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INTERNATIONAL NEWS

Why India’s narrowing trade deficit with China unsustainable?

The latest data shows that trade between China and India slumped in the first three quarters amid the COVID-19 pandemic, and may lead to a decrease in India's trade deficit with China this year. Though it would be in line with New Delhi's intentions in terms of statistics, to keep narrowing the trade deficit is not a realistic target for the nation and any non-economic approach to closing the gap would hurt India's interests.

China on Tuesday released its trade data for the first nine months. Trade between China and India slid 10.9 percent year-on-year, with China's exports to India down 17.7 percent and imports from India up 17.7 percent.

Though China's exports to India shrank year-on-year, a breakdown of the monthly data shows a different scenario. China's exports to India reached 46.4 billion yuan ($6.89 billion) in September up from 22.5 billion yuan in April this year, leading the monthly trade surplus with India to bounce back after a period of decrease in the early phase of the pandemic.

The increasing shipment of goods from China to India during the past few months shows India's demand for products made in China, which is a result of the different economic and industrial structures of the two economies and the underlying reason for India's trade deficit with China.

During the past few months, India rolled out provocative measures in both border and economic areas trying to antagonize China, including prolonging the clearance procedures for goods shipped from China and heightening the scrutiny of Chinese investments. Such moves could to some extent drag down its imports from China temporarily which may contribute to a decrease in trade deficit, but they also hurt the interests of India-based businesses, local consumers and the country's business environment - which will all lead to long-term damage to its economy.

Meanwhile, India's year-on-year increase of exports to China during the first nine months was mainly due to rising natural resource shipments, rather than upgrading of its economic or industrial structures. As China rapidly recovered from the pandemic, it has been expanding purchase of resources and raw materials recently. According to the latest data from
India's Department of Commerce, China drastically increased imports of mineral resources from India between April and July. For instance, India's exports of aluminum to China rocketed 1,936 percent year-on-year, a nearly 20-fold rise compared to last year.

Over the past few decades, India and China have seen their bilateral trade surge due to mutual complementarities, but an expanding trade deficit with China has been bothering New Delhi. However, simply narrowing its trade deficit with China in terms of statistics is not the best approach. Only by effectively upgrading its industrial structure can India improve its trade pattern with other countries, and this is not a short-term project.

With 7.18 million confirmed COVID-19 infections as of Wednesday, slightly less than the US, India may soon become the pandemic epicenter of the world and see its economic prospects further darkened. But the pandemic will eventually come to an end, and the potential for economic and trade cooperation between China and India will remain. Since border disputes have cooled down recently, it is expected that the Modi administration will gradually resume rationality in trade and economic policies.

Source: globaltimes.cn – Oct 14, 2020

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Closer Look: Asian Factories Struggle to Rebound Amid Crisis

Despite the escalating struggle with Covid-19 and huge losses due to cancellations of orders from global retailers and brands, factories in Asia, which continues to be the biggest sourcing hub for apparel across the world, are largely back to work.

On average, more than 80 percent of factories have been functioning in Bangladesh and India, and near 100 percent in Vietnam and Cambodia. Manufacturing is closed in Myanmar, which faces a stay-at-home order that started on Sept. 24 and has been extended through Oct. 21.

Capacity levels, however, are another matter, varying from 60 to 80 percent and often less, according to industry associations and analysts.
Smaller factories have suffered the greatest losses, having shut down temporarily, or even permanently, unable to sustain the losses from lost orders, as well as the effects of local lockdowns to prevent the spread of Covid-19.

Looking at the situation across Asia, Mustafizur Rahman, a fellow at the Centre for Policy Dialogue (CPD) in Dhaka observed: “Factories are continuing to open across most countries, despite the pandemic. Vietnam managed the Covid-19 situation very well, although they were heavily impacted by cancellations from the global markets. Bangladesh and India had to face a double whammy with the growth of Covid within the country, as well. But business is back.”

India

In India, which had apparel exports of $15.4 billion in the 2019-20 financial year (which ended in March), the numbers vary from state to state, with the knitwear hub of Tirupur in Southern India seeing more than 90 percent of factories back in operation. Tirupur accounts for almost a quarter of India’s apparel exports, according to analysts.

While factories in other areas, such as the New Delhi–Noida region are approximately 60 percent open, the overall export figures for India have been going up steadily month after month. For example, in July, garment exports were up by 32.3 percent over the previous month. Yet, the total of India exports for the quarter from April to August are dismal, at negative 47.1 percent over the previous year for the same period.

Industry analysts believe that the hard lockdown in India from March 24 to mid-June was a large part of the reason, and the huge numbers of migrant laborers returning to their villages amidst great hardship added to the woes.

Factories catering to the domestic market are even worse off, with approximately 40 percent open, as previous stocks still remain unsold and weak consumer demand has kept local retailers from buying.

As of Oct. 12, India had 7.1 million cases of Covid 19, with 109,000 deaths.

Bangladesh

Bangladesh has more than 95 percent of factories at work according to Bangladesh Garment Manufacturers and Exporters Association president Rubana Huq.
Bangladesh has been the second-largest garment manufacturer in the world in recent years, after China, employing more than 4 million workers.

Industry analysts estimate that the factories are running at an average of 80 percent capacity, as global retailers are still taking stock of their own troubled situations.

The July to September quarter, which is the first quarter of financial year 2020-2021 in Bangladesh, saw 1 percent growth over last year, with knitwear showing 7 percent growth and wovens at negative 5 percent. After the numerous cancellations, heavy discounts demanded by global retailers, and a countrywide lockdown in April, analysts noted that group revenue in June at $1.99 billion showed a decline of 8.6 percent over the same time period of the previous year.

In 2019-20, readymade garment exports of Bangladesh were down, falling 18.1 percent to $27.95 billion, a decline from $34.13 billion in 2018-19.

As of early this week, Bangladesh had 380,000 Covid-19 cases, with 5,555 deaths.

**Vietnam**

Although almost 100 percent of factories are up and running in Vietnam, most are operating at a much lower capacity as indicated by the export turnover of the textiles and apparel sector which was down 12.1 percent in the first seven months of the year over the comparative period of the previous year, at an estimated $16.18 billion, according to the Ministry of Industry and Trade of Vietnam.

Vietnam saw garment and textile export turnover of roughly $32.6 billion in 2019, up 6.9 percent from 2018, according to the statistics office. Recently, there has been talk of the U.S. imposing tariffs on imports from the country, adding to the uncertainty there.

As of Oct. 12, Vietnam had total of 1,135 Covid 19 cases with 36 deaths.

**Cambodia**

Approximately 100 percent of the factories are working Cambodia’s garment sector, as well.
That they are working at much closer to full capacity than many other countries and garment exports dropped by 5.4 percent to around $3.78 billion in the first half of this year from more than $4 billion in the same period in 2019, according to the ministry of labour and vocational training.

