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The China Tariff Debate: Not a One-Sided Issue

Both supporters and critics of the Trump-era tariffs on China-made goods agree on one thing: they are here for the foreseeable future.

Following a customary four-year review, the United States Trade Representative (USTR) last month said it would keep Section 301 tariffs in place to the dismay of critics seeking relief from the additional tax burden. Ambassador Katherine Tai said USTR will continue to consider their efficacy moving forward, noting that the government won't roll back tariffs until Beijing adopts market-oriented trade and economic principles.

"How I read that is that the tariffs that started four years ago are not ending anytime soon," OEC Group vice president of customs brokerage Matt Haffner told Sourcing Journal. There's "a lot of friction" within the bilateral trade relationship, and the Biden administration is loathe to appear "weak on China," he said. "I'd be surprised and happy, but I don't anticipate seeing any movement at this point on the sanctions."

"I don't see the Biden administration removing the tariffs on China," added Kim Glas, president and CEO of the National Council of Textile Organizations (NCTO), whose 160 members range from Cotton Inc. to BASF, DuPont, Precision Textiles, SanMar Corp., Shawmut Corp. Unifi and others. But Glas and the trade group she represents argue the handicap on China's industry has given U.S. companies and their nearshore partners room to grow. After decades of China dominance, material innovators, yarnmakers and textile manufacturers in the Americas are seeing new interest, and more importantly, a change in mindset, Glas said.

"I can think of no other manufacturing industry that has been harder hit by that by the Chinese over a period of time" than the textile sector, she said. According to Glas, U.S. companies have outsourced so much material and component production that it has decimated the domestic industry's self-sufficiency in creating finished goods including apparel and home textiles. "We have chased ourselves out to the lowest-cost needle around the world, and that's come at a great cost to all of us," she said.

Glas believes the tides could be changing. "I would say over this past year, there's been historic business being done in both the United States and some of my member companies in the region," she said. Shipping delays and skyrocketing logistics prices in 2021 had suppliers on the hunt for alternative sourcing. "And guess who they called on? Those in closest proximity," she said.

Since the tariffs have been in place and the Uyghur Forced Labor Prevention Act arrived in Washington, "there's been a real shift by many brands and retailers to try to de-risk out of China and really look at opportunities to nearshore," Glas added. This has unleashed over $1 billion in investments in yarn, fabric and apparel production capacity in Central America, along with "massive investment here in the United States," she said. Apparel exports under the Central America Free Trade Agreement (CAFTA) that were made with U.S. inputs like cotton are up 25 percent year-over-year, underscoring the growing strength and mutual benefit of cross-border relationships, Glas said.

Today's efforts to build out American production capacity have long-term potential, even when the supply chain headwinds die down, she added. "We're placing substantial orders in the region—people don't make investments in huge, brick-and-mortar projects without knowing that there's going to be buyers." Global players are taking note of the region's potential; in September, South Korean apparel manufacturer Hansae, which operates facilities in Nicaragua, Haiti and Southeast Asia, announced expansion plans in Guatemala with a state-of-the-art verticalized factory and arrangements to source inputs such as yarns from local partners.

Glas isn't sure repealing tariffs will help fashion brands' bottom lines. "There's no doubt in my mind that the Chinese government has long subsidized their industry" and stepped up that support post-tariffs so that supplier don't lost market share, she said.

Growing interest in diversifying away from China isn't solely a result of the Section 301 duties, but a confluence of other factors, from the country's strict zero-Covid policies that periodically interrupt production and transport, to geopolitical risks, she said. These push companies to explore their options for the first time in decades—"and that's something that's welcomed by the U.S. industry and a lot of our regional allies," Glas said.

But OEC's Haffner said the tariffs have had an outsized negative impact on the custom brokerage firm's sizable small-to-medium-sized clientele doing business in China. And while OEC has seen "some small movement towards Central America, South America and Mexico" over the past year, few are making a meaningful shift to nearshoring. "I've had questions [from clients] about the 'what-ifs'" of sourcing in the Americas, he said, but ultimately brands have struggled to find sourcing capacity that meets their needs. "Traditionally, China has been the most cost-effective sourcing available to them, and brings a lot of flexibility to what they need."

While the tariffs are burdensome, OEC clients haven't had better luck sourcing elsewhere as those that explored Vietnam, Bangladesh, India, and other Asian nations "didn't find it easy to make that transition because of the limited resources available in these other countries," Haffner said. Because of China's dominance in creating not just finished goods, but materials and components integral to apparel and footwear products, many roads eventually lead back to the sourcing superpower. What's more, production rates across other sourcing locales have risen sharply in recent years due to limited capacity and a surplus of demand, negating any would-be cost savings associated with dodging the tariffs, Haffner said. "Although the USTR said they could look for other sourcing, it turned out that that was really not viable from a cost perspective."

"It's a long-term goal when you start moving your production line to a whole different country that you've never worked with before," he added.

At this point, U.S. importers that have absorbed the duties for four years "could only do that for so long" before passing those costs to consumers. Haffner said that "some of this plays into the beginnings of the inflation we're seeing now." Between the "supply chain debacle" of the past year that saw "through-the-roof" ocean and air freight pricing, "it was it was a perfect storm for the small-to-medium-sized employers with not a lot of options available to them," he said.

Haffner believes that many of OEC's clients have been forced to raise prices at retail. "I would think at this stage of the game, their pricing has to reflect some of that pain," he said. "I don't think they could have continued down this path without readjusting their pricing, and if they haven't, their margins are probably in very poor shape."

While he supports the concept of new or revised tariff policy, the customs broker said that a rollback today wouldn't be felt for months. "What ends up on the shelves has already been imported maybe three or four months ago," and those products already have tariff costs built into their pricing, he said. Between ordering, production and transport, it would take nearly half a year to get reduced-duty goods onto store shelves, and for shoppers to see lower prices. Meanwhile, recession fears continue to grow.

Haffner believes that most Americans theoretically agree with tough-on-China policies, but are probably unaware that tariffs could be affecting their personal finances. "Most people are thinking about the much broader picture of this pocket of inflation that's hitting them; they're not really taking the time to think about breaking that up by sector or commodity," he said.

Source: sourcingjournal.com- Oct 31, 2022

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USA: All About September's $500 Billion Spent on Clothing, Footwear

U.S. consumer spending on clothing and footwear rose for the third consecutive month in September to $500.36 billion, up a seasonally adjusted 1.3 percent from August, according to the latest estimates from the Bureau of Economic Analysis (BEA).

Spending on furnishings and durable household equipment was essentially flat last month at $521.18 billion. Similarly, the National Retail Federation (NRF) reported earlier in October that retail sales remained strong on a monthly basis and saw another year-over-year gain in September despite an interest rate hike from the Federal Reserve and continuing inflation.

"September retail sales confirm that even with rising interest rates, persistent inflation, political uncertainty and volatile global markets, consumers are spending for household priorities," NRF president and CEO Matthew Shay said. "As we enter the holiday season, shoppers are increasingly seeking deals and discounts to make their dollars stretch, and retailers are already meeting this demand."

The report from NRF and the Census Bureau said clothing and clothing accessories store sales were up 0.5 percent month over month seasonally adjusted and 4.5 percent unadjusted year over year. Furniture and home furnishings store sales were down 0.7 percent month over month but up 1.5 percent year over year. Overall personal consumption expenditures (PCE) increased 0.6 percent, or $113 billion, for the month, reflecting an increase of $94.7 billion in spending for services and an uptick of $18.3 billion in spending for goods.

Within services, the leading contributors were housing and utilities, international travel and transportation services. Within goods, increases in prescription drugs, and motor vehicles and parts were partly offset by a decrease in gasoline and other energy goods.

Real PCE, adjusted for inflation, was up 0.3 percent, as goods increased 0.4 percent and services rose 0.3 percent. Within goods, the increase was mainly attributable to spending on gasoline and other energy goods. Within services, international travel, food services and accommodations, and health care were the leading contributors.

The PCE price index increased 0.3 percent. BEA reported prices for goods decreased 0.1 percent, reflecting a decline in prices for nondurable goods led by gasoline and other energy goods. Prices for services were up 0.6 percent, led by housing and transportation services. Food prices increased 0.6 percent and energy prices decreased 2.4 percent.

