outlook, with some sectors anticipating higher prices while others foresee stabilisation or declines, reflecting diverse economic conditions across Germany.

As the inflation landscape evolves, businesses and consumers alike will be watching closely to see how these trends impact their costs and spending power.

Source: fibre2fashion.com– Sep 03, 2024

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Vietnam: Textile and garment enterprises seek "new ground" for products

In the third and fourth quarters in 2024, the Vietnam Textile and Garment Group (Vinatex) is expected to export its first orders of fire-resistant fabrics and clothing to Indonesia, India, the Middle East, and the US.

According to Le Tien Truong, Chairman of the Board of Directors at Vinatex, these products could experience very rapid growth, but this will depend largely on the policies of each country. These are specialised products which are not entirely like those Vinatex has produced in previous years.

Truong noted that these items have high technical requirements as well as legal and copyright aspects; they are not conventional fashion products. The collaboration with Coast Group (the UK) aims for a revenue target of 2-2.5 million USD, with the goal of potentially doubling this amount every year over the first five years.

According to experts, niche products such as fire-resistant clothing and fabrics have clearer growth potential and less competition compared to conventional items. Therefore, domestic textile and garment enterprises pioneering niche markets with fire-resistant products are highly commendable and open promising opportunities given the broad market potential. It is crucial for enterprises to actively invest in infrastructure, equipment, and human resources, as well as to advance towards mastering technology and production processes.

As a leading group in the textile and garment industry, Vinatex has recently made significant efforts to boost textile and garment exports by seeking new markets and producing new products to meet both domestic and international demand.

According to General Director of Vinatex Cao Huu Hieu, most garment enterprises have secured enough production orders through the fourth quarter of 2024, which is the peak season for Christmas and Tet (Lunar New Year) orders. It is forecast that the textile and garment export turnover of Vietnam in 2024 will increase by 8-10% compared to 2023.

These positive signals, in addition to the recovery of the global economy and a rebound in consumer spending, are also attributed to efforts in expanding new export markets such as Africa and India. Proactively seeking new customers, especially in niche markets, is considered a key factor for textile and garment enterprises to maintain stability in the current period.

After experimenting with complex and small orders, Garment 10 Corporation will continue to focus on technically demanding orders and flexible deadlines this year. Choosing challenging orders helps the enterprise more easily find new orders and partners in global markets.

Regarding new markets, Pham Van Viet, Chairman of the Board of Viet Thang Jean Co., Ltd. (VitaJean), shared that since the COVID-19 pandemic, Vietnam's garment exports to Russia have experienced significant growth.

Vietnamese garment products are of high quality and match the tastes and fashion trends in the Russian market. This is an extremely favourable time for Vietnamese textile enterprises to strengthen cooperation with Russia in this sector.

Opportunities for 2024

According to the Ministry of Industry and Trade, it is forecasted that the export of textile and garment products in Vietnam will recover well in the coming months. The reason is that the third quarter is the peak period for textile and garment exports in Vietnam.

Additionally, most garment enterprises have secured enough production orders through the third quarter of 2024 and are continuing negotiations for contracts through the fourth quarter of 2024 — the peak season for Christmas and Tet orders.

Furthermore, a recent survey by the US Fashion Industry Association on the competitive advantages among countries exporting textiles to the US shows that Vietnam scores higher than China and Bangladesh as businesses trend toward shifting suppliers away from China. Thus, in the long term, Vietnam's textile sector is expected to continue expanding its market share in this area.

The Ministry of Industry and Trade noted that Vietnamese textile and garment enterprises benefit from geographical advantages, large port systems, and the ability to produce a diverse range of high-value products such as suits, winter coats, and swimwear with diverse designs and fast delivery. However, in the long run, if other countries catch up with production capabilities, Vietnam's textile industry will face significant challenges.

Additionally, textiles and footwear are sectors with a high "openness" as exporting 70-80% of production, making them highly dependent on and vulnerable to global market fluctuations. Diversifying export markets and avoiding “putting all eggs in one basket” is a sound strategy which the Ministry of Industry and Trade has been implementing for many years.

Specifically, through monthly trade promotion meetings, the Ministry has directed and coordinated with Vietnamese trade offices abroad to support enterprises in exploring and finding customers, especially in markets with free trade agreements.

Environmental protection is an issue that textile and garment businesses must also prioritise. Companies need to focus on selecting environmentally friendly materials with recycling capabilities, aligning with the circular economy trend. This sector faces numerous challenges, including the implementation of extended producer responsibility for waste management, carbon border adjustment mechanisms, Germany's supply chain due diligence law, and especially the shift from "fast fashion" to "sustainable fashion”.

