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## IBTEX No. 93 of 2023 May 24, 2023


**NEWS CLIPPINGS**

| Currency Watch | |
|---|---|
| USD | 82.73 |
| EUR | 89.20 |
| GBP | 102.97 |
| JPY | 0.60 |

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# INTERNATIONAL NEWS

## UK expected to avoid recession in 2023, maintain positive growth: IMF

The UK economy is expected to avoid a recession and maintain positive growth this year, buoyed by resilient demand in the context of declining energy prices, though inflation remains stubbornly high following the severe terms-of-trade shock due to the Russia-Ukraine war and, to some extent, labour supply scarring from the pandemic, according to the International Monetary Fund (IMF), which recently concluded the Article IV Mission for the country for this year.

Inflation is showing greater-than-expected persistence, IMF noted. The UK financial system has weathered the recent global banking stress well. Still, economic activity has slowed significantly from last year, IMF noted.

Continued strong oversight, including of smaller banks and the diverse non-bank financial sector, will be critical to preserve UK financial stability, which the IMF sees as a global public good. The outlook for growth remains subdued. IMF forecast growth to slow to 0.4 per cent in 2023, held back by tighter monetary and fiscal policies needed to curb inflation, and lingering impacts of the terms-of-trade shock.

UK growth is projected to rise gradually to 1 per cent in 2024, as disinflation softens the hit to real incomes, and to average around 2 per cent in 2025 and 2026, mainly on the back of a projected easing in monetary and financial conditions. Thereafter, growth is projected to settle at 1.5 per cent. Declining energy prices and widening economic slack are expected to substantially reduce inflation to around 5 per cent year on year by end-2023; and below the 2 per cent target by mid-2025.

The UK authorities are cognizant of, and taking measures to, address the UK's long-term challenges of weak labour supply, investment and productivity growth, IMF noted. The country's green transition should be expedited to meet Net Zero objectives and enhance energy security, IMF suggested.

Source: fibre2fashion.com– May 23, 2023

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# Why the Supply Chain is Setting Up a Buyer's Market to End 2023

Lower demand for inventory suggests that the supply chain is shifting to a buyers' market.

For the first time since June 2020, global supply chain capacity is now underutilized, according to the GEP Global Supply Chain Volatility Index. While the falling cargo demand is a stand-in for the state of the economy, the improving pricing climate will be better for retailers this year.

"After months of companies aggressively destocking, there is now excess capacity in the world's supply chains, providing buyers with greater leverage to extract favorable prices and terms for the second half of 2023 and into 2024," said Volker Roelofsen, vice president, supply chain, consulting, GEP, in a statement. "The good news is that companies' demand for components and raw materials, while subdued, is holding steady, indicating that central banks are, at least for now, successfully engineering a measured slowdown."

These trends have been percolating for the better part of the year. U.S. containerized ocean freight imports sank 15 percent year over year in April, according to Panjiva data, for nine straight months of declines. Textiles and apparel imports shrank by 27 percent in April, an improvement from March's 37 percent slide.

GEP developed the Global Supply Chain Volatility Index to monitor demand conditions, material shortages, transportation costs, inventories and backlogs to better gauge volatility.

As retailers clear through overstock amid 10 months of sagging global demand, the index fell below zero in April to -0.04, from 0.32 in March. This a striking contrast from the picture year ago, when the index stood at 4.61, one of the highest levels of volatility in the GEP's 20 years of data.

Europe seems to have the lowest volatility, with its -0.37 index coming in well below December 2022 figures of 1.60. The U.K. had a similar drop to -0.21 from five months ago, when the reading was 1.34.

North America's volatility gap came in at -0.12 from 0.91 in December. In Asia, the index reads 0.06 after closing 2022 at 0.17.

Another gauge, the Logistics Managers' Index (LMI), recently fell to a new low in its nearly seven-year history. It fell 0.2 points month over month to 50.9 in April, but dipped even further to 48.9 during April 18-30. For context, any reading below 50.0 indicates that the logistics industry is contracting.

Demand and shortages trend in the right direction

While global demand for raw materials, commodities and components stood at -0.14 in April, that's better than -0.52 in December 2022, indicating stability amid stubbornly high interest rates and a pressured manufacturing sector. The report noted April's worsening demand conditions across Europe, while Asia's purchasing activity eased amid China's fading post-lockdown rebound.

Availability of critical components moved across supply chains, including foodstuff, metals and chemicals, continues to improve. Shortages of these items are at their lowest since September 2020, with the index reaching 0.17 in April as reduced demand has eased bottlenecks and helped suppliers restock.

Global transportation costs remain anchored around historically normal levels with an index reading of -0.01, reflecting the normalization of global supply chains and the marked easing of strain on freight capacity. This compares with a year ago when global logistics costs had reached record levels (since data were available in 2005).