The core index, excluding food and energy, rose 0.5 percent. From the same month one year ago, the PCE price index for September increased 6.2 percent. Prices for goods rose 8.1 percent and prices for services increased 5.3 percent. Food prices were up 11.9 percent and energy prices 20.3 percent. The PCE core price index increased 5.1 percent from one year ago. Commenting on last week's report of a 2.6 percent increase in gross domestic product and the PCE numbers, President Biden said they show "we are making progress on our economic plan: lower inflation, higher incomes and solid growth.

"Inflation slowed in the third quarter, with energy prices coming down," Biden said. "Gas prices have declined over $1.20 since the summer's peak… We have more work to do. My plan will bring down prescription drug prices and energy costs starting next year. In January, seniors will see their Social Security checks increase by an average of $140 a month even as their Medicare premiums go down—the first time in a decade that has happened."

Personal income increased 0.4 percent, or $78.9 billion, in September, according to BEA. The gain primarily reflected increases in compensation and personal income receipts on assets. The rise in compensation was led by private wages and salaries. Within private wages and salaries, services-producing industries and goods-producing industries both increased.

Disposable personal income (DPI), a key indicator for retail spending, rose 0.4 percent, or $71.3 billion for the month. Real DPI increased less than 0.1 percent in September. Personal outlays increased $125.5 billion in September. Personal saving was $581.6 billion in September and the personal saving rate—personal saving as a percentage of disposable personal income—was 3.1 percent.

Source: sourcingjournal.com- Oct 31, 2022

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USA: Geopolitical Turmoil Top of Mind for Supply Chain Execs: Survey

The supply chain snafu doesn't appear to be ending any time soon, and many credit the current geopolitical climate for the ongoing uncertainty.

Fifty-eight percent of U.S. logistics and supply chain strategy decision makers say their current supply chain issues primarily stem from global political unrest, including the war in Ukraine and tensions in Taiwan, according to an SAP survey.

More than half (52 percent) of brands surveyed think their supply chain still needs significant improvement and nearly half (49 percent) expect current supply chain issues to last through the end of the year. One in three believe the issues will last until the end of summer 2023.

While talk about the macroeconomic environment is often tied to the supply chain, inflation isn't as much to blame here, the 400 respondents said. Only 31 percent cited inflation as a major contributor.

Instead, more leaders pointed to a lack of raw materials (44 percent) and rising fuel and energy costs (40 percent) as top factors fueling the slowdown. Executives also blamed changes in regulations and compliance (36 percent), rising interest rates (34 percent) and lack of contingency plans across the industry (34 percent).

With these concerns in play, the top three supply chain disruptions business leaders expect in 2023 are reduced availability of raw materials in the U.S. (50 percent), a slowdown in construction of new homes (44 percent) and disruption to public transport due to lack of drivers (44 percent).

The supply chain constraints erupted when Covid-19 first broke out, and in the time since it has been clear that companies weren't prepared for the drastic changes in consumer buying behaviors throughout, namely the growth in online shopping.

As a result, approximately half of business leaders saw some financial impact from supply chain issues since the beginning of the pandemic, namely a decrease in revenue (58 percent). Fifty-four percent say they needed to take new financing measures, such as business loans (54 percent), while 50 percent said at one point they were unable to pay employees.

As many as 42 percent even missed rent payments—a circumstance that saw retailers including Gap Inc. and J.Crew spar with their landlords, with the former embroiled in a Simon Property Group lawsuit over the unpaid rent before they settled in December 2020.

In order to cover the extra costs of supply chain issues, more business leaders say they've had to turn to wage or recruitment freezes (61 percent) and staff job cuts (50 percent). In retail alone, headcount reductions have hit hard in 2022, with layoffs coming at companies including Walmart, VF Corp., Bed Bath & Beyond, PVH, Gap Inc., Nordstrom, Shopify and many more.

Only 41 percent have chosen to increase the price of their products or services, as companies hesitate to stick consumers with higher costs.
Holiday remains a mystery

Although many businesses have started to prepare for the holiday season, there are still plenty of questions about how the end of the year will pan out.

For example, there is still an ongoing debate on the overall health of the consumer, and how much they will be willing to spend if the economy gets worse.

A separate study by SAP of 1,000 U.S.-based consumers found that nearly half (45 percent) say price is the top factor they weigh in purchasing decisions, and 73 percent say it's a top three factor.

With inflation hiking costs and a potential recession on the horizon, 65 percent of consumers told SAP they plan to decrease their holiday spending budget. Fifty-four percent expect inflation to impact how they shop for holiday gifts, with 39 percent shopping online more. Surprisingly, only 15 percent said they will seek bargains in stores.

Business leaders anticipate growth in online shopping, with 73 percent expecting an increase in e-commerce volume this season compared to last year.

To sell their own products, 64 percent of business leaders plan to use speed of delivery as their lead differentiator, while 57 percent want to leverage their customer service for that purpose.

Other significant differentiators include availability of products (52 percent), sustainability credentials (47 percent), price reductions (42 percent) and products that are Made in the U.S.A. (38 percent).
How do we improve the supply chain from here?

Every organization said their supply chain needs improving to some extent, and they're making changes to prepare for future disruptions and to fortify their supply chains. The respondents plan to adopt new technology to overcome challenges (74 percent), implement new contingency measures (67 percent), prioritize U.S.-based supply chain solutions (60 percent) and find new environmentally friendly supply chain solutions (58 percent).

Nearly two in three companies (64 percent) also say they are moving from a "just in time" supply chain to a "just in case" supply chain by increasing the amount of inventory they store. In fact, 63 percent believe the U.S. should adopt this approach to overcome potential supply chain crises in 2023.

"The move to 'just in case' means organizations will be storing more inventory to help meet customer demand, but doing so also means increased cost," said Scott Russell, member of the executive board of SAP SE, customer success. "Managing the supply chain is a constant balancing act.

Over the last couple of decades, the 'just in time' approach traded resiliency for efficiency and lower costs, which in turn made the supply chain fragile. The pandemic and the snowball effect of related disruptions exposed this fragility, which has organizations refocused on resiliency. Still, cost remains a factor, especially in the current economic environment. Technology can help organizations strike the right balance by enabling more real-time collaboration between trading partners."

Source: sourcingjournal.com- Oct 31, 2022

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USA: Economy Grew 2.6%, But Warning Signs Are Everywhere

The U.S. economy expanded 2.6 percent in the third quarter, but there are already signs that a recession is lurking in the background as inflation continues to climb to a 40-year high.

The Conference Board's Consumer Confidence Index reflected a decline in October to 102.5 from 107.8 in September after back-to-back gains. The Present Situation Index, the assessment of current business conditions, declined sharply to 138.9 from 150.2 last month. The Expectations Index, the short-term outlook six months out, slipped to 78.1 from 79.5.

"The Present Situation Index fell sharply, suggesting economic growth slowed to start Q4. Consumers' expectations regarding the short-term outlook remained dismal," Lynn Franco, The Conference Board's senior director of economic indicators, said.

Franco noted that the Expectations Index is below a reading of 80, a level "associated with recession—suggesting recession risks appear to be rising." Inflation concerns which have been receding since July picked up again, with gas and food prices serving as the main drivers, she added.

"Looking ahead, inflationary pressures will continue to pose strong headwinds to consumer confidence and spending, which could result in a challenging holiday season for retailers," Franco said.

For now, more consumers are whipping out their credit cards to make purchases amid rising inflation. The Federal Reserve Bank of New York said in an August report that U.S. household debt passed the $16 trillion mark in the second quarter of 2022, and was up 2 percent from the first quarter. Of that total, $890 billion is attributed to credit card balances. The report said consumers opened 233 million new credit card accounts in the second quarter, an increase from the first quarter and the highest seen since 2008. And while credit card delinquency rate remains at historic lows, they are rising among those in the sub-prime and low-income borrowers.

Zumiez CFO Chris Work confirmed the trend, saying the Gen Z mall chain has seen a noteworthy change in consumer payment habits and "pretty dramatic" increase in credit card spend.