Among these, green practices and sustainable development are competitive criteria required by major markets such as the EU, the US, and Japan, in addition to factors such as quality, price, and delivery time.

Despite the remaining challenges and issues, with many positive signals for the end of the year, Vietnam’s textile and garment sector hopes to meet its export target of 44 billion USD in 2024.

Source: thoibaotaichinhvietnam.vn– Sep 03, 2024

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Bangladesh: Corrected export data soon: EPB

The Export Promotion Bureau (EPB) is set to publish export data based on a new calculation after months of a hiatus following the revelation that there were significant discrepancies between its data and that of the central bank in the last fiscal year.

The bureau informed Salehuddin Ahmed, the interim government's finance and commerce adviser, at a meeting at Bangladesh Secretariat yesterday that they had already revised the export data.

"We've discussed a wide range of issues including export data as there were some issues between the export data of EPB and NBR (National Board of Revenue)," Salehuddin told journalists after the meeting.

"I've asked them (EPB) to ensure consistency in the final export data and it will be done as soon as possible. I've also asked them (EPB) to make a projection," he said.

Salehuddin said an EPB board meeting would be held soon where all such matters would be finalised.

On July 3, Bangladesh Bank (BB) released data of the balance of payments (BoP) for the July-April period of fiscal year 2023-24.

It showed that the country's exports were nearly $14 billion below the figure reported earlier by the EPB.

At that time, the central bank discovered six types of statistical wrongdoings which had led to inflated export data.

The EPB stopped publishing export data from July of 2024.

EPB officials said they have met with the NBR, Bangladesh Export Processing Zones Authority, Bangladesh Bank, and the Bangladesh Bureau of Statistics to discuss ways of collecting accurate export data.

They also said to have gathered export data from these organisations.

However, Bangladesh Bank has continued to publish export data.

In its latest BoP data, the Bangladesh Bank reported that the export value stood at $40.8 billion in FY24, down nearly 6 percent year-on-year.

The EPB officials said there may be some differences between the data from the central bank and that from the EPB as the central bank's figures are based on the receipt of export proceeds while the EPB's figures are based on shipment data.

Salehuddin said it was not possible to say at this time whether the new export data would have an impact on GDP calculations. Details can be provided later, he said.

Commerce Secretary Md Selim Uddin, EPB Vice Chairman Md Anwar Hossain, and other senior officials were present at the meeting.

BUDGET REVISION

Regarding budget revision, finance adviser Salehuddin met with the budget officials a couple of days ago.

"I told them to rationalise unnecessary and wasteful allocations," he said. The key revision will focus on the expenditure of Annual Development Programme (ADP), and the planning ministry would handle it.

Small changes will be made in the revenue budget, he said. However, Salehuddin has not provided any timeline.

Source: thedailystar.net– Sep 03, 2024

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NATIONAL NEWS

India weighs Russia's 'doable' proposal on `SWIFT' alternative

Russia's proposal to India to use its own financial messaging mechanism – developed as an alternative to the SWIFT global network – to help push rupee-rouble trade settlement, has been scrutinised by the RBI and found "doable" but discussions continue, sources have said.

A final decision on the matter will also take into consideration the diplomatic aspect.

"Following Prime Minister Narendra Modi's recent meeting with Russian President Vladimir Putin in Moscow, where the two agreed to promote trade settlement in national currencies and introduce digital financial instruments into mutual settlements, there have been meetings between senior officials from RBI and some public sector banks with their counterparts in Russia on the country's proposed alternative messaging system for banks. Discussions are still on.

There is a view in RBI that the proposal is doable but talks are still on. It is a diplomatically sensitive issue so more consideration is needed," a source tracking the matter told businessline.

Prominent Russian banks have been banned from using the SWIFT system, a network that allows financial institutions to exchange electronic messages about international transactions enabling safe payments. It is part of the West's sanction against the country for waging a war against Ukraine in February 2022, which still continues.

"Barred from using the SWIFT system, Russia now wants its prominent trading partners, including India and other BRICS nations, to join its own alternative mechanism of transferring messages," the source said.

Like SWIFT, Russia's mechanism too is designed to result in uninterrupted transmission of financial messages between financial institutions of countries that latch on to the network. It could, however, take time for new entities to connect to the network.

bilateral trade up

Russia is eager that India agree to its proposal of using its own payment messaging system for banks as it can then facilitate the two countries to move to a rupee-rouble payment settlement system.

