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INTERNATIONAL NEWS

ITMF: Global Textile Sector Expectations Turned Negative in July

The 15th International Textile Manufacturers Federation (ITMF) "Corona-Survey" showed that the business situation plunged into negative territory in July.

The business situation was worse in Asia than in the rest of the world. Textile machinery was the only segment still in positive territory. Business expectations have also turned negative for the first time since the start of the survey in early 2020. South-East Asia and South America were relatively more optimistic, as were downstream segments.

ITMF said in releasing survey results this week that order intake was weakening globally, but still in positive territory.

"Here too, expectations have turned negative in all textile segments except for textile machinery producers," ITMF said. "A difficult period is to be expected ahead. Order intake is deteriorating in all Asian regions and stable in North America, South America and Africa."

The industry's order backlog has been improving somewhat in the past few months, from a maximum of 3.1 months in March to 2.9 months in July, ITMF said, and it's expected to continue falling until March 2023. Capacity utilization rate has been stagnating since the beginning of 2022. This indicator is rising in Africa and North and Central America, while South Asia reported a strong decrease in capacity utilization, as did fiber and home textile producers, and yarn spinners.

"While high prices for raw materials, energy and logistics are still regarded as major supply side concerns, they have somewhat eased compared to May 2022," ITMF added. "The prospects of weakening demand caused by surging inflation are worrisome."

Separately, Gadoon Textile Mills, a part of the Yunus Brothers Group (YBG), one of the largest spinning and textile companies in Pakistan, has joined the ITMF as a corporate member.

Established in 1988, Gadoon Textile Mills manufactures and processes cotton and manmade fibers, while leveraging its state-of-the-art manufacturing plants in Karachi and Gadoon Amazai.

"In a fast evolving, dynamic and integrated world, the ITMF represents a growing ecosystem of industry leaders, experts, and key stakeholders from the global textile industry," Sohail Tabba, CEO of Gadoon Textile Mills, said. ""This corporate membership unlocks a valuable knowledge-based platform for us in terms of industry analytics, which will help the team at Gadoon Textiles build bridges through numerous networking and collaboration opportunities across the global textile value chain."

The ITMF is an international forum of the global textile value chain, from fiber to finished products. Its members are from textile and apparel-producing countries representing 90 percent of global production.

Source: sourcingjournal.com- Sep 15, 2022

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Chinese economy's export pillar shows cracks from global slowdown

BEIJING: China's exporters – the last reliable pillar of the world's second-largest economy as it struggled with the pandemic, weak consumption and a property crisis – are warning of hard times ahead as softer overseas markets force them to shed workers, shift to lower-value goods and even rent out their factories.

Alarm bells sounded for China's $18 trillion economy when trade data last week showed export growth well short of expectations and slowing for the first time in four months.

Those alarms are echoing in workshops across eastern and southern China's manufacturing hubs, in industries from machinery parts and textiles to high-tech home appliances, where businesses are scaling back while export orders dry up.

"It is very likely China's exports will slow further or even contract in the coming months, as leading economic indicators point to a global growth slowdown or even recession," said Nie Wen, a Shanghai-based economist at Hwabao Trust.

Exports are vital to China more than ever, with all other pillars of its economy on shaky ground. Nie estimates exports will account for 30-40% of China's GDP growth this year, up from 20% last year, even as outbound shipments slow.

"We had no export orders in the first eight months at all," said Yang Bingben, 35, whose company makes industrial-use valves in eastern China's export and manufacturing hub of Wenzhou.

He has let go all but 17 of his 150 workers and rented out most of his 7,500-square-meter (80,730 square foot) plant.

He sees little hope for the fourth quarter, typically his busiest season, and expects sales this year to drop 50-65% from last year, with the stalling domestic economy unable to take up any slack from the slump in exports.

To support the sector, export tax rebates have been expanded, and a cabinet meeting chaired by Premier Li Keqiang on Tuesday pledged support for exporters and importers to secure orders, expand markets and improve the efficiency of port operations and logistics.

RELIANCE ON EXPORTS

China over the years has moved to ease its economy's reliance on exports for growth, and reduce its exposure to global factors beyond its control, while some low-cost manufacturing has been shifting to other countries such as Vietnam as China grows richer and its costs rise.

In the five years before the pandemic, from 2014 to 2019, the share of exports in China's GDP shrank to 18.4% from 23.5%, according to World Bank figures.

But that share edged back up with the emergence of COVID-19, reaching 20% last year, in part as locked-down, home-bound consumers worldwide snapped up China's electronics and household goods. That also helped to buoy China's overall economic growth.

The pandemic has come back to bite China this year, however. Its strict efforts to contain domestic COVID outbreaks led to lockdowns that disrupted supply chains and shipping.

But much more ominous for exporters, they say, has been the slowdown in overseas demand, as the pandemic's fallout and the Ukraine conflict fuel inflation and tighter monetary policies that are depressing global growth.

"Sliding demand for robot vacuum cleaners in Europe is beyond our expectation this year, with customers placing fewer orders and unwilling to buy expensive products," said Qi Yong, a Shenzhen-based exporter of smart home electronics.

"Compared with 2020 and 2021, this year is the harder one, full of unprecedented hardship," he said. While shipments picked up this month in the run-up to Christmas, he said, sales may still drop 20% in the third quarter from a year earlier.

He has cut 30% of his staff, to around 200, and may lay off more workers if business conditions require it.

These retrenchments put further pressure on policymakers searching for new sources of growth in an economy burdened by a year-long property slump and disruptions from Beijing's zero-COVID policy.

Chinese companies involved in exporting and importing goods and services employ one-fifth of China's workforce, supplying 180 million jobs.

Some exporters are adjusting their operations in response to the slump by producing cheaper goods, but this too will eat into revenue.

Miao Yujie, who runs an export company in eastern China's Hangzhou, said he has started to use cheaper raw materials and to produce lower-value electronics goods and clothing that would appeal to inflation-wary, price-conscious consumers.

"There will be a big drop in exports in the second half of the year," Miao said.

Source: economictimes.com- Sep 16, 2022

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European Commission proposes ban on items made with forced labour

The European Commission recently proposed to prohibit products made with forced labour in the European Union (EU) market. The proposal covers all products, namely those made in the EU for domestic consumption and exports, and imported goods, without targeting specific companies or industries. EU customs authorities will identify and stop such products at borders.