For the first time since the start of the Covid-19 pandemic in February 2020, global business reports of stockpiling due to future price and supply concerns are running below typical levels, coming in at an index level of -0.08. Companies are working to offload surplus stock and align their warehouses with the dismal economic outlook, the report said.

Staffing levels, inputs aren't pressuring capacity

Employment data offered additional clues, with reports of backlogs due to insufficient staffing continuing to keep pace with historically normal levels at 0.03—a far cry from the 0.6 the index showed at the start of 2022. This suggests that suppliers now have enough workers to process their workloads.

In more good news, the recovery in global item supplies reduced pressure on capacity as companies can source the inputs they need to provide their goods and services.

The GEP Global Supply Chain Volatility Index is calculated using a weighted sum of the z-scores of six sub-indices derived from S&P Global's Purchasing Managers' Index (PMI) data. Weights are determined by analyzing the impact each component has on suppliers' delivery times through regression analysis.

Three of the variables used are: the JP Morgan Global Quantity of Purchases Index for materials and components demand; the All Items Supply Shortages Indicator for item shortages; and the Transport Price Pressure Indicator for transport costs. The index also leverages Manufacturing PMI Comments Tracker data to analyze three areas; stockpiling due to supply or price concerns; backlogs rising due to staff shortages; and item shortages.

Source: sourcingjournal.com– May 23, 2023

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# Italian machinery orders dip in Q1

Sales of Italian textile machinery dropped in the first quarter of 2023, hit by plunging orders from overseas markets.

The latest figures from trade body ACIMIT show that the textile machinery orders index for quarter declined 35 per cent compared to the same period in 2022. In absolute terms, the index stood at 84.8 points (basis: 2015=100).

ACIMIT attributed the market slowdown to a reduction in the order intake from overseas markets, which saw a 40 per cent decline although this fall was partly cushioned by a 14 per cent increase in domestic sales.

The absolute value of the index settled at 78.3 points abroad, while it measured 148.1 points in Italy. During this year's first quarter, booked orders stood at 4.2 months of guaranteed production.

"The order index for the first quarter confirm a trend of the past few quarters, where uncertainty still predominates in global markets, both in terms of a macroeconomic framework that is characterized by a penalizing inflationary trend and ongoing geopolitical tensions," ACIMIT president Alessandro Zucchi said. "This is a scenario that this does not facilitate investment plans for businesses."

However, he continued, this uncertainty does not appear to affect the sector's operators, who are nonetheless permeated by a sense of optimism, as is also testified by the positive data drawn from a comparison with orders from the previous quarter (October-December 2022), for which total orders had been slightly on the rise at +3 per cent.

"Manufacturers in our sector don't lack for work, having filled up on orders last year and are now busy fulfilling them. The forecasts for 2023 remain positive," Zucchi added.

"I expect this confirmation of a healthy manufacturing sector to come from ITMA Milan, the world's premier trade show dedicated to textile and clothing technologies, slated to open on June 8th at the Rho Fiera exhibition spaces.

"The exhibit will feature over 400 Italian manufacturers, taking up approximately 30 per cent of the entire exhibition space. This figure is in itself a result that confirms the leadership role of Italy's textile machinery manufacturers."

Source: knittingtradejournal.com– May 23, 2023

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# Japan's manufacturing PMI rises to 50.8 in May 2023: Au Jibun Bank

Japan's manufacturing purchasing managers' index (PMI) increased to 50.8 in May 2023, compared to 49.5 in April 2023, according to a report by Au Jibun Bank. The rise in PMI signalled the first improvement in operating conditions since October 2022.

There were renewed increases in both output and new orders, with both variables rising at the strongest rate for 13 months. Moreover, manufacturers signalled that supply chain issues that had plagued the sector for the past three years had shown signs of improvement, as suppliers' delivery times shortened for the first time since January 2020, albeit only fractionally.

There was also reduced, but still strong pressure on the price front during May. Average cost burdens rose at a strong pace, that was nonetheless the softest since February 2021 while output charges increased at the slowest pace for four months, as per the Au Jibun Bank Flash Japan Composite PMI report.

"The Japanese private sector economy continued on an upward trajectory, as signalled by a further expansion in May. The rate of growth quickened from April to reach the strongest since October 2013 and the second strongest in the survey history (since September 2007).

Manufacturers indicated an improvement in operating conditions for the first time in seven months, with output and new orders returning to expansion territory for the first time since last June," said Usamah Bhatt, economist at S&P Global Market Intelligence.

Source: fibre2fashion.com– May 24, 2023

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# Sri Lanka's Apparel Exports Plummet, Industry Struggles

The apparel sector in Sri Lanka is confronted with substantial obstacles, including multi-year lows in exports and an ongoing downward trajectory. In April, exports plummeted by 24% to $318 million, exacerbating the year-on-year decline of 17% to $1.5 billion in the first four months of 2023. This decline affected all major markets.