Ken Loo, secretary-general of the Garment Manufacturers Association in Cambodia (GMAC), said the general decline was because of the suspension of factories and fewer purchasing orders.

Cambodia has a total of 282 Covid-19 cases with no reported deaths.

**Myanmar**

Factories are closed in the country from Sept. 24 through Oct. 21, as the number of Covid-19 cases started rising and the government placed a stay-at-home order for Yangon and surrounding areas where the majority of factories are.

The garment sector has had a series of disruptions since February, not only because of canceled orders and the effects of the pandemic within the country, but also due to difficulty securing imports from China, from where 90 percent of the raw materials for the local garment industry are imported.

Garment exports were at $2.73 billion from October through May, in the fiscal year 2019-2020, according to data from the Ministry of Commerce, down from $4.6 billion in the 2018-2019 financial year.

As of October 12, Myanmar has 29,445 Covid-19 cases, with 664 deaths.

Weighing in on the the impact of the coronavirus pandemic as Asia continues to face a heavy toll with its high population, migrant labor issues and its dependency on a grim global retail situation, CPD’s Rahman noted: “Asia is going to keep the lead in terms of sourcing. It is not very easy to replace such high volume of sourcing from one region.”

Source: sourcingjournal.com– Oct 15, 2020
US home textile imports surge 20.7 per cent in Q3

There was a 20.7 percent surge in US’ imports of home textiles in the third quarter, including a 361 per cent surge in shipments linked to Welspun, says Panjiva, the supply-chain research unit of S&P Global Market Intelligence. The country’s imports of winter apparel fell by 21.1 per cent during the quarter, which included a 24.7 per cent drop in shipments linked to Sumec Corp, a Chinese importer of bulk commodities including apparel and textiles.

Panjiva’s data shows, total US imports of apparel, footwear and textiles imports rose by 0.8 percent year-over-year in September 2020. However, imports of apparel and footwear fell by 1.6 percent and 17.0 percent year-over-year, respectively, while textile imports spiked by 18.9 percent.

COVID-19 has driven many shoppers to invest in athleisure apparels instead of work-appropriate attire. This can be corroborated by a rise in shipments of athleisure apparel, while imports of suits and shirts dropped 17.6 percent. Even spending on kids’ apparel for kids has slowed as parents faced uncertainties over what the school year would bring.

Source: fashionatingworld.com– Oct 15, 2020

Uzbekistan president urges to boost cooperation with China, Republic of Korea

Uzbekistan President Shavkat Mirziyoyev on October 14 held a government meeting to discuss the progress in the implementation of joint trade, economic, investment and humanitarian projects with China and the Republic of Korea, the president’s official website reported.

It was said at the meeting that China and South Korea are strategic partners for Uzbekistan. During high-level visits, numerous agreements were reached and roadmaps were adopted to provide for the execution of projects in the trade, economic, investment, humanitarian and other spheres.

However, the coronavirus pandemic has affected the global economy, and lockdown restrictions led to a reduction in foreign trade relations, transport links and delays in the fulfillment of investment projects.
On October 6, President Mirziyoyev talked over the phone with President Moon Jae-In of the Republic of Korea. The sides agreed to speed up joint programs and projects, assist in their execution and, if necessary, attract soft loans.

Interaction with China is also developing dynamically. Preparations are underway for the forthcoming state visit of China President Xi Jinping to Uzbekistan.

For 8 months of this year, the volume of trade between Uzbekistan and China reached $4 billion, with South Korea it amounted to $1.4 billion.

The President noted the availability of enormous potential for building up cooperation with these countries, stressing the lack of noticeable results. Mirziyoyev pointed to failures in the enforcement of roadmaps and the shortage of systemic work in this direction.

This year, export indicators have decreased in some areas. In particular, over the past eight months, exports to China decreased by 42.3 percent in the textile sector, by 33.1 percent in the chemical and petrochemical industry, and by 18.1 percent in agriculture.

During the same period, passiveness was registered in Surkhandarya, Bukhara and Kashkadarya regions in terms of exports to South Korea.

Mirziyoyev stressed the need to effectively cash in such favorable factors as the open economic policy of China and the advantageous geographical position of Uzbekistan, to organize the exports of goods with higher added value to the South Korean market by air transport.

Beijing and Seoul are also major investors in Uzbek economy. Over the past three years, $3.9 billion of investments came from China and $850 million from the Republic of Korea.

However, the realization of some investment projects lags behind schedules.

The President urged the officials to prompt full-scale cooperation with China and the Republic of Korea, find new areas of interaction, elaborate joint projects and ensure oversight of their realization.

“Times change, so do requirements. We have been analyzing the state of affairs across industries. Decisions are made on their streamlining. And the
results should correspond with our efforts. Economic sustainability is guaranteed by growth in export and investment indicators,” Mirziyoyev said.

Source: timesca.com– Oct 15, 2020

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Low labor costs favorable policies make Cambodia an attractive investment destination

A fast developing nation, Cambodia has not received any orders for garments since May this year. And as a CCF Group report suggests, around 256 garment, footwear and travel goods factories in the country have suspended operations, affecting over 130,000 workers.

A report by the National Bank of Cambodia highlights, garment exports by the country have diminished by over 5 per cent to approximately $3.78 billion in the first half of this year. Imports too have declined by 5 per cent due to a 15 per cent drop in import of garment raw materials. Textile and garment raw materials have declined due to interrupted supply from China, which was affected by tough COVID-19 restrictions in early 2020.

GMAC stalls minimum wage discussions

As per the country’s labor ministry, garment factories have not received any orders since May this year. Around 256 garment, footwear and travel goods factories in the country have suspended operations while 169 tourism companies too have temporarily closed their manufacturing units, laying off around 16,891 workers. The Cambodian government has decided to pay $70 a month to each unemployed worker.

The Garment Manufacturers Association in Cambodia (GMAC) has requested the labor ministry to stall minimum wage negotiations in textile, garment, and footwear sector for 2021 while Better Factories Cambodia (BFC) has started a hotline number to protect workers in the garment, footwear, travel goods and bag industries against the spread of COVID-19.

The Cambodian government has also permitted GMAC to produce all kinds of face masks, medical equipment and protective clothing for domestic
consumption and export them under the threat of rapid spread of COVID-19.

**EBA suspension to cause further unemployment**

Meanwhile GMAC and the Cambodia Footwear Association (CFA) have requested the EU to postpone partial withdrawal of the Everything but Arms agreement (EBA). EU had earlier suspended Cambodia’s eligibility for EBA due to gross violations of human rights in the country. On June 2, the GMAC, CFA and with European Chamber of Commerce (Eurochambers) sent a letter to EU requesting it to postpone the scheduled August 12 implementation of the partial suspension of EBA benefits for Cambodia.