The proposal builds on internationally-agreed definitions and standards, and underlines the importance of close cooperation with global partners.

National authorities will be empowered to withdraw from the EU market products made with forced labour, following an investigation.

“Competent authorities and customs will work hand-in-hand to make the system robust. We have sought to minimise the administrative burden for businesses, with a tailor-made approach for SMEs [small and medium enterprises]. We will also further deepen our cooperation with our global partners and with international organisations,” executive vice president and commissioner for trade Valdis Dombrovskis said in a release by the Commission.

National authorities in the member states will implement the prohibition through a robust, risk-based enforcement approach.

In a preliminary phase, they will assess forced labour risks based on many different sources of information that together should facilitate the identification of risks and help focus their efforts.

These may include submissions from civil society, a database of forced labour risks focusing on specific products and geographic areas, and the due diligence that companies carry out.

The authorities will start investigations on products for which there are well-founded suspicions that they have been made with forced labour. They can request information from companies and carry out checks and inspections, including in countries outside the EU.

If national authorities find forced labour, they will order the withdrawal of the products already placed on the market, and prohibit to place the products on the market, and to export them. Companies will be required to dispose of the goods.

The Commission will also issue guidelines within 18 months from the entry into force of this regulation.

The proposal now needs to be discussed and agreed by the European Parliament and the EU Council before it can enter into force. It will apply 24 months after its entry into force.

Source: fibre2fashion.com- Sep 15, 2022

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Industrial production falls 2.3% in euro area, 1.6% in EU in July 2022

In July 2022, the seasonally adjusted industrial production fell by 2.3 per cent in the euro area and by 1.6 per cent in the EU, compared with June 2022, according to estimates from Eurostat, the statistical office of the European Union. In June 2022, industrial production increased by 1.1 per cent in the euro area and by 1 per cent in the EU.

In July 2022 compared with July 2021, industrial production decreased by 2.4 per cent in the euro area and by 0.8 per cent in the EU.

In the euro area in July 2022, compared with June 2022, production of durable consumer goods fell by 1.6 per cent and intermediate goods fell by 0.8 per cent, while production of energy rose by 0.4 per cent. In the EU, production of durable consumer goods fell by 1.6 per cent and intermediate goods by 0.8 per cent, while production of energy rose by 0.7 per cent.

Among Member States for which data is available, the largest monthly decreases were registered in Ireland (18.9 per cent), Estonia (7.4 per cent) and Austria (3.2 per cent), while the highest increases were observed in Lithuania (6.5 per cent), Sweden (5.8 per cent) and Malta (4.2 per cent), according to Eurostat.

In the euro area in July 2022, compared with July 2021, production of intermediate goods fell by 1.8 per cent, while production of energy rose by 1.1 per cent and durable consumer goods rose by 1.4 per cent. In the EU, production of intermediate goods fell by 1.4 per cent, while production of durable consumer goods rose by 0.9 per cent and energy rose by 3.1 per cent.

Among Member States for which data is available, the largest annual decreases were registered in Ireland (23.7 per cent), Estonia and Slovakia (both 6.4 per cent) and Belgium (5.1 per cent). The highest increases were observed in Bulgaria (17.6 per cent), Denmark (12 per cent) and Poland (10.3 per cent).

Source: fibre2fashion.com- Sep 16, 2022

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Toss China Tariffs, Industry Urges Trade Court

Organizations including the Retail Litigation Center, National Retail Federation, American Apparel & Footwear Association and Footwear Distributors and Retailers of America in a joint statement called on the United States Court of International Trade to end the Section 301 tariffs against China.

The coalition criticized the U.S. Trade Representative's (USTR) "insufficient response" to tariff comments submitted by industry groups. Earlier this month, USTR confirmed that representatives of domestic industries benefiting from the tariff actions in the Section 301 investigation of "China's Acts, Policies and Practices Related to Technology Transfer, Intellectual Property and Innovation" want to keep the punitive duties in place.

USTR said accordingly, as required by statute, the tariffs did not expire on their four-year anniversary dates and the office will proceed with the next steps as provided in the statute. In May, USTR commenced the statutory four-year process by notifying representatives of domestic industries benefitting from the tariff actions that the duties might expire and giving them the opportunity to support their continuation. Since it received requests to keep the duties in place, the tariff actions have not terminated and USTR will review whether to take any action at all.

One of those representatives of domestic industries–the National Council of Textile Organizations (NCTO)–explained its stance before a U.S. International Trade Commission (USITC) hearing in July that Section 301 penalty tariffs on finished Chinese textile and apparel imports give American manufacturers a chance to compete and provide trade officials with an essential trade negotiation tool.

"The Court of International Trade gave the United States Trade Representative a second chance to satisfy its most basic obligations of reasoned decision-making for List 3 and List 4 tariffs, but USTR failed again to do so," the coalition said Wednesday. "After the agency responded to none of the thousands of critical comments it received during its initial rulemaking process, the Court of International Trade remanded to give USTR another opportunity to explain itself. But USTR again offered only deflection and conclusory declarations."

The coalition said the court "bent over backwards to allow USTR to comply with its Administrative Procedure Act obligations," and that it has shown itself "incapable of meeting its legal responsibilities." The group said USTR's response "must be met with the appropriate legal action."

The groups have filed an amicus brief in support of the challenge to List 3 and List 4 China Section 301 tariffs. The brief was prepared by Joe Palmore and Adam Sorenson of Morrison & Foerster LLP.

"The time has come for the Court of International Trade to impose the normal remedy for unlawful agency action and vacate the tariffs that are taxing American consumers, contributing to the exorbitant rise in inflation and burdening our supply chains," the coalition said. "All illegally collected List 3 and List 4 tariff duties should be returned. The Administrative Procedure Act demands it. American businesses and consumers should no longer be forced to pay higher prices on products because of tariffs that USTR cannot reasonably justify."

The tariffs were one of the few policies President Biden continued from the Trump administration after he took office. Biden said he wanted to use them as "leverage" against China in negotiations over bilateral trade.

