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INTERNATIONAL NEWS

Global economic growth may slow down to 3% in 2022, 2.2% in 2023: OECD

Global economic growth is projected at a modest 3 per cent in 2022 before slowing further to just 2.2 per cent in 2023, according to the Organisation for Economic Co-operation and Development (OECD). This is well below the pace of economic growth projected prior to the war and represents around $2.8 trillion in foregone global output in 2023.

OECD's latest Interim Economic Outlook report reveals that the global economy has lost momentum in the wake of Russia's war of aggression in Ukraine, which is dragging down growth and putting additional upward pressure on inflation worldwide.

Annual gross domestic product (GDP) growth is projected to slow to around ½ per cent in the United States in 2023, and 1/4 per cent in the euro area, with risks of deeper declines in several European economies during the winter months.

Growth in China has also been hit and is expected to drop to a projected 3.2 per cent in 2022. Except the 2020 pandemic, this will be the lowest growth rate in China since the 1970s.

Inflation is projected to recede gradually through 2023 in most G20 countries as tighter monetary policy takes effect and global growth slows. Headline inflation is projected to ease from 8.2 per cent this year to 6.6 per cent in 2023 in the G20 economies, and fall from 6.2 per cent this year to 4 per cent in 2023 in the G20 advanced economies.

"The global economy has lost momentum in the wake of Russia's unprovoked, unjustifiable, and illegal war of aggression against Ukraine. GDP growth has stalled in many economies and economic indicators point to an extended slowdown," OECD secretary-general Mathias Cormann said during a presentation of the Outlook. "Inflationary pressures that were already present as the global economy emerged from the pandemic have been severely aggravated by the war."

Economic shocks could reduce growth in the European economies by over 1¼ percentage points in 2023, relative to the Outlook's central projection, and raise inflation by over 1½ percentage points. This would push many countries into a full year recession in 2023, while GDP growth would also be weakened in 2024, as per a press release by OECD.

Some of the issues highlighted were continued costs from global supply chain pressures, and possible debt crises and financial contagion in many emerging-market and low-income economies.

Further monetary policy tightening will be needed in most major economies to ensure that inflation pressures are reduced durably. This will need to be calibrated carefully given uncertainty about the speed at which higher interest rates will take effect and spill overs from tightening in the rest of the world.

Source: fibre2fashion.com- Sep 27, 2022

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Italy's GDP at current prices grew by 7.3% in 2021 to €1782.05 bn

Italy's gross domestic product (GDP) at current prices grew by 7.3 per cent in 2021 to €1,782.05 billion compared with the previous year, according to the Italian National Institute of Statistics (Istat).

The chained volume measure of GDP rose by 6.7 per cent. Exports rose by 13.4 per cent and imports of goods and services by 14.7 per cent in the year.

Gross fixed capital formation rose in volume by 16.5 per cent last year.

The disposable income of consumer households in the country increased by 3.7 per cent in value and 2.1 per cent in purchasing power last year.

Due to the concomitant increase in households final consumption (plus 6.9 per cent), the saving rate declined to 13.1 per cent from 15.6 per cent in 2020.

Source: fibre2fashion.com- Sep 26, 2022

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Vietnam exports 50% apparel to US in H1 2022; total shipment at $17 bn

Vietnam exported more than 50 per cent of its garments to the US out of the total exports of $17.875 billion in the first half (H1) of this year. According to an analysis of exports data, the country exported around 78 per cent of its apparel to 5 countries including Japan, South Korea, China and Canada. Japan was the 2nd largest market for the country.

Vietnam's apparel exports to the US were valued at $9.094 billion in January-June 2022 which was 50.88 per cent of its total exports of $17.875 billion in the same period, according to market data from Fibre2Fashion's market insight tool TexPro.

The exports to Japan were at $1.635 billion (9.15 per cent), South Korea at $1.556 billion (8.71 per cent), China at $793.371 million (4.44 per cent) and Canada at $732.067 million (4.10 per cent) in the period under review.

Germany, UK, France, Netherlands, Australia, Belgium and Switzerland were the other markets of Vietnam with exports of more than 1 per cent each.

The US was the largest importer of Vietnamese apparel last year with a huge margin. Vietnam had exported apparel worth $14.284 billion in 2021 which was 45.78 per cent of its total exports of $31.201 billion, as per TexPro.

The exports to Japan were at $3.450 billion (11.06 per cent), South Korea at $3.294 billion (10.56 per cent), China at $1.734 billion (5.56 per cent) and Canada at $1.199 billion (3.84 per cent), in 2021.

Source: fibre2fashion.com- Sep 27, 2022

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Vietnam: Garment, textile, footwear industries face declining in orders

Enterprises in the textile, garment and footwear industries are facing a decrease in orders through the rest of this year and possibly into the next year.

Pham Xuan Hong, chairman of HCM City Textile and Embroidery Association, said in the eight months of 2022, Vietnam's textile and garment export value reached 30.1 billion USD, but this value mainly came from the first months of the year. Since July, textile and garment industry enterprises have been facing many difficulties, including the reduction in export orders.

Many textile and garment enterprises in HCM City are seeing a sharp drop in export orders, mainly in the US and EU, because inflation pressure in these nations is large, forcing consumers to tighten spending. Furthermore, textiles are not essential goods, Hong said.

An analysis report on the textile industry published by VNDirect Research has also commented that the demand for high-end clothing items such as shirts and t-shirts made from recycled cotton fibres would slow down in the second half of 2022.

According to this report, garment companies said that US customers had shortened the period of ordering exports to three months before the deadline for goods delivery instead of six months due to high inventories and inflationary pressures.

At present, only a few large enterprises, such as Thanh Cong (TCM), Century Yarn (STK), and Damsan Joint Stock Company (ADS), have enough export orders for the third quarter of 2022. Still, some customers have cancelled the orders due to high inventory, while fourth-quarter orders have also slowed due to inflation concerns.

