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NEWS CLIPPINGS

Currency Watch	
USD	82.25
EUR	80.00
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JPY	0.56

INTERNATIONAL NEWS

No	Topics
1	US Denim Imports Slowed Their Roll in August
2	Worst yet to come for the global economy, warns IMF
3	US' imports of industrial textiles cross $800 mn in Q2, 2022
4	UK employment rate for Jun-Aug 2022 75.5%, unemployment rate 3.5%: ONS
5	China's Handa discusses investment in Egypt's textile industry
6	Germany slides into recession; retail sales drop
7	Turkiye's ready-to-wear garment sector exports worth $1.9 bn in Sept
8	Turkey aims at being among top three exporters
9	Myanmar coup makes western retailers shift base
10	Pakistan: Raw cotton export increases 100pc in two months
11	Pakistan: SBP keeps policy rate at 15%
12	RMG exporters in Bangladesh fret over worsening power crisis

NATIONAL NEWS	
No	**Topics**
1	Now, IMF cuts India's FY23 growth forecast to 6.8%
2	Truss's passage to India
3	India, UAE discuss mechanism for carrying out bilateral trade in national currencies
4	India outperforms global markets
5	Indian cotton prices spike as rains across the country affect arrivals
6	MSME Minister Rane calls for increase in MSME production and exports
7	Denim fabric exports of India decline in April-August period of FY '23
8	North India's MY 22-23 cotton output revised downwards to 51L bales

INTERNATIONAL NEWS

US Denim Imports Slowed Their Roll in August

U.S. jeans imports slowed their pace again in August as companies backed off their intake that saw first half gains reach 42.63 percent.

Shipments of blue denim apparel processed at U.S. ports of entry increased 31.29 percent year to date in the first eight months of the year compared to the same period in 2021 to a value of $2.85 billion, according to the Commerce Department's Office of Textiles & Apparel (OTEXA). This was down from the 34.88 percent year-over-year rise in July.

It followed Levi Strauss & Co. last week cutting its annual sales and earnings forecast "as a result of the significant incremental currency headwinds from the stronger U.S. dollar, as well as a more cautious outlook for North America and Europe due to macroeconomic conditions and ongoing supply chain disruptions."

Levi's now predicts that sales will grow 6.7 percent to 7 percent to $6.15 billion to $6.17 billion instead of $6.4 billion to $6.5 billion.

"We have taken swift and decisive action to successfully navigate the dynamic operating environment," chief financial officer Harmit Singh said. "We are controlling discretionary spending, while maintaining our commitment to invest strategically to capitalize on our long-term growth opportunities."

OTEXA's August report showed top supplier Bangladesh maintained its surge, as imports from the country were on par with the previous-month's growth, rising 46.37 percent in the period to $638.94 million. Imports from No. 2 supplier Mexico increased 20.56 percent to $498.25 million, down slightly from the 21.9 percent gain in the seven-month cycle.

Among the Top 10 Asian producers, imports from disaster-stricken Pakistan backed off to a 41.48 percent increase from a 52.38 percent year to date gain through July to $329.05 million, while shipments from Vietnam grew a year-over-year 28.69 percent—compared to a 33.99 percent rise in the prior month—to $306.8 million.

Shipments from China contained to lag, up 13.93 percent to $264.95 million after a 17.27 percent increase through July, while imports from Cambodia rose 38.96 percent to $140.61 million following a 44.91 percent jump in July, and India's shipments skyrocketed 98.07 percent to $52.32 million after increasing 102.31 percent the prior month.

Rounding out the Top 10, jeans imports from Egypt increased 79.9 percent to $157.42 million, after a 94.03 percent hike in July, as Nicaragua's shipments rose 28.27 percent to $98.06 million and Turkey's were up 25.51 percent to $53.92 million.

Source: sourcingjournal.com - Oct 11, 2022

HOME

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Worst yet to come for the global economy, warns IMF

The International Monetary Fund (IMF) on Tuesday sounded an alarm for "the worst" to come on the global economic front and apprehended that recession would hit next year. It simultaneously scaled down India's GDP forecast for the current fiscal (year 2022-23 or FY 23) by 60 basis points to 6.8 per cent from 7.4 per cent estimated earlier.

In its latest World Economic Outlook (WEO), released on the eve of the annual Fund-Bank meeting, IMF maintained the global growth forecast at 3.2 per cent for 2022, while the projection for 2023 was lowered to 2.7 per cent, 20 basis points less than the July forecast. In his customary blog, Economic Counsellor and the Director of Research of the IMF, Pierre-Olivier Gourinchas, said the global economy continues to face "steep challenges" shaped by the Russian invasion of Ukraine, a cost-of-living crisis caused by persistent and broadening inflation pressures, and the slowdown in China.

Further, he said the 2023 slowdown will be broad-based, with countries accounting for about one-third of the global economy poised to contract this year or the next.

"The three largest economies, the US, China, and the Euro area will continue to stall. Overall, this year's shocks will re-open economic wounds that were only partially healed post-pandemic. In short, the worst is yet to come and, for many people, 2023 will feel like a recession," Gourinchas said.

His advice was that while the global economy is headed for "stormy waters, now is the time for emerging market policymakers to batten down the hatches".

Eligible countries with sound policies should urgently consider improving their liquidity buffers, including by requesting access to precautionary instruments from the Fund.

"Countries should also aim to minimise the impact of future financial turmoil through a combination of pre-emptive macro-prudential and capital flow measures, where appropriate, in line with IMF's Integrated Policy Framework," he said.

Highlighting that the dollar is getting stronger, WEO acknowledged that for many emerging markets, it is a major challenge. The dollar is now at its strongest since the early 2000s, although the appreciation is most pronounced against currencies of advanced economies. So far, the rise appears mostly driven by fundamental forces such as tightening US monetary policy and the energy crisis, it added.

Talking about India, WEO said that the outlook for growth of 6.8 per cent in 2022 –– a 0.6 percentage point downgrade since the July forecast "reflecting a weaker-than-expected outturn in the second quarter and more subdued external demand –– and 6.1 per cent in 2023, with no change since July."