Source: sourcingjournal.com- Sep 15, 2022

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Higher Prices Gave US Retail Sales a Boost in August

Higher prices resulting from inflation helped give U.S. retail sales a 0.3 percent uptick in August to $683.3 billion, following a downwardly revised 0.4 percent decline in July.

Excluding gasoline sales, retail sales rose 0.8 percent. The Commerce Department figures aren't adjusted for inflation. Retail sales have been essentially flat for the past year after adjusting for inflation.

Helping retail sales in August were lower prices at the gas pump, as well as a 2.8 percent increase in spending on automobiles and parts and a 1.1 percent gain in spending at restaurants and bars.

On a seasonally adjusted basis, apparel and accessories sales at specialty stores rose 0.4 percent from July's figures, while department store sales increased 0.9 percent. Sales at nonstore retailers, the category that includes internet-only operations, fell 0.7 percent. Sales at furniture and home furnishings stores fell 1.3 percent.

Consumers shopped for apparel as part of their August back-to-school (BTS) preparations. Ethan Chernofsky, vice president marketing at Placer.ai, said that inflation, high gas prices and a comparison to an especially strong BTS season in 2021 proved challenging for retailers, with visits to superstores and discount chains in August down year-over-year, giving the discount and dollar channel its first decline in 2022. However, he said apparel was up 1.7 percent in August at superstores and discount chains, and even rose over 2019. Consumers who resume the "mission-driven shopping trend already experienced by Target and Walmart this summer" could boost basker sizes, he added.

Jefferies retail analyst Ashley Helgans said Thursday that the sales data illustrates consumers' interest in spending on more than the essentials. And credit analyst David Silverman, senior director at ratings firm The Fitch Group, said shoppers' willingness to continue to spend after several years of strong growth supports a constructive view on consumer health. "High inventory levels, as discussed in the recent earnings seasons, should lead to elevated promotional activity in categories like apparel and home through the remainder of the year, depressing company margins although potentially providing some modest inflationary relief to customers willing to bargain hunt in these categories," Silverman said.

Wells Fargo economists said that five of 13 categories posting sales declines in August suggests that the “staying power of consumer spending is waning.” Excluding autos, the “actual level of retails sales is lower in August than it was in June,” and while July retail sales got a boost from Amazon Prime Day, “demand for durable goods” such as in the home category “is now translating into flat or slightly negative outlays,” they added.

“We anticipate the economy entering a mild recession early next year and although we anticipated this retrenchment in consumer spending, this is not yet the start of the downturn,” Wells Fargo economists Tim Quinlan and Shannon Seery wrote in a report. “Consumer demand for services and experience-oriented spending remains intact, for now. This was evident in the 1.1 percent increase in spending in bars and restaurants.”

The economists also noted that the consumer price index (CPI) surprised to the upside, with the underlying drivers emphasizing how supply chain pressure continues to boost prices.

But with inflation up 8.3 percent since last year and far from under control, there’s now speculation on just how high the next rate hike could be at the Federal Reserve’s September meeting on Tuesday and Wednesday. The hot inflation data from the CPI report indicates that the Fed is likely to raise rates by at least a 0.75 percentage point, although there’s speculation that even a 1 percentage point increase is a possibility. Before the CPI report, some economists thought the pace of rate hikes could slow to a half a percentage point increase.

Fed Chairman Jerome Powell said last month that the U.S. central bank is committed to its 2 percent inflation target. The Fed has raised rates four times this year, with a pair of 0.75 percent hikes in June and July, bringing rates to between 2.25 percent to 2.50 percent.

On Thursday, first time jobless claims fell for week ended Sept. 10, representing the fifth straight week of declines, according to data from the Labor Department. That kind of data suggests a fairly strong economy as employers remain on the hunt to fill open positions. And it’s the kind of data that the Fed would be examining for signs of a slowdown. With the jobs front relatively tight and CPI high, there’s no incentive for the Fed to even consider just a 0.5 percent increase.

Other data shows that mortgage rates are now over 6 percent—6.859 percent to be exact for a 30-year fixed term—for the first time since the great recession in 2008. Another Fed rate hike would see mortgage rates eventually climb even higher, not to mention send business borrowing costs higher. With inflation still climbing, consumers will see continued increases in costs for food, housing and utilities, leaving far less left over for discretionary spending on fashion and home furnishings.

NRF chief economist Jack Kleinhenz said that while consumers are benefitting from strong job and wage growth, there are limits particularly if prices do not start to come down. "This retail sales report comes amid mixed signals from the broader economy that show the headwinds against the consumer are strengthening," he said.

NRF president and CEO Matthew Shay said consumers are seeking value to make their dollars stretch, and that retailers have been hard at work to provide "consumers with great products, competitive prices and convenience at every opportunity."

Source: fashionatingworld.com- Sep 15, 2022

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Global luxury brands bank on quick recovery in China market to up sales

Life is like a game of boomerang and sooner or later, everyone sits down to a banquet of consequences of human actions or natural causes. China quickly recovered from the global economic downturn after Covid 19 and became global saviour of luxury brands almost doubling in size compared to 2019 levels of €60 billion ($60.2 billion).

Lockdowns in China affect business

Before the onset of Covid-19, the Chinese nationality was the largest consumer group of luxury brands, driving 33 per cent sales in 2019 - a share that was expected to grow to 40 to 45 per cent by 2025. Most of that spending used to happen abroad but travel disruptions associated with the pandemic caused much of it to shift to China.

The mainland's share of the global market grew from about 20 per cent in 2020 to around 21 per cent in 2021 and was expected to drive global sales. Things however quickly changed as China went under lockdown, with the highly transmissible subvariant of the virus putting President Xi Jinping's zero-Covid policy to the test with brands feeling the impact on their top lines.

As strict lockdowns hit key cities, causing store closures and logistical disruptions, it remains unclear about how long sales will be affected. While most luxury brands seemed confident that the market would pick up again once things are back to normal, the strength of local and global macroeconomic headwinds and the extent to which consumer confidence will be greatly impacted. Although the long-term fundamentals of the all-important China market remain strong, how the next six to 12 months will play out remains more of a debate among luxury industry analysts.

Supply chain disruptions

Covid restrictions greatly affect supply chains in Shanghai as most luxury brand warehouses are located in or near the city. This had a ripple effect as far afield as Chengdu, say Bernstein analysts and caused shipment delays of online orders, with many brands still trying to fulfil orders for the last four months.