In the EU market, Pham Van Viet, chairman of Viet Thang Jean Co, Ltd, has also admitted that the orders of his firm have decreased by over 30 % and they have been forced to cut working hours to maintain jobs.

In the US and Europe, although the world fuel prices have decreased, inflation in these markets is still high to make people tighten their spending. This has negatively impacted the textile and garment exports of Vietnamese enterprises because the two markets account for a large proportion of Vietnam's textile, garment and footwear exports.

According to a representative of the Vietnam Leather, Footwear and Handbag Association, Vietnamese leather and footwear exports would certainly be affected by the last months of the year due to inflation and reduced consumer demand in key markets. Many enterprises in the leather and footwear industry would face a reduction in export orders from now until the beginning of 2023. Meanwhile, the leather and footwear industry is in inventory due to the reduced consumer demand.

To cope with this situation, the association said the footwear enterprises had been forced to reduce overtime. At the same time, they have negotiated with partners to do orders that were signed during the pandemic for maintaining operations and ensuring employee income.

Textile, garment, leather and footwear are all major export industries of Vietnam and are directly affected by fluctuations in the world market.

The shortage of raw materials for production is due to strict anti-pandemic measures in the Chinese and Japanese markets. Along with that, the difficult economy and increasing inflation in the large markets have affected enterprises' purchasing power, orders and prices.

According to General Director of Dap Cau Garment Corporation Luong Van Thu, the corporation has seen difficulties in the market and consumption of goods, as well as a reduction in terms of scale and price of export orders from the beginning of this third quarter.

As a result, orders from major markets in the US and Europe have fallen by up to 50 %.

Hong said that exports are unlikely to recover soon.

At present, large enterprises with many orders tend to share their orders with other enterprises lacking orders. Meanwhile, some others are looking for short-term opportunities in the domestic market, Hong said.

Besides that, the enterprises are looking for orders in new markets. For example, the HCM City Textile, Embroidery and Knitting Association enterprises have recently cooperated with partners in India and Pakistan to get orders from these markets.

Truong Van Cam, vice chairman and general secretary of the Vietnam Textile and Apparel Association, said that the association is making statistics to have solutions for supporting the enterprises. It focuses on those having a large decrease in orders, affecting workers.

To overcome the difficulties, Cam has suggested that overseas Vietnamese trade offices continue to share information about the markets, especially the EU.

The Vietnam Trade Office in China coordinates with China's authorities to create favourable conditions for transporting material for production promptly.

The Vietnam trade offices in the US and France must provide information about the market and suitable textile and garment fairs for local enterprises.

In addition, the enterprises themselves also need to diversify markets, promote digital transformation and innovate technology.

According to Le Tien Truong, chairman of the Vietnam National Textile and Garment Group (Vinatex), unpredictable fluctuations will remain due to many factors, especially the Russia-Ukraine conflict, price fluctuations of raw materials and fuel, and inflation in export markets such as the US and Europe.

Therefore, Vinatex will have solutions to stabilise export orders, jobs and customers for the year's production and business results.

To increase competitiveness, Việt Nam's garment industry needs to prioritise the production of packages, yarn and fabric, and sewing. It also prioritises the development of green and recycled products to promote exports to European countries, Truong said.

The business community expects the Government to soon approve the "Development strategy of the textile, garment and footwear industries until 2030, with a vision to 2035", creating favourable conditions for developing green industrial parks.

Large enterprises centralise wastewater treatment, advanced technology, and green technology to attract investment in textile dyeing. That would solve problems in fabric, meet origin requirements and take advantage of free trade agreements.

At the same time, the State is considering removing import tax imposed on materials for producing export goods; soon implementing supportive packages for business recovery and employees.

According to VNDirect Research, the domestic textile and garment industry will be brighter in the first quarter of next year because garment products will reduce 2-4 % in export tax to the EU market in 2023 under the EU-Vietnam Free Trade Agreement (EVFTA).

In addition, the European Commission forecasts that inflation in the bloc will reach 8.3 % in 2022 and fall to 4.3 % in 2023.

The research believes lower inflation will stimulate shopping demand for fashion items in 2023. Therefore, it expects some textile enterprises exporting suits, shirts, pants and skirts to Europe would benefit from EVFTA, including May Song Hong, May 10 and Viet Tien.

Source: en.vietnamplus.vn- Sep 27, 2022

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Pakistan: PTC urges govt to allow import of raw cotton from India

Textile sector has urged the federal government to allow the import of raw cotton from neighbouring India to mitigate the raw material shortage for value added textile sector, which earned some $19 billion for the national exchequer during the last fiscal year.

“The government of Pakistan should allow import of cotton from India to meet the demand of the export-oriented industries,” said Pakistan Textile Council (PTC), a representative body of leading value added textile exporters, on Monday.

The country’s textiles industry is facing a shortage of raw material as flash floods have badly affected the cotton production. Pakistan is a major producer of rice and cotton, and both crops have suffered severe damages.

The country was already facing massive shortage of cotton, the unprecedented rainfall and floods have caused more damages to the standing cotton crops across the country. As per estimates, some 40 to 45 percent the cotton crop has damaged due to recent rainfall and floods.

Overall, one-third of Pakistan is submerged in water, thousands of homes have been destroyed, more than 1,500 people have lost their lives and most importantly about 18,000 sq km of cropland has been ruined.

According to PTC, the country will face a cost far greater than $10 billion in damages due to rains and flood, with the loss of food crops alone amounting to about $2.3 billion, a particularly heavy burden at a time of rising food prices around the world.

As part of the devastation, flood damage will likely force the country to increase cotton imports at a time when production in the US is forecasted to plunge by 28 percent due to drought.