Source: thehindubusinessline.com - Oct 11, 2022

HOME

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US' imports of industrial textiles cross $800 mn in Q2, 2022

The US imported industrial textiles worth $807.835 million in the second quarter (April-June) of this year, the highest in more than two years. Increased imports of industrial textiles show improvement in industrial activities in the world's largest economy. The country's imports of industrial textiles were valued at $2.941 billion in 2021.

US' imports of industrial textiles increased in the second quarter compared to $720.832 million in the first quarter of the current year, according to Fibre2Fashion's market insight tool TexPro.

However, the imports witnessed a downtrend in the preceding quarters. They were at $752.101 million in the fourth quarter and $765.800 million in the third quarter of last year. The country imported industrial textiles worth $752.054 million in the second quarter of last year, crossing the $700 million mark for the first time in 6 quarters.

The US had imported industrial textiles worth $2.941 billion in 2021, $2.302 billion in 2020 and $2.616 billion in 2019. The imports reached $1.793 billion in the first seven months of this year and the number stood at $265.270 million in July this year, as per TexPro.

Industrial textiles segment comprises conveyor belts, drive belts, computer printer ribbon, printed circuit board and ropes and some other items made of fibre that are used for special purposes.

Source: fibre2fashion.com- Oct 12, 2022

HOME

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UK employment rate for Jun-Aug 2022 75.5%, unemployment rate 3.5%: ONS

The UK employment rate for June to August this year was 75.5 per cent, 0.3 percentage points lower than in the March-May period, which had a notably higher employment rate than other periods, according to the Office of National Statistics (ONS). The unemployment rate for the three months decreased by 0.3 percentage points on the quarter to 3.5 per cent, the lowest rate since December 1973 to February 1974.

The number of employees in March-May decreased on the quarter, while self-employed workers increased. The employment rate is 1.0 percentage points lower than before the pandemic.

The most timely estimate of payrolled employees for September 2022 shows another monthly increase, up 69,000 on the revised August 2022 figures, to a record 29.7 million.

The number of people unemployed for between 6 and 12 months increased during the three-month period on the quarter, while there were decreases for the short-term (up to 6 months) and long-term (over 12 months) unemployed.

In June to August 2022, the number of unemployed people per vacancy fell to a record low of 0.9.

The economic inactivity rate increased by 0.6 percentage points to 21.7 per cent in June-August 2022, compared with the previous three months, which had a notably lower economic inactivity rate than other periods.

The quarterly increase was driven by people inactive because they are long-term sick or because they are students. Numbers of those economically inactive because they are long-term sick increased to a record high.

In July to September this year, the estimated number of vacancies fell by 46,000 on the quarter to 1,246,000—the largest fall on the quarter since June to August 2020.

Despite three consecutive quarterly falls, the number of vacancies remain at historically high levels.

Research by the British Chamber of Commerce (BCC) shows that labour shortages are holding back the ability of many businesses to service existing customers and grow, BCC head of research David Bharier said in a statement.

“Businesses are currently facing multiple external shocks, from global supply chain disruption, rampant inflation, and rising interest rates. Labour shortages are yet another issue weighing down on business confidence,” he added.

Source: fibre2fashion.com- Oct 11, 2022

HOME

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China's Handa discusses investment in Egypt's textile industry

Egypt's public business sector minister Mahmoud Esmat discussed investment and partnership opportunities in Egypt's textile industry with a delegation from Chinese knitted fabric development base Handa Enterprise in a recent meeting.

Esmat stated that the meeting pointed towards the eagerness of Egypt's ministry of public business sector when it came to allowing foreign investments and supporting public-private partnerships with Egypt's cotton, spinning, weaving, and clothing companies, according to Egypt's State Information Service.

"The ministry attaches great importance to upgrading the spinning and weaving sector, especially since Egypt has highly competitive skills in this regard, in line with the political leadership's directives," added Esmat.

Source: fibre2fashion.com- Oct 12, 2022

HOME

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Germany slides into recession; retail sales drop

In August 2022, Germany's retail sales went down by 1.3 per cent, from an increase of 0.7 per cent in July as the country slides into recession, as per a recent report. The country's industrial production in real terms was down by 0.8 per cent on the previous month on a price, seasonally and calendar-adjusted basis, from an upwardly revised stagnation in July.

Over the year, industrial production was up by 2.1 per cent, as per a study by financial services company ING. Ongoing supply chain frictions as well as the low water levels in German rivers were the main reasons behind this drop in industrial activity.

Production in the energy sector was down by 6.1 per cent month-on-month (MoM) and the construction sector by 2.1 per cent. Production in the energy-intensive sectors was down by 2.1 per cent MoM and by 8.6 per cent compared with February this year, as per the statistical office.

At the start of the year, production expectations were close to all-time highs but since the start of the war in Ukraine they have gradually come down, with no end currently in sight.

Order books were richly filled at the start of the year and companies were filling inventories. Since then, new orders have dropped in almost every single month, and actual production has weakened since the summer. The full impact of higher energy prices will only be felt in the last months of the year. It is not only the price effect putting a burden on German industry but also the lack of industrial input goods.

High energy prices will increasingly weigh on private consumption and industrial production, making a contraction of the economy inevitable, the ING report added.

Source: fibre2fashion.com- Oct 11, 2022

HOME

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Turkiye's ready-to-wear garment sector exports worth $1.9 bn in Sept

Turkiye’s exports reached $188 billion in the January-September period this year and $252 billion in the last 12 months. The chemical substances and products sector topped in September, followed by the automotive sector. The ready-to-wear garment sector ranked third with exports worth $1.9 billion in the month, according to the Turkish Exporters' Assembly (TIM).

According to the General Trade System (GTS) records, export in September increased by 9.2 per cent to reach $ 22.6 billion, TIM chairman Mustafa Gultepe recently said in Trabzon.

TIM is the umbrella organisation of one lakh exporters with 27 sectors and 61 exporters' associations.

Gultepe said that despite the negative climate in the global economy, Turkish exporters demonstrated a successful performance in September.

Forty five cities increased their exports in September, the top 5 being Istanbul, Kocaeli, Bursa, Izmir and Ankara.

Sakarya, Corum, Konya and Gaziantep too achieved significant export increases, a press release from TIM said.

The top three countries to which Turkiye exported the most were Germany, the United States and Iraq.

Source: fibre2fashion.com - Oct 11, 2022

HOME

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Turkey aims at being among top three exporters

Turkey has a target of becoming one of the top three textile exporting countries in the world.