When restrictions in Shanghai were lifted at the start of June, there was a huge pickup in sales, according to HSBC global head of consumer and retail research Erwan Rambourg with queues outside several luxury malls. So, even if consumers are unwilling to return to physical stores as of now, online sales and remote selling should see a boost as logistical backlogs ease up.

The bullish view is that consumers have saved a lot during the lockdown period and are now eager to spend. However, the bearish view would be that psychology is greatly affected, explains Rambourg.

Over-reliance on China an issue

In China, the latest round of restrictions has been significantly more severe than those in 2020 with food shortages, supply chain disruptions, and a failing economy causing financial instability. But the global apparel industry has already become over-reliant on China as a growth driver. It is time luxury brands focus on finding out high-potential growth markets elsewhere and have a more global geographically diversified business.

However, industry leaders say, just as China has fuelled much of the growth for the luxury industry over the past decade, the market continues to represent a significant untapped opportunity in the decade ahead. Louis Vuitton, the largest brand by sales globally, is estimated to be targeting less than 2 per cent of Chinese population and likely only counts one-tenth of that small portion as current customers, according to HSBC Research.

China has always been an unputdownable country and a little virus is not going to change that forever so currently the global apparel industry is living in hope.

Source: fashionatingworld.com- Sep 15, 2022

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Cambodia apparel, fashion accessories export up 28 per cent

Cambodia's earnings from exports of apparel and accessories in the first eight months of 2022 were up by 28 per cent.

These accounted for 41 per cent of total January to August exports, inching up by just 0.81 percentage points year-on-year.However, although exports in August alone were up 0.46 per cent year-on-year, this represents a 23 per cent drop from July's figure, which had risen 27.82 per cent over June.

The uptick in garment exports has been credited to relatively normal production in the country as exporters elsewhere face Covid-linked disruptions.

But the industry in Cambodia has started seeing a reduction in orders last month, reversing a seven-month long trend of increases, due to global economic uncertainty and a slew of other hurdles.

This situation is expected to prolong until the end of the year or longer. The garment sector's top markets are, in order, the US, EU, Japan, Canada and the UK. However the situation in EU is not good at the moment. So orders in general for Cambodia will not see positive results in the second half.

Last year, Cambodia's exports of apparel and clothing accessories rose by eight per cent over the figure logged in 2020.
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UK fashion industry calls for greater clarity on trade with EU

Even after 18 months of UK officially leaving the European Union, the country has failed to resolve bilateral trade issues. As Mark Neale, CEO, Mountain Warehouse opines, supplying materials to retail stores in Europe has become more complicated and tiresome post Brexit. Increased costs and bureaucracy have made trading more challenging in the region with sales of smaller brands and businesses declining.
Customs duties hitting fashion exports

Goods not manufactured in the UK and EU are being subjected to customs duty while crossing the UK-EU border. As a Drapers Online report reveals this is creating profound issues that have become even more complex in the past 18 months. Suppliers are splitting their shipments before dispatching them. They are shipping directly to a warehouse in the EU and separately to a warehouse in the UK, leading to a significant costs escalation.

And as Simon Berwin, Owner, Simon Berwin Advisory and Former Managing Director, Berwin & Berwin explains, his fashion clients are losing customers as they have been unable to supply products into Europe due to an increase in duties. The duties paid by UK businesses and consumers on goods imported into the country have surged by 62 per cent to £4.7 billion. Fashion exports have also been hit hard because of higher duty and customs charges.

UK textile and leather exports to the EU have declined 45 per cent compared to the rest of the world, indicates a Resolution Foundation and the London School of Economic report. The report 'The Economy 2030 Enquiry: The Big Brexit', assesses the scale of change caused by Brexit. It attributes the fall in export relationships to the inability of SMEs to afford the costs of non-tariff trade barriers or comply with the rules of origin requirements under the EU-UK Trade and Co-operation Agreement (TCA). And as Guy Mor, Co-founder, 3RD Rock says, many small businesses are dealing with rising shipping, VAT charges and duties. However, businesses can recover import VAT duties through a VAT registration in the EU country of import.

Need for greater clarity on trade issues

In force since January 2021, the Northern Ireland protocol of Brexit withdrawal agreement governs the unique customs and immigration issues at the border in Ireland between the UK and Northern Ireland and the European Union. The remaining of Northern Ireland as a part of the EU for supplies/movements of goods makes certain customs formalities applicable to goods moving between Northern Ireland and Great Britain. This increases the administrative burden of the EU as Northern Ireland requires special border with the Union.

Experts point out, issues are arising because of the requirement of border checks by EU on goods imported from non-EU countries. This is resulting in customs checks at Northern Irish ports, he adds. The UK government is looking to simplify trade between Great Britain and Northern Ireland. But this is threatening its relationship with the EU and creating issues with respect to a united Ireland.

The fashion industry is also calling for greater clarity and a honest dialogue on trade issues with Europe, sums up William Bain, Head - Trade Policy, British Chambers of Commerce.

Source: fashionatingworld.com - Sep 15, 2022

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UKVFTA said to be behind increasing flow of quality FDI to Vietnam

The UK-Vietnam Free Trade Agreement (UKVFTA) is being perceived to be behind the increasing flow of quality foreign direct investment (FDI) into Vietnam in sectors like green finance, renewable energy, hi-tech manufacturing, digital transformation, healthcare, education and climate change adaptation, beyond conventional sectors like manufacturing, processing and mining.

These new sectors are a priority for Vietnam as the country is striving to build a digital economy and promote green growth.

The United Kingdom was the 15th largest investor out of 139 countries and territories pouring capital into Vietnam, with total investment worth nearly $4.2 billion as of August 20. This accounted for around 1 per cent of the total FDI value into the country.

The United Kingdom invested in 25 new projects in August, bringing the total number of projects with UK investment to 478, according to a Vietnamese media report.

The multilateral trade policy department under Vietnam's ministry of industry and trade also feels that domestic enterprises have great scope to enhance investment cooperation with and promote technology transfer from the United Kingdom. They can also participate in the UK industrial and energy supply chain and export industrial products to the United Kingdom.