In addition, with restrictions on China, Pakistan will not be able to procure raw materials from there as well. The outlook for Brazil is also not very encouraging and the drought there has already dried up an estimated 200,000 tons of cotton supply, the PTC said.

All these factors are causing the cotton prices to increase in local and international markets.

Given the continuous depreciation of the rupee and a record high shipping freight, import of cotton from far-located countries like the US, Brazil, Egypt, etc, will not be economically viable for Pakistan.

Last year, 2021-22, Pakistan's textile exports rose to an all time high of $19.3 billion but even achieving this mark would be challenging given the no availability of raw material to factories, it added.

Therefore, PTC has demanded that import of raw cotton from India must be immediately allowed to mitigate the raw material shortage and avoid another balance of payment crisis.

The Council said that it was imperative for Pakistan to keep its export growth momentum to finance the import bill and keep the balance of payment situation manageable and avoid default conditions. The cotton import from India will help Pakistan reduce trade time and curtail heavy logistics costs.

"The declining textile exports will lead to the balance of payment crisis, and reduced productivity will put millions of jobs at on stake which the country cannot afford," the Textile Council warned.

Commutatively, the country will need to import some 5 million bales this year. Last year, Pakistan imported some 3 million cotton bales and this year needs to import an additional quantity of some 2 million bales due to flood.

Source: brecorder.com - Sep 27, 2022

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Bangladesh eyes technical textiles to meet 100bn export target

Second only to China, Bangladesh carved out an awe-inspiring success story in the global RMG supply. Exports worth USD 42 billion last year contributed to an 83% of its total export volume. Whilst the RMG sector in Bangladesh continues its growth, the two-year long pandemic and the drop in demand for RMG imports from the West thereafter created an economic crisis for the nation.

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) have targeted the USD 100 billion mark of export by 2030. After the hit it took in the last two years, Bangladesh is keen to diversify its RMG portfolio.

This is where technical textiles present an opportunity. Futuristic technical textiles used in planes, cars, and firefighters' uniforms and protective clothes are not what comes to mind in the RMG sector but this category represents a huge potential for Bangladesh's diversification plan. Textile technology has become increasingly commercially viable and is experiencing rapid increase in demand.

Garments made of technical textiles can offer many qualities which traditional garments cannot; they can be antibacterial, insect repellent, flame retardant, odorless and much more, allowing the wearer to reduce risks and bodily harm.

Manufacturers of technical textiles use both natural and manmade raw materials. Manmade materials, which currently account for 40% of total fiber consumption across the entire textile industry, include items like polyester, nylon, acrylic and polypropylene.

The global market for technical textile is projected to reach $208.5 billion by 2024 from $178.92 billion in 2020. Its market is assumed to reach $298.1 billion by 2030.

Europe represents the largest regional market for technical textiles, accounting for an estimated 28.8% share of the global total.

The Asia Pacific dominated the technical textile market with a share of 45.9% in 2019. China is the largest exporter of technical textile products with a share of 24%. This is followed by USA, Germany and Republic of Korea with a share of 10%, 9%, and 4% respectively. Within the Asia Pacific region, China and India are two leading countries in the technical textile sector.

India is the world second largest polyester producer and its market size is USD 19 billion. India has set up a scheme within an average growth rate of 15-20% to increase their domestic market size of technical textiles to USD 40-50 billion at 2024; through market development, technological development, international technical collaborations, marketing and investment promotion.

Bangladesh has a lot of work cut out for it as they venture into the technical textile segment. In 2010, the Bangladeshi technical textiles consumption market value was USD 281.1 million and production value was USD 252.2 million. Whilst the pandemic may have been doom and gloom for Bangladesh's RMG sector, the silver lining came in the form of technical textiles as demand for gloves, mask, PPE kits, etc. grew.

During this production process, Bangladesh realised it lacks the infrastructure, research facilities and skilled labour to compete significantly in the global market. The government of Bangladesh has launched various conduct schemes and policies for technical textile manufacturers to make them globally competitive.

Source: fashionatingworld.com- Sep 26, 2022

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NATIONAL NEWS

Centre extends Foreign Trade Policy by another six months

The Commerce Department has decided to extend the existing Foreign Trade Policy (2015-20) by another six months till March 31 2023 following demands from different quarters, including the industry, of not introducing the new policy at this point of time.

Earlier, the government had said the new five-year Foreign Trade Policy was to be announced by the end of this month.

“The government has received requests from Export Promotion Councils and leading exporters that we should continue with current FTP (2015-20), which had been extended from time to time.

In recent days, exporters and industry bodies have strongly urged the government that in view of the prevailing volatile global economic and geopolitical situation, it would be advisable to extend the current policy for some time and undertake more consultations before coming out with the new policy,” per a statement issued by the Commerce & Industry Department on Monday.

Aligning the new policy with a new financial year was yet another reason that was taken into consideration.

“There is no certainty yet that the new five-year FTP will be announced on April 1, 2023 as the following year will be an election year and there would be other considerations too,” a source close to the development told businessline.

The existing FTP (2015-20), which was to lapse on March 31, 2020, has been extended for short durations several times. The last six-month extension from April 1, 2022 was to end on September 30, 2022.

The decision to defer the new policy is sudden as the contours of the proposed new FTP (2022-27) were discussed at length at the recent Board of Trade meeting convened by the Commerce & Industry Ministry.

While no new fiscal schemes for promoting exports were on the anvil, the policy focus was to be on promoting ease of trade, e-commerce, IT-enablement, R&D and export hubs and lowering transaction costs.

Vision statement on cards

The Commerce Department is also working on a Vision Statement for export growth charting out the road-map for attaining 10 per cent of world trade share by 2047.

India's exports touched an all time high of $422 billion in 2021-22 posting a growth of 44 per cent over the previous year. But there has been a deceleration in growth in the last two months this fiscal due to slowdown in global demand.