When companies sense an economic slowdown, the first thing they often do to preserve cash is cut advertising and marketing programs.

On Tuesday, Google parent Alphabet Inc. might have signaled that a slowdown is spreading. July-September YouTube ad revenue fell 1.9 percent to $7.07 billion, the first time it has slowed since 2019. This could be perceived as a sign that advertisers are cutting costs as economic uncertainty rises. Google's third-quarter ad sales rose just 2.5 percent to $54.48 billion, while revenue grew 6 percent to $69.09 billion and was the first time year-over-year quarterly revenue rose by less than 10 percent—it also represented the slowest revenue growth period in about a decade.

Amazon financial chief Brian Olsavsky said last week cited a "challenging" "macroeconomic environment" across the globe. Sagging sales growth will likely continue from the third into the fourth quarter and there are questions about how strong holiday will be, he added.

A Deloitte 2022 holiday study said inflation will likely curb holiday shopping habits. The consulting firm predicts that holiday spending will be flat year-over-year with an average $1,455 per household, but consumers are also planning to buy nine gifts versus 16 in 2021 for their intended recipients. And while consumers will likely pull back on no-gift purchases to focus on spending on experiences, Deloitte expects less travel than holidays past. Just 31 percent of U.S. consumers said they plan to travel between Thanksgiving and mid-January, down from 42 percent in 2021.

The Deloitte survey last month polled 4,986 consumers online between Sept. 6-14. The firm's holiday retail survey polled 40 retail executives across categories between Sept. 1-13, with 93 percent of executive retail respondents having annual revenues of $1 billion or more. It found that 77 percent expect holiday sales to rise year-over-year.

Retailers also started their holiday promotions at least one to two weeks earlier than last year, even as consumers said they plan to spend less time shopping since they are buying fewer gifts. And amid higher prices and supply chain concerns, gift cards could become the go-to in 2022, with an average spend of $252 that's up 7 percent from last year. If Deloitte's right about the gift cards, that would not bode well for retailers as most cards are redeemed after the holiday rush when more items see additional discounting and ding retail margins. In addition, buying a gift card isn't booked as a sale—that only happens when the holder actually uses the card to make a purchase.

Moreover, gifting resale items could be a key cost-saving strategy as consumers consider options that can help them increase their buying power. Thirty-two percent of shoppers plan to buy resale items, and nearly half of surveyed retail executives at 48 percent said they will sell refurbished or used products this season.

"Lower-income families feel more confident heading into the holidays, younger generations are embracing new retail formats, and retailers do not anticipate the issues with stockouts we saw last year," Nick Handrinos, Deloitte's vice chair and the U.S. retail, wholesale and distribution and consumer products team leader, said. "As consumers aim to be strategic about their purchases to outsmart inflation, retailers who can be flexible to meet consumers where they are will be more likely to build loyalty and profit from the holiday season and beyond."

Source: sourcingjournal.com- Oct 31, 2022

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UK's apparel imports from India may cross pre-COVID levels in 2022

UK’s apparel imports from India stood at $1.046 billion in January-August 2022 which is close to the imports of $1.094 billion in the entire 2021. The imports this year are likely to surpass the pre-COVID level of $1.487 billion in 2019. The imports may increase further in the coming years once the bilateral free trade agreement (FTA) is implemented.

India’s Prime Minister Narendra Modi and newly appointed UK Prime Minister Rishi Sunak recently agreed on taking forward the negotiations for the comprehensive UK-India free trade agreement.

UK’s apparel imports from India had dropped to $0.973 billion in 2020 from $1.487 billion in 2019. The country had imported apparel worth $1.667 billion in 2018 and $1.482 billion in 2017, according to Fibre2Fashion’s market insight tool TexPro.

Apparel imports from India in the current year have already crossed the $1 billion mark in the first eight months of this year and are therefore on track to touch the 2019 level. It is also likely to cross the $1.667 billion mark of 2018, the highest for apparel imports from India. However, monthly imports have been declining in the recent months.

The imports increased to $208.023 million in May 2022 from $141.834 million in April 2022, but decreased to $125.502 million in June, $119.517 million in July and $97.838 million in August 2022, as per TexPro.

High inflation, less demand and a weak economy are affecting the imports of textile products in Europe as well as the world. UK is also reeling under the pressure of critical challenges. It may affect imports of discretionary products including apparel and other textile items.

Source: fibre2fashion.com- Nov 01, 2022

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Intertextile Shanghai Apparel Fabrics Autumn Edition to return in 2023

Intertextile Shanghai Apparel Fabrics, the A/W textile sourcing platform, will be held from August 28-30, 2023, at the National Exhibition and Convention Centre in Shanghai. The previous edition's almost 200,000 square metres floor space encompassed nearly 3,300 exhibitors from 19 countries and regions, and over 67,000 buyers from 50 countries and regions.

Organisers are eager to deliver an event that allows for integrated business interactions, and promotes the advancement of the industry. "As a global flagship for the industry, Intertextile Shanghai Apparel Fabrics is regarded by many suppliers as their go-to textile trade fair. After a disrupted schedule in 2022, we expect good exhibitor numbers at next year's Autumn Edition. Many have already confirmed their participation at this early stage, which is a good sign of market recovery," Wilmet Shea, deputy general manager of Messe Frankfurt (HK), said.

Distinctive country and region pavilions have confirmed their return to the fairgrounds next autumn, with the fair featuring pavilions from Germany, Japan, Korea, and Taiwan, while several well-known companies will be presenting their products at group pavilions. These include Lenzing, the manufacturer of plant-based fibres; Sorona, the high-performance polymer producer; and Hyosung, the end-to-end international textile maker, the company said in a press release.

To enable more targeted sourcing, the fair will make use of featured product zones, including Accessories Vision, All About Sustainability, Beyond Denim, Digital Printing Zone, Functional Lab, Premium Wool Zone, SalonEurope, and Verve for Design, with domestic exhibitors also grouped by product end use.

Past editions of the fair have proved useful to a number of influential exhibitors. "Lycra has always been one of the most loyal customers of Intertextile Apparel, and we regard it as our most important exhibition opportunity in China or even in Asia each year," said Vincent Hu, vice president of Asia at The LYCRA Company. "It is also the best place to meet all our upstream and downstream customers to discuss technology, innovative ideas and to imagine the future."

Many buyers are also repeat attendees, with Lydia Wang of Zhejiang Merrige Health Technology, explaining why that is the case for her company: “I visit the fair every year because Intertextile Apparel is a large-scale and comprehensive fair with both product and trend displays. Although we are a lingerie company, we also have needs for outerwear, so the fair is like a one-stop platform for big trading businesses like us.”

Participants will be able to make the most of next year’s A/W sourcing season by utilising Intertextile Apparel’s trend forum, seminars, panel discussions and product presentations – which cover topics on sustainability issues, design and trends, market information and business strategies, as well as technology and solutions.

For added value, fairgoers can make use of online business matching services, including Connect PLUS and one-to-one VIP buyer business matching. As the apparel fair is held concurrently with Yarn Expo Autumn, CHIC and PH Value, the entire textile value chain can be found under one roof, providing an extended platform for business networking opportunities.

To cater for next year’s S/S seasonal sourcing demand, Intertextile Shanghai Apparel Fabrics – Spring Edition will be taking place from March 8-10, 2023, at the National Exhibition and Convention Center in Shanghai.

Intertextile Shanghai Apparel Fabrics – Autumn Edition 2023 is co-organised by Messe Frankfurt (HK) Ltd; the Sub-Council of Textile Industry, CCPIT; and the China Textile Information Centre.

Source: fibre2fashion.com- Oct 31, 2022

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Global employment growth to fall 'significantly' in Q4, says ILO

Global employment growth will "deteriorate significantly" this quarter, hit by the economic turmoil caused by the Ukraine war and by the impact of tighter monetary policy on consumption, the International Labour Organization (ILO) said on Monday.

There are already signs that a recovery in global hours worked that was seen in early 2022 went into reverse in the second and third quarters, the UN body said. Overall, there were 40 million fewer full-time jobs between July-September than in the fourth quarter of 2019, which is used as the benchmark level before the Covid pandemic, it added.