The country is already one of the top five textile exporting countries and overtook countries like South Korea and Italy to claim the fifth spot.The industry has increased its share in global textile exports to an all-time-high of three percent. Turkish textile companies are exporting their products to more than 200 countries.

Turkish suppliers want to be recognised not only for their manufacturing but also for their in-house brands. Turkey is well known for near-shore manufacturing capabilities that are of high quality, The European Union, UK, US, and the Middle East and Gulf countries are Turkey's biggest clothing export markets.

Europe accounts for 65 per cent of Turkey's clothing exports. Other big customers are Germany, Spain, the Netherlands, France and the US. Turkey's proximity to Europe means that retailers and brands receive orders in less time than locations such as Bangladesh and China.

The average Turkish lead time is between 45 and 60 days. By contrast, clothing orders from Bangladesh can take between 90 and 120 days. Most suppliers in Turkey have their own design team. Investments in digitalisation have helped to reduce travel, cost of making samples and enabled getting approvals online.

Source: fashionatingworld.com - Oct 11, 2022

HOME

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Myanmar coup makes western retailers shift base

The prospect of Myanmar continuing to be an apparel-sourcing base for many big global brands has been an intense topic of debate since the military coup in 2021.

The labor-intensive garment segment is one of Myanmar's largest employment segments that keeps the country going and accounts for around 30% of the country's total exports in 2021. However, the growing concerns about the dismal working conditions in Myanmar factories and labor abuses which have worsened under military rule have led to many Western retailers being divided as to whether they will continue trade or not.

Global retailers cite abuse of human rights for exiting

The renowned low-priced fast-fashion European retailer Primark, which sources garments such as raincoats and parkas from around 25 factories in Myanmar, will be exiting soon as it is finding it impossible to ensure the human rights and safety of its workers after the coup which has left the country in turmoil.

Primark's decision follows the departure of other European brands, including Aldi South Group, C&A, and even the giant general retailer of Tesco.

Over the past 20 months, some others too, including Norwegian telecommunications firm Telenor ASA and oil-and-gas companies Total Energies SE and Chevron Corp. Aldi South, which also sells products such as cargo shorts and running shoes, have decided to exit.

Others such as the European brand along with Tesco have said that political developments and advice from global unions have led to their decision for exiting.

Myanmar laborers have no scope to voice grievances since the political leaders stifle democratic institutions, have arrested union leaders and threatened workers' organizations who are seeking to provide human rights.

Others stay on to help workers earn a livelihood

While some global retailers are leaving due to labor abuse issues, others are staying on to take advantage of Myanmar's low wages for themselves while helping the lower-income bracket workers to preserve their jobs amid political turmoil. Companies such as H&M, Zara-owner Inditex, and Uniqlo-parent Fast Retailing Company are staying on with the premise that many workers in Myanmar depend on international companies for their livelihood.

"If they stop buying, the worst affected will be laborers from the garment industry," said Ye Naing Win, general secretary of the Cooperative Committee of Trade Unions, a Myanmar labor organization. The Ethical Trading Initiative report estimates that 320,000 workers would lose employment and hit poverty levels or have a drastically reduced income if European buyers withdraw. It didn't take a position on whether brands should stay or go.

Although some of the big western retail brands stopped sourcing garments after the coup and relocated to other countries like Bangladesh and India, they have again restored purchases in the post-pandemic period. According to United Nations trade statistics, apparel exports to the European Union, the U.S., and Japan in the first half of 2022 were up 29% from the same period last year and around 12% higher than in 2020, which was the year before the coup, However, this quick recovery is in stark contrast to the broader Myanmar economy, which is 13% smaller than it was in 2019, With Myanmar's outlook as an apparel sourcing base remaining uncertain, it is time that India uses this opportunity to its advantage, as the Western retailers are looking out for other alternatives in Asia.

Source: fashionatingworld.com - Oct 11, 2022

HOME

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Pakistan: Raw cotton export increases 100pc in two months

The raw cotton exports from the country during first two months of current financial year witnessed 100 percent growth as compared to the export of the corresponding period of last year. During the period from July-August, 2022, about 2,378 metric tons of raw cotton valuing $5.653 million was exported as opposed to exports of same period of last year.

In the first two months of current financial year, exports of cotton cloth registered 2.65 percent increase as 58,935 metric tons of cotton cloth valuing $377.374 million was exported in contrast to 87,674 metric tons worth of $367.624 million of the same period last year.

However, the exports of cotton yarn from the country during two months of current financial year decreased by 17.03 percent as it came down from $193.389 million to $160.453 million, according to the data of Pakistan Bureau of Statistics.

Meanwhile, the exports of other textile value-added products including ready-made garments grew by 8.49 percent as 11,214 thousand dozens of ready-made garments valuing $634.596 million were exported as compared to exports of 6,986 thousand dozens worth $548.941 million of same period last year.

During the period under review, the exports of knitwear recorded about 16.95 percent increase as 34,778 thousand dozens of knitwear products valuing $884.759 million were exported as opposed to exports of 20,898 thousand dozens costing $756.522 million of same period last year.

It is worth mentioning here that cotton crop was grown over 5.295 million acres during current sowing season and out of the total standing crop over 1.722 million acres were damaged due to recent flash floods and rains across the country. Out of the total cultivated area, about 33 percent crop was damaged due to recent flash floods and total output loss was estimated at 1,487,594 tons.

Source: nation.com.pk- Oct 12, 2022

HOME

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Pakistan: SBP keeps policy rate at 15%

In line with market expectations, Pakistan's central bank has left its key policy rate unchanged at 15% for the next seven weeks to support economic growth and contain inflation.

"Based on currently available information, GDP (gross domestic product/economic) growth could fall to around 2% in the current fiscal year 2022-23 compared to the previous forecast of 3-4% before the floods," said the State Bank of Pakistan (SBP) in its latest monetary policy statement (MPS) issued on Monday.

"Meanwhile, higher food prices could raise average headline inflation in FY23 somewhat above the preflood projection of 18-20% (for the full year)." The policy rate remains a tool for the central bank to create a balance between inflation readings and economic growth.

"The existing monetary policy stance (policy rate at 15%) strikes an appropriate balance between managing inflation and maintaining growth in the wake of the floods," the central bank said in the policy statement.