Source: thehindubusinessline.com- Sep 26, 2022

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'Make in India' completes 8 years, annual FDI doubles to $83 billion

As the flagship government programme 'Make in India' completes eight years, foreign direct investment (FDI) inflow into the country rose to $83.6 billion in fiscal 2021-22 from $45.15 billion in 2014-2015. The current fiscal's FDI target is $100 billion. FDI came from 101 countries and was invested across 31 states and union territories and 57 sectors.

The 'Make in India' programme, which aspires to facilitate investment, foster innovation, enhance skill development and build best-in-class manufacturing infrastructure, has substantial accomplishments across 27 sectors, including manufacturing and services, the ministry of commerce and industry claimed in a press release. To strengthen the programme, the government has initiated several other measures, including amendments to laws and liberalisation of guidelines and regulations to reduce unnecessary compliance burden, bring down cost and enhance the ease of doing business in the country, the ministry said.

Burdensome compliances to rules and regulations have been reduced through simplification, rationalisation, decriminalisation and digitisation, making it easier to do business in India, it said. Additionally, labour reforms have brought flexibility in hiring and retrenchment. Quality control orders have been introduced to ensure quality in local manufacturing. Steps to promote manufacturing and investments also include reduction in corporate taxes, public procurement orders and the Phased Manufacturing Programme.

The National Single Window System (NSWS) launched in September last year aims at improving ease of doing business by providing a a single digital platform to investors for approvals and clearances.

The One-District-One-Product (ODOP)initiative is another manifestation of the 'Make in India' vision for facilitating promotion and production of the indigenous products from each district of the country and providing a global platform to the artisans, agricultural producers and manufacturers.

Source: fibre2fashion.com- Sep 26, 2022

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Fears of weaker rupee, higher inflation worsen

Earlier this month, the government unveiled its National Logistics Policy aiming to reduce the logistics costs by 5-6 per cent from an estimated 13-14 per cent of GDP. It also took some measures of interest to the exporters and importers. Yet, all these initiatives were overshadowed by worrying developments abroad.

The Commerce Ministry allowed invoicing, receipts, and payments in rupees through Special Vostro Accounts (SVA) for trade transactions in sync with the instructions of Reserve Bank of India (RBI) on July 11, but refrained from saying whether exporters will receive incentives such as duty drawback against receipt of payments through SVA for their exports.

It allowed export of broken rice till this month-end and import of PET flakes under licensing subject to fulfilment of prescribed conditions. The Director General of Foreign Trade (DGFT) amended the procedures for imports under Tariff Rate Quota and the documentation requirements for supplies from Domestic Tariff Area (DTA) to Export Oriented Units (EOU).

The Finance Ministry increased the validity of electronic duty credit scrips under various schemes to 24 months, giving more flexibility to exporters. It also amended the notifications relating to Rebate of State & Central Taxes and Levies (RoSCTL) and Remission of Duties and Taxes on Export Products removing the provisions to proceed against transferees of the duty credit scrips for wrongdoings of exporters who obtained the scrips from the government.

The Central Board of Indirect Taxes and Customs (CBIC) issued circulars for transit of containerised cargo from Bangladesh through river and land routes for export to third countries and also export of cargo from Inland Cont-ainer Depots to Bangladesh via waterways.

The CBIC also explained the changes brought about through Customs (Import of Goods at Concessional Rate of Duty for Specified End Use) Rules, 2022 that mainly expand the scope of application of the superseded 2017 Rules, without altering its basic features.

However, Russia's partial military mobilisation and the referendum on joining Russia in four provinces of Ukraine grabbed the global attention, as they implied that the war in Ukraine will not end anytime soon and that Europe will have a hard winter without Russian oil and gas. It also meant substantial diversion of resources to war efforts in the western countries.

Steep interest rate hikes and quantitative tightening in many economies and the hawkish stance of the Federal Reserve in the US exacerbated the fears of recession in the coming months. The uncertainty led to flow of money to safe havens in the US, causing the dollar index to hit record levels in two decades. Consequently, the currencies of most countries depreciated against the US dollar. Indian rupee closed at a record low of 80.99 to a US dollar on Friday, worsening fears of inflation.

The RBI has already sucked out surplus liquidity in the system by selling foreign currency to curb excessive volatility in the foreign exchange markets. In the context of greater depreciation of currencies in the competing economies, it might be better to let the rupee depreciate in the short run and resort to a bond-buying programme to ensure enough liquidity and credit flow to meet the demands of consumers and businesses in the festive season. So, exporters and importers must prepare for a weaker rupee and higher inflation, at least in the short run.

Source: business-standard.com- Sep 25, 2022

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Opting out of IPEF trade pillar was necessary

India has sent a message that diplomatic imperatives will not trump its economic interests

India's decision to opt out of the trade pillar of the Indo-Pacific Economic Framework (IPEF), a new economic initiative driven by the US, is not surprising. Most issues that the IPEF seeks to embrace promote the interests of American industry while being quite out of sync with Indian trade policies.

While cross-border flow of data and data localisation are matters that India is still discussing at the domestic level before firming up regulations in the area, labour and environment standards are issues that the country has always insisted should be dealt with on their own merits at dedicated forums, such as the ILO, and not at platforms deliberating trade issues.

It was indeed a surprise for many policy watchers when Prime Minister Narendra Modi agreed to formally join the 14-member IPEF launched by US President Joe Biden on May 22 in Tokyo on the sidelines of the Quad meeting. The 12 other participants included Australia, Brunei, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and Vietnam.

India's move was not widely anticipated, as enough deliberations had not taken place in the country on the matter. There were not enough indications on India's seriousness about joining the forum. Most stakeholders, including the industry, too, were unfamiliar with what the IPEF held in store for them.