"On current trends, global employment growth will deteriorate significantly in the fourth quarter of 2022," the ILO said in its report on the World of Work. The ILO attributed the deterioration in the level of hours worked in mid-2022 to the reintroduction of public health restrictions and ensuing labour market disruptions in China as well as to the Ukraine conflict and resultant inflationary pressures from disruptions to energy and food exports.

The report also said that excessive policy tightening could cause "undue damage to jobs and incomes in both advanced and developing countries". The ILO warned of declining job vacancies ahead and rising unemployment in the final months of the year. There are already signs that the labour market has cooled considerably in advanced economies, with sharp declines in vacancy growth, it said.

ILO Director-General Gilbert Houngbo called for a series of policies aimed at supporting the most vulnerable people and businesses, which might include channelling windfall corporate profits towards employment or income support.

"We cannot insist enough on the need for social packages and the need to ensure that the monetary tightening to combat the inflation is really dovetailed with social measures," he told a Geneva press briefing.

Source: business-standard.com- Oct 31, 2022

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Turkey apparel exports up 10%, imports up 55%

From January 2022 to September 2022, Turkey's apparel exports increased by ten per cent. Earnings from exports of knitted and crocheted clothing and accessories grew by seven per cent during the same months of the previous year. Earnings from exports of non-knitted apparel and accessories grew by 14per cent compared to the same period of the previous year.

Meanwhile, Turkey's imports of cotton, cotton yarn and cotton textiles increased by a sharp 55 per cent. In September 2022, Turkey's exports of knitted and crocheted clothing and accessories were affected by recession and slower demand.

Exports decreased by one per cent yearonyear. On the other hand, shipment of non-knitted apparel and accessories saw a mild growth of three cent the same month.

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. Turkey is well known for near-shore manufacturing capabilities that are of high quality.

Source: fashionatingworld.com- Oct 31, 2022

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Sri Lanka aims at FTAs

Sri Lanka is attempting to finalise free trade agreements with countries like China, India, Japan and Australia. These are expected to help boost exports and strengthen the industry's resilience.

August 2022 saw a 20 per cent increase in export turnover generated by the apparel sector but at present Sri Lanka is not competing on a level playing field. Its main competitor countries like Bangladesh, Vietnam and some African nations have duty concessions in global markets, which it does not have.

Sri Lanka's only concessions are for the UK and the EU markets, and those come coupled with a variety of strict conditions pertaining to the origin of raw materials which means that utilisation of these preferences remains around 50 per cent for apparel.

The US, the EU and the UK comprise about 86 per cent of Sri Lanka's total exports but Europe is riddled with geo-political tensions and economic volatility. So securing new free trade agreements can help reduce barriers for Sri Lankan apparel exporters and help them diversify.

One priority is a free trade agreement with China. Further trade concessions can help better integrate Sri Lanka with regional markets. For example penetrating even ten per cent of the Indian market would be equivalent to reaching 100 million people.

Source: fashionatingworld.com- Oct 31, 2022

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Indonesia faces slump in exports, slowing domestic market

Indonesia is facing tough challenges in textile exports. Around 43,000 textile industry employees have been laid off since the Covid pandemic emerged.

Apart from the phenomenon of layoffs in the domestic textile industry there is the impact of the weakening global textile market. Countries such as the United States and the European region are experiencing a slowdown in the economy so that demand for imports has also experienced a fairly deep decline.

Domestically, the performance of the textile sector has also begun to slow down. Apart from the result of the unstable purchasing power of the people, it is also due to the flood of imported products into the domestic market. This has had an impact on textile industry production. There has been a reduction in employee working hours from seven days a week to five working days.

Estimates are that the performance of Indonesia's textile industry in 2023 will be weak until the fourth quarter of that year. The easing of inflation in export destination countries will also determine the fate of the Indonesian textile industry.

Hopes are that policies can prevent the import of illegal textile products, including applying trade remedies or protecting domestic industries from the losses of unhealthy trade practices. The industry also hopes there will be facilities related to restructuring policies for textile players who are facing financial problems.

Source: fashionatingworld.com- Oct 31, 2022

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Vietnam's textile-garment firms opt for green push to achieve targets

Vietnam's textile and garment industry is investing in sustainable and eco-friendly technologies to be on the same page as several global companies. This has become a necessity for suppliers as the European Union (EU), a big market for Vietnamese businesses in this sector, has proposed new environmental requirements for imported textiles till 2050.

Danish-owned Specter's new green apparel factory in the An Giang province started operation on September 30, specialising in outdoor sportswear for export and will be partly powered by renewable energy.

The facility, which has received a Gold LEED certificate, uses solar energy and contemporary architecture to cut its annual carbon dioxide emissions by around 1,600 tonnes. This is Specter's third facility in Vietnam.

Hanoi Textile and Garment JSC (Hanosimex) and South Korea's Hansae Group signed an agreement earlier this month for a project in Vietnam for recycled textiles for export.

Both will be the first in Vietnam's textile sector to develop a comprehensive distribution network from yarn to weaving, dying and sewing, entirely for recycled goods, Kyung Kim, senior vice president of Hansae Group, was quoted as saying by a Vietnamese media outlet. About 4,000 tonnes of recycled fabric for the EU market are expected to be manufactured.

“The signing of a strategic collaboration agreement between Hanosimex and Hansae will assist both parties in increasing the volume and percentage of knitted goods of recycled origin and eco-friendly fashion items,” said Le Tien Truong, chairman at Vinatex, the parent business of Hanosimex.

Source: fibre2fashion.com- Oct 29, 2022

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Pakistan: Cotton prices touch 22-month low

It comes due to lower demand led by inflationary pressure globally

Due to the impact of the global recession, cotton prices have fallen steeply in Pakistan. This is creating a dual situation whereby it brings relief to the textile industry but also means that farmers are likely to get further hit as their remaining crop does not provide sufficient cover against the recent losses.

Speaking to The Express Tribune, Insight Securities Textile Analyst, Ali Asif said, “Recently, cotton prices have touched a 22-month low, mainly due to lower demand led by inflationary pressure globally.”

“Moreover, higher yield output has also exacerbated the demand and supply imbalance in the cotton market. We believe that dwindling cotton prices, along with lower order bookings, are likely to keep the textile industry under pressure,” he added.

Arif Habib Limited (AHL) Head of Research, Tahir Abbas said, “The overall slowdown in the global economy, monetary tightening in developing and emerging countries, alongside lower demand in the major export markets including the US, the European Union (EU) and China, are the key reasons for the rapid decline in global cotton prices.”

Textile Analyst, Arsalan Hanif was of the opinion that while the decline was due to a global slowdown in demand, the trend could continue, “The decline in cotton rates is due to a global slowdown in demand for cotton yarn and apparel. This declining trend is likely to continue for the next few months due to recession fears, Covid restrictions in China, hikes in interest rates and rising inflation which has impacted the purchasing power parity of customers.”

He highlighted, however, that “The decline in cotton prices is detrimental to farmers but beneficial for those manufacturing value-added garments.”

According to Abdullah Umer Khan Lodhi, Agriculture Analyst at Ismail Iqbal Securities, “The cotton market is in bearish trend on account of the recent lockdowns in China due to the new corona variant and the increase in US interest rates. The global market will become stable in December due to Christmas which will increase clothing demand all over the world.”

“Owing to the surging dollar and the prospect of a US recession, cotton is falling sharply,” said Arif Habib Commodities CEO, Ahsan Mehanti.

“The reduced cotton crop has impacted supply and consequently, local prices have been higher due to the weak rupee. Farmers have suffered due to lower crop volumes this season, while lower prices will help value-added industries to import at low rates,” he added.

Explaining the conundrum now facing the textile industry, cotton market expert Nasim Usman said, “The falling global prices have been a blessing to export industries that can now import cotton at considerably lower rates.

Due to the decline in the price of cotton in the international market, mills are interested in booking cotton from foreign countries, however, due to the bearish trend in the local and international textile sector, there is a crisis in all the industries related to the cotton and textile sector.”