For the second consecutive MPS in the past three months, "SBP has maintained the rate at 15%." Earlier, it raised the rate cumulatively by 800 basis points from September 2021 to July 2022 to 15%.

With the pressure of higher food and cotton imports, the current account deficit is likely to remain mute as lower textile exports will be largely offset by slower domestic demand and lower global commodity prices. "As a result, any deterioration in the current account deficit is expected to be contained, leaving it in the vicinity of the previously forecast 3% of GDP."

The impact on the current account can be cushioned further with international assistance in the form of current transfers. Given secured external financing and additional commitments in the wake of the floods, "Foreign exchange reserves should improve through the course of the year."

The central bank noted that the recent floods altered the macroeconomic outlook and a fuller assessment of their impact is underway. While on one hand, SBP says inflation could be higher and more persistent due to the supply shock to food prices, it is important to ensure that this additional impetus does not spill over into broader prices in the economy. On the other, growth prospects have weakened, and this should reduce demand-side pressures and suppress underlying inflation.

"In light of these offsetting considerations, the MPC considered it prudent to leave the monetary policy settings unchanged at this stage," said the central bank. Four major developments have taken place in the domestic economy since the last monetary policy meeting held in August 2022, said the SBP.

Firstly, the desired moderation in economic activity has become more visible and entrenched, signalling that the tightening measures implemented over the last year are gaining traction. With growth likely to slow further in the aftermath of the floods, this tightening will need to be carefully calibrated going forward. Second, headline (monthly) inflation fell to 23.2% in September after peaking at 27.3% in August as expected "due to an administrative cut in electricity prices.

However, core inflation continued to drift upwards in both rural and urban areas." Thirdly, the current account and trade deficits narrowed significantly in August and September, and the rupee has recouped some of its losses following the recent depreciation.

And lastly, the combined 7th and 8th review under the ongoing IMF programme was completed on August 29, 2022, releasing a tranche of $1.2 billion. In line with slowing economic activity, the central bank said, the private sector credit has seen a net retirement of Rs0.7 billion so far, this fiscal year, compared to an expansion of Rs62.6 billion during the same period last year. This decline in credit mainly reflects a retirement of working capital loans and a sharp fall in consumer finance.

A continuation of prudent monetary policy and orderly movements in the rupee should help contain core inflation going forward. At the same time, curbing food inflation through administrative measures to resolve supply-chain bottlenecks and any necessary imports should be a high priority.

The economy has slowed considerably since the last MPC meeting. "Most demand indicators were lower in both July and August than in the same period last year — including the sale of cement, POL (petroleum, oil, and lubricant), and automobiles," SBP noted. On the supply side, electricity generation declined for the third consecutive month in August, falling by 12.6% compared to the same month of the last year.

In July, large-scale manufacturing (LSM) declined by 1.4% compared to the same month of the last year, “its first contraction in two years, largely driven by broad-based deterioration in domestically-oriented sectors.”

“Looking ahead, the recent floods are likely to adversely affect the output of cotton and rice as well as the livestock sector this year,” warned the central bank.

Source: tribune.com.pk- Oct 11, 2022

HOME

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RMG exporters in Bangladesh fret over worsening power crisis

The country's export-oriented apparel sector is heading for a gloomy situation due to the production disruption amid severe supply shortage of gas and electricity.

According to the Export Promotion Bureau, Bangladesh's RMG exports fell 7.52 per cent in September for the first time in 13 months, with exporters and experts predicting a further decline due to production disruption.

If Bangladesh cannot produce and deliver the current orders on time, the confidence of international buyers will also decline amid falling demand for textile products in the global market, they said.

Exporters reported that production in many RMG factories had dropped by at least 40 per cent after the gas and electricity supply situation deteriorated sharply in recent weeks.

'We are worried over the gradual deterioration of the energy situation as most of the exporters are facing trouble producing the existing orders due to the shortage of electricity,' said Bangladesh Garment Manufacturers and Exporters Association vice-president Md Shahidullah Azim.

He said that the situation was particularly worrisome for the industry as businesses were not getting any assurance from the government when the crisis would be over.

'As per the government direction, we have continued staggered holidays for industrial hubs and we have also announced two weekly holidays, but the supply situation of electricity and gas did not improve,' Azim said.

He anticipated that both export earnings and foreign reserves would fall amid the uncertainty over gas and electricity.

Bangladesh's export earnings in the financial year 2021-22 stood at $52.08 billion, and the readymade garments sector accounted for 82 per cent, or $42.61 billion, of the total earnings.

In the midst of the slide in foreign currency reserves, both the export earnings and the remittance inflow decreased significantly in September 2022.

Exporters said that export earnings witnessed negative growth in September after more than a year as demand for apparel products decreased in the global market due to the high inflation caused by Russia's invasion of Ukraine.

Remittance inflows fell 10.84 per cent to $1.53 billion in September, the third month of the current financial year, from $1.72 billion in the previous year.

They also said that Bangladesh's manufacturers had been failing to produce and ship the orders due to the shortage of electricity and gas, even though the global buyers had decreased their orders by 20–30 per cent due to inflationary pressure.

On October 2, BGMEA president Faruque Hassan sent separate letters to the prime minister and state minister for power, energy, and mineral resources demanding a supply of uninterrupted gas and diesel at a reduced price for the apparel sector.

The BGMEA president requested the prime minister to readjust the diesel price on the local market in line with the price fall of the item in the international market.

Faruque said that the demand for diesel was increasing in the readymade garment sector as factory owners were forced to use generators to keep production uninterrupted in their units amid frequent and prolonged power cuts.

The price of diesel was Tk 80 a litre in 2021, which was raised to Tk 109 a litre in 2022, the letter said.

Considering the continuation of employment generation, foreign currency earnings, and economic development, the trade body demanded the supply of diesel at the readjusted price for the export-oriented RMG factories.

In his separate letter to the state minister for power, energy and mineral resources, the BGMEA president said that production in the export-oriented factories had been severely affected due to a severe shortage of gas.

He said that exporters had failed to maintain shipment deadlines and were facing costly air shipments to maintain them.

The BGMEA president demanded an uninterrupted supply of gas for the RMG sector.

'The shortage of gas and electricity hit the production of the RMG sector hard. The situation has deteriorated more in the past couple of weeks and many of the factories have been forced to announce holidays for two to three days in a week,' Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association, said.