The department feels domestic enterprises must pay attention to technical requirements and UK hygiene and safety standards to prepare carefully in terms of business plans and product development to integrate with the UK's supply chain network.

In addition, they also need to pay attention to regulations related to sustainable development such as labour and environment because the UK is very interested in those issues, the department added.

Source: fibre2fashion.com - Sep 15, 2022

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Zara Owner Raising Prices Again

Zara parent Inditex reported a 24.5 percent increase in first-half sales through the end of July, despite charging more for some products. It's rolling out another round of mid-single-digit price hikes this fall to manage rising costs, the Spanish conglomerate said Wednesday.

In a Nutshell: "We try to have a very stable pricing policy. But when there are temporary impacts coming from inflation in specific markets, what we do is try to adjust that to basically absorb that into the gross margin," Marcos López, Inditex's capital markets director, said during an analyst conference call Wednesday.

Customers don't seem to mind the online order returns charge Zara instituted this year, López said. "In fact, it's been extremely well accepted…In terms of customer reaction, we haven't had any significant setback at all," he said, adding that customers are in fact making their online returns at Zara stores as intended instead of at third-party locations. From a sustainability perspective, "customers understand that this is a trend that will go on in the coming years across the industry," López said.

Inditex worked to get Asia-sourced commodities more quickly and rushed in shipments to avoid "possible supply chain tensions."

A Narcisco Rodriguez collaboration and the "Into the Night" collection with brand ambassador Kate Moss helped drive sales.

"We continue to deliver upon our long-term goals. We offer a unique fashion proposition defined by creativity, design, quality and beauty. The continuous optimization of the customer experience is key to our approach," Inditex CEO Oscar Garcia Maceiras said. "Sustainability and digitalization also remain at the core of our strategy."

The company opened stores across 24 markets and ended the period with 6,370 doors. October will see the opening of the Zara and Zara Home store at Battersea in London, which Maceiras described as "one of the most ambitious urban development projects" to reshape living, transport, culture, retail and leisure south of the River Thames.

He said the store will include women's, men's and children's wear, and home. "It also includes all the features of our digital store mode, allowing a complete digital experience. Customers can also use clothing recycling points, helping us to push forward in terms of circularity," Maceiras said.

While Zara seems to be growing faster than Inditex's youth-oriented concepts, Macieras said the company is "very happy with all of the performance of all of our concepts. They continue to grow year after year with double-digit EBIT (earnings before interest and taxes) margins and with very strong online growth. We are targeting different segments of the market, but all of concepts share the same business model and the same way of reacting to fashion trends to provide with the customer wants now fresh high-quality fashion."

Net Sales: For the first half, net sales grew 24.5 percent to 14.85 billion euros ($14.83 billion) from 11.94 billion euros ($14.12 billion) a year ago. Sales at Zara and Zara Home jumped 29 percent to 10.93 billion euros ($10.92 billion) for the period.

Online sales, which "progressed satisfactorily and were positive" in the second quarter, are expected to exceed 30 percent of total sales by 2024.

Inditex said gross profit jumped 24.5 percent to 8.6 billion euros ($8.59 billion), while gross margin reached 57.9 percent and was the "highest in 7 years."

Looking ahead, the company said its autumn-winter collections have been "very well received" by customers, with store and online sales in constant currency from Aug. 1-Sept. 11 up 11 percent from the year-ago period.

Earnings: Inditex said net income rose 41 percent to 1.8 billion euros ($1.8 billion).

The net cash position at the end of the half rose 15 percent to 9.2 billion euros ($9.19 billion).

"The future growth of the Group is underpinned by the investment in our stores, the advances made to the online sales channel and the improvements to our logistics platforms with a clear focus on innovation and technology.

We estimate investments in 2022 of around 1.1 billion euros ($1.1 billion)," Inditex said. The company sees "strong growth opportunities," and said the "flexibility and responsiveness of the business in conjunction with in-season proximity sourcing allows a rapid reaction to fashion trends and allows us to enjoy a unique market position." The nine-months report is slated for Dec. 14, 2022.

CEO's Take: "The strength of the fully integrated business model has been clear in recent times. We plan to continue developing these key long-term advantages in order to maximize organic growth. The goal is to increase our differentiation in order to provide a unique customer experience. A key focus is on high-quality stores with the aim that they be fully integrated digital and eco-efficient," Maceiras said.

Source: sourcingjournal.com - Sep 15, 2022

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Pakistan: Textiles exports increase 6.37pc in Aug 2022

Pakistan's textiles exports have increased 6.37 percent to $1.57 billion in August 2022 compared to last month's $1.48 billion exports, with all major components – cotton cloth, knitwear, bedwear, towels, and readymade garments – showing growth.

Textile exports were up 7.7 percent over August 2021 exports of $1.46 billion, the Pakistan Bureau of Statistics (PBS) said on Thursday.

From July to August, the textile sector's total exports increased by 4.2 percent to $3.056 billion from $2.93 billion the same period last year.

In August 2022, cotton cloth exports increased 7.37 percent to $195.4 million compared to $182 million in July 2022, while compared with August 2021, exports rose 3.8 percent from $188.2 million.

Over the previous month, knitwear exports increased 3.4 percent to $450 million; bedwear 1.7 percent to $258 million; towels were almost stagnant at $75 million; exports of readymade garments went up 8.35 percent to $330 million, whereas cotton yarn sales abroad increased 24.8 percent to $89.1 million.

Likewise, over the corresponding month of last year, cotton cloth exports were up 3.8 percent, knitwear 23.6 percent, and readymade garments 16.3 percent. However, over August 2021, exports of bedwear slashed 2.44 percent, towels 9.4 percent, and cotton yarn exports declined 14 percent.

Brokerage Topline Securities said the increase in exports could be attributed to a backlog of orders, resumption of energy supplies, and a higher number of working days in August than in July.

It said, "During the month of July 2022, government suspended the gas supplies to export industry till July 9, 2022."

In the month of August, these issues were resolved besides the higher number of working days compared to the Eid holidays that fell in July 2022.

It, however, said that increase in energy tariffs and a slowdown in the global economy were a few key challenges facing the sector. Besides this, recently destroyed cotton crops due to floods would also be a challenge for the industry.