With India-Russia trade increasing to $65 billion in 2023-24 (most of it is India's purchase of Russian oil) and the two countries eyeing $100 billion trade by 2030, the two countries are keen to explore national currency trade settlement.

“For national currency trade settlement and quick pay to be more efficient, it is important to have a new transaction facilitating mechanism,” the source said.

However, New Delhi also has to take into consideration the global mood with the Russia-Ukraine war still continuing, the source added.

India and Russia want a national currency settlement system as it would reduce their dependence on hard currencies like the US dollar. Under the mechanism, the two central banks will set a direct exchange rate between their currencies, by deciding on a reference rate, instead of pegging it against the US dollar.

“Direct settlements in national currencies will not only help in de-dollarisation but also lead to cheaper, quicker and more efficient transactions,” the source said.

Source: thehindubusinessline.com– Sep 03, 2024

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Indian manufacturers see softer rises in new business, output in Aug

Indian manufacturers registered softer increases in new orders and output during August this year, albeit with rates of expansion remaining elevated by historical standards, HSBC India manufacturing purchasing managers' index (PMI) data show.

Business confidence retreated, but firms scaled up buying levels to safeguard against input shortages.

The latest upturn in pre-production inventories was one of the strongest seen in 19-and-a-half years of data collection. A factor that supported the rise in purchasing activity was a moderation in cost pressures.

The rate of input price inflation softened to the slowest in five months. Concurrently, demand resilience meant that firms were comfortably able to share additional cost burdens with their clients by lifting selling prices.

The seasonally-adjusted HSBC India manufacturing PMI stood at 57.5 in August, below July's reading of 58.1 but above its long-run average of 54, signalling a substantial improvement in operating conditions, a S&P Global release said.

New business rose sharply midway through the second fiscal quarter, but the pace of expansion eased to a seven-month low. The increase is attributed to advertising, brand recognition and healthy demand trends.

Competitive conditions reportedly dampened growth. New export orders likewise increased at the weakest pace since the start of 2024. Yet, one in ten firms noted an improvement in global sales, which they associated with stronger demand from Asia, Africa, Europe and the United States.

Although output continued to rise at a historically sharp pace, the rate of expansion moderated to the slowest since January. A few companies suggested that fierce competition and shifts in consumer preferences affected output at their units.

Goods producers benefited from a moderation in cost pressures during August. Purchasing prices still rose, but did so to the weakest degree in five months.

With input cost inflation receding, goods producers sought to rebuild safety stocks by purchasing additional raw materials and semi-finished goods. The rate of input buying growth was sharp and the strongest since April.

Not only did input inventories increase further in August, but also to one of the greatest extents seen in 19-and-a-half years of data collection. Data showed that a lack of pressure on supplier capacity facilitated manufacturers' stock-rebuilding efforts.

Input lead times shortened for the sixth straight month in August. Goods producers also indicated that backlogs of work were broadly unchanged since July.

Job creation softened midway through the second fiscal quarter as a few firms trimmed headcounts. Nevertheless, the overall rate of employment growth was solid in the context of historical data.

Despite the slowdown in cost pressures, there was a marked increase in prices charged for Indian goods in August.

Firms reportedly shared additional cost burdens with their clients amid demand resilience.

Source: fibre2fashion.com– Sep 03, 2024

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Over 1,300 units operational under PLI scheme, generating 7-8 lakh jobs

An estimated 1,300 units have been set up so far under the ambitious Production Linked Incentive (PLI) scheme, largely in sectors such as food processing, large-scale electronics, pharmaceuticals and medical devices, telecom, and drones. More than half of the units are already operational. Official sources have said that these units produced goods worth about ₹10 lakh crore and generated 7-8 lakh jobs.

The disbursement of PLI incentives to these units was about ₹10,000 crore, which is modest given the scheme's ₹1.97 lakh crore total outlay. However, the government expects it to accelerate over the next two to three years. This is because most of the operational units are still in their first year of production and need to get their audit done before they claim incentives, a source said.

"The ₹1.5 lakh crore investments made under the PLI scheme announced in 2021 has gone into 1,300 units, half of which have started production, and the rest are in various stages of implementation.

It is just a matter of time before they start claiming incentives. Investors who have put in money are certainly not going to run away," a source tracking the matter told BusinessLine.

The source said back-of-the-envelope calculations based on the percentage of incentives offered by the fourteen sectors under the PLI scheme show that the production of ₹10 lakh crore already taken place alone should lead to incentives worth ₹50,000 crore.

"The fact that till now just ₹10,000 crore of incentive has been disbursed means that many of the units that are producing are yet to complete the mandatory minimum one year of production after which they can get their audit done and claim incentives. Also for some sectors the gestation period is longer and incentives can be claimed much later," they added.