He said that exporters had been failing to produce the existing orders.

Hatem said that production in his own factory was suspended for four days in the past week due to the lack of fabrics.

Production in spinning and dying mills decreased by more than 50 per cent in the recent time which created a shortage of fabric for the knitwear sector, he said.

'Export earnings in September decreased due to fewer orders from global buyers, but the earnings would decrease more in the coming months due to the production disruption caused by the shortage of electricity and gas,' Hatem said.

He also feared labour unrest due to the shortage of electricity and gas, saying that many of the workers in the knitwear sector do their job on a piece-rate basis and their earnings would fall if production fell.

Hatem also said that the earnings of other workers had also decreased as the energy shortage squeezed the scope for overtime duty.

'Factory owners are also worried over the payment of workers' wages in the coming months amid the production disruption,' he added.

Amid the weak demand in the global market for apparel products, supply disruption would also create problems for the country's RMG sector, former World Bank Dhaka office chief economist Zahid Hussain said.

He said that the government should make it its priority to keep industrial production uninterrupted as the disruption would lower the level of confidence of global buyers.

Zahid said that if the shortage of gas and electricity in the industry continues, Bangladesh will lose its share of orders being diverted from China.

'Though the ongoing uncertainty is global, the situation will affect the economy and employment in Bangladesh,' he said.

The confidence of export-oriented industries will be boosted if the government announces its initiative to make all the power plants fully operational, the economist said.

'We do not see any hope to run textile businesses smoothly in the near future in the country as we are not getting assurance from the government that the crisis will end soon,' Md Fazlul Hoque, senior vice-president of the Bangladesh Textile Mills Association, said.

He said that the production in spinning mills decreased by 60 per cent and spinners were failing to ship their existing orders.

'We request the government to give the textile sector businesses an exit policy as it is not possible to survive with no gas and no production for months,' Fazlul added.

Source: newagebd.net- Oct 11, 2022

HOME

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NATIONAL NEWS

Now, IMF cuts India's FY23 growth forecast to 6.8%

The International Monetary Fund (IMF) on Tuesday trimmed its FY23 growth forecast for India by 60 basis points from its July projection of 7.4% to 6.8%, its steepest cut for any major economy barring the US. IMF's move follows the World Bank slashing its FY23 growth projection for India to 6.5% last week, from 7.5% predicted earlier.

Most other agencies, too, have been lowering their India forecast in recent weeks. The Reserve Bank of India also recently cut its projection modestly from 7.2% to 7%.

The IMF stated that the move reflects "a weaker-than-expected outturn" in the June quarter and "more subdued external demand", indicating that exports will be hit. However, it retained its FY24 growth forecast at 6.1%. The IMF has kept unchanged its 2022 growth projection for the global economy at 3.2% but scaled down the 2023 projection by 20 basis points from the July forecast to 2.7%.

In its latest World Economic Outlook, the multilateral body said: "As storm clouds gather, policymakers need to keep a steady hand. The global economy continues to face steep challenges, shaped by the lingering effects of three powerful forces: the Russian invasion of Ukraine, a cost-of-living crisis caused by persistent and broadening inflation pressures, and the slowdown in China."

"In short, the worst is yet to come, and for many people 2023 will feel like a recession," it added.

The revised forecasts for India follow weaker-than-expected 13.5% growth in the June quarter and growing external headwinds, particularly the tightening of interest rates by key central banks. Nevertheless, India will continue to remain the world's fastest-growing economy.

IMF expects India's retail inflation to shoot up to 6.9% in FY23 before easing to 5.1% in the next fiscal, compared with 5.5% in FY22. Similarly, the country's current account deficit will jump to 3.5% in FY23 and 2.9% in FY24, against 1.2% in the last fiscal.

The IMF has revised down its US growth projection for 2022 by 70 basis points to 1.6% but raised its forecast for the Euro area by 50 basis points to 3.1%. However, the 2023 forecast for the Euro area has been cut by 70 basis points to 0.5%, while that of the US maintained at 1%.

The IMF expects China's growth to hit 3.2% in 2022 and 4.4% in 2023, down by 10 basis points and 20 basis points, respectively, from its July forecasts.

Interestingly, the IMF now expects Russia's growth rates to beat its July projections by 260 basis points for 2022 and 120 basis points for 2023. Still, it forecast that the Russian economy will contract by 3.4% in 2022 and 2.3% in 2023, thanks to its war with Ukraine.

Source: financialexpress.com- Oct 12, 2022

HOME

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Truss's passage to India

UK prime minister Liz Truss had championed closer business ties with India—describing them as a "sweet spot" of global trade dynamics—when she was teh international trade secretary in the Boris Johnson-led administration. All eyes naturally are on what she will now do to bolster trade ties with India as part of a wider outreach to the Indo-Pacific region, especially with the 11-member Comprehensive and Progressive Agreement for Trans-Pacific Partnership by end-2022.

Several rounds of discussions on a free trade agreement (FTA) have taken place amidst expectations that it may be inked by Diwali. But, indications are that this may not be on. Both sides are yet to wrap up negotiations for an FTA text. Finalising trade deals is not a simple affair as it entails a process of give and take for greater access to each other's markets.

If India seeks greater market access, it must also allow the UK to sell more of its goods and services. "We are not doing a unilateral, free-for-all deal. But just because we have a free trade agreement, doesn't mean we can't do even more later," stated Kemi Badenoch, UK's international trade secretary at the Conservative Party's annual conference in Birmingham.

A Diwali deadline is difficult as there are serious differences between the UK and India on the level of ambition in the FTA. The UK seeks a comprehensive deal with the template of the CPTPP in mind. India would be happy with an early harvest agreement or mini-FTA covering a limited set of goods and services, which could be a precursor for a comprehensive FTA later on. The sticking points include data localisation norms and allowing UK firms to bid for public contracts. But the more substantive ones relate to opening up financial services. India-UK trade is dominated by services that account for 70% of the annual commerce. As a global power in financial services, the UK is frustrated in securing greater market access.

Vincent Keaveney, Lord Mayor of London, was quoted in the Financial Times as stating "we are hopeful that there will be a significant services component to the trade agreement. It's clearly a difficult area from the negotiator's point of view." City firms face rules that limit their ability to do business in India, including caps on how much equity foreign investors can hold as well as the requirements to operate as joint ventures besides a higher tax burden.