Source: tribune.com.pk- Nov 01, 2022

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NATIONAL NEWS

Expanding India's global stamp: FTAs are the way to go if gaps are plugged

Policymakers have shown renewed interest in India's attempt to increase its global presence by integrating with global value chains (GVCs). Various policy initiatives, from Make in India to Make for the World, to the recent Free Trade Agreements (FTA) with UAE and Australia point towards an increasing emphasis on global trade. This is also evidenced by recent trade figures, which document a 30.7 per cent growth in India's merchandise exports, which stood at $40.19 billion in April 2022. Moreover, to boost post-pandemic recovery, the policymakers have set an ambitious target of $1 trillion in merchandise exports by 2030.

However, in order for such a challenging target to materialise, greater integration with GVCs is required. According to the Economic Survey (2019-20), the GVC exports could contribute a quarter of the increase in value-addition needed to achieve the $5 trillion goal. They could also generate four million jobs by 2025 and eight million jobs by 2030 under the Make in India initiative.

Moreover, in an industrial landscape dominated by Micro, Small and Medium Enterprises (MSME)s, these firms can play a key role in GVCs integration by being suppliers to multi-national corporations (MNCs).

Hence, such developments are pivotal for India's growth trajectory. However, swift and rapid integration with supply chains rests on various factors. The tariff structure is regarded as a crucial factor influencing GVC integration.

In a GVC set-up, a firm engages in sourcing intermediate inputs from abroad and exporting its product to other countries. Given the increasing flow of cross-border goods trade, the tariff structure of a country can significantly impede or foster its global trade ambitions. In India's case, despite three decades of attempts to remove trade barriers, its import tariff structure still is skewed.

According to the WTO (World Trade Organisation)'s tariff profile, India has the highest tariff in the Asia-Pacific region at 15 per cent. Such a high tariff rate can hinder the sourcing of intermediate products for an economy that is attempting to integrate with GVCs. This issue has far-reaching consequences for small and medium enterprises (SME)s dependent on intermediate inputs for their participation in global markets.

Further, data from World Input-Output Tables highlight that during 2005-2015, India’s backward participation in GVC – the extent of intermediate imports used for producing output by the sector for exports – has increased by 18 per cent.

In contrast, India’s forward integration –the export of intermediate goods used as inputs for production in other’s countries’ export baskets – declined 16 per cent. These figures clearly highlight that India’s GVC presence is driven by its sourcing of foreign intermediates. Therefore, higher tariffs on Imports could significantly hamper India’s participation in GVCs.

In this regard, Observer Research Foundation (ORF) and ORF America jointly conducted a firm level survey with the objective of building resilient GVC linkages in India.

Thirty-three per cent of the survey respondents found high domestic tariffs a major obstacle for GVC integration. Moreover, this was more prominent for SMEs, with 55 per cent of respondents considering high domestic tariffs as a major challenge.

Further, 44 per cent of the respondents found high tariff on inputs as a key factor impeding firms from achieving scale economies. This further translates into foreign firms’ decision to enter the domestic market, with 52 per cent of the firms attributing low tariffs on inputs as a key factor in shaping FDI decisions in India.

In this regard, Apple’s move to India portrays the importance of ensuring liberal trade policies that can plug India deeper into GVCs. The report also documents that lowering of input tariffs was among the top three policy priorities suggested by the respondents.

Therefore, to combat issues of tariffs, countries enter FTAs that levy preferential tariff on imported goods at concessional or nil rates. Even though India backed out of RCEP (Regional Comprehensive and Economic Partnership Agreement), it has tried fostering bilateral agreements with multiple countries. Currently, there are more trade negotiations underway with theUK, the European Union, Canada, Israel, and the Eurasian Economic Union. Our newly-found zeal for FTA is a step in right direction.

However, the implementation of certain policies goes against the essence of such FTAs. For instance, the tariff concessions available under trade agreements rest upon the principles of "origin", wherein a good is eligible for tariff concessions if it originates from the partner country.

The rules of origin are important under such agreements to prevent trade deflection, i.e., to make sure that products from non-partner country do not claim the benefits of concessional tariff by shipping the product through the partner country. For example, Francis and Kallumal (2021) document that Vietnam was the biggest source of Imports for electronic industry in India. However, only 15 per cent of imports originated in Vietnam, and the majority came from South Korea.

In this context, the Government of India has implemented the Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 which implement multiple procedural obligation on the importer to evaluate whether a particular item is eligible for preferential tariffs or not.

In addition, other complexities associated with rule of origin include the presence of different FTAs with different partner countries, resulting in the "spaghetti bowl effect" that leads to confusion in trading rules and slows down trade between partner countries. At present, India has comprehensive trade agreements with over ten countries.

Hence, any firm trying to establish its foothold in the global market will find it arduous to keep track of different rules under different agreements and track the origin of a product in its true essence. Moreover, the linkages from one trade agreement do not translate across different agreements due to rules of origin restriction. As a result, the rule of origin rules also lowers the available options for domestic firms.

Consequently, firms may substitute higher-quality imported inputs with inefficient ones. This may affect the firm's chances of integrating value chains set up for large multinationals as meeting quality requirements is an important aspect of GVC participation.

In this regard, use of new technology such as blockchain can improve the implementations of RoO and reduce the dependence on large amount of paperwork. Given that the pace of GVC participation is driven by the underlying trade costs between partners, trade agreements become an extremely vital channel of fuelling growth of GVCs.

However, the complexities and restrictiveness of rule of origins may end up distorting trade instead of fostering it, making the issue an important element for trade policy to consider moving forward.

Source: business-standard.com- Oct 31, 2022

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Global garment buyers back in Tiruppur as prices dip

Orders from global brands like Primark and Walmart have started to come in for garment makers in Tiruppur after three months of continuous slide in orders from global markets as their prices have become competitive due to fall in cotton and yarn prices.

Exporters said countries like Vietnam, Thailand and Bangladesh were quoting much lesser prices for their garments compared to India which impacted India's export orders.

Indian exporters were facing problems over rising cotton and yarn prices in the domestic market and the small and medium units who are into garments exports suffered from a liquidity crisis.

"The export situation has started improving. Recently, yarn prices in India have decreased by 10-15% and this is going to benefit mainly India, not much the competitor countries. Currency depreciation is also in our favour. So, we are also hoping that some orders from Vietnam and Bangladesh will also come to us. Big global brands like Primark, Walmart and others have started placing orders with us," said K N Subramanian, president, Tiruppur Exporters Association (TEA).

Tiruppur has 3,000 garment manufacturing units that employs 18 lakh people. The annual exports of Tiruppur are in range of ₹33,000-35,000 crore.

Indian cotton spot prices have softened by about 6.21% in October to date to trade near ₹32,508 per bale (170 kg) as cotton arrivals have picked up. Cotton prices have been losing on higher domestic production estimates for the crop year 2022-23. "We now expect prices would fall to ₹32,000/₹30,000 per bale in the coming days while it can slip to ₹25,000 in the medium-term," said Tarun Satsangi, research analyst with Origo Commodities.

Cotton demand remains sluggish while lower prices can boost the market sentiment as Indian cotton has now become cheaper than Pakistan, which will up Indian cotton demand in the international market. Further, Chinese yarn banned by the US is now finding its way into the Indian market at cheaper rates, Satsangi added.

Cotton prices had gained 40% in May-June and were at an 11-year high due to a demand-supply mismatch. Barath Raj, managing director of Tiruppur-based Selvanganpathy Amman Garments, said demand for garments has gradually started coming from Germany and Russia, where they are major suppliers. "The demand is up for kidswear and maternity wear," he said. The TEA president said that they have also urged the government to sign the Free Trade Agreement (FTA) with UK so that exports from Tiruppur can go up to ₹50,000 crore by FY25.

"Apparel manufacturers have been losing business to countries such as Vietnam, which recently ratified its FTA with the EU. It is much cheaper for the European companies to place orders with Vietnamese vendors because they don't have to pay duties, whereas duties are between 9% and 16% for imports from India," he added. The overall export of ready-made garments stood at $16 billion in FY22.

Source: economictimes.com- Nov 01, 2022

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India to remain inexpensive manufacturing destination for years, says Infosys' Kris Gopalakrishnan

India will continue to offer a inexpensive destination to manufacture products for many years as the world's second-most populous nation will remain a lower-cost economy for about two more decades, said Infosys' co-founder Kris Gopalakrishnan.