Of the 1,300 units set up under PLI, the highest number are in the food processing sector, but the investments here are low because most are in the small and medium sector, the source pointed out.

Job creation in manufacturing

The biggest in terms of size, volume, and monetary terms is large-scale electronics manufacturing, which includes mobile phones.

“The medical device scheme, which has attracted big names like GE, Philips and Siemens, also has high value production of items such as machines for MRIs, CAT Scand and X-Ray,” the source said.

Local production incentives

The PLI scheme, announced in 2021 for 13 sectors (later extended to one more) with an outlay of ₹1.97 lakh crore, is intended to incentivise local production in strategic areas and encourage exports. The support under the scheme, based on minimum investments and turnover, is provided over five years.

The 14 sectors include mobile manufacturing and specified electronic components; drug intermediaries and APIs; medical devices; automobiles and components; pharmaceuticals, specialty steel, telecom products; electronic/technology products; white goods, food products; textiles (MMF segment and technical textiles); high-efficiency solar PV modules; ACC battery; and drones and components.

So far, the scheme has proved successful only in a handful of sectors, most significantly in mobile manufacturing and, to some extent, in electronics, food processing, and pharmaceuticals.

“Sectors like textile, steel and solar PV are still in the gestation period. They will pick up going forward. Also some schemes are being revamped which will later attract more investments,” the source said.

Source: thehindubusinessline.com– Sep 02, 2024

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Value proposition is key to the success of e-commerce export hubs scheme

The Directorate General of Foreign Trade (DGFT) has put out the draft modalities for pilot launch of e-commerce export hubs (ECEH) and invited proposals for setting up ECEH.

The idea is to let ECEH provide predictability and shortest-possible turnaround time for e-commerce exports, easy re-import for e-commerce returns or rejects, and bring various cross-border e-commerce stakeholders under one roof, says the DGFT.

In normal parlance, e-commerce refers to delivery of goods or services over digital or electronic network but when the DGFT refers to e-commerce of exports or services, it covers all transactions, including physical exports of goods through the Customs barriers, where selling is through internet on an e-commerce platform, the payment for which is received through international credit or debit cards, or other authorised electronic payment channels.

The Foreign Trade Policy 2003 (FTP) devotes an entire chapter on promoting cross-border trade in the digital economy. It envisages ECEH that would act as a centre for creating favourable business infrastructure and facilitations for physical export of goods and financial assistance for e-commerce export promotion projects for marketing, capacity building, and technological services such as imaging, cataloguing, and product video creation of e-commerce goods.

The draft modalities have come out nearly 16 months after the announcement of FTP 2023. The draft modalities say that the ECEH shall have two physical components, i.e distinct segregated areas, one fulfilment area for packing, labelling, storing etc. to take place after pre-screening and till a buyer is found, and the other a Customs station where the goods will be Customs cleared after the buyer is found. It may be an inland container depot, airfreight station, or foreign post office depending on the mode of logistics.

At present, most exporters have their own websites where they display their products and some of them do receive orders through their electronic platforms and dispatch their goods through appropriate modes of transport. Apparently, the DGFT believes that a large number of exporters would maintain a healthy inventory of their goods at the warehouses of ECEH operators and whenever an order is received, the ECEH operator will be asked to pack and label the goods suitably, file a shipping bill in the name of the exporter, and dispatch the goods through the mode as directed by the exporter, and where feasible, the ECEH operator will aggregate the cargo from a number of exporters to reduce the logistics costs.

The draft modalities are quite detailed but these will need suitable vetting by the revenue department. The DGFT says that based on the draft modalities, the government would like to initiate pilot launch of ECEH, and after the pilot launch and suitable feedback(s), notification(s) and circular(s) shall also be issued.

It is difficult to say how the ECEH scheme will perform because much depends on whether the exporters see any value proposition in exporting their goods via ECEH. An important question is whether the exporters will be willing to share with the ECEH operators the details of their customers and prices at which they sell. Another issue is whether they will prefer to hold the inventories at the ECEH operator's premises. The third consideration is the cost at which the ECEH operator will give the required services. A few good success stories may help the scheme attract more exporters.