India, for its part, expected greater access for its students and skilled professionals as part of an enhanced two-way exchange across different sectors. But UK's home secretary, Suella Braverman, expressed doubts in this regard and is unlikely to endorse any further visa concessions, a critical area of interest for India in the proposed FTA.

India's FTA with the UK thus is still a work-in-progress. At a time global trade is facing headwinds—with growth in volumes losing momentum to 1% in 2023, according to the WTO—India is keen to stitch up FTAs to boost exports as an engine of growth.

But there is a need for greater clarity on its objectives to ink ambitious deals with the UK, EU and Canada after having recently walked out of the trade pillar of the Indo-Pacific Economic Framework. Truss's government wants "something comprehensive", but does India have the experience to ink such new generation FTAs with developed countries?

Source: financialexpress.com- Oct 11, 2022

HOME

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India, UAE discuss mechanism for carrying out bilateral trade in national currencies

India and the UAE have held discussions on creation of a mechanism for carrying out bilateral trade in national currencies, an official statement said on Tuesday.

It was discussed during the 10th meeting of the UAE-India High Level Joint Task Force on Investments, held in Mumbai.

It was co-chaired by Piyush Goyal, Minister of Commerce and Industry, and Sheikh Hamed bin Zayed Al Nahyan, Member of the Executive Council of the Emirate of Abu Dhabi.

Referring to the ongoing discussions between Reserve Bank of India (RBI) and Central Bank of the United Arab Emirates on Unified Payment Interface (UPI) as a common digital payments platform, both sides agreed to continue discussions, it said.

"An important area discussed was the creation of a mechanism for carrying out bilateral trade in national currencies," the statement added. The two delegations also reviewed the status of the negotiations of the India-UAE Bilateral Investment Treaty.

Twelve rounds of negotiations have been conducted till date.

"Both sides noted that much progress could have been achieved since the commencement of the negotiations, and therefore reiterated their commitment to accelerate the process for an early conclusion of a balanced and mutually beneficial agreement," it said.

Discussions also took place on ways of enhancing bilateral investments in key sectors like food security, manufacturing, infrastructure, energy and technology.

"In this context, it was agreed that the concerned authorities in both countries will explore establishment of efficient and integrated Single Window Solutions and Virtual Trade Corridors to reduce costs and time involved in trade and investment related procedures," it added.

Further, it said as a means of encouraging increased investment flows by UAE's sovereign investment entities into India, the two sides reviewed UAE's request with respect to providing tax incentives to certain sovereign investment entities under existing UAE-India Tax Treaty, and India's response to provide the same under the existing domestic tax laws.

It was agreed that the Indian side will provide the necessary support to UAE Fast Track Mechanism in India to ensure speedy resolution of pending issues and difficulties experienced by a number of UAE companies and banks operating in India.

It was also agreed that a similar India Fast Track Mechanism would be set up in the UAE immediately to resolve issues pertaining to the Indian investors in the UAE, and to assist Indian companies in market entry and expansion when investing in the country.

Source: financialexpress.com- Oct 11, 2022

HOME

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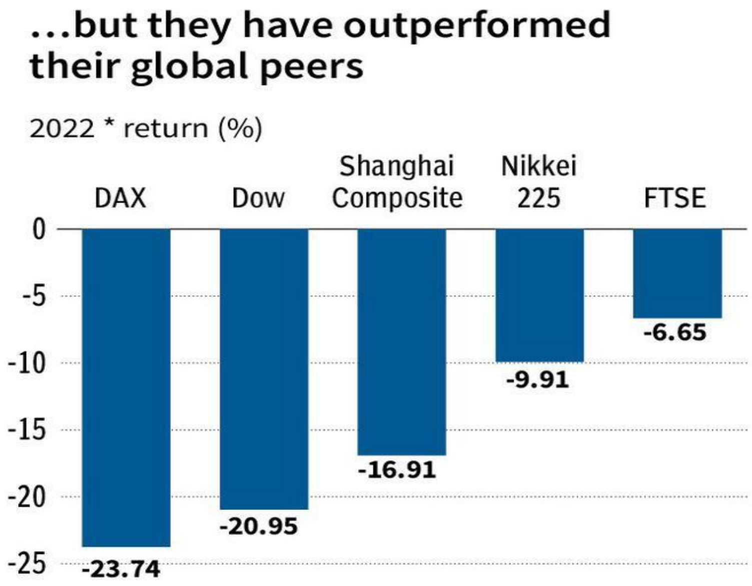
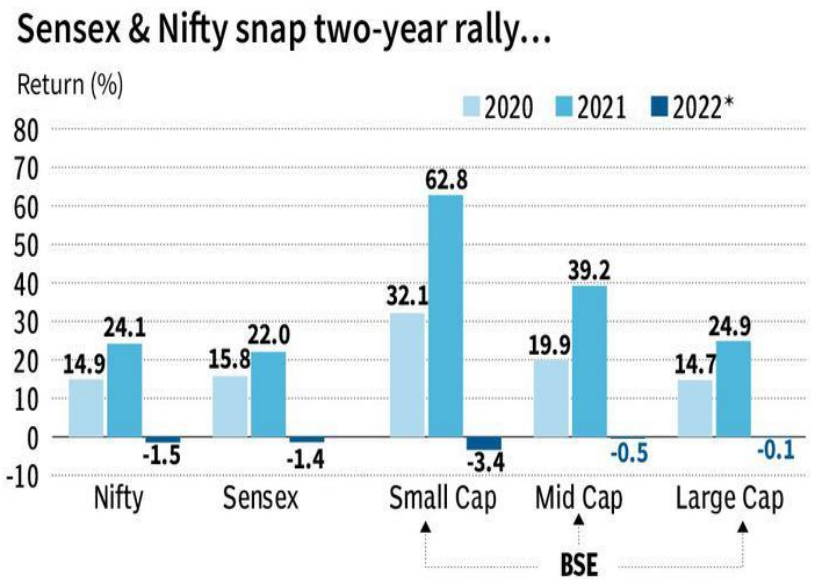
India outperforms global markets