"India will continue to be a lower cost economy for the next 10-20 years, whereas the countries above us in development are all higher income countries. It will be cheaper to ideate, to design, to develop and manufacture products in India for many years to come," Gopalakrishnan said at a convocation ceremony.

India will take three decades to reach where China is today by becoming a middle-income country with a per capita income of at least $6,000-$7,000, he added.

While there has been a massive shift in production from China, considered to be the factory floor, with the emergence of the coronavirus pandemic, India has ramped up measures to attract foreign companies for manufacturing here. New Delhi has also rolled out schemes, including the popular production-linked incentive scheme, to boost domestic manufacturing and increase global shipments.

Labour arbitrage, particularly on the services front, has also been very helpful to the country's growth.

Moreover, India is also one of the largest markets due to its 1.4 billion consumers, which helps attract all the major companies of the world, the veteran said.

In the next three decades, India will also become the second or third largest economy in the world with a GDP of $10-$15 trillion and the country will be "the best place to live, work and bring up a family over the next 30 years," Gopalakrishnan said.

However, the country has to overcome problems and ensure that there is justice, equity and fairness, Gopalakrishnan said, adding that the entire world is afflicted with the same problems and India can be one of the leaders in addressing those.

"We have the knowledge, access to technology, and resources. We need to work hard to create a better India and a better world," he added.

Source: economictimes.com- Oct 31, 2022

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Don't classify accounts as default if repayment within 10 days, banks ask RBI

Banks have asked the Reserve Bank of India (RBI) to relax norms on stressed assets.

They have demanded that accounts resolving repayment issues within 10 working days of being reported not be categorised as being in default, according to two executives aware of the development.

Under the existing stressed asset resolution framework, it is mandatory for lenders to enter into an inter-creditor agreement (ICA) during the review of the borrower account within 30 days from the date of the first default to any lender.

If the regulator agrees to review and amend the Prudential Framework for Resolution of Stressed Assets, lenders will be exempted from setting in motion the resolution framework for such accounts, which may put an additional burden on lenders and is not required as the account is still standard, said a senior bank executive, requesting anonymity. An account becomes non-performing only after being 90 days overdue.

While some lenders have made individual representations to the regulator in the past month or so, the issue was also discussed by the banking body, the Indian Banks' Association (IBA), in September, said another executive.

"It was taken up in one of the meetings on request of a private sector lender," he said, adding that IBA will ask RBI to consider excluding all defaults that are operational or technical in nature or cases where defaults are resolved within 10 working days from its reporting by each bank in context of entering into an ICA by lenders.

Currently, the day a borrower defaults, the account is categorised as a 'special mention' account. Lenders then take a review of the borrower account within 30 days of such default, also known as the 'review period,' during which they may decide on the resolution strategy, including the nature of the resolution plan and the approach for implementation. Lenders may also choose to initiate legal proceedings for insolvency or recovery.

"If RBI allows this dispensation, then there is no need for an ICA, or a resolution plan. Some banks would prefer if the borrower is able to work out its own strategy," said an executive director with a state-run bank, adding that while some lenders may be comfortable with this approach, others may find a single default as a sign of stress and may vote for an effective resolution plan, under the ICA.

Source: economictimes.com- Oct 31, 2022

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India's e-logistics sector to become $9 billion dollar industry by FY26: Redseer

India's e-logistics sector is predicted to become a $9 billion dollar industry from the $2 billion market size in FY21, according to Redseer Strategy Consultants.

Talking about the reasons driving this compound annual growth rate of 35 per cent, the consulting firm said, "Proliferation of smartphones and localization of the internet in non-English languages is drawing in new consumers from non-metro locations into the internet economy and creating new demand for online commerce, thus paving the need for disruption in logistics."

The report added that new models such as D2C (direct to commerce), social commerce, and video and influencer-based commerce are creating new touchpoints and drawing in new consumers to the market. The availability of multiple payment options such as UPI, no-cost EMI, BNPL, etc. has also further driven the adoption of digital commerce by more consumers, creating a need for e-commerce logistics.

"With India's booming e-commerce sector and the growing number of online shoppers, the number of e-commerce logistics shipments is expected to grow by four times in the next five years. It is safe to say that e-commerce logistics players should brace themselves for exciting days ahead," the analysts at Redseer wrote.

E-commerce shoppers and shipment volume from Tier 2 and beyond cities have also grown to $650 million in FY21 as compared to $420 million in FY20. Multiple segments in the Indian logistics market are addressable by full-stack tech-enabled logistics service providers. There seems to be great headroom for growth as tech-enabled logistics players venture into adjacent segments such as hyperlocal delivery, express delivery, trucking, and more.

Source: thehindubusinessline.com- Oct 31, 2022

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The six-yard drape gets a corporate touch and a makeover

When top models and three Miss Indias — Lisa Ray, Aishwarya Rai and Namrata Shirodkar — draped six yards of elegance for the brand Garden Vareli back in the 90s, it made the saree cool and aspirational. Backed by memorable advertising, it made a whole new generation adopt the saree, as it gave the garment an image makeover.

After vanishing from the scene, Garden Vareli is now set to make a comeback after being acquired by The Chatterjee Group, run by Purnendu Chatterjee. But Garden will find itself in a crowded playfield as a host of corporates with a national footprint have entered the fray, with ambitious plans, new weaves and a new ethos.

New weaves

There is Navyasa by LIVA, launched by the Adtya Birla Group earlier this year, which has just unveiled its Autumn Winter collection featuring Deepika Padukone. Designers Abir and Nanki, along with the LIVA design team have put together the colour rich, boldly styled range in the easy to drape fabric. Announcing the new range, Grasim Industries CMO Rajnikant Sabnavis hoped it would lead to a larger shift in the adaptability to sarees among the younger generation and urban women. Weaving new energy into the segment are also Reliance Retail with its brand Avantra and the Tata Group with Taneira.

The interest of large corporates is not surprising as the saree market is growing at a CAGR of around six per cent. According to Technopak, from ₹46,400 crore in FY20 it is expected to reach ₹61,700 crore by FY25. Several industry experts, however, estimate the Indian saree industry will be in excess of ₹1-lakh crore.

The share of organised players in the market was estimated to be around 27 per cent (₹12,500 crore) in FY20, primarily led by players from South India, including Sai Silks Kalamandir, Pothys and Nalli. But it is expected to grow to 15 per cent and touch ₹24,700 crore by FY25, growing at a CAGR of around 15 per cent outpacing the growth in the unorganised market, said sources.

Shifting landscape

Ambuj Narayan, chief executive officer, Taneira, says, there has been an unprecedented rise in demand for sarees. While a large part (nearly 70 per cent) of sales is skewed towards the festive season, he says, there is uptake in work wear sarees too. “We are excited about the saree market. It has been largely unorganised with strong regional and local players but now we see that there is a change in landscape and the number of organised players is increasing,” Narayan told BusinessLine.

Taneira is looking at an omni channel play to tap into the growing demand from the segment. The ethnic wear brand, which closed last financial year with 20 stores, has set up 31 stores so far and is looking to end the current financial year with 50-odd stores across the country.

“We are witnessing good growth in online space close to high double digit. We are looking to set up 100 stores across the country by FY24,” he said.

According to Rachamadugu Balaji Bharadwaj, Senior Vice President, Sai Silks (Kalamandir), saree is fast emerging as a fashion statement with women from across the country increasingly adopting it. There is a strong under penetrated market for sarees in Tier II and Tier III towns as well.

“The industry is vast and there is scope for organised retail players to get into the market. Organised players have the right system and data right from manufacturing to selling in place. They can provide the customer experience, ambience and support,” said Bharadwaj.

The company, which has filed for an IPO this year, currently operates 50 stores in the south Indian states of Andhra Pradesh, Telangana, Karnataka and Tamil Nadu. It intends to open 25 additional stores across South India by FY24.