Four pillars

At the launch, the IPEF members decided to negotiate on the four pillars of trade, supply chain, clean economy and fair economy. What came out as a joint statement from the 14 signatories of the IPEF in Tokyo seemed sketchy and gave the impression that the specificities of the agenda would be firmed up by members in the future. But a fact sheet on the IPEF shared by the White House simultaneously showed that Washington had absolute clarity on what it wanted.

"We will pursue high-standard rules of the road in the digital economy, including standards on cross-border data flows and data localisation... We will also seek strong labor and environment standards and corporate accountability provisions that promote a race to the top for workers through trade," it said.

The fact sheet made it abundantly clear that the US was focussed on pushing for free flow of data to benefit its large technology firms and ensure their dominant position globally. By trying to make its strong labour and environmental standards mandatory, it is working towards a system where these would act as non-tariff barriers for developing countries like India and restrict their market access.

The additional fact that the IPEF does not provide for tariff cuts, something that could have helped Indian industry deepen their access into the markets of the member countries, makes the deal more unsatisfactory for the country.

Given the situation, Commerce & Industry Minister Piyush Goyal's announcement earlier this month to opt out of the trade pillar for now seemed logical.

For strategic reasons, joining the IPEF makes sense for India as it is an attempt made by the US to keep the growing influence of China in the Asia Pacific region in check, which also suits New Delhi. But for diplomatic reasons economic interests cannot be put at stake.

So, Goyal's announcement at the IPEF Ministerial meeting in Los Angeles earlier this month, of staying out of the trade pillar for the time being seemed the most appropriate. While it demonstrated India's keenness on remaining part of the grouping and challenging China, as it agreed to negotiate on the other three pillars, it also sent out a message that the country's economic interests would not take a back-seat.

Source: thehindubusinessline.com- Sep 26, 2022

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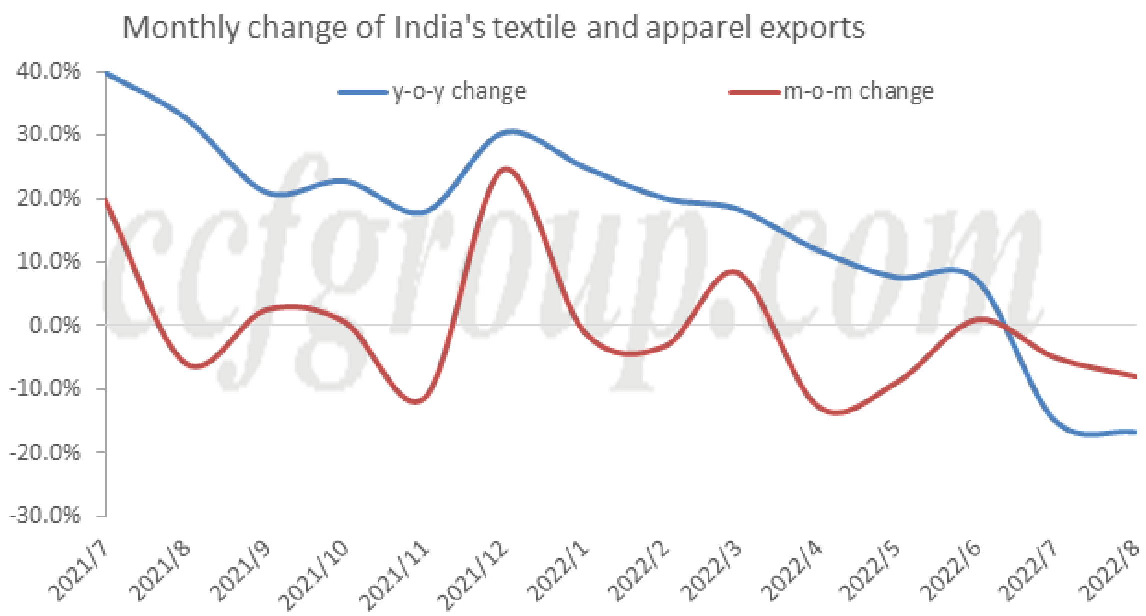
India's textile and apparel export in Jul-Aug looks blue

India is the most important production base of cotton textile products besides China, and occupies an important position in the international cotton textile market. Given the Sino-US trade war and the US's ban on Xinjiang cotton, the export proportion of India, Vietnam, Pakistan and other markets to the United States increased significantly in recent years, among which a sound export performance was maintained in the first half of this year.

However, due to the increasing downward pressure of global economy, the demand from both the United States, the EU and other economies was restricted. Thus the pressure for textiles and apparel exports gradually reflected, which was particularly prominent in Jul-Aug, and especially outstanding in India.