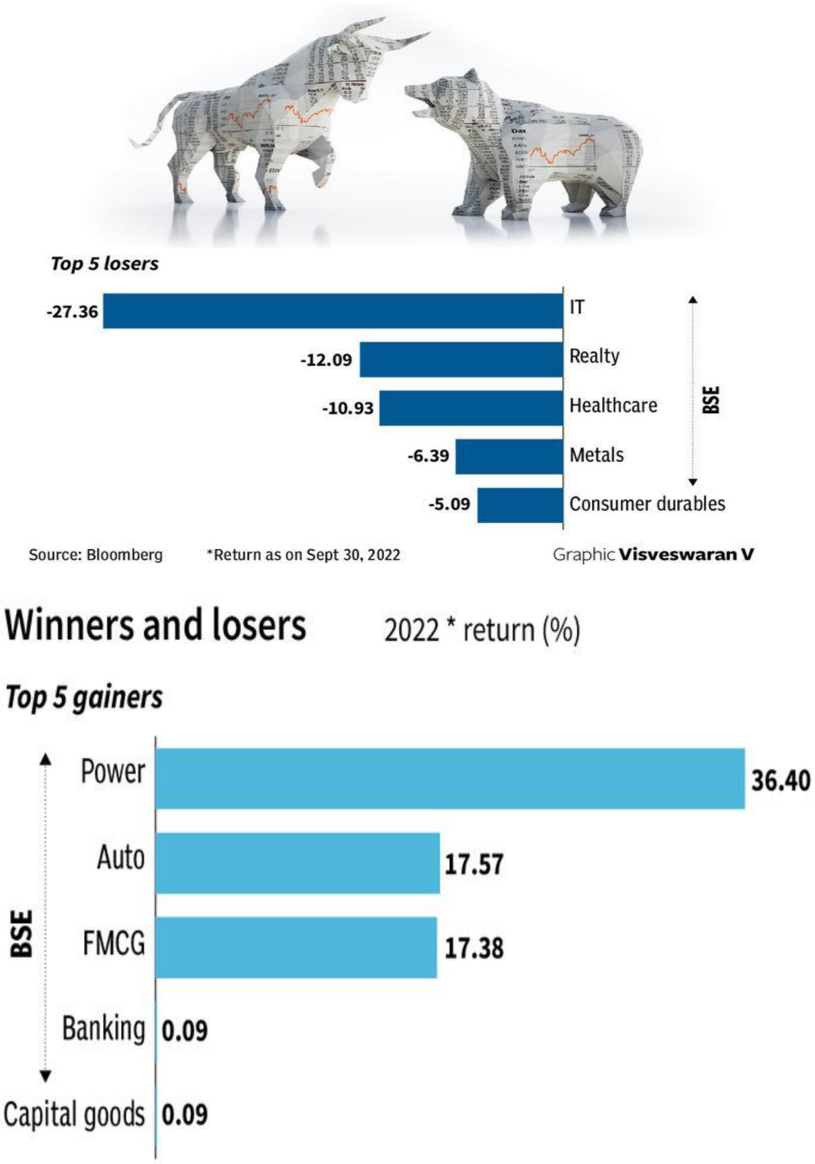
After witnessing a stellar rally for two consecutive years (2020, 2021), the Indian benchmark equity indices have been struggling in 2022. The first three quarters of 2022 have been very volatile. Sensex and Nifty 50 have gone nowhere and are oscillating in a wide range.





Russia-Ukraine war, inflation, hawkish stance from global central banks and a fear of recession have all kept global equity markets jittery.

However, so far the Sensex and Nifty have outperformed their global peers. Here is a detailed look.



Source: thehindubusinessline.com- Oct 11, 2022

HOME

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Indian cotton prices spike as rains across the country affect arrivals

Cotton prices in the Indian domestic market have gained 3-9 per cent since the beginning of this month as arrivals have declined to a 20-year low since the beginning of this month due to rains in many parts of the country.

Prices are, however, expected to moderate and head lower once arrivals gather momentum in the current season (October 2022-September 2023), trade and industry officials say.

Lowest since 2003

According to the Agmarknet portal, a unit of the Ministry of Agriculture, cotton arrivals during October 1-10 were 61,572 tonnes compared with 1.12 lakh tonnes a year ago. Arrivals are the lowest since 2003 when 53,221 tonnes arrived during the period.

"Arrivals are currently around 30,000-35,000 bales (170 kg) against the normal 50,000 bales due to rains. Once the weather clears up, arrivals will increase and prices will head lower," said Anand Popat, a trader based in Rajkot, Gujarat.

Agmarknet data showed that arrivals throughout last week were lower than 10,000 tonnes, though they increased on Monday to 13,902 tonnes. Prices for the Shankar-6 variety, the benchmark for exports, are currently ruling at ₹71,500 a candy (356 kg) against ₹69,000 on September 30. Raw cotton (kapas) prices at Rajkot agricultural produce marketing committee (APMC) yard in Gujarat have increased to ₹8,800 a quintal from ₹8,250 during the period.

Global price too rise

The average weighted price of cotton across various mandis is currently ₹8,625 a quintal compared with ₹7,851 on September 30. This is against the minimum support price of ₹6,080 for medium staple cotton and ₹6,380 for long staple cotton. Indian cotton crop is primarily medium staple.

During this period, cotton prices on the InterContinental Exchange (ICE), New York, have gained 5 per cent at 85.64 cents a pound (₹55,800 a candy) for December futures. On the Multi Commodity Exchange, cotton December futures dropped by ₹640 per bale on Tuesday to ₹30,010 (₹62,844 a candy).

“Prices are coming down now (compared with ₹1 lakh a candy in May) and we expect it to be in the ₹60,000 range per candy once arrivals peak in India,” said Prabhu Dhamodharan, Convenor, Indian Texpreneurs Federation (ITF).

Building inventory

“There is some demand now for cotton as mills are trying to build inventories after having shut for sometime. How long can they keep their units closed. Arrivals will increase in due course of time,” Popat said.

The Rajkot-based trader said cotton production this year is expected to be at least 375 lakh bales, provided the weather remains good. “So far, there are no reports of any major damage to the crop,” he said. The cotton production estimate for the current season is against 312 lakh bales last season. In view of the natural fibre’s prices ruling at record high last season, the area under cotton has increased 7.5 per cent this year to 127.50 lakh hectares.