Source: thehindubusinessline.com- Oct 31, 2022

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US recession may throw wet blanket on near-term prospects of textile sector

The beleaguered textile sector in Pakistan is grasping at straws seeking policy supports from the prime minister. The move has got experts hot and bothered about the scenario in India as well.

In its submission to the prime minister, the Pakistan Textile Mills Association has stated that international demand has weakened with the clouds of a worldwide recession looming close and, without price competitiveness, it is not possible for the industry to retain its market share.

The reduced purchasing power in key export markets, like the US, due to recession is expected to weigh on the order book of Indian exporters too, and could, in turn, hamper the near-term earnings for Indian textile companies.

Textile stocks have run up significantly in the past two years but ICICI Securities believes the current headwinds could, in the near term, outweigh the long-term structural story of the sector.

Arun Malhotra, Founding Partner and Portfolio Manager at CapGrow Capital Advisors, cautioned that Tiruppur which constituted more than 50 percent of the textile exports in FY2022 is in the middle of a slowdown and has seen demand sinking by 30-40 percent. He added that the slowdown is clearly visible in orders and exports.

Experts believe it is difficult to ascertain whether the slowdown in orders is a one-quarter or a one-year problem since the scenario is quite hazy.

On the contrary, Kush Ghodasara, an independent market expert, is of the view that impact of the US recession is largely discounted in the stock prices.

An unexciting 2022 after stellar show in past years

A sharp rise in cotton prices in the cotton season 2021-22, which is October 2021 to September 2022, has led to lower capacity utilisation (around 50 percent) by spinning mills and decline in exports, impacting players in the cotton textile value chain, said Malhotra.

Hence, due to supply shortages and disturbance in the container supply chain, domestic cotton prices touched at around Rs 1,00,000 per candy as compared with average price of Rs 46,000 in the 2020-21 season, he said. According to Sunil Damania, Chief Investment Officer, MarketsMojo, rising shipping costs have also hurt the companies. “At the same time, export-oriented companies have seen reduced demand from the US,” he said.

The US is one of the key textile markets for India, accounting for 50 percent of home textile exports and 28 percent of apparel exports, ICICI Securities pointed out.

All these factors colluded to drive textile stocks into an unexciting 2022 after a stellar rally over the past few years.

Ghodasara is of the view that in 2022, the Russia-Ukraine war has dampened global exports and it was the main reason for this year’s slowdown. “But last few years have been positive because much of the unorganised business has been channeled towards the organised business,” he said.

There are other factors as well for the run-up in textile stocks in the past few years, like increased government intervention and favourable incentives such as Rebate of State and Central Levies and Taxes, the Mega Investment Textiles Parks scheme, and Production Linked Incentive for the Man-Made Fibre segment and the China Plus-1 theme.

“Many large global retailers diversifying their sourcing and reducing dependence on China and looking for a dependent partner in terms of nation and company. Further deleveraging of balance sheets by many players and increased capacity utilisation coupled with lower raw material prices have been favourable, triggering a rally,” Malhotra said.

Financials

On a consolidated basis, KPR Mill achieved its highest ever quarterly revenue of Rs 1,605.0 crore in Q1 of FY23 with an on-year growth of 71 percent, while profit after tax increased by 35 percent to Rs 226.7 crore.

The company's operating margin in the quarter came in at 24.2 percent from last year's 27.8 percent.

Meanwhile, home textile company Trident's total income rose 13 percent YoY to Rs 16,717 million in Q1 of FY23 and net profit was up 39 percent to Rs 1,238 million. However, its EBITDA (Earnings Before Interest Tax Depreciation and Amortization) shrunk to 15.5 percent in June quarter from 25.8 percent in the corresponding period last year.

Page Industries, which is the exclusive licensee of Jockey International Inc and Speedo International, also clocked an all-time high revenue and net profit in the first quarter of the current fiscal. Its revenue came in at Rs 13,413 million, up 167 percent YoY while profit after tax stood at Rs 2,070 million, up 1791 percent YoY.

Sectoral outlook

At a comprehensive level, with a longer-term perspective, the textile sector is slated for robust growth on the back of policy support, access to priority capital and resurrection of aggregate demand globally. However, the sector remains vulnerable to near term challenges, according to Nirav Karkera, Head of Research, Fisdom.

Many companies operating in the home textile space exited the last financial year on a healthy note on account of recovery in exports and realisations. Going ahead, margins in the segment may witness pressure from factors like elevated feedstock prices, subdued demand from import destinations as an effect of the ongoing macroeconomic upheaval and supply chain-related challenges, Karkera explained.

The upcoming quarter will witness commissioning of committed capital expenditure while holding back on any fresh expansion. On the profitability front, gross margins across segments of the industry is expected to remain under pressure reflecting a muted to negative impact on earnings, he believes.

ICICI Securities said that the recent commentary from global retailers suggest multiple headwinds in the near term with respect to the demand and costs. Excess inventory holding by many global retailers may impact near-term demand, which could lower order flows to sourcing partners across globe, including Indian apparel and textile suppliers.

Further, higher logistics cost and higher unit cost is likely to make it difficult for sourcing partners to pass on the higher raw material costs, thereby hurting their margins.

As a sector, there are good structural tailwinds like shifting of manufacturing from China, need for a large and skilled labour pool, strengthening dollar, reducing cotton import duty, and government's commitment to PLI for the sector. Having said that, even Kanika Agarrwal, Co-founder of Upside AI, believes demand headwinds from the US and Europe, lower pricing power, rising input costs, competition from China, Bangladesh, Vietnam, remain big variables.

The domestic textile (including apparel) industry can be expected to grow at a 10 percent compounded annually to around $200 billion by FY26. Of which, the apparel industry itself is estimated to grow to about $130 billion through the period. Whereas, exports achieved a record milestone of $44 billion in FY22; growth in the segment can put it on track to achieve around $65 billion by FY26, Karkera pointed out.

"However, international retailers had a tough 2QCY22 but freight costs and congestion are normalizing now and demand should see a seasonal rebound in 4QCY22," said Batlivala & Karani Securities India.

Additionally, the US Department of Agriculture is forecasting marginally higher cotton production globally in the coming season which could lead to lower input costs and support margins, the brokerage firm wrote.

Cotton prices have been declining lately which is a big relief, implying better profitability for textile companies. "In the past month, cotton prices have been down by 18 percent, and in the last three months, by 23 percent," Damania pointed out.

Corporates have also pointed out that Free Trade Agreements (FTAs) with major economies hints at an encouraging outlook for the sector.

KPR Mill had said in its latest annual report, "The FTA negotiations with major countries will also help India to get concessional duties for its textile products".

The management of Gokaldas Exports pointed out that the continued military conflict, the extent of global monetary tightening and the trajectory of China's economy are causes for concern, but it sees the long term macro-economic factors as very favourable for business growth which prompted the company to go ahead with its capital expenditure plan. It added that the US apparel imports are showing growth but higher inventories and rising inflation may pose a near-term challenge.

From the valuation standpoint, Karkera highlighted that there has been a substantial correction across the board since peaks during the trailing twelve months (TTM).

“However, companies primarily operating in the yarn and fabric segments have witnessed the steepest correction to the tune of one-third to almost half of its peak valuations basis TTM P/E,” he said while adding, “Such a correction is majorly attributable to the adverse price and supply dynamics discussed earlier. Home textile brands and ones with strong export books, have been relatively insulated with a comparably lower drop in TTM P/E since peak.”

Source: moneycontrol.com- Oct 31, 2022

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Blockchain technology for enhancing traceability of cotton from Farm to Foreign is under consideration: Textile Minister

Union Minister of Textiles, Commerce and Industry Piyush Goyal has told the cotton industry stakeholders to discuss a strategy to ensure the traceability of cotton, get a better value of cotton products and to brand Indian cotton.

"Blockchain technology for enhancing the traceability of cotton from Farm to Foreign is under consideration and it will be tried on a small scale initially and later expanded," he said during an interaction with members of the Federation of Telangana Chambers of Commerce and Industry (FTCCI) in Hyderabad

The Minister also insisted the industry to allocate at least 5 per cent of their budget for 'One District One Product' (ODOP) scheme to help people in remote areas to get transformational results towards self-reliant India.