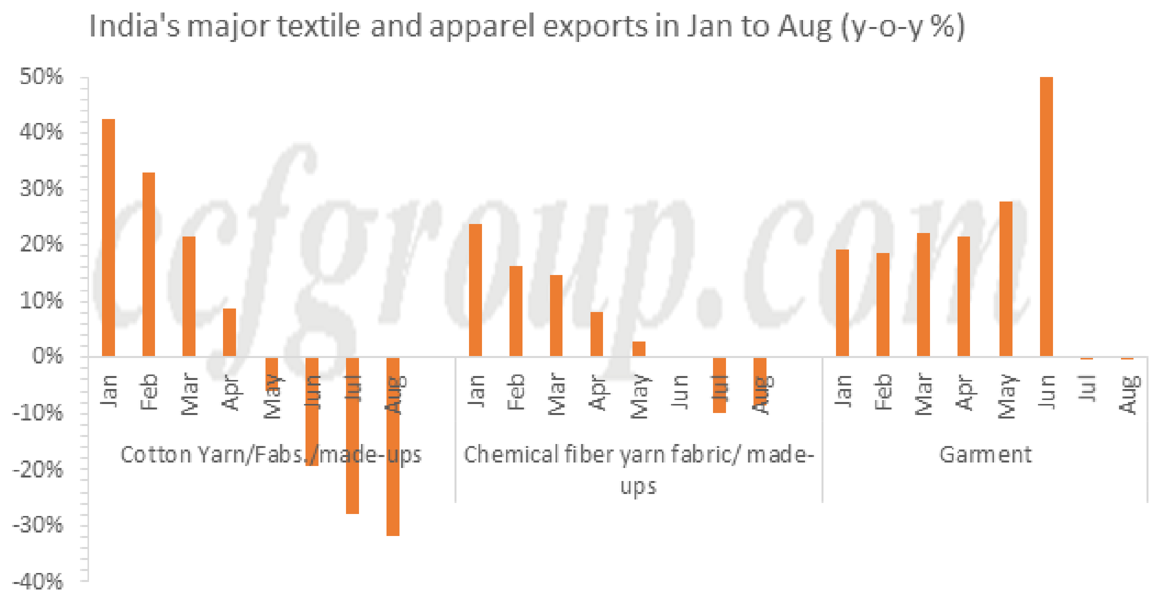
In terms of year-on-year changes, the growth rate of India's textile and apparel exports continued to decline since the beginning of this year, and turned negative in Jul and Aug, reducing by 14.9% and 16.8% respectively. As for monthly changes, the Indian textile and apparel export did not perform well from Jul to Aug, yet a view from Jan to Aug revealed that India's cumulative textile and apparel exports still achieved a year-on-year increase of 6.7%, of which garment increased by 18.7%, while textiles declined by 1.2%.

From Jan to Aug, textiles took up the largest proportion of India's textile and apparel exports, accounting for 55.9%, of which cotton yarn fabrics and products accounted for 33.1%, and chemical fiber yarn fabrics and products accounted for a relatively small proportion, only 13.6%. While India's apparel exports accounted for 44.1% of total exports.

Export of major textile and garment products in India from Jan to Aug, 2022		
	y-o-y change	proportion
Cotton Yarn/Fabs./made-ups	-0.3%	33.1%
Chemical fiber yarn fabric/ made-ups	5.4%	13.6%
Garment	18.7%	44.1%
Jute Mfg. including Floor Covering	13.9%	1.3%
Carpet	-10.4%	3.8%
Handicrafts excl. handmade carpet	-19.8%	4.1%

Regarding the year-on-year changes in main products, garment saw the biggest growth of exports from Jan to Aug this year, followed by jute fabrics.

However, the exports of cotton yarn fabrics and products fell slightly year-on-year, with the most obvious decline in August, as shown in the figure below.



Exports of cotton yarn fabrics and products showed a negative year-on-year growth since May, chemical fiber yarn fabrics and products began to see negative growth in July, and apparel exports also declined slightly from Jul to Aug.

India's cotton yarn fabric export showed sign of slowdown as early as the second quarter of this year. The textile mills had little awareness of it as they still held certain amount of orders at that time, but the yarn and fabric mills already felt the pressure brought by less orders and higher cotton prices. The United States was the largest export market for India's textile and apparel, followed by Bangladesh.

Meanwhile, the United States ranked second in Bangladesh's apparel export market, which showed that the United States had great direct or indirect impact on India's textile and apparel exports.

The growth rate of apparel retail in the United States still maintained a positive growth despite a sharp drop since March and a low level after May, indicating that the US garment consumption was still expanding even through it slowed down somewhat.

In general, both Indian textile and apparel exports and US import demand will face certain pressure in the later market, causing a further decline in the India's exports.

Source: ccfgroup.com- Sep 27, 2022

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Demand for luxury products exposes widening inequality in India

Household spending trends ahead of India's main festive season are flashing warning signs of a widening chasm in demand recovery as inflation hovers around 7% and unemployment keeps on rising.

Consumer-goods makers are reporting robust demand for items priced nearly $2,000 in a nation where per-capita income is just a tad above that level, while industry data on sales of budget phones priced below $100 and motorcycles, an indicator of rural demand, are showing a weaker trend.

Customers are in the market for premium products, said Satish NS, senior vice president at the Indian unit of Qingdao, China-headquartered Haier Group Corp.

Sales of front-load washing machines, and double-door refrigerators that cost about 150,000 rupees ($1,878) are higher than the low-end products forcing us to push our supply chains in "top gear," he said.

Low-income earners staying on the sidelines and unable to regain their pre-pandemic appetite to buy is a worrying development for an economy that relies on private consumption for some 60% of its growth. The South Asian nation, already poised to lose its fastest-growing economy tag to Saudi Arabia this year, is battling high inflation by raising borrowing costs, which in turn risks damping consumer demand.

"When the economy is doing well then the concern on inequality tends to be overshadowed by the overall growth," said Abhishek Gupta of Bloomberg Economics.

But currently, the output gap still remains negative and the economy is battling a multitude of headwinds, including high inflation and recession risks, so that becomes an added risk to the recovery momentum, Gupta said.

Individuals with low incomes, defined by Pew Research Center as those who live on $2.01-$10 daily, make up 1.16 billion of the nation's nearly 1.4 billion people.

In a telling sign that their spending power is being crimped by rising costs of living, data compiled by Banco Santander SA show that Indians allocate 30% of their overall income to bare necessities like food, compared to just 10% in China. Another economic statistic is probably adding to the woes: rising unemployment rate.

“We are not seeing the mass segment growing at all in terms of volumes compared to the pre-pandemic levels,” said Kamal Nandi, business head of appliances division at Godrej and Boyce Co., which like other companies banks on the festive season -- culminating in ‘Diwali’ next month -- for a broad-based recovery in consumption across urban and rural segments.

That sentiment was echoed by paintmaker Berger India’s Chief Executive Officer Abhijit Roy, who pointed to stronger demand for premium offerings this year in urban centers compared to rural markets -- where opportunities as well as pay tend to lag those in cities.