Source: business-standard.com– Sep 02, 2024

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EOU's B-17 bond serves purpose of continuity bond under IGCR Rules

We refer to DGFT PN 14/2024 dated August 22, 2024 amending Para 4.49(g)(i) and (g)(ii) of the HBP. The first sentence of the amended Para 4.49(g)(ii) says that exports made under any shipping bills/under same authorisation after expiry of export obligation period using unutilised quantity of drugs shall also be accepted in lieu of submission of destruction certificate. Later, this Para says that the authorisation holder shall pay Customs duty with applicable interest to the Customs authority on unutilised quantity imported under advance authorisation and that such exports shall be considered for waiver of destruction certificate and not for waiver of liability of applicable duties and interest. Our doubt is whether we can claim drawback on such exports and what is the gain in exporting under same authorisation after export obligation (EO) period expiry?

In my opinion, after payment of duties and interest, you can use the inputs in the manufacture of finished goods and export the same under claim of duty drawback. I see no particular gain in export of such goods under same authorisation after EO expiry period, when you can claim drawback.

Our foreign buyer cancelled an export order and so is ready to pay our claim for damages. How can we treat this transaction under GST?

Quite obviously, the foreign party is ready to honour your claim in consideration for your not dragging him to court. So, you can treat it as a service of 'agreeing to refrain from doing an act' falling under service code 999793. The service will attract IGST of 18 per cent as per S.No.35 of notification no.8/2017-IT (Rate) dated June 28, 2017. However, the service will be zero rated as the place of supply of service is outside India, according to Section 13(2) of IGST Act, 2017 and all the conditions for treating the transaction as 'export of services' in accordance with Section 2(6) of the IGST Act, 2017 are fulfilled.

We refer to CBIC Circular No.11/2024-Customs dated August 25, 2024 regarding implementation of automation in the Customs (Import of Goods at Concessional Rate of Duty or for Specified End Use) Rules, 2022 in respect of EOUs with effect from 01.09.2024. The Circular says that all EOUs would be required to obtain IGCR identification number (IN) at the ICEGATE portal and also register IGCR bond for filing bill of entry *with IGCR benefit. Please clarify whether we have to execute a fresh IGCR bond in addition to our existing B-17 bond? Also, can we mention broad description of finished goods to be manufactured in the IGCR-1?*

CBEC Circular 29/2017-Customs dated July 17, 2017 says that the B-17 bond, being a general-purpose running bond will serve the requirement of continuity bond to be submitted under Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 and therefore EOU/STP/EHTP units are not required to submit separate continuity bond. I think you can mention broad description of finished goods but we have to see how the system responds, when it goes live.

Source: business-standard.com– Sep 02, 2024

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Tamil Nadu textile mills facing multiple challenges to sustain business

Tamil Nadu's textile factories have been struggling for nearly two years due to a decline in demand, high electricity costs, and comparatively higher raw material prices. In order to avoid losing market share to competitors from other States, the industry is looking for actions from the Central and State Governments to address its problems.

With 24 million spindles, the State's 2,100 textile mills have suffered a decline in production over the past two years to the point that over 500 of them have ceased operations and 1,000 more are operating at reduced capacity.

According to Ravi Sam, a former head of the Southern India Mills' Association (SIMA), yarn from textile mills in states like Madhya Pradesh, Gujarat, Maharashtra, and Odisha costs between Rs. 20 and Rs. 25 per kg less than yarn from Tamil Nadu.

The Tiruppur Exporters' Association honorary chairman, A. Sakthivel, stated that Tiruppur's knitwear plants had begun purchasing yarn from mills in other States because these units offered competitive prices.

The chairman of the SIMA, S.K. Sundararaman, stated that yarn was produced in Tamil Nadu textile mills for a variety of uses and quality levels. "Garment units in Tiruppur receive hosiery yarn, which is genuinely a commodity," he declared. Less than 100 mills were thought to supply hosiery yarn to Tiruppur's knitwear plants. They were losing that market, though.

Tamil Nadu's mills were going through a transformation. He stated they had to migrate to higher count yarn production, invest in an integrated plant and start adding value, or get nominated by clothing purchasers.

Another aspect that has had a significant impact on Tamil Nadu's textile industries is the package that states like Gujarat, Madhya Pradesh, and Odisha are offering. The mills here import cotton from other States since Tamil Nadu cannot produce enough of it.

Carrying clean cotton to Tamil Nadu from other States costs between Rs. 8 and Rs. 10 per kilogramme. The competitiveness of the mills here has been impacted by the subsidies provided by other States for power, capital investment, interest payment, and talent development.

Industry insiders suggest that Tamil Nadu should concentrate on increasing its production of extra long staple cotton and providing some form of electricity to the mills located here. They contend that in order for textile mills in the MSME sector to remain competitive, the Centre should lower the import duties on cotton and loosen the Quality Control Orders.

Source: apparelresources.com– Sep 02, 2024

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