GMAC argues COVID-19 has already devastated conditions of Cambodian workers. Partial EBA would serve as a double blow to the countries textile and garment sector and prevent further employment in the sectors.

**New FTAs to boost exports and investments**

Cambodia is finalizing Free Trade Agreements (FTAs) with China and South Korea. These FTAs are expected to boost exports and raw material investments and boost bilateral trade $10 billion by 2023. And the new investment law will help Cambodia attract new investors and sign more agreements with South Korea, Japan, UK, India, Mongolia, the Eurasian Economic Union (EAEU) and the US.

As per a Fitch Solutions report, China reduction of apparel manufacturing operations has encouraged Cambodia to expand its manufacturing services to North America and Euro. Low labor costs and favorable investment policies along with full foreign equity ownership in textiles is further supporting this shift. The country not only imports its raw materials from China but also uses its transport facilities.

Source: fashionatingworld.com– Oct 15, 2020
ApparelX releases global apparel sourcing platform

ApparelX has released global apparel sourcing platform ApparelX Global, a cross border e-commerce solution to bring the best service for worldwide ApparelX’s users. ApparelX Global has launched the worldwide version in English and localised e-commerce sites for China, the United States, the United Kingdom, Vietnam, Hong Kong, and Taiwan.

ApparelX Global is a global apparel sourcing platform that aims to export Japanese products to international market, import international products to Japan, and create a true global network for the apparel industry by opening office branches, warehouses and building distribution channels in each country.

The ApparelX Global includes multi-language, multi-currency, international shipping and other features. ApparelX uses a unique AI translation technology to handle terminology of the apparel industry and double check the translation with native speakers. Currently, ApparelX Global is available in five languages: English, Chinese (traditional/simplified), Vietnamese, and Korean. Italian, French, German, Spanish, Portuguese and Hindi will be available soon, the Japanese company said in a press release.

The platform works in multi-currency, including US dollars, pounds, euros, Chinese yuan, new Taiwanese dollars, Hong Kong dollars, Vietnamese dong, won and Japanese yen. The currency list will be expanded in the next phase, the release added.

For international shipping, presently ApparelX cooperates with EMS, DHL, UGX, and OCS to create a fast and flexible delivery service for its international customers.

ApparelX Global team comprises several members from different countries, providing fast and accurate responses for email inquiries and Zoom business negotiations in English, Chinese and Vietnamese.

As a network for not only customers, but also suppliers, ApparelX is constantly looking for business partners to join the ApparelX community. "ApparelX Business Matching was a big success in Japan and has connected many businesses in the industry together," the release said.
ApparelX other projects include ApparelX Global Business Matching, ERP Services for exporting and importing, Global Youtube channel, ApparelX Global News, ApparelX Global Blog, and attending international fair and exhibitions.

Developed and operated by Okura Shoji Co Ltd, with the idea of "changing apparel material and accessories procurement process", ApparelX is a site where one can order all apparel textile, trims and accessories at once, going beyond the boundaries of location and distribution channels.

ApparelX has been welcomed by many apparel manufacturers and accessory factories, with the number of registered companies exceeding 4,700. There have been many inquiries for Japanese fabric from over the world, prompting the company to develop an e-commerce site that supports the languages and currencies of different countries to introduce Japan's finest products worldwide.

"Besides bringing Japanese products to the world, in the future, we aim to be the network where overseas textile, trims and accessories can be easily purchased in Japan. Thus, ApparelX will be a service which users all over the world can procure goods from any country, regardless of languages and borders," the company said.

Source: fibre2fashion.com– Oct 15, 2020

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Vietnam’s COVID-19 control fuels economic growth: expert

Vietnam’s containing of the COVID-19 pandemic allowed quick reopening of local businesses, and the country is now expected to be the world’s fastest growing economy in 2020, said Ruchir Sharma, the chief global strategist at Morgan Stanley Investment Management.


According to the article, within days following China’s announcement its first COVID-19 case, Vietnam mobilised different resources to stop the spread of the coronavirus. Rapid isolation of outbreaks has kept Vietnam’s death rate among the four lowest in the world, it said.
While many nations are suffering enormous economic contractions and running to the International Monetary Fund for financial rescues, Vietnam is growing at a 3% annual pace. Its growth is driven by a record trade surplus, despite the collapse in global trade.

The author noted during their boom years, the original Asian miracles — first Japan, then Taiwan and the Republic of Korea, and most recently China — produced annual export growth close to 20%, which were nearly double the average for low- or middle-income nations at the time. Vietnam has sustained a similar pace for three decades. Even as global trade slumped in the 2010s, Vietnam’s exports grew 16% a year, by far the fastest rate in the world, and three times the emerging-world average.

He said Vietnam devotes its resources to exports, building roads and ports to get goods overseas and building schools to educate workers, adding that the Vietnamese government annually invests about 8% of GDP each year on new building projects.

According to the article, over the last five years, foreign direct investment has averaged more than 6% of Vietnam’s GDP, the highest rate of any emerging country. Most of it goes to building manufacturing plants and related infrastructure, and most of it now comes from Asian countries, including the Republic of Korea, Japan and China.

Sharma considered Vietnam a favourite destination for export manufacturers. Average annual per capita income in Vietnam has quintupled since the late 1980s to nearly US$3,000 per person. Tech, which surpassed garment and textiles to become Vietnam’s leading export in 2015, accounts for most of the country’s record trade surplus this year.

He also highlighted that in a protectionist era, Vietnam is a trend-bending by signing more than a dozen free trade agreements, including a recent landmark deal with the European Union.

The author concluded the article by saying: “Vietnam looks like a miracle from a bygone era, exporting its way to prosperity.”

Source: en.nhandan.org.vn— Oct 15, 2020
Bangladesh: On-line RMG platform

The launch of an online readymade garment (RMG) platform called 'Merchant Bay' last week is no doubt a remarkable event that may have escaped many people's notice. In fact, such a digital platform is critically vital to facilitate communications between businesses at home and abroad, and hence though belated, it is highly likely to render business-to-business (B2B) exchanges far more convenient than now.

Merchant Bay is an online-based B2B platform and its key functions involve trade digitisation, sourcing digitisation, production monitoring. To put it simply, this platform is meant to ensure digitisation of the supply chain by facilitating sourcing for both producers and buyers in a variety of ways. The minister of posts and telecommunications formally inaugurated the online platform via a webinar.

To start with, Merchant Bay will primarily work to build, verify, and create digital profiles of Bangladeshi RMG manufacturers to reach buyers worldwide.

It will also be able to quickly connect suppliers with buyers, deliver updates with transparency, order processing, and production monitoring. By using the platform, it will be possible to make analytical decisions that will make sourcing more affordable and increase production efficiency.