In FY22, total textile exports were at a historic high of $19.35 billion, with an increase of over a quarter over FY21's exports of $15.4 billion. Textiles is the top foreign exchange earner for Pakistan and occupies over 60 percent of the country's total exports.

In August 2022, the economy imported 6.5 percent more machinery and it stood at $668.4 million against $627.6 million in July. In August 2021, its imports were 984.8 million.

Textile machinery imports increased 49 percent to $55.86 million, power generation machinery went up 21.9 percent to $54.6 million, and telecom sector machinery increased by 49.5 percent to $101.5 million. However, electrical machinery imports were down 19.6 percent to $195.2 million and construction machinery imports declined 14 percent to $6.5 million.

It is to be noted that in August 2022, the country's total exports were $2.482 billion as compared to $2.254 billion in July 2022, showing an increase of 10.12 percent and 10.46 percent as compared to $2.247 billion in August 2021.

In July-August 2022, exports totalled $4.737 billion against $4.587 billion during the corresponding period of last year showing an increase of 3.27 percent.

Total imports in August 2022 were recorded at $6.07 billion as compared to $4.993 billion in July 2022 showing an increase of 21.59 percent but a decrease of 7.69 percent as compared to $6.577 billion in August 2021.

During July-August 2022, total imports were $11.064 billion as against $12.152 billion during the corresponding period of last year showing a decrease of 8.95 percent.

Source: thenews.com.pk- Sep 16, 2022

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NATIONAL NEWS

India's current account deficit widened to 3.4 per cent of GDP in Q1FY23: Ind-Ra estimates

A current account deficit indicates that a country is importing more than it is exporting

India Ratings & Research (Ind-Ra) estimates the current account deficit (CAD) to have widened to $28.4 billion (3.4 per cent of GDP) in April-June quarter (1QFY23), against a deficit of $13.4 billion (1.5 per cent of GDP) in January-March quarter (4QFY22). This would be 36 quarters high in terms of share in GDP and 38 quarters high in absolute value terms.

India recorded surplus of $6.6 billion (0.9 per cent of GDP) in April-June quarter of FY22. The CAD or a deficit on the current account means more import of goods and services than it exports implying higher dollar demand, which in turn, would push the value of rupee down. In other words, higher CAD is expected to weaken the rupee against dollar.

According to Ind-Ra, although the merchandise exports touched a record high of $121.2 billion in 1QFY23, they are likely to slow down and come in at $104.2 billion in 2QFY23, growing by a meagre 1.4 per cent.

The International Monetary Fund in its July update on the World Economic Outlook trimmed its forecast for global GDP growth to 3.2 per cent in 2022 from 3.6 per cent. Also, GDP forecasts of some of India's key exporting destinations such as the US, Eurozone and China have been revised downwards.

Now, Fitch is apprehending the UK and Eurozone to enter recession while the US might face mild recession next year. All these are likely to affect India's exports target of $750 billion (goods and services) for FY23 in jeopardy.

On the other hand, Ind-Ra expects merchandise imports to remain robust due to i) elevated global commodity prices (Brent crude averaged August 2022: $100.7/barrel) and ii) weak rupee. The agency expects the Indian rupee to average ₹79.6 against the $ in 2QFY23. Furthermore, the merchandise imports, which grew 40.5 per cent during July-August 2022 to $128.2 billion, is expected to come in at $192.2 billion in 2QFY23, increasing by 30.3 per cent. All in all, Ind-Ra expects "the merchandise trade deficit to come in at a fresh high of around $87 billion in 2QFY23."

Key commodities such as petroleum products, telecom instruments, ready-made garments cotton inclusive accessories, wheat, sugar, articles of iron & steel, gold and other precious metal jewellery, motor vehicles and aluminium & its products accounted for more than 80 per cent of the merchandise exports growth in 1QFY23.

While the volumes of these commodities grew in the range of 5.7-200.1 per cent y-o-y, the value growth ranged between 28-268.3 per cent y-o-y. This indicates that the value growth in the merchandise exports was more pronounced than the volume in 1QFY23 as has been the case in the previous few quarters.

The agency noted that the fourfold increase in telecom instruments exports volume in 1QFY23 is a positive development. The push came from a higher demand from Hong Kong, the UAE, the US, China, Vietnam, Germany and South Korea.

India's wheat exports benefited due to the Russia-Ukraine war as the warring countries accounted over 25 per cent of the global wheat exports in 2021. India's wheat export volume quadrupled in 1QFY23 with the wheat demand coming from South Korea, Indonesia, Yemen, the UAE, Thailand, Philippines and Oman.

Source: thehindubusinessline.com– Sep 16, 2022

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Indian textile industry pitches at BOT meet for raw material security

Indian textile industry has urged the government to take effective steps for stabilising raw material/fibre prices. The industry emphasised on raw material security during a meeting of the reconstituted Board of Trade (BOT). Commerce and textiles minister Piyush Goyal said that exports are the core area of focus to make India a developed nation by 2047.

In his opening remarks at the first meeting of BOT Goyal said, “Global confidence in India’s prospects for growth were truly immense and called on the domestic industry to overcome all weaknesses when it comes to grabbing the plethora of growth opportunities available to the nation. The world is already looking at India as a superpower.”

The meeting was attended by various state ministers and other senior officials of key line ministries and states, all major trade and industry bodies, Export Promotion Councils and industry associations. There were 29 new non-official members who were also invited for the first time in the BOT meeting. The new BOT has been constituted by merging Council for Trade Development and Promotion with Board of Trade.

Goyal stressed on the need to enter into more free trade agreements (FTAs) with developed nations. He urged participants of the BOT meeting to focus on the possibilities each sector has in FTAs. Concluding his address, the minister said that all the issues raised by the participants will be addressed and the suggestions made by them in the meeting will be considered.

The BOT meeting focused on export target setting, the new Foreign Trade Policy (FTP) (2022-27), and the strategies and measures to be taken to take forward domestic manufacturing and exports.

Representing the textile industry, Narendra Goenka, chairman of the Apparel Export Promotion Council (AEPC), said that there is a continuous increase in the prices of raw cotton. The trend is expected to continue considering the global shortage of cotton. The crop is under stress this year in Pakistan, Brazil and the US. Plus, the ban on China’s Xinjiang cotton has already disrupted supply chains across the globe.