April 2023 witnessed the lowest export value in recent years, except for the COVID-affected year of 2020, with the previous nadir recorded in April 2018 at $323 million. Similarly, cumulative exports in the first four months of 2023 reached their lowest level, aside from the COVID-impacted year, falling below the $1.6 billion range observed in both 2018 and 2021.

Sri Lanka's Apparel Sector Struggles

The decline in April surpassed the 11% drop observed in March, marking the fourth consecutive month with exports below the $400 million mark. Apparel exports have consistently dwindled year on year since September of the previous year.

Market analysis reveals a significant decrease in apparel exports to the US, down by 25.5% to $129 million in April. The EU (excluding the UK) experienced a sharp decline of 27.53% to $90 million, while exports to the UK dropped by 26.7% to $45.8 million. Additionally, exports to other countries decreased by 9% to $53 million.

Export Slump and Prolonged Downturn

Several factors contribute to this challenging situation, including heightened market inventories and escalating costs in Sri Lanka. Industry experts note that Sri Lanka's apparel sourcing has become comparatively expensive, leading customers to seek lower-cost alternatives in countries like Bangladesh, Egypt, and African nations.

The country's loss of competitiveness is evident through higher prices and longer lead times, dissuading potential buyers.

Future Orders Bleak, Earnings Slump

Furthermore, the outlook for future orders appears bleak, with textile imports in the first quarter of 2023 declining by 31% to $604.6 million. While textile imports experienced a 16% growth in the first half of the previous year, overall growth stagnated at $3 billion for the entire year.

As a result, industry experts predict a substantial slump of $1 billion in Sri Lanka's apparel export earnings for 2023. This decline compounds the challenges faced by the crisis-hit country, grappling with a severe financial crisis triggered by a significant reduction in foreign exchange reserves.

The apparel sector, serving as Sri Lanka's largest industrial export, played a vital role in supporting the country during this crisis, generating $5.95 billion in earnings in 2022. However, the current situation presents a formidable challenge as Sri Lanka navigates through its worst financial crisis since independence.

Source: fashionatingworld.com – May 23, 2023

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# Global textile industry increasingly adopting tech for sustainability

Textile companies worldwide are increasingly adopting technologies to boost sustainability, according to Andrew Peterson, president of FUZE Biotech. The theme for use of tech is always consistent—reduce costs, improve efficiency, and focus on a sustainable initiative that is customer and corporate driven.

Peterson added that automation and improved equipment is a key solution to reducing pollution and water waste while improving the end product. FUZE, a permanent, chemical-free technology that can be applied to any surface or textile to prevent and protect against harmful pathogens, mould, and infectious diseases, is quickly replacing chemicals that have been used in textiles for nearly 100 years with almost no change.

“FUZE is manufactured in ultra-pure water, shipped and stored in water, applied in water without any other chemical or binding agent necessary for use. It is extremely durable in wash testing at multiples higher than other products in the market. It does not create waste for remediation at application and more importantly it does not create a waste stream at home during laundry or a problem for municipal waste treatment plants,” Peterson told Fibre2Fashion in an exclusive interview.

Source: fibre2fashion.com – May 24, 2023

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# Vietnam's seaports register 8.4% growth in 2015-2022: VMA

Vietnam's seaport throughput grew almost twice from 2015 to 2022, reflecting an average growth rate of 8.4 per cent, as per the Vietnam Maritime Administration (VMA). Data also revealed a significant boost in the handling of container goods over this period, with an average growth rate of 11.9 per cent.

Back in 2015, the seaports in Vietnam recorded a total of 126.3 million tonnes—equivalent to 11.5 million twenty-foot equivalent units (TEUs)—of container cargo. However, by 2022, the figure soared to more than 243 million tonnes. This represented an increase of nearly 5 per cent from the previous year, and importantly, a substantial doubling in volume compared to seven years prior.

The first quarter (Q1) of 2023 saw the country's seaport throughput exceed 165 million tonnes. This tally included nearly 53 million tonnes solely attributed to container cargo, affirming the vital role of container shipping in the nation's robust seaport activity, VMA's data showed.

Looking ahead, the VMA has ambitious plans for the country's seaport system development. Outlined in its master plan for 2021-2030, with a vision stretching to 2050, it projects a massive throughput of around 1,422.5 million tonnes of goods through local seaports by 2030. This estimation includes a staggering 559 million tonnes of container cargo.

Source: fibre2fashion.com – May 23, 2023

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# Bangladesh may benefit from Vietnam clothes hold-up

Bangladesh's apparel manufacturers said that they are in safe position and even will get some benefits as Vietnam's apparel and footwear manufacturers are under pressure due to the US not clearing some of the Southeast Asian country's consignments, citing Xinjiang cotton-made products.

The US government passed the Uyghur Forced Labor Prevention Act (UFLPA), which came into force on June 21, 2022, giving the US border authorities greater powers to block or seize goods any product partly or wholly made in Xinjiang, an autonomous territory in northwest China, linked to forced labour in China.