According to industry insiders, the platform will also help SMEs and new entrepreneurs in the garment industry to keep the supply chain active and uninterrupted. It will also help them present themselves in new markets and to buyers worldwide. In addition to establishing a relationship between a producer and a buyer, Merchant Bay has built supplier verification and production monitoring systems. Using the platform's product monitoring system, a manager will be able to manage his factory more efficiently. The digital platform, a subsidiary of a leading garment exporting company Sayem Group, has already registered more than a thousand garment companies.

Clearly, it is the pandemic-induced disruptions including those among international buyers and local exporters affecting the supply chain that has necessitated this digital platform to bring buyers and sellers to the closest proximity possible.
While Merchant Bay's e-B2B platform will make sourcing easier for both factory and buyer, it is expected to improve production and efficiency of factory management. Experts are at one with the view that the ongoing pandemic has brought a significant change in buying behaviour of international retailers, and it is here that the virtual matchmaking via this digital platform can do wonders for both buyers and sellers in taking decisions much faster and with a greater sense of security.

It has been learnt that utmost effort would be taken to upload updated and authentic information including audit reports. In buying garments, auditing and verification of the information of goods and factories are very important. In many cases, export orders get cancelled or suspended because of incorrect audit reports. Merchant Bay will ensure verification of audit reports in order that overseas buyers can safely conduct business deals.

So, it is expected that the digital platform while bringing businesses close to each other, will facilitate them with all critical information enabling them with easy and hassle-free decision making. No doubt, it may be a very important game changer.


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**Pakistan: Textile millers lament spike in Sept power bills**

The All Pakistan Textile Mills Association (APTMA) has expressed concerns over the increase in power tariff from ₨7.5 per kWh to ₨9 in September bills, saying that this increase would play havoc with the small and medium enterprises (SME) sector in the textile value chain.

During a meeting held on Wednesday, APTMA members stated the inflated tariff of ₨9 per kWh shown in Sept bills is 20pc higher than the previous month’s tariff of ₨7.5 per kWh.

They said the year 2020 has already been a challenging one both for the government as well as the industry due to the global outbreak of Covid-19. In view of the massive drop in export orders due to closure of markets, the industry was expecting continuity of ₨7.5 per kWh power tariff, they added.
The participants noted that the average regional power tariff is not more than ₲7 per kWh, adding that this new increase would make Pakistan’s textile value chain uncompetitive in the region.

It was informed that Pakistan’s cost of power production is 26pc higher for the industrial sector compared to other regional countries like Vietnam, Sri Lanka, Malaysia, Bangladesh, South Korea, Thailand and India; whereas it is 28pc costlier for residential areas compared with regional countries.

It is worth noting that the majority of the SMEs in the textile value chain are without gas connections, which means they would have to face an alarming disparity against their regional competitors. The importance of a level-playing field can be estimated from the fact that 70-80 per cent employment is in the SME sector and its growth could address primary issues of the country.

The APTMA members appealed Prime Minister Imran Khan and Power Minister Omar Ayub to take stock of the situation and instruct DISCOs to withdraw electricity bills immediately in the larger interest of the country’s exports, employment and investment.


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NATIONAL NEWS

India's exports rise 6% to $27.58 bn in Sept, imports decline 19.6%

After contracting for six straight months, India's exports rose 5.99 per cent to $27.58 billion in September on account of growth in shipments of drugs and pharmaceuticals and readymade garments, as per the government data released on Thursday.

Exports stood at $26.02 billion in September 2019.

The country's imports contracted 19.6 per cent to $30.31 billion in September. It was $37.69 billion in the same month last year.

The trade deficit narrowed to $2.72 billion, compared to a shortfall of $11.67 billion in the year ago-month.

Gold imports declined by nearly 53 per cent to $601.43 million in September.

"Exports in September 2020 were $27.58 billion, as compared to $26.02 billion in September 2019, exhibiting a positive growth of 5.99 per cent," the government said in a statement.

During the April-September 2020 period, exports declined by 16.66 per cent to $221.86 billion, while imports fell 35.43 per cent to $204.12 billion over the same period last year.

Major export commodities that have recorded positive growth during September include iron ore (109.65 per cent at $303.42 million), readymade garments (10.22 per cent at $1.19 billion), rice (93.86 per cent at $725.14 million), and drugs and pharmaceuticals (24.38 per cent at $2.24 billion).

However, outbound shipments of gems and jewellery declined 24.67 per cent and Mica, Coal and other ores, minerals including processed minerals slipped 6.71 per cent.
The data further revealed that non-petroleum and non-gems and jewellery exports in September stood at $21.27 billion, as compared to $19 billion in the same period previous fiscal, registering a growth of 11.94 per cent.

Oil imports dipped 35.88 per cent to $5.83 billion in September. During April-September, it declined 51.14 per cent to $31.86 billion.

"In this connection, it is mentioned that the global Brent price ($/bbl) has decreased by 34.08 per cent in September 2020 vis-a-vis September 2019 as per data available from World Bank," the statement said.

Taking merchandise and services together, the overall trade surplus for April-September is estimated at $17.74 billion as compared to the deficit of $49.91 billion in the year-ago period.

The estimated value of services exports for September is $16.34 billion and that of imports is 9.49 billion.

Since March, the country's outbound shipments were recording negative growth due to the Covid-19 pandemic and the resultant fall in global demand.


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**GST shortfall: Centre to borrow ₹1.1-lakh cr and on-lend to States**

‘Administratively’ easier move to keep yields under control; many advantages for States, too

To meet the GST compensation cess shortfall, the Centre will borrow on behalf of all the States, and then on-lend to them. This will be done on the lines of funding of ‘externally aided projects’.

The amount will be given to the States as back-to-back loans in lieu of GST compensation cess releases. This administratively easier borrowing arrangement will be done through a special window and has many benefits for the States, including better interest rates (rather than different rates)
and will need to borrow lower amounts for funding the Atmanirbhar package.

Now, the Centre will borrow the estimated shortfall of ₹1.1-lakh crore (assuming all States sign up) through the special window in tranches and on-lend to States.

“It is just like what the Centre does for externally aided projects by borrowing from institutions like World Bank and ADB and then lend to States. It will not be on the books of the Central Government, which means there will be no impact on its fiscal deficit,” a Finance Ministry official said.

The official explained that if each State were to borrow separately, there would be too much of a fluctuation in the yield rates (on State Development Loans, or SDLs). But if the Centre does a consolidated borrowing, the rate will be much lower.

The official also said the borrowing will be for three-four years and the interest and principal will be repaid out of the compensation cess fund. The GST Council has already extended levying of the GST compensation cess beyond June 2022.

Also, the States that get the benefit of the special window are also likely to borrow a considerably less via the additional facility of 2 per cent of GSDP (from 3 per cent to 5 per cent) under the Atmanirbhar package, the Finance Minister’s office tweeted on Thursday.