ITF’s Dhamodharan said the textile sector had a painful September quarter in which utilisation and margins were low. “Cotton prices were artificially higher last season,” he said.

AP units shutting down

According to K Venkatachalam, Chief Advisor, Tamilnadu Spinning Mills Association (TASMA), cotton offtake is lower as quite a few mills units in Andhra Pradesh are shutting from today. “Post-Diwali, spinning mills in Tamil Nadu may shut as there is no demand for yarn. How long can they operate without demand?” he wondered.

The spike in cotton price is secondary and the primary issue is low domestic and global demand, he said.

Dhamodharan said the retail demand in the US had not contracted much, though inventory re-adjustment was taking place there. "Earlier, it took 80 days for consignments to reach the US from China. Now, it is down to 40 days. So, a corresponding adjustment in inventories is taking palace," he said.

On the other hand, there is demand contraction in Europe and it will take 2-3 quarters for it to recover completely, he said.

Popat said mills demand in the country will take another two months to pick up.

No chasing cotton

Dhamodharan said sales in domestic market are robust across all products as this is the first non-Covid festive season since 2019. "Post-Diwali, things will change in terms of demand," he said.

Currently, spinning mills are running at 40-50 per capacity and they may not chase cotton and will monitor cash flow to decide on stepping up their utilisation . "They will cut utilisation when demand drops and raise when it increases," the ITF convenor said.

"We expect calibrated demand in the current quarter, particularly post Diwali . We are looking at normal demand in the first quarter of 2023," he said.

Popat concurred with the view saying the all supply side factors look bullish since there is a shortage of stocks globally. "But fears of recession, inflation and geo-political risks are dampeners," he said.

Dhamodharan said if India focuses on the US, opportunities are immense to utilise the China-plus-one chances as "we have a level-playing field in terms of similar duty structure".

Popat said he foresaw a volatile market this season with speculators and investment funds playing a big role in the market movement.

Source: thehindubusinessline.com- Oct 11, 2022

HOME

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MSME Minister Rane calls for increase in MSME production and exports

Ease of Doing Business for MSMEs: Union MSME Minister Narayan Rane has called for leveraging quality and state-of-the-art technology for growth along with increased production and exports in the Micro, Small and Medium Enterprises (MSME) sector on Tuesday.

Speaking at the MSME Summit and Exhibition 2022 organized by Confederation of Indian Industry (CII) in Mumbai, he asked industry bodies to assist in the growth of the country's MSME sector.

"Considering the capacity and experience of CII in the industry sector, CII's assistance is crucial for development and expansion of MSMEs," he said.

The minister informed that the number of entrepreneurs in the MSME sector are around 6 crores. Further, the MSME Ministry aims to increase entrepreneurship, production, employment and GDP in the sector with the objective of realizing Prime Minister Narendra Modi's dream of a self-reliant India, the Minister said.

While the Government shall provide all possible support for development of the industrial sector, the dream of making the country a superpower can be fulfilled only with cooperation from industry, he said. "The support of industry is important for the country's growth," Rane added.

Sunil Chordia, Chairman of CII Western Region said that MSMEs have helped the country's economy by following the basics of low investments, flexible operations and capability to develop good local technology.

MSMEs are crucial to the Indian economy and have made significant contributions to the socio-economic development of the nation. Along with creating job opportunities, it helps in the advancement of rural and under-developed areas of the country, he said.

The CII (Western Region) organized the 8th Edition of the MSME Summit and Exhibition 2022 with an objective to help MSMEs bounce back from challenging issues in environmental sustainability, finance, business continuity and exports and to adopt new solutions and make them boom.

Importantly, the minister in September inaugurated 72 units supported under the government's employment generation scheme Prime Minister's Employment Generation Programme (PMEGP) and disbursed margin money subsidy to 720 PMEGP beneficiaries.

Source: financialexpress.com- Oct 11, 2022

HOME

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Denim fabric exports of India decline in April-August period of FY ’23

The start of FY ’23 hasn’t been positive for Indian denim mills!

As per latest statistics released by Ministry of Commerce and Industry (India), the overall denim fabrics shipment valued US $ 223.74 million in April-August period, as compared to US $ 259.28 million revenues earned from exports in the same period last fiscal year.

The data says there is a clear decline of 13.71 per cent on yearly basis.

Out of total exports, cotton denim fabrics constituted around US $ 132.24 million (down 15.43 per cent), whereas poly-cotton (blend) denim fabrics contributed US $ 91.50 million (down 11.10 per cent).

Bangladesh – top export destination for Indian denim mills – has restricted denim fabric (both cotton and poly-cotton denim) sourcing from India during the mentioned period.

The shipment of denim fabrics to the neighbouring country valued US $ 87.74 million in April-August period of FY ’23, noting 6.13 per cent decline on yearly basis.

The de-growth can be attributed to less orders that denim manufacturing companies are receiving amidst rising inflation in the western countries as well as due to piled-up inventories in retail stores.

Source: apparelresources.com- Oct 11, 2022

HOME

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North India's MY 22-23 cotton output revised downwards to 51L bales

North India's cotton production estimate has been revised downward to 51 lakh bales of 170 kg each for marketing year (MY) 2022-23 by the Indian Cotton Association Limited (ICAL). Its earlier estimate for the region comprising Punjab, Haryana, upper Rajasthan, and lower Rajasthan was 58.30 lakh bales. Slower growth of the cotton plant is expected to lead to lower productivity.

ICAL board met last Sunday to review the cotton production estimates for north India.

Traders expected an upward trend in cotton prices due to low production, which was witnessed on Monday as cotton prices increased by ₹75 per maund of 37.2 kg to reach ₹7,200-7,250 per maund for ready trade.

A trader from Bathinda mandi told Fibre2Fashion, "Growth of cotton plant remained slow in the current season. Therefore, average productivity may decline which will lead to lower production."

Lower Rajasthan and lower Haryana continue to get rainfall during the last lap of the current monsoon season, the impact of which is yet to be ascertained. If the crop gets affected by the disruption in weather, the output may decline further.

Earlier, ICAL had estimated that cotton production may increase by 23.40 per cent to 58.30 lakh bales. Last year, late rain and pink ball worm attack severely affected north India's cotton production which totalled to 47.41 lakh bales.

Source: fibre2fashion.com– Oct 11, 2022

HOME

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