Goenka added that the government should intervene for regulating export of raw cotton/cotton yarn appropriately, and thereby ensure continuous availability of raw material at a competitive price. He said that the industry will be able to achieve the export target of $17.2 billion for the year 2022-23, in spite of the recessionary trend being felt in most of the garment importing countries.

AEPC chief also pitched for PLI-2, extension of ATUFS, advance authorisation on self-declaration basis, and deletion of condition of making transferee liable and making this applicable to existing scrips under the RoSCTL for garment exports.

Source: fibre2fashion.com– Sep 15, 2022

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Truths of trade

India has done the right thing by opting out of the trade pillar of the Indo-Pacific Economic Framework (IPEF) for now. The agreement initiated by the US President Joe Biden, in May this year is clearly tilted towards promoting the interests of the US and other advanced economies.

India is far from ready to agree to the terms set out in areas such as digital trade, labour, environment and clean energy. The US has been aggressive in negotiating for free cross-border data flows and localisation of data in all such agreements, to ensure the dominance of its multinational technology companies. But it will be premature on the part of India to begin negotiations relating to this issue when the country is still in the process of framing laws pertaining to digital trade and data privacy.

Entering into agreements on labour and environment standards may not be feasible for Indian exporters and can increase their cost of production. Negotiations on clean energy are also strewn with difficulties since it can limit the use of certain technologies or impose limits on emission.

Also, the IPEF agreement does not involve any exchange of tariff concessions among members unlike other Free Trade Agreements and may not result in any material benefit to the country's external trade. India has adopted the right strategy in waiting for the final contours to emerge on the trade track of the IPEF before deciding on it.

While decision on the trade pillar has been staved off for now, the remaining three pillars which include supply chains, clean economy and fair economy, are likely to present their own sets of challenges. India, which typically imposes measures such as export restrictions and bans to manage the balance between demand and supply in the domestic market, may not be ready for commitments that may curb this freedom.

Clean economy may entail meeting certain environmental standards that the country may not yet be ready for. India, therefore, needs to proceed cautiously in the negotiations in these three areas and not agree to anything that it is uneasy about. The reasoning which prompted India to skip the trade pillar negotiations should also be applied in the ongoing FTA negotiations with other countries.

Given the uncertain external environment, India is clearly banking on its recently concluded FTAs and those underway for pushing up export demand. India's FTA with the UAE has been implemented and the one with Australia is awaiting Australian Parliament clearance. It hopes to conclude its FTA negotiations with the UK this year while ones with the EU and Canada are to follow next year.

While such free trade agreements can indeed help boost export growth India should be careful in not rushing into unworkable agreements that do more harm than good over the long term. India woke up to the China factor in the RCEP negotiations only at the last minute. But it managed to walk out of a bad deal while there was still time. With the IPEF, the wake-up call seems to have come earlier in the day. The Centre needs to be equally agile in the other FTA deals too.

Source: thehindubusinessline.com– Sep 15, 2022

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Ease of doing biz: Centre relaxes paid-up capital threshold for "small companies"

Revised definition to reduce compliance burden for small companies

The Corporate Affairs Ministry (MCA) has relaxed the paid up capital threshold for small companies, facilitating further Ease of Doing Business and reduced compliance burden for such companies.

Under the revised definition, the threshold for paid up capital for small companies would be "not exceeding ₹4 crore" and turnover threshold being "not exceeding ₹40 crore". Prior to the latest change, the threshold for paid up capital was "not exceeding ₹2 crore" and turnover "not exceeding ₹40 crore".

With this latest relaxation, the benefits small companies could derive include dispensing with cash flow statement as part of the financial statement; filing an abridged annual return; mandatory rotation of auditor; no need to report on the adequacy of the internal financial controls and its operating effectiveness in the auditor's report; holding of only two board meetings in a year; annual returns can be signed by the company secretary, or where there is no company secretary, by a director of the company, and lesser penalties.

Source: thehindubusinessline.com– Sep 16, 2022

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India amends RoSCTL for garment exporters; credit scrips appreciate

Indian garment exporters have got immediate relief from favourable appreciation in transferable duty credit scrips as the government has made amendment in the Rebate of State and Central Taxes and Levies (RoSCTL) scheme.

Garment exporters' bodies have welcomed the government's decision stating that it was a much-needed step for the industry.

"The appreciation was noticed in last one week. The value of credit scrips increased from 90 per cent to 97.5 per cent. Exporters expected realisation of 97-98 per cent of scrips," Vimal Shah, president of Garment Exporters Association of Rajasthan (GEAR) told Fibre2Fashion. "I could not understand, why the scrips appreciated in last one week. But I came to know about the notification now," he added with happiness.

Apparel Export Promotion Council (AEPC) chairman Narendra Goenka said that the AEPC had been requesting that the transferee clause as given in the Notification No. 77/2021 dated 24.09.2021 of DoR, making transferee liable in the case of non-realisation of the exporter proceeds should be deleted. He thanked the government for accepting the demand.

In September 2021, the condition was notified that allowed the Customs Authorities to recover from the subsequent buyers of the scrip (transferees) amounts due for the non-realisation of the sales proceeds by the exporters to whom the scrip was originally issued. The condition made the scrips unattractive due to default risk.

Therefore, the exporters were forced to sell these scrips in open market at discount extending up to 20 per cent.

According to industry experts, exporters can generate scrips immediately after shipment of export consignments, but the realisation of payment takes months.

After a certain time, customs officials can take action for recovery of scrip amount. Experts said that now the original beneficiary of the scrip will be liable in case of non-realisation of export payment.

Goenka said that the amendment will provide much needed relief to the garment sector and ensuring maximum refund of RoSCTL amount will help exporters meet their working capital requirements.

Under the RoSCTL Scheme, maximum rate of rebate for apparel is 6.05 per cent, while for the made-ups it is 8.2 per cent. However, with the deep discount, exporters were getting between 4.8 per cent to 6.4 per cent losing 1.2 per cent to 1.6 per cent in the shape of discount.