An official release said this arrangement will not impact the Centre’s fiscal deficit. The amounts will reflect as capital receipts of the State governments and as part of financing of their fiscal deficits, the release said. The General Government (States+Centre) borrowings will not increase by this step, the release clarified.

It maybe recalled that under Option 1, States could borrow ₹1.1-lakh crore for GST shortfall through a special window and, over and above that, an increase from the open market 0.5 per cent of their GSDP.

The increased OMB came as a relaxation of the reform conditions that were stipulated for eligibility. Additionally, under Option 1, the States are also eligible to carry forward their unutilised borrowing to the next financial year.
Experts’ view

Divakar Vijayanarathy, Founder and Managing Partner, DVS Advisors LLP, said the Centre borrowing ₹1.1-lakh crore should not be interpreted as the government yielding to the requests of the States. What is raised by the Centre “would be passed on to the States as back-to-back loans and would not have any impact on Central Government’s fiscal deficit. This would still stand as the liability of the States.

The dissenting States wanted the Centre to absorb the liability without passing it on to States. The Centre has stuck to its ground and borrowing in its name is only for operational convenience and it should not be construed as the Centre yielding to the States. The dissenting States have indicated that they will knock at the doors of the judiciary and a legal battle is set to take place. The Attorney-General’s opinion would be tested in the courts now,” he said.

Jayanta Roy, Senior Vice-President and Group Head, Corporate Sector Ratings, ICRA, said: “This step will reduce the supply of State bonds in the second half of FY21, from the level that was earlier being anticipated. Moreover, the cost of such borrowings would go down. In conjunction with the plan to conduct open market operations in State Development Loans that has been announced by the RBI, such measures should help ease SDL spreads.”

Congress welcomes move

“If the Centre has decided to borrow the ₹1.1-lakh crore and extend it to the States as a back-to-loans, I welcome the change of position. I thank all economists, academics and newspaper editors who supported our position,” said senior spokesman for the Congress P Chidambaram, a former Finance Minister.

Source: thehindubusinessline.com– Oct 15, 2020
Apparel exporters' turnover to dip 25 pc in FY21, domestic retailers to see 40 pc revenue fall: Icra

Indian apparel exporters are likely to see a decline of 20-25 per cent in their turnover in 2020-21, while those focused on domestic market are expected to witness a 30-40 per cent decline in revenue due to the COVID-19 pandemic, rating agency Icra said. Indian apparel players are banking on the upcoming festive season to recover meaningfully from their all-time low sales, Icra said in a report.

Icra projects the Indian apparel exporters to report a turnover decline of 20-25 per cent in FY21, compared to a steeper 30-40 per cent decline in revenues of companies focused on the domestic market, the report said.

This follows a much steeper decline witnessed by apparel companies in April-September FY21, it added.

However, apparel exporters have already witnessed an encouraging build-up in their order book position amid expectations of a spike in festive season sales in international markets.

"Although concerns on the second wave of the pandemic are gathering pace across countries and this remains a key business risk, the recovery trajectory so far has been relatively better for the apparel exporters," Icra Ratings Senior VP and Group Head Jayanta Roy said.

Following the initial cancellations of order offtake by some of the international buyers during March to May, the faster opening up of economies and the resultant better recovery in retail sales in international markets facilitated a relatively higher uptick in sales for apparel exporters in the subsequent months, he added.

For apparel exporters, diversification across customers or geographies and extent of performance pressures on key customers have been the key determinants for COVID-19 impact.

For domestic retailers, the impact depended on factors such as strength of online presence, segments being catered to and the presence in tier II and III cities and rural markets, which have performed better than metros and tier I cities, it said.
Increased downtrading has been witnessed in domestic market amid pressures on discretionary consumer spending, which, together with a faster sale recovery in tier II and III cities and rural markets, benefitted the brands catering to mass or value segments, it said.

However, pent-up demand as well as expectations of healthy festive buying augur well for demand in the domestic market in the third quarter of FY21.

"Demand in H2 FY21 is expected to gather support from extended online festive sales and further relaxations under Unlock 5.0 guidelines, effective from October 15 onwards," Roy said.

"This apart, developments such as a rollback of the previously announced pay cuts by some corporate entities, the government’s festive advance scheme among others are also expected to result in improved cash flows in the hands of consumers, thereby supporting discretionary spending," he added.

The contraction in revenue projected for FY2021 is likely to translate into at least 150-200 basis points (bps) correction in the operating profitability of apparel exporters in the current fiscal.

For domestic apparel retailers, the decline is estimated to be much steeper, at a minimum of 600 bps, as these companies have relatively higher fixed costs like employee costs and rental expenses, Icra said.

The impact on profitability is likely to be somewhat cushioned by cost rationalisation initiatives being undertaken by companies, including renegotiation of rental agreements and transition to revenue-share arrangements, employee-base optimisation, salary cuts, it said.

Amid the shrinkage of profit margins and stretched operating cycles, dependence on debt during the year is expected to remain high and coverage metrics for the year are likely to weaken for apparel companies, more so for domestic apparel retailers, it added.

Source: economictimes.com– Oct 15, 2020
India’s export opportunities could be significant even in a post-COVID world

India’s intellectual and policy community has embraced atmanirbhartta. This inward turn — actually return — amounts to abandoning two core principles of the post-1991 consensus: Export-orientation on the macro-economic side, and slow but steady liberalisation on the trade side. Is the inward turn strong? Is the underlying diagnosis-cum-prognosis correct? Will it work? Based on new research, our simple answers are, respectively: Yes; no; and not really.

Let’s start with some key facts. The inward turn is most evident in trade policies aimed at promoting domestic manufacturing. Leaving aside the spate of China-related restrictions, tariffs have been increased substantially, trade agreements have been put on hold, and a spate of production subsidies are being offered.

Between 1991 and 2014, average tariffs declined from 125 per cent to 13 per cent. However, since 2014, there have been tariff increases in 3,200 out of 5,300 product categories, affecting about $300 billion or 70 per cent of total imports. The average tariff increased from 13 per cent in 2014 to nearly 18 per cent. The largest increases occurred in 2018 when tariffs for nearly 2,500 product categories were increased, amounting to nearly 4 percentage points. Tariff increases have been greatest in low-skill manufactured imports and cell-phone assembly, amounting to 10-15 percentage points.

The inward turn is based on three misconceptions of diagnosis and prognosis. First, the perception is that India’s growth success since 1991 has not really been based on exports and certainly not on manufacturing exports. This is wrong. India has been a model of spectacular export success and an exemplar of export-led growth.