Since 2017, the Chinese authorities have detained as many as one million Uyghurs and subjected them to forced labour.

According to media report, some Vietnamese enterprises have helped Chinese businessmen avoid US taxation or sanctions by using the cotton and exporting to the North American country. Finally, $15 million worth of apparel and footwear shipments held up for UFLPA checks, more than 80 per cent were from Vietnam, and only 13 per cent of its cargoes were cleared for entry, US customs data up to April 3 showed.

Many US importers are still sanguine, but their supply chains could still be disrupted as Vietnam's apparel makers depend on China for about half of their input materials, media reports said.

Amid the situation, tension rose among the Vietnam apparel exporters and the US brands. Bangladesh's readymade garment exporters are also worried as nearly hundred per cent cotton and a big portion of fabrics and yarn demand is met through imports, and a large volume came from China.

However, Bangladesh Garment Manufacturers and Exporters Association (BGMEA) President Faruque Hassan told The Business Post that they are in safe zone because all apparel manufacturers are aware of the US sanctions against Xinjiang cotton.

"When the UFLPA law was passed, we sent a letter to all members to clarify the origin of cotton before import of raw materials from any country. Due to the US seizure of Vietnam's clothes, Bangladesh will get advantage as the US buyers' confidence will decline for importing goods from Vietnam.

"I am, however, asking all the apparel exporters to be more aware of importing raw materials, even if they import from other countries," he added.

According to the United States Department of Agriculture (USDA), Bangladesh met its above 99 per cent of cotton demands through imports, and China may have a little share. However, China holds the country's 59 per cent of fabrics imports share.

Bangladesh also meets its 12 per cent of annual yarn imports demand from China.

Industry insiders said that they met nearly 85 per cent of cotton-yarn demand through local sources and the rest of them have come from India, Turkey, Pakistan and other countries. China's share is below one per cent of the items.

Although the country holds a big share of Bangladesh's yarn and fabrics import, this is mainly non-cotton. Bangladesh also imports some cotton-yarn from Indonesia and Vietnam, but they always checked the origin of the cotton, they claimed.

Besides, as the US is the largest export destination for Bangladesh, manufacturers are highly aware of the country's rules and laws. That is why there is not any chance to face the UFLPA law.

Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) Vice President Fazlee Shamim Ehsan said, "We believed in trust and transparency and always kept our commitments. Now the US and other western buyers should come to Bangladesh with more orders as others failed to keep their commitments."

Source: businesspostbd.com– May 23, 2023

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# Bangladesh's Exports Flourish in Australia

Bangladesh's exports to Australia have surpassed total exports of $12 billion, marking it as a lucrative non-traditional market despite global economic challenges. In the fiscal year 2022-23, Bangladesh earned $1.05 billion from the Australian market, showing a remarkable 34.3% year-on-year growth and contributing 2.3% to the country's total export earnings.

Despite global challenges

The success can be attributed to duty-free market access, product diversification, robust marketing strategies, and the geopolitical conflict between China and Australia. Australian importers have gained confidence in sourcing apparel from Bangladesh due to the country's long-term policy declarations and commitment to duty-free access beyond 2026.

Experts predict that Bangladesh's export earnings in Australia could double or triple in the near future if the positive trajectory continues. To achieve this BGMEA emphasizes the importance of expanding exports of non-cotton goods and the need for 10% cash incentives.

Export Expansion Through Diversification

While the current export basket includes products such as readymade garments, home textiles, leather goods, footwear, jute goods, and pharmaceuticals, there is room for diversification.

The Australian market has shown a preference for high-end RMG and home textile products. With Australia's focus on diversifying sourcing destinations due to the China-Australia geopolitical crisis, Bangladesh can leverage its competitive advantages in quality and cost-efficiency to increase market share. Additionally, the proximity of New Zealand offers further prospects for exports through Australia.

Source: fashionatingworld.com– May 23, 2023

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# Bangladesh: Withdraw 10% tax on cash assistance against RMG exports: BGMEA

According to the BGMEA, as cash assistance is not considered business income, it is reasonable to exempt it from taxation.

The association emphasised the need for policy support from the government to ensure the sustainability of the export-oriented apparel business.

To enhance the business environment and reduce the overall "cost of doing business," the BGMEA recommended measures such as uninterrupted electricity and gas supply, decreased value-added tax (VAT) and tax rates, single-digit bank interest rates, and the continuation of incentives for export earnings.

They also stressed the importance of prioritising simplified policies to facilitate "Ease of Doing Business" in the forthcoming budget.

Considering the current global economic instability, including the impact of the Russia-Ukraine conflict and the aftermath of the Covid-19 pandemic, the BGMEA expressed concerns shared by exporters across various industries.