It may well be so, given a faster increase in pay of those in higher-income brackets, said Dharmakirti Joshi, chief economist at Crisil Ltd., the local unit of S&P Global.

“That is getting reflected in a K-shaped consumption pattern, which has its roots in rising inequality,” he said, adding that this leads to a riskier, non-diversified growth.

For now, four out of five affluent Indian consumers are willing to rather pay 10% more for premium products than delay purchases, a survey by Agility Research and Strategy showed.

A recovery that hinges largely on demand from urban centers is worrying because such a growth is unlikely to sustain, said Devendra Pant, chief economist at India Ratings and Research Pvt., a local unit of Fitch Ratings Ltd.

Source: economictimes.com- Sep 27, 2022

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RBI may raise repo rate by 50 bps in monetary policy review this week

The Reserve Bank of India is likely to deliver a fourth consecutive policy rate hike this week, with a half-percentage point increase, joining global central banks that are raising rates sharper than estimated to cushion inflation-battered consumers.

According to an ET poll conducted among 20 banks, fund managers and financial institutions, the RBI Monetary Policy Committee (MPC) will likely assess the risk of spillover inflation and a sliding rupee, which could hurt growth of the world's fifth-largest economy. While a majority of the economists surveyed predict a 50-basis point (bps) increase, the forecast ranges from 35 to 60 bps.

The MPC will announce its bi-monthly policy on September 30. Repo rate, the rate at which banks borrow short-term funds, is now 5.40% after three hikes that began in May. The central bank has increased the benchmark gauge by 140 bps, or 1.4 percentage point, this fiscal.

"This policy review is poised at a delicate juncture as the central bank will have to balance domestic inflation growth dynamics amid the increasing hawkish tone of major global central banks," said Aditi Nayar, chief economist, Icra Ratings. "At the same time, RBI is likely to address liquidity issues, with a sudden drying up of liquidity due to frictional factors before the busy season has even started," said Nayar of Icra.

Last week, cash in the banking system slipped to a deficit mode for the first time over three years, prompting RBI to infuse Rs 50,000 crore via its variable rate repo window. A majority of poll participants increased their rate hike estimates by at least 15 basis points to half a percentage point now, after a hawkish US Federal Reserve policy last week and local August inflation that fired up to 7% again.

Two large banks from Mumbai expect a 60-bps rate hike as it will take the repo to 6%, a rounded-off figure helping in fiscal arithmetic.

"RBI is likely to focus on rising risks from aggressive tightening by systemically important global central banks. That could lead to sharper rate hikes," said Dharmakirti Joshi, chief economist at Crisil Ratings.

An expected 50-basis point rate hike, coupled with a stance change to "neutral" from "accommodative", according to Joshi, "will also help in partly muting the spillover effects of US Fed actions on capital flows and currency."

Currency Worry

The rupee hit a new lifetime low of 81.24 to the dollar on Friday, amid fear of capital outflows. The narrowing yield differential between developed and emerging economies is likely to prompt foreign portfolio investors to seek the safety of dollar-backed assets.

A weakening currency accentuates concerns over widening current account deficit - excess of imports over exports - as the value of foreign liabilities goes up. "The key challenge for the MPC will be how to calibrate repo rate so it does not compromise growth and, at the same time, tames inflation," said Madan Sabnavis, chief economist at Bank of Baroda.

RBI projects India's real GDP to grow 7.2% in the ongoing fiscal. In the first quarter ended June 30, the economy grew 13.5%, missing its estimate of 16.2%. The central bank forecasts inflation at 6.7% for the fiscal year, assuming normal monsoon rains and crude oil price at an average of $105 a barrel.

Last week, the Asian Development Bank cut India's GDP growth forecast for FY23 to 7% from the previous 7.2%, citing sluggish global demand and tightening monetary policy. A day after the US Fed increased its policy rate on Wednesday by 75 basis points, the Bank of England announced a second consecutive half-point interest rate hike.

"It will likely become imperative for RBI to front-load rate hikes in this monetary policy tightening cycle," Goldman Sachs Economic Research said in a report on Friday. This month, the UK Treasury benchmark yield spiked 95 bps while US Treasury yielded 57 basis points higher. India's sovereign debt barometer, meanwhile, rose 20 bps to 7.39%, diminishing the lure for yield-hungry investors.

Source: economictimes.com- Sep 26, 2022

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Textile units in Surat struggling to revive from sluggish demand

The Rs 80,000 crore Surat textile industry produces over 40 million meters of fabric on a daily basis. (IE)

Textile units in Surat, India's biggest man-made fabric hub, are struggling to revive from the current crisis of sluggish demand despite the onset of the festive season.

Though textile units witnessed some spurt in demand ahead of Gujarat's nine-day Navratri festivities which commenced on Monday, this is not enough to clear existing stock.

Apart from subdued demand, units functioning at every stage of textile value chain in Surat are facing challenges of increased input cost, said Dev Kishan Mangani, former president of Surat Textile Traders Association (STTA), adding, "Inquiries from across the country have started pouring in, but hardly 25-30% are being translated into actual buying. In most of the cases, sellers and buyers are not agreeing on prices and hence business is not happening."

Production cost has gone up drastically, making it difficult for Surat-based units to supply fabrics at lower prices, laments Mangani, who is also chairman of South Gujarat Chamber of Commerce and Industry's (SGCCI) textile committee.

Textile traders are hoping to reduce existing stock by 60-70 % by the end of Navratri as new orders have come from eastern parts of the country, especially from Bengal, Assam and Odisha, he added.

"Compared to last Diwali, there is hardly 50-60% demand this year so far. Buyers want newly designed fabric and hence most of the textile units are struggling to clear inventories.