Between 1995 and 2018, India’s overall export growth (in dollars) averaged 13.4 per cent annually, the third best performance in the world amongst the top 50 exporters. Most strikingly, India’s manufacturing exports (in dollars) — for long considered India’s Achilles Heel — grew on average by a whopping 12.1 per cent, the third-best performance in the world, and nearly twice the world average (Figure 2). Only China and Vietnam surpassed India.
These exports made a substantial contribution to the overall GDP growth. In each of the three decades since the 1990s, exports contributed about one-third of overall growth. As a result, India’s export-GDP ratio is currently 20 per cent, more than twice as high as in the early 1990s, despite the post-global financial crisis (GFC) slowdown. Thus, an export slowdown today is likely to have a more consequential impact on the overall economy. Every 5 per cent of the export growth foregone will shave off 1 per cent in overall GDP growth.

The second is a pessimistic prognosis about India’s future exports. This overlooks key facts. Export pessimism is based on expectations of deglobalisation abroad and weak performance at home. But India can gain market share even in a deglobalising world. Consider the numbers. India’s manufacturing exports account for 1.7 per cent of the world’s which is less than Vietnam’s. Even if India’s exports grow three-to four times as fast as the world exports, it would gain only a few percentage points of the global market share after 10 years. China’s secular ceding of low-skill export space provides further opportunity. This is one of the virtues of past under-performance: The future can be more accommodating to India and less intimidating for the world.

This possibility is not just hypothetical. It is exactly what India did after the global financial crisis. In the 2010s, world exports were stagnant and yet India’s exports grew by about 3 per cent. This was true in both manufacturing and services.
The lamentation about deterioration in export performance in the 2010s (especially post-2014) is ironic given that it was partly self-inflicted. It was caused by a domestic anti-export policy, including a sharp exchange rate appreciation of 20 per cent, reputational damage that undermined pharmaceutical exports, and a social policy — on livestock — that affected agricultural exports. Not only did India’s exports hold up as global trade collapsed, they could have held up even more had domestic policies not been so inimical.

The real prize that India should aim for is the large unexploited opportunity of unskilled labour exports — around $140 billion which we discuss in our second column. The other under-recognised opportunity is in services. The post-global financial crisis era witnessed de-globalisation of world trade in goods but globalisation continued apace in services. World exports of goods peaked just prior to the GFC at about 25 per cent, declining to about 21 per cent in 2019. However, world exports of services which reached 6.5 per cent in the GFC, took a hit, but have since steadily risen to about 7 per cent.

COVID could even create an upside potential to globalisation. Consumption and production activities that require close physical contact will fare worse. The flip side is that activities that can be done at a distance — and tradable services are exactly that — could benefit enormously. If so, they could play to India’s comparative advantage in service exports.

Atmanirbharta’s third driver is the strong belief that India’s market is big enough to sustain growth going forward and make up for the loss of opportunities overseas. Size seduces. At $2.9 trillion, and as the fifth largest in the world, India’s GDP seems alluringly big. But if the domestic market is to sustain growth, we need to look at the size of the market (say the “middle class”) with some amount of purchasing power over manufacturing goods and services.

Based on some assumptions, our rough estimate is that this middle class market size is between 15 and 40 per cent of GDP. This is smaller than commonly believed and substantially smaller than any potential world market that Indian firms and producers can and should compete for. The reason is twofold. There are a lot of poor people with limited purchasing power and a few people with a lot of purchasing power who, however, save a lot. Both of these reduce the market for consumption. The delusion of size is making policy-makers set their sights on the domestic market when it should be on the world market.
Normally, it is failure that is an intellectual orphan. In contrast, India’s inward turn seems to be a case of making an orphan of spectacular success. India’s growth model has been an export-led one and should not be abandoned. Moreover, India’s export opportunities in general and in specific sectors could be significant even in a post-COVID world. If the diagnosis and prognosis prompting the inward turn are flawed, will the policy prescriptions be effective? We respond in our next piece, highlighting the real prize that India should aim for.

Source: indianexpress.com—Oct 14, 2020

To embrace atmanirbharta is to choose to condemn Indian economy to mediocrity

India does not have the luxury of abandoning export orientation, the alternatives are limited. Resisting the misleading allure of the domestic market, India should zealously boost export performance and deploy all means to achieve that.

If India’s inward turn is misconceived, then what about the effectiveness of the twin prescriptions: Domestic demand over exports and protectionism over freer trade?

The debate in India has focused on domestic-demand led growth not just as a short-run response to COVID-19, but as a medium-term growth strategy. All the evidence across the world and in India has shown that rapid and sustained economic growth requires export dynamism. India’s GDP growth of over 6 per cent after 1991 was associated with real export growth of about 11 per cent. Pre-1991, a 3.5 per cent growth rate was associated with export growth of about 4.5 per cent.

There is no known model of domestic demand/consumption-led growth, anywhere or at any time, that has delivered quick, sustained, and high (say 6 plus) rates of economic growth for developing countries. But even leaving aside the desirability of exports over domestic demand led growth, how feasible is the latter today? Policies that could achieve this are: More public spending, tax cuts to boost private consumption and private investment, and/or financial sector reform to boost private investment.
Against the current backdrop of bleeding public, financial, and household and private sector balance sheets, these policies look difficult. Only growth can rehabilitate balance sheets; stressing balance sheets further cannot realistically revive growth. Consumption growth will be limited by the fact that household debt has grown rapidly in the last few years. Consumption now can grow only if incomes grow.

Government spending could be a short run option, but COVID has limited that possibility. Post-COVID, India’s debt is expected to rise from about 70 per cent of GDP to about 85-90 per cent and deficits are likely to be in the double-digit range. The fiscal space for spending will be severely limited both because of high levels of deficits and indebtedness and because debt dynamics will be adverse unless growth picks up substantially.

India should be cautious about succumbing to intellectual mimicry of advanced countries on fiscal policy. India’s interest rates are not at zero and are unlikely to be so because of persistent inflation. India’s borrowing is still considered risky, reflected in ratings that are hovering perilously close to being classified as sub-par. The favourable interest rate-growth differential that supports expansionary policy in the advanced countries is absent in India. India may well have scope for expansionary fiscal policy in the short run but not as a medium run growth strategy.
India’s financial system was badly impaired even heading into the COVID crisis and will come out more seriously damaged. Given the limited progress in fixing the financial system, prospects for investment remain weak. In short, in India’s current circumstances, India does not have the luxury of abandoning export orientation because the alternatives are so limited.

If exports are critical, can the recent recourse to protectionist policies deliver? As argued in our last column, India’s market is too small to sustain any kind of serious import substitution strategy or even as a way of offering investors the domestic market as bait and incentivising them to export.

India’s big, unexploited opportunities are in unskilled labour exports, highlighted in the figure. It shows, on the y-axis, a country’s share of low-skilled exports of all developing countries (non-HIC), and on the x-axis, its share of the unskilled labour force for these countries. We expect that countries should line up roughly along the 45 degree line so that outcomes (exports) match endowments (unskilled labour force).