They highlighted issues such as falling clothing prices in the international market due to inflation in the country, low orders, reduced prices, and insecure payments. In light of these challenges, the BGMEA expects government support through favourable policies.

The BGMEA further urged the government to reduce the tax at source for exports from 1% to 0.50% and maintain this rate for the next five years. They also proposed that garment industries be subject to a corporate tax rate of 12%, excluding specific types of income like Gain on Assets Disposal, Sub-contract Income, and miscellaneous expenses when assessing the sector.

Regarding subcontracting in the ready-made garment industry, the organisation recommended the implementation of tax at source based on the proposed steps at the time of subcontractor payment. They suggested treating this tax as final and, otherwise, applying a corporate tax rate of 12% during assessments.

In order to support the export business, the BGMEA proposed a reduction in the rate of income tax deduction at source from 20% to 10% for fees paid to the Exporter Retention Quota Fund (ERQ) for the growth and development of exports in the export-oriented garment industry.

Additionally, the press release highlighted the disruption in industrial production caused by the fuel crisis. The BGMEA emphasised the importance of duty concessional import of solar PV system equipment to address the energy crisis, reduce production costs, and maintain export flows.

Source: tbsnews.net – May 23, 2023

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# NATIONAL NEWS

## Need to change profile of exports to meet $1 trillion merchandise by 2030 target

India needs to change its profile of exports dramatically to achieve the target of $1 trillion goods exports by 2030 and all attempts are being to do that. Santosh Kumar Sarangi, Director General Foreign Trade (DGFT), said here on Tuesday that exports must grow at 14.5% hereon to reach the target of $2 trillion in goods and services amid geo-political challenges like the Russia-Ukraine war and China's relation with Taiwan on one hand and the US and EU on the other.

"There are emerging challenges like building supply chain resilience for critical minerals, energy resources and high-end technology. There are new non tariff barriers like sustainability and labour standards. Plus the return to industrial policy of some countries like the CHIPS Act (in US and EU) and Inflation Reduction Act of the US focus on promoting some industries (basically a renewed push for manufacturing from services)," he said at an event organised by TPCI.

However, India is well placed to tackle the challenges and is on the way forward to meet its targets. "We are working on sectoral strategies to ensure higher export competitiveness for engineering, chemicals, electronics, high tech and pharma. We are aiming for advantages of FTAs," Sarangi said.

Giving how India has tremendous potential which will be tapped, he said of the 750-odd districts in the country 70 alone account for over 80% of all exports. The Centre and state government are working together to bring make more districts export-oriented. India is aiming to increase its low percentage in the fastest growing category one of exports. The country accounts for 20% share n the category four exports. "We have to increase out share in category one," he said.

"Our focus is firmly on e-commerce. By 2025 global e-com will touch $2 trillion. Domestic e-com will account for over 40% of traded goods.

Source: timesofindia.indiatimes.com- May 23, 2023

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# E-commerce to get tax refunds at par with other exports: DGFT

The ministry of commerce is in talks with regulators and other departments to put in place systems that will level the field between exports through e-commerce and traditional channels, when it comes to tax refunds, a senior official said Tuesday.

“A lot of policy tweaking is required. Most of our trade regulations are designed for business-to-business (B2B) interface but e-commerce breaks that barrier and it is a scenario where B2C interface is higher,” Director General of Foreign Trade Santosh Kumar Sarangi said.

One big issue in exports through e-commerce, he said, is how sellers can get the benefit of remission of tax and duties, which traditional exporters do.

In 2025, global cross-border e-commerce exports will touch $2 trillion, as per an estimate. According to the foreign trade policy, India’s e-commerce export potential is in the range of $200 billion-$300 billion annually by 2030.

For cross-border trade, businesses have to register with the Indian Customs Electronic Gateway (ICEGATE), which is run by the Central Board of Indirect Taxes and Customs. This electronic system acts as an interface between trade users and the Customs department, and as a hub for exchanging information with external trading partners.

The record of shipping bills on ICEGATE show the value of exports and on that basis incentive, in the form of refund of duties and taxes paid during the manufacturing of the product is calculated. “Theoretically, tax remission is available to any exporter who is exporting with an IEC code. With regard to e-commerce, sometimes it may not be the producer who might be exporting, so the seller on record and exporter on record are different in e-commerce.”

“Nevertheless, whosoever is exporting is entitled to remission provided Electronic Customs Clearance System (ECCS) starts talking with ICEGATE and information flows to ICEGATE.

“As of date, we are in talks with the department of revenue, CBIC, to ensure that the ECCS and ICEGATE have an integrated system which will allow shipping bills to flow into ICEGATE,” Sarangi said.

“Similarly, the department of posts also provides e-commerce facilities and ensuring postal bill of exports also flows seamlessly into ICEGATE is also a requirement. So on all of this, we are working to ensure that systems start talking to each other. Once they start doing it, the export benefit will also flow into the hands of e-commerce exporters,” the DGFT said.