It is pertinent to mention here that Uttar Pradesh has identified 25 districts of the state as far as textile and apparel products are concerned. Similarly, Andhra Pradesh has identified 3 districts to promote its textile products under ODOP.

Source: apparelresources.com- Oct 31, 2022

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Demand for cotton in Tamil Nadu's textile mills may sink in Q3: Survey

Ease of Doing Business for MSMEs: Textile mills in Tamil Nadu may reduce their utilisation of cotton till the end of Q3 of the current fiscal year amidst slowing demand overseas for textile and clothing products, as per a report by The Hindu.

The findings are from the survey by the textile industry association, Indian Texpreneurs Federation (ITF) of 132 textile mills in the state of Tamil Nadu which have a total of 61 lakh spindles.

The total consumption of these mills in Q3 (October to December) last year was 15.37 lakh bales of cotton whereas this year the amount is expected to reduce to 10.56 lakh bales during the same period.

As a matter of fact, the average capacity utilisation in the mills that use cotton was just 50 per cent in the state. Also, 74 per cent of the mills had reduced capacity utilisation voluntarily due to low demand.

In fact, around 6 per cent of these units have shifted fully to man-made fibre and 11 per cent have increased the use of man-made fibre along with cotton.

Textile mills in the state, one of the largest cotton yarn producers in the country are expected to consume 10 lakh bales of cotton less in these three months compared to the same period last year, said convenor of ITF, Prabhu Dhamodharan.

In fact, the demand for man-made fibre (MMF) products is relatively better and capacity utilisation in textile mills that consume MMF is higher at 71 per cent, he told The Hindu.

The perception amongst international buyers regarding cotton textiles is that its demand will pick up during Christmas. Moreover, if the inventory for textile goods is exhausted, the demand will revive during the last quarter (Q4) of this financial year resulting in increasing improved production.

At present, the demand for textile remains low for this quarter and thus the demand for cotton is also expected to remain staggered, said Dhamodharan.

Earlier in October, Dhamodharan had said that at least 25 companies that manufacture garments or home textiles in the western districts of Tamil Nadu are expected to invest in the range of Rs 15 crore or Rs 30 crore under the Production Linked Incentive (PLI) scheme for the textile sector.

Source: financialexpress.com- Oct 31, 2022

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Railways extends round-trip freight discounts for six months, say officials

Two years after Indian Railways launched the round-trip traffic (RTT) policy to compete with road transport, it has extended it for a mere six months amid mediocre outcomes in freight augmentation, officials told Business Standard. The policy incentivises booking goods orders for both to and fro journeys of a goods train, in exchange for discounted rates.

According to a circular by the Railway Board, the policy will now be applicable till 30 April. Sources in the ministry said that the extension period was kept low as the board may soon have to make a decision on whether to modify the policy further or discontinue it altogether.

A railways official said that the policy has failed to accomplish what was envisioned when it was introduced. The railway board had introduced the policy after observing that road transport was a preferred option for private players because of customer-friendly transportation policies such as RTT.

When the policy was first implemented by railways, major commodities such as coal were not exempted from the policy. There were multiple instances of misuse of the policy to avail unfair concessions, after which railways had to cap these concessions at 10 per cent.

"Taking all benchmarks and conditions into account, private players hardly get benefits of a few lakh rupees on the policy, as the restrictions make it difficult for most of them to avail concessions," the official said. The policy has 14 terms and modalities defining the minimum lot of goods eligible and other restrictions for the policy. Moreover, a majority of raw materials, such as iron ore and containers, which form a bulk of the freight basket, are not covered by the policy.

Another problem with the enforcement of the policy has been the lack of customised rates across zones. The official said that private road transporters have the advantage of a competitive market and focused operations, which allow them to offer different types of discounts and rates, a move Indian Railways cannot undertake as its policies are applicable uniformly across zones.

RTT was the outcome of several measures undertaken by the ministry to boost freight revenue at the peak of the pandemic, when goods traffic had plummeted amid the economic slowdown.

Other measures such as discounts and cashbacks for late freight deliveries had also been brought about around the time.

Source: business-standard.com- Oct 31, 2022

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Telangana opposed GST imposition on textiles in 2017 itself: Harish Rao

Snubbing allegations by union Tourism Minister G Kishan Reddy over the imposition of GST on textiles, Finance Minister T Harish Rao on Monday said the Telangana government had appealed to the union government for exemption of handloom products from the GST purview when the Centre proposed it in 2017. He released documents submitted to the GST Council by the then Finance Minister Etala Rajender, who is now a BJP MLA.

“Being an union Minister, Kishan Reddy should check his facts before making such remarks,” he said, demanding an unconditional apology from the BJP leaders for spreading false propaganda against the State government which was fighting against imposition of five per cent GST on handloom products.

In a point-by-point rebuttal to the union Minister’s allegations, Harish Rao on Monday accused the union government of offering to provide an additional borrowing of 0.5 per cent of GSDP under Fiscal Responsibility and Budget Management (FRBM) for implementing electricity reforms. He released a communication from the union Finance Ministry in June last year, advising the States to withdraw power subsidies and impose restrictions on power consumption through installation of new electricity meters.

“The Modi government offered to allow an additional borrowing of Rs.6,000 crore per annum i.e. total Rs.30,000 crore, for following its orders. But Chief Minister K Chandrashekhar Rao rejected the proposal as it was detrimental to the interests of over 65 lakh farmers in the State,” he said. He dared Kishan Reddy to prove him wrong, by getting approvals to borrow Rs.12,000 crore for the last two years.

The Finance Minister also rubbished the claims of Kishan Reddy that the Centre provided Rs.800 crore for fluoride removal. He pointed out that the Centre did not release any funds for Mission Bhagiratha, though the NITI Aayog recommended for allocation of Rs.19,200 crore while the 15th Finance Commission too had recommended for allocation of Rs.2,350 crore. While the Telangana government spent Rs.36,000 crore to provide tap connections to 100 per cent households in the State, the union government did not release 50 per cent of funds as promised under the Har Ghar ko Jal scheme.

He pointed out that the Centre was yet to settle the water disputes and finalise allocations in Krishna river water. Though Prime Minister Narendra Modi assured to complete the Palamuru Rangareddy Lift Irrigation Scheme during his 2014 electioneering, there was no progress till date. "Kishan Reddy should first get these issues resolved, before seeking votes from the people of Munugode," he said.

Harish Rao also ridiculed the BJP leaders for questioning the TRS (now BRS) for admitting leaders from other political parties. He targeted the BJP for facilitating joining of the four TDP MPs in the former and keeping the decision pending over disqualification of YSRCP MP Raghuramakrishnam Raju in Andhra Pradesh even after two years.

He reminded that the BJP toppled governments in eight States including Madhya Pradesh, Maharashtra and Goa. He demanded to know why BJP State general secretary Premender Reddy filed a petition in the High Court seeking to transfer the MLA bribing case to the CBI, if the BJP was not involved.

The Finance Minister declared that the victory of TRS in Munugode bypolls was inevitable. He said the people would vote for Chief Minister K Chandrashekhar Rao for driving away the demon of fluoride forever. He stated that people were not ready to fall for the false propaganda of Kishan Reddy and BJP State president Bandi Sanjay.

Source: telanganatoday.com- Oct 31, 2022

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Weavers launch postcard campaign against GST on handloom products

A large number of weavers on Monday went in a procession from Nizam College grounds to the General Post Office at Abids to dump in post boxes lakhs of postcards that they had brought from various parts of the State.

The cards were addressed to Prime Minister Narendra Modi and the Central government to drop the 5% GST on handloom products.

The campaign was initiated by TRS working president K.T. Rama Rao by writing the card to the Prime Minister. Thereafter, other Ministers and senior leaders followed suit. The campaign was then taken to towns and villages. The weavers cooperative societies collected cards from their members and public and brought them here in huge bags.

A demonstration of the pile of cards was held at Nizam College, upon which a procession was taken to the GPO. TRS MLC L. Ramana and former Rajya Sabha member Rapolu Ananda Bhaskar addressed the participants in the procession. Raising slogans against Modi, the crowd walked in a procession to the GPO.

Source: thehindu.com- Oct 31, 2022

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