China and India are stark outliers but in the opposite direction. China is vastly over-exporting. India is vastly under-exporting relative to its labour force. We estimate that India is producing and exporting about $60-$140 billion (2-5 per cent of GDP) less of low-skilled activity annually than it should be. There are, of course, two ways to look at this finding. On the one hand, it is an indictment of past performance. On the other, it is also an indicator of potential future opportunity if the underlying problems are addressed.

In recent years, because China’s wages are rising as it has become richer, it has vacated about $140 billion in exports in unskilled-labour intensive sectors, including apparel, clothing, leather and footwear. Post-COVID, the move of investors away from China will probably accelerate as they seek to hedge against supply chain disruptions because of trade actions against China. India did not take advantage of the first China opportunity. Now, a second opportunity stemming from geo-politics has been created and that is India’s big prize waiting to be seized.

Importantly, exploiting this opportunity in unskilled exports requires more not less openness. Consider clothing. To be internationally competitive, many parts and components have to be imported from so many different sources that openness is an existential necessity not a luxury. One indicator is the foreign or import contribution to exports. Comparing China and Vietnam at roughly the time of their export boom in textiles and clothing
suggests that exports were highly dependent on imports (between 40 and 45 per cent). In contrast, India’s import share is about 16 per cent. Achieving Chinese and Vietnamese levels of success will therefore require greater imports and openness.

In the case of clothing, a key policy change in India will be to eliminate tariffs on all inputs. Especially the long-standing tariff on man-made yarn because man-made fibre-based exports (not cotton-based apparel) are the most dynamic segment of world exports. It will also require signing free trade agreements with Europe that still impose high duties on India’s clothing exports of close to 10 per cent which disadvantages India relative to Bangladeshi and Vietnamese exports which enjoy preferential access to world markets. But Europe will only be willing to sign such an agreement if India is willing to open its other markets (for example, automotives). Export success will also require genuine easing of costs of trading and doing business in India.

As India contemplates atmanirbharta, two deeper advantages of export orientation are always worth remembering. First, foreign demand will always be bigger than domestic demand for any country. Second, there is also a fundamental asymmetry:

If domestic producers are competitive internationally, they will be competitive domestically and domestic consumers and firms will also benefit. The reverse is not true: Being competitive only domestically is no guarantee of efficiency and low cost.

In sum, resisting the misleading allure of the domestic market, India should zealously boost export performance and deploy all means to achieve that. Pursuing rapid export growth in manufacturing and services should be an obsession with self-evident justification.

Abandoning export orientation will amount to killing the goose that lays the golden eggs and indeed killing the only goose laying the eggs. Alas, to embrace atmanirbharta is to choose to condemn the Indian economy to mediocrity.

Source: indianexpress.com— Oct 15, 2020
**Assam set to have India’s first international multi-modal hub**

Assam Industry and Commerce Minister Chandra Mohan Patowary on Wednesday stated that Assam is all set to have India’s first International Multi-Modal Hub. The Asian Development Bank (ADB) has agreed to fund the project at an estimated cost of around Rs 600 crore.

Assam is going to hold an exclusive India-Bangladesh Stakeholders’ Meet at Guwahati to discuss and create awareness on the opportunities made available by these trade agreements on October 22 and 23.

“The Government of Assam is planning to develop Jogighopa, a small township near Brahmaputra river, as a logistics hub or trans-shipment point for cargo moving from Assam, Arunachal Pradesh, Nagaland to Bangladesh,” he said, while talking to reporters on Wednesday.

In addition, the Munshiganj River Terminal in Bangladesh will be used as a customs station to handle third-party export and import cargo via Kolkata Port.

“To bring about a significant reduction in logistics cost and faster delivery of Bangladesh export cargo, the Indian side has raised the point regarding permitting a third country export-import trade under the coastal shipping agreement and protocol on inland water transit and trade (PIWTT) by allowing trans-shipment through ports on the east coast of India,” he said.

“The Bangladesh government agreed to hold stakeholder consultations and revert on the matter,” he added. “Increasing connectivity through air, water, rail, road offer a mutually beneficial opportunity for enhancing economic cooperation between Bangladesh and the Northeastern states of India and beyond,” Patowary said.

“Standard operating procedures for the use of Chattagram and Mongla ports for movement of goods to and from India, particularly to and from the Northeast of India have recently been concluded and it is expected that it would create a win-win situation for both economies,” he added.

Source: maritimegateway.com– Oct 15, 2020

HOME

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Exports rise for the first time in seven months, up almost 6% in September

Exports grew for the first time in seven months at 5.99 per cent in September, boosted by items such as pharmaceuticals and engineering goods.

The growth number was higher than 5.27 per cent estimated in the first week of October by the government. The growth assumes importance since it has been contracting not only six months prior to September but in all the previous months of the current calendar year, barring February.

The outbound shipments stood at $27.58 billion in September against $26.02 billion in the year-ago month, showed the trade data released by the commerce department on Thursday. The export number in September was just slightly lower than pre-Covid level of $27.65 billion in February.

Twenty-two of the 30 major products saw growth in exports. “The reasonably broad-based pick-up in merchandise exports in September has come as a relief, and signals on its sustainability are anxiously awaited in the light of the second wave of Covid-19 infections being experienced in many trading partners,” Aditi Nayar, principal economist at ICRA said.

Exporters body FIEO President Sharad Kumar Saraf said as business activities and economic sentiments were inching towards normalcy globally, exporters started receiving enquiries and orders helping many sectors to further show improved export performance, which is likely to get better and better in next few months.

Exports of high-valued items also started reversing the declining trend. Engineering goods exports rose by 5.44 per cent, while electronic goods by miniscule 0.07 per cent. Engineering body EEPC India Chairman Mahesh Desai said: “The challenge in the external trade would continue given the present state of global health emergency.”

On the other hand, imports declined 19.6 per cent at $30.31 billion in the month, against $37.69 billion in the year-ago period. Falling prices of crude and products (35.88 per cent fall) played an important role in this. Transport equipment was lower by 47.08 per cent and machinery electrical and non-electrical by 36.76 per cent. As such, the trade deficit declined 76.66 per cent to $2.72 billion from $11.67 billion in the year-ago period.
In imports, non-oil, non-gold imports were down by 12.63 per cent at $23.88 billion in September, against $27.33 billion in the year-ago month. This category of imports denotes domestic demand. As such, domestic demand may still take some time to recover even as pace of contraction in non-oil, non-gold imports came down from $30 billion in the previous two months each.

“The recovery in exports could only be considered sustainable if there is also pick-up in imports of non-oil, non-gold items,” said Prhalathan Iyer at Exim Bank.

Exports fell 21.31 per cent at $125.25 billion in the first six months of the current financial year. Trade Promotion Council of India Chairman Mohit Singhla said food and agri exports recorded almost 45 per cent growth in the second quarter of FY21 and the demand for these products overseas will further increase. The other sectors that will see rise in demand globally are steel, mining, pharma, home sanitation, and home furnishing sector.