Source: fibre2fashion.com– Sep 15, 2022

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Understanding competitiveness

India has been growing at an incredible pace. It is fast gaining clout as an economic powerhouse. The need of the hour is a renewed conceptualization of the country's goals and a transformational approach in tune with this growing pace. The Competitiveness approach is a framework that can help India overcome the obstacles and achieve the desired transformation. The term 'Competitiveness' has typically been used to refer to different factors – higher market share, a competitive exchange rate, higher exports, greater FDI inflows, etc. Thus, it is essential to gain a clear understanding of what competitiveness is, before delving into the subtleties of the approach.

Export success is one of the parameters that get linked with the term Competitiveness. However, there are notable differences between the two terms, although they are often used interchangeably. While exports are one of the fundamental factors for economic growth, there is no ample evidence to indicate a direct causal relationship between the two. There are multiple other factors that are equally important. A sole emphasis on an export-led growth strategy gives prominence to export-oriented sectors, thereby neglecting domestic industries and other facets of the economy. The value generated in this manner will not translate into a higher standard of living for the larger population. What we need is a holistic approach to economic growth and development that takes into account a range of important factors. In contrast to a confined focus on export-oriented sectors, the competitiveness framework is all-encompassing, emphasizing the need to augment performance across the entire economy.

This is where the Competitiveness approach offers a solid vantage point. The essence of competitiveness cannot be captured by any one single parameter. Prof. Michael Porter – one of the world's leading authorities on Strategy and Management, proposed a comprehensive framework of competitiveness by defining it in terms of productivity.

The approach proposes that sustainable prosperity is a function of productivity. Thus, for sustainable growth, the focus needs to be on formulating policies that not just emphasize only on exports or any one area, but aim at increasing competitiveness at all levels.

Productivity is generally defined as input efficiency, i.e., output per unit of input in plain economic terms. However, it is imperative to focus, not only on using fewer inputs to produce more but also on the value of what is produced. Meeting the needs of different sections of society, be it consumers or the producers themselves, is what value creation is all about. Regions become competitive if they manage to provide an environment that enables firms to be productive, and individuals to take part in the value generated through their productivity.

Sustaining productivity becomes a major challenge if a nation is fixated on just producing more and more of a good utilizing fewer inputs without considering the actual value the goods entail for society. In broad terms, productivity should be inferred in terms of value creation.

Each region has its own strengths and weaknesses and different drivers of productivity. These need to be gauged and a location-specific assessment needs to be undertaken to identify and understand the enablers as well as barriers to productivity. A more detailed analysis of competitiveness would provide a comprehensive picture for precise policy insights to sustain prosperity.

Prosperity is determined by factors such as how effectively a location competes using the available capital, human and natural resources, and not merely by just the industry it competes in. Firms are at the core of generating prosperity. They have multiple choices to make such as the sector to compete in, the business model to follow, bringing efficiency in its production process and value-addition. These choices in turn go on to shape the productivity level of the entire nation. Thus, it becomes imperative to enable companies by giving them the tools they need to maximise their returns on investments and move beyond the traditional approach of reliance on cheap labour toward innovation-based operations.

Prosperity is largely a product of two fundamental factors - Labour productivity and labour mobilization. Labour productivity, put simply, is output (measured in terms of GDP) per unit of labour input. Labour mobilization is the ability of a country to mobilize its workforce based on certain geographical and occupational factors.

On the labour productivity front, India has registered a positive development. But labour mobilization continues to pose a considerable challenge for India. In the coming years, between 2021-2041, the demographic dividend would provide the country with its highest working-age ratio. An economy has a much larger potential workforce in play than just the seemingly visible employed portion. The competitiveness concept's strength lies in its emphasis on achieving long-term sustainable prosperity by enhancing the productivity of the already available pool of labour and further unlocking the reserves of the potential labour force.

The competitiveness approach gains further robustness by focusing equally on a nation’s macroeconomic and microeconomic aspects. The two aspects play different yet complementary and significant economic roles. They constitute the principal elements of competitiveness. While macroeconomic aspects comprise broad factors like social and political institutions, and monetary and fiscal measures, microeconomic indicators look at factors having a direct influence on individual companies and the labour force. The two aspects together offer a holistic view of the economy. Taking a holistic approach does not mandate moving forward on all policy fronts. It rather implies developing an extensive strategy based on a thorough assessment of the Indian competitiveness diagnostics and then prioritizing actions to create a more distinctive and competitive position for a nation.

Lastly, in the long run, the foundation for elevating India’s status from a lower-middle-income country to a high-income economy should be built on new guiding principles, priority policies, and a new implementation model. This has become crucial now more than ever since India has emerged as a prominent geopolitical player and its economic trajectory significantly impacts not only India but also the rest of the world.

Source: economictimes.com– Sep 14, 2022

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Hike in power tariff to hurt textile industry in India’s Tamil Nadu

The approximate net power tariff increase for the textile industry works out to RS1 per unit. Since 1 kg yarn manufacturing needs on an average 5 units of power, the production cost will increase by RS5 per kg, according to the Southern India Mills Association (SIMA). So, for a spinning mill having 25,000 spindles, the power tariff increase per year would be to the tune of RS1.2 crore.

“This will affect the competitiveness of the downstream sectors like powerloom, handloom, garment and made-ups segments that already raise voices against any increase in yarn price,” SIMA chairman Ravi Sam said in a communication mailed to the media.

Compared to the raw material rich (cotton and man-made fibres) states like Gujarat and Maharashtra, Tamil Nadu based units are already uncompetitive and are unable to make sizable investments in modernisation, capacity expansion and green field projects, the communication said.

Separately, the Tiruppur Exporters’ Association (TEA) said that the knitwear sector is already affected due to various adverse factors like increased yarn prices and the Russia-Ukraine war which has decreased the purchasing power of the European consumers. As a result, the export orders to the Tiruppur knitwear sector have drastically reduced. A similar situation is prevailing in the US market also due to high inflation there.

Stating that micro and small sized units are neither in a position to absorb the power tariff hike nor pass on the same to the foreign buyers, TEA president Raja M Shanmugham cautioned that the combined negative factors may put a question on the survival of units and may lead to loss of employment for those who work in these factories.

Both SIMA and TEA have made an appeal to chief minister MK Stalin to reduce power tariff to save the state’s textile industry.

Source: in.fashionnetwork.com– Sep 15, 2022

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