Margins of weavers have also reduced due to increased input cost," said Ashok Jirawala, President, Federation of Gujarat Weavers Welfare Association (FOGWWA). Jirawala says that over the past couple of months there has been a marginal increase in demand, but not enough to run weaving units at full capacity.

Plight of processing units is even worse as most of the processors are functioning five days a week even during the ongoing festive season. As traders are not able to generate adequate business, processing units are also not getting jobs and hence they have no option but to shut their units twice a week, said Jitendra Vakharia, president of South Gujarat Textile Processors Association (SGTPA).

Besides lower demand, processing units are also facing challenges of increased prices of coal and chemicals, said Vakharia, adding that in the past 10 days coal prices have jumped by 10%.

The Rs 80,000 crore Surat textile industry produces over 40 million meters of fabric on a daily basis. The cluster is housing more 7.50 lakh power looms and over 400 processing units.

Source: financialexpress.com- Sep 27, 2022

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Cotton yarn prices dip further; Panipat optimistic as festival begins

North India's cotton yarn market remained bearish today due poor demand and uncertain buying at the consumer end. Cotton yarn prices declined by ₹10-20 per kg in Ludhiana and Delhi in the last one week and the same trend was noted in Panipat's recycled yarn market too. However, traders from Panipat expect improvement in the coming week as the festival season begins.

The Ludhiana market did not see any improvement in buying. Buyers remain cautious about making fresh deals as they are not confident about the demand from the downstream industry. "Cotton yarn market was still reeling under the pressure of weak demand. Poor buying from downstream industry is the main cause for concern. Low prices of cotton are also dampening the market sentiments for yarn trade," a local trader told Fibre2Fashion.

In Ludhiana, cotton yarn prices dropped ₹10-20 per kg during the last week. 30 count cotton combed yarn was sold at ₹342-352 per kg (GST inclusive), according to Fibre2Fashion's market insight tool TexPro. 20 and 25 count combed yarn were traded at ₹332-342 per kg and ₹337-347 per kg respectively. Carded yarn of 30 count was quoted at ₹295-300 per kg.

Cotton yarn prices further slipped by ₹10 per kg in Delhi in the last one week. "Demand was average, and buyers were purchasing yarn only to fulfil their immediate needs. Weaving industry is still unsure about the increase in buying quantity from the garment industry," a trader from Delhi told Fibre2Fashion.

In the Delhi market, 30 count combed yarn was traded at ₹360-365 per kg (GST extra), 40 count combed at ₹400-405 per kg, 30 count carded at ₹315-320 per kg and 40 count carded at ₹355-360 per kg, as per TexPro.

Panipat's market is expecting an increased demand this week as the festival of Navratri, that is considered auspicious for new purchases, has begun today.

According to traders, recycled yarn remained bearish, but the next few days will be crucial for the market. Domestic home furnishing segment usually picks up during the festival season, specifically before Diwali. However, the market did not notice any positivity on the first day of Navratri.

Few of the varieties of recycled yarn witnessed a decline of ₹5-10 per kg. In the Panipat market, 10s recycled yarn (white) was traded at ₹88-93 per kg (excluding GST), 10s recycled yarn (coloured - high quality) at ₹100-105 per kg, 10s recycled yarn (coloured - low quality) at ₹80-85 per kg and 20s recycled high quality PC yarn (coloured) at ₹110-115 per kg. 30 count recycled yarn was sold at ₹160-165 per kg. 10s optical yarn was traded at ₹100-110 per kg in the market. Comber prices were ruling at ₹128-130. Recycled polyester fibre (PET bottle fibre) remained steady at ₹88-90 per kg.

Cotton prices in north India remained bearish due to reduced buying by mills. Demand was so weak that even recent rains were unable to support the cotton prices. There was a steep fall in prices for October delivery cotton deals.

Daily arrival in north India comprising Punjab, Haryana, upper Rajasthan and lower Rajasthan was estimated at 6,000 bales of 170 kg. Cotton was traded at ₹7,700-7,750 per maund of 37.2 kg for spot and September delivery deals. Forward cotton was traded at ₹7,100-7,150 per maund for October delivery.

Source: fibre2fashion.com- Sep 26, 2022

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Crisil rates Welspun India 'strong' in Sustainability Yearbook

Welspun India Ltd., in the textile industry, has bagged the highest rating in all three ESG aspects by Crisil, which recently evaluated it as "strong" in its Sustainability Year Book 2022.

Based on a number of factors, the company outperformed other businesses in its industry, it said.

Only 63 out of 586 enterprises published data on Scope 3 emissions, and 25% of the firms reported Scope 1 & 2 emissions during the evaluation of environmental factor.

Welspun India said it had published all of quantitative data regarding emissions.

Under the guidance of Dipali Goenka, CEO and Managing Director, the company said it had been working towards a number of ESG initiatives that it had developed over the years to prevent negative impacts on the environment during production process.

Welspun India said it prioritised using sustainable fabrics (obtained from Better Cotton Initiative, Organic or Recycled cotton), for which it also runs a sustainable farming initiative, which generates both BCI and organic cotton.

From a sewage treatment facility that recycles over 7 billion litres of water annually, to requiring no freshwater, rainwater harvesting and saving energy, Welspun said its motto was to reduce carbon footprint.

The company said its staff wholeheartedly supported the sustainability efforts by coming up with creative ideas and campaigns.

The company aims to be carbon and water neutral by 2030, and obtain 100% of the cotton sustainably.

Under the Well-Krishi programme, the company is promoting self-reliant farming to empower over 16,400 farmers across more than 375 villages to sustainably produce more than 25,000 metric tons of cotton, it said.

The company said it had focused on educating and assisting farmers to use sustainable agricultural practices, making them aware of social issues, and even providing them with finances to carry out such practices.

Welspun India said it had spent over ₹13 crore on social projects in FY22.

Source: thehindu.com– Sep 26, 2022

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