DGFT notifies Procedure for Application and Issuance of Script under Scheme for RoSL

The Director General of Foreign Trade (DGFT) on Tuesday, notified the procedure for application and issuance of Script under Scheme for Rebate of State Levies (RoSL).

The DGFT Based on notifications for the issue of RoSL for Shipping Bills prior to March 7, 2019, under a scrip mechanism procedure for applying recovery mechanism and the new Aayat Niryat Form ANF-4SL is notified.

It is also notified that ROSL scripts would be available only for those shipping bills which have been transmitted from the ICEGATE server to DGFT server and for which exporters have not received any RoSL account.

The DGFT while elaborating on the procedure for application and issuance of Script under Scheme for RoSL issued various directions. Firstly, an application for claiming rebate under RoSL shall be filed online in ANF-4SL, using digital signature on DGFT website at http://dgft.gov.in.
Secondly, the exporter/applicant is required to link relevant EDI shipping bills and e-BRCS and submit the application through online mode only. A maximum of 50 shipping bills would be allowed to be attached in one single application by the exporter in the online module.

Thirdly, rebate under scrip mechanism under RoSL is admissible only for shipping bills for which Drawback has been disbursed and RoSL amount has not been disbursered. Only those Shipping bills on which Customs authorities/ICEGATE have not disbursed ROSL will be transmitted only by the DG (Systems) ICEGATE to the DGFT Server for exporters to file an application.

However, the applicant shall ensure that no application is lied against the shipping hit which ROSL claim has been received from the Customs Authorities along with Drawback mis-declaration to that effect, would invite penal action as per the FT (D&R) Act, 1992.

Source: taxscan.in– Oct 15, 2020

Cotton futures trade flat at Rs 19,100 per bale in afternoon trade

Cotton futures trade steady at Rs 19,100 per bale on October 14 after rising for the sixth straight day. The commodity settled above Rs 19,100/bale on the Multi-Commodity Exchange (MCX) on October 14.

ICE Cotton December futures continued with steady gains and settled near 68.93 cents/pound level on October 14.

Mohit Vyas, Analyst at Kotak Securities, said, “Prospect of better cotton export from India, limited new crop arrival in physical mandis and Cotton Corporation of India’s procurement at the minimum support price (MSP) have lifted the crop price by more than Rs 1,000 since the beginning of this month.”

Indian cotton is still the cheapest in the world as it trades around 5 percent discount from Cotlook A prices of 74 cents as on October 14.
In the futures market, cotton for October delivery touched an intraday high of Rs 19,120 and a low of Rs 19,010 per bale on the MCX. So far in the current series, the commodity has touched a low of Rs 16,060 and a high of Rs 19,220.

Cotton futures for October delivery fell Rs 20, or 0.1 percent, to Rs 19,100 per bale at 14:47 hours IST on a business turnover of 545 lots. The same for November contract was down Rs 50, or 0.26 percent, at Rs 19,280 per bale on a business volume of 608 lots.

The value of October and November’s contracts traded so far is Rs 3.28 crore and Rs 1.05 crore, respectively.

Kotak Securities expects cotton to continue with marginal gains for the near future.

Source: moneycontrol.com – Oct 15, 2020

Telangana State second in cotton cultivation

Due to controlled farming, Telangana (59 lakh acres) stood second in cotton cultivation in India.

In 2020 rabi season, cotton was grown in 3.19cr acres in the country. Maharashtra took the first place with 1.04cr acres.

Source: timesofindia.com – Oct 16, 2020
Apparel firms pin hope on festival boost

After witnessing a major setback in the past two quarters due to Covid pandemic, apparel companies are banking on the coming festival season for a recovery from an all-time low phase.

Export orders

Apparel exporters have already received encouraging orders on expectation of a spike in the festival season sales in the international markets. However, turnover is expected to decline 20-25 per cent this fiscal compared to 40 per cent fall in revenues of companies focussed on the domestic market in first half of this fiscal, said ICRA in a report.

Jayanta Roy, Senior VP, ICRA Ratings, said though the recovery trajectory so far has been relatively better for exporters, the second wave of the pandemic gathering pace across countries remains a key risk. The faster opening up of economies and better recovery in retail sales in the international markets facilitated a relatively higher uptick in sales for apparel exporters in the last few months, he said.

Demand in second half of this fiscal is expected to gather support from extended online festival sales and further relaxations under Unlock-5 guidelines. This apart, developments such as a rollback of the previously announced pay cuts by some corporate entities and the Government’s festival-advance scheme are also expected to result in improved cash flows in the hands of consumers, thereby supporting discretionary spending, Roy added.

Domestic market

However, the contraction in revenues projected for FY21 is likely to translate into at least two per cent fall in operating profitability of apparel exporters in the current fiscal. The drop for the domestic-market focused companies would be much higher at six per cent as these companies have relatively higher fixed costs.

Source: thehindubusinessline.com– Oct 15, 2020
Compliance being tightened: E-way bill to be blocked if monthly returns not filed for 2 months or more

In a sign that the government intends to resume implementation of compliance measures after disruptions caused by pandemic, the finance ministry on Thursday said that GST taxpayers above Rs 5 crore turnover will not be allowed to generate e-way bill henceforth if they have not filed two or more monthly summary returns (GSTR-3B). The anti-evasion measure was originally scheduled to come into force last year in June but has been repeatedly set aside due to various reasons. The rule has been modified to be applicable only to taxpayers above Rs 5 crore turnover threshold while the earlier rule was meant to apply to all taxpayers.

The e-way bill is required to be generated from a common portal by a business for movement of consignment worth more than Rs 50,000. For this, the supplier/recipient furnishes part A of the form with details of GST identification number, value of goods and invoice number among others. Further, part B of the e-way bill form is furnished by the transporter with details of vehicle used. The GSTR-3B compliance has been lower than government’s expectation, hovering around 70% (of the eligible taxpayers) till due date for each month. However, the pandemic resulted in further deterioration in the first quarter of the year with April, May and June clocking 69%, 57% and 15% respectively till July 16, according to the official data. It is to be noted that the deadline for these months had been extended to September 30.

Lack of compliance has posed problems for the tax department to match invoices between buyers and sellers and prevent frauds, particularly those of fake invoices. The finance ministry in March this year had said that the central GST authorities have detected evasion of Rs 70,206 crore between July 1, 2017 (launch of GST) and January, 2020. The tax department managed to recover nearly half of this amount (Rs 34,591 crore).

Abhishek Jain, tax partner, EY, says: “With e-way bill blocking being practically executed, this should help check tax evasion and boost timely compliances. Separately, for genuine cases of non-filing, including technical glitches, if any, the law provides for an alternate avenue of obtaining an exception approval from the commissioner; this should help ensure no unwarranted deterrence to businesses.”

Source: financialexpress.com– Oct 16, 2020