Apart from government departments, talks are also on with stakeholders including courier services and e-commerce players like Amazon, Flipkart and ebay to ensure that the e-commerce ecosystem is strengthened, he said.

The government expects that while exporting through e-commerce, 15%-20% of products may get returned. This is different from regular B2B exports where the entire consignment is rejected and not just a part.

“We have to build in regulations and we have to build in principles which will facilitate these kinds of issues specific to e-commerce. For this we are working with RBI, the department of revenue, department of posts, banks and e-commerce players,” Sarangi said.

The policy has announced many steps that would be taken to make exports through e-commerce easy.

Source: financialexpress.com- May 24, 2023

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# Indian garment makers face pressure as brands, importers seek discount

Indian garment manufacturers and exporters are under pressure due to reduced demand amid global economic challenges. Domestic brands and retailers are seeking extra discounts on orders placed previously, a practice the manufacturers deem unethical. International brands are also pressuring Indian exporters to reduce garment prices, citing poor demand at their retail stores in the United States and Europe. The exporters, however, are reluctant to drop their prices and are asking for governmental support to navigate these economic issues.

According to industry sources, garment manufacturers based in Ludhiana are grappling with a financial burden of approximately ₹150 crore due to a major domestic brand demanding an extra 5 per cent discount. The brand, which placed orders for summer garments in February this year, requested its suppliers to email a debit note for a 5 per cent discount to lift consignments. Manufacturers are seeking assistance from the members of parliament in Punjab and officials in the ministries of textiles and MSME to counter this pressure.

Lalit Thukral, a Noida-based exporter and chairman of the northern region's executive committee of the Apparel Export Promotion Council, told Fibre2Fashion, “Such demands for additional discounts are unethical from domestic brands and retailers. It is happening not only in Ludhiana but in the entire north India. Garment manufacturers are already working with low margins. They cannot afford to accept such demands for additional discounts.”

Thukral acknowledged that global brands are also pressuring for lower prices on their orders. The current slow-paced market situation presents significant challenges, particularly for small and medium-sized manufacturers and exporters. Despite the tough conditions, he is optimistic about receiving more orders in the future. He said that the India International Garment Fair (IIGF) for the Spring/Summer 2024 season will take place in Noida from June 26-28, 2023. More than 1,000 exporters are anticipated to participate in the fair. Thukral also noted a positive response from importers and global brands, which he expects will lead to substantial trade enquiries during the fair.

K M Subramanian, president of Tiruppur Exporters Association (TEA) told F2F, “Currently, we are getting limited orders from global buyers, but we are not offering additional discounts to attract buyers.” He argued that garment exporters and manufacturers cannot offer lower prices due to the high cost of production. He noted that the average garment prices are nearly the same as last year when they increased due to a record rise in cotton prices. While cotton prices have since dropped by about half, other production costs have increased.

Subramanian expects that orders for winter garments will arrive in the coming months. He suggested that exporters can meet Christmas supply deadlines, provided they receive orders by the end of July. The current global market conditions are quite challenging; however, he was optimistic about the slightly better domestic demand, which is currently serving as a lifeline for the industry.

The current situation is far from favourable for many exporters and garment manufacturers. Many have had to scale down their production due to a lack of orders from both domestic and global markets. This state of affairs is widespread across the country. Fabric and yarn manufacturers are similarly experiencing reduced demand, compelling them to cut down on production. These challenges are anticipated to persist, driven by high inflation in Europe and the US, and the ongoing military conflict between Russia and Ukraine.

Source: fibre2fashion.com - May 23, 2023

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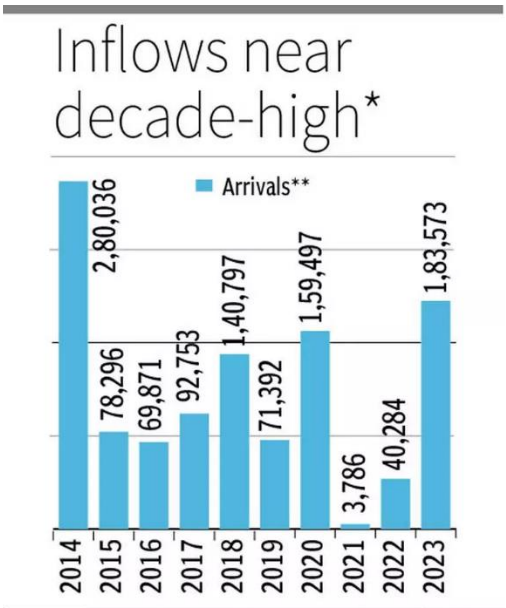
# Cotton prices crash as farmers release held back stocks

Cotton prices have declined by nearly nine per cent in the past two weeks as growers have begun to bring their produce they had held back over the past few months to the agricultural produce marketing committee (APMC) yards.

"Farmers in various States have changed their minds and are looking to sell their stocked kapas (seed cotton). Arrivals of kapas in May are at a new high and are expected to continue until the end of June," said Anand Popat, a trader in cotton, yarn and cotton waste from Rajkot.

"Daily arrivals of cotton have increased to one lakh bales (170 kg each) over the past few days. Demand for yarn is negligible and its exports have been affected by the recessionary trend. Demand for cloth too is slack," said Ramanuj Das Boob, who sources cotton for spinning mills, multinational companies and exporters from Raichur, Karnataka.

Panic strikes?



Source: Agmarknet *in tonnes ** Arrivals during May 1-23

According to data from Agmarknet, a unit of the Agriculture Ministry, cotton arrivals are at a 9-year high of 1,82,572.67 tonnes (10.73 lakh bales) so far this month. In 2014, when India produced a record high crop of 398 lakh bales, arrivals in the same period were 2,36,800.48 tonnes (13.93 lakh bales).

"Daily arrivals of kapas ranged 90,000-110,000 bales per day last week, with total arrival being 7 lakh bales," said Popat.

"Panic has struck the market. There is no demand for yarn or cloth. No one is buying cotton too. Production seems to be in excess," said Sachin Jhanwar, a yarn processor.

"Due to sluggish demand continuing across the value chain, cotton prices are moderating in line with the same trend," said Prabhu Dhamodharan, Convenor, Indian Texpreneurs Federation (ITF).

Hoping for more

Currently, the price of processed cotton (lint) is ₹56,900 a candy (356 kg) compared with ₹62,200 two weeks ago. On the Multi Commodity Exchange, June cotton contracts are currently quoting at ₹58,120 a candy.

Kapas prices at Rajkot APMC are ruling at ₹7,175 a quintal, down from ₹7,950 two weeks ago. On the InterContinental Exchange (ICE), New York, cotton July contracts are ruling at 84.27 US cents a pound (₹56,625 a candy). Cotton growers had held back their produce and stored it in the backyards and on terraces this year hoping for prices to increase. They were unwilling to sell even when prices ruled at ₹8,000 a quintal against the minimum support price of ₹6,080 as they got prices over ₹10,000 last season.

Growers in Karnataka and Maharashtra held back their produce for the first time apart from Gujarat farmers who usually hold back their produce for the lean arrival season starting April. "While cotton prices have dropped to the levels of ₹57,000 in India, they are ruling at ₹67,000 in China," said Jhanwar.

Difficult to judge crop

"There is some parity in prices for export. It will start picking up now," Popat said. So far, 11.50 lakh bales of cotton have been exported and shipments are expected to plunge to 19-year low of 23 lakh bales this season to September. "Since last week, the ICE market has been ruling strong even as Indian cotton prices have been declining on a daily basis. On MCX, too, the bearish trend prevails," said Das Boob.

"We have to try and increase exports to 30-35 lakh bales if the situation has to change," Jhanwar said. "Across the value chain, textile companies are operating at lesser capacity utilisation levels. Hereafter, cotton prices will align with real demand factors like apparel exports," Dhamodharan said. "Looking at the current arrivals trend, it is difficult to judge the crop based only on the inflow into APMC yard and kapas held back by farmers in Maharashtra and Gujarat," Das Boob said.

This will also make it difficult to predict the volume of cotton likely to arrive as ginners and traders are holding huge stocks of 30-35 lakh bales, he said.

MNCs building inventories

The Committee on Cotton Production and Consumption, a body of all stakeholders, has estimated the crop for the current season (October 2022-September 2023) at 327.23 lakh bales but a section of the trade pegs it higher at over 340 lakh bales. However, the Cotton Association of India, a body of traders, has pegged it lower than 300 lakh bales in its latest estimate made this month.

Jhanwar said many were carrying cotton and yarn stocks that were over a year old. “I have been holding a good quantity of yarn and a lakh bales of cotton since last year,” he said. Das Boob and Popat said currently, multinational trading companies were buying cotton. “Spinning mills are having cotton stocks for 45 days. Cash-rich mills are having stocks for 70-90 days,” Das Boob said.

“The situation looks favourable for these trading firms which had sold in the forward market and are now covering stocks. The price drop is helping them too,” said Popat.

Sowing may rise

“Over the next three months, we could witness some quantities of cotton being imported from Australia, Brazil and the US,” said Das Boob. “The market developments this week will be crucial and then the focus will be on the US,” Jhanwar said.

“We are witnessing some pockets of recovery in some home textile products due to exhaustion of inventory with retailers. At the same time, we are expecting a steady state of order flow for apparels which is a large portion of our export basket from October,” Dhamodharan said.

Despite the drop in prices, cotton sowing will increase this year, though mills will likely curb production in the months to come if the current trend continues, Das Boob said.

Source: thehindubusinessline.com - May 23, 2023

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# Big fillip to Sircilla's apparel industry

The apparel industry and allied sectors in Sircilla are all set to witness a major boom as multiple ambitious projects are being grounded under the aegis of the State government.

Prominent among these is an apparel manufacturing unit being established by Bengaluru-based readymade garment manufacturing company Texport, which is nearing completion with 60 percent of the work completed already.

The Telangana government and Texport Industries had signed a memorandum of understanding (MoU) in the presence of IT and Industries Minister KT Rama Rao on February 25, 2022.

Consequently, the government allocated 7.42 acres of land to the company in Peddur Apparel Park on the outskirts of Sircilla town. The built-up area of the unit spans 1.77 lakh square feet.

As per the agreement, the State government is responsible for developing the necessary infrastructure, including the construction of work sheds, provision of power supply, water, and other facilities. Texport will commence production by installing its own machinery.

Accordingly, the State has undertaken infrastructure development at a cost of Rs.64 crore. Approximately 60 to 70 percent of the work has already been completed, and the unit is expected to be ready by the end of June, according to sources.

Initially, the company will install 800 machines and provide employment to 1,600 individuals. Over the next three years, this capacity will be expanded to 1,000 machines, creating employment opportunities for approximately 2,000 people. Texport's Sircilla unit will focus on the manufacturing of innerwear and T-shirts.

Speaking to Telangana Today, Azmira Swamy, TSIIC Zonal Manager for the Karimnagar zone, stated that 60 to 70 percent of the work has been completed. Currently, roofing works are in progress, and he expressed optimism that all the tasks would be finished by the end of June.

On another note, Gokaldas Images Private Limited has already established its unit in Apparel Park, providing employment to 500 people. The company plans to expand its business and offer jobs to an additional 1,000 individuals.

In an effort to empower workers (weavers) as owners of weaving units, the State government has introduced the "Worker to Owner" scheme and is developing a weaving park in Peddur.

The park, spread over 88 acres of land with an investment of Rs.375 crore, aims to construct work sheds to accommodate 1,104 weavers in the first phase. The project involves the establishment of 46 work sheds, accommodating a total of 4,416 powerlooms. The construction of work sheds is in its final stages.

Source: telanganatoday.com - May 24, 2023

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# Apparel Group to add 20 R&B stores in India in a year

Apparel Group India is aggressively planning to expand its department store chain R&B in India amid a major focus on affordable fashion by various corporate giants, a senior representative of the group told IndiaRetailing.

Apparel Group currently operates eight R&B outlets in India and plans to open another 20 such department stores in the country in the next one year.

“We are super aggressive and bullish on R&B in India,” Tushar Ved, president of Apparel Group India told IndiaRetailing. “R&B’s price point is right for India and is one of the best brands for us to grow here. There is a huge consumer segment at that price point,” he added.

Apparel Group launched R&B in October 2012 at the Muscat Grand Mall in Oman and currently operates around 70 stores across seven countries including India, Oman, UAE, Qatar, Bahrain, Kuwait, and Saudi Arabia. According to the brand’s website, the name R&B is a combination of two words, Rare and Basics. While Rare stands for fast fashion, Basics denotes products that never go out of stock. A typical R&B store houses six sections: Kids fashion, women’s fashion, men’s fashion, lingerie, footwear, accessories, and impulse-buy products.

Ved said the Apparel Group has also introduced beauty products at one R&B store in India and plans to ramp up beauty and cosmetics offerings here as well.

In India, R&B is currently present at Forum Sujana Mall and L&T Musarambagh in Hyderabad; Commercial Street, Lulu International Shopping Malls, and Mantri Square Mall in Bengaluru; and L&T Punjagutta in Hyderabad, Telangana among other locations.

IndiaRetailing reported last month that R&B had opened an outlet at City Centre Mall in Mangalore, Karnataka.

Apparel Group markets a host of global brands in India including Charles & Keith, Aldo, Victoria’s Secrets, Bath & Body Works, La Senza among other labels.

Last year, Apparel Group added a food and beverage segment to its portfolio in India and opened a chain of Canada-based coffee stores Tim Hortons. Currently, the Group operates about eight Tim Hortons stores in India.

Earlier this month, Tim Hortons opened a new outlet at Vasant Vihar in New Delhi. The outlet is located at Basant Lok Community Center in Vasant Vihar.

Value retailing has been a major focus area for India's large conglomerates including Tata Group and Reliance Industries Ltd.

Last month, IndiaRetailing reported that Tata-owned affordable fashion brand Zudio is planning to add around 130 stores this calendar year, taking the overall store count to slightly shy of 500 by the end of 2023.

Similarly, Reliance Retail has been aggressively expanding Reliance Trends and the Mumbai retailer is also planning to create more value brands as millions of Indians are currently graduating from non-branded to branded apparel, creating a huge opportunity for India's modern retailers.

Source: indiaretailing.com - May 23, 2023

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