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USD	EUR	GBP	JPY
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INTERNATIONAL NEWS

Intermediate goods exports fall in fourth quarter of 2022 amid supply chain disruptions

World exports of intermediate goods (IGs) fell by 10 per cent year-on-year in the fourth quarter of 2022 to US$ 2.3 trillion, reflecting the disruptions global supply chains faced in the closing months of the year due to the geopolitical context, commodity shortages, high energy prices and weak consumption. The decrease affected practically all regions.

IGs refer to inputs used to produce a final product and are an indicator of the activity in global supply chains. The worldwide downward trend in IG exports started in the second quarter of 2022 and continued into the fourth quarter. The share of IGs in total trade (excluding fuels), furthermore, dropped slightly to 47 per cent in the fourth quarter of 2022, below the 51 per cent share recorded in the same quarter a year ago and the 50 per cent average ratio for the last decade.

Asia experienced the most significant decline, with a drop of 15 per cent in its IG exports year-on-year in the fourth quarter. IG exports of Hong Kong, China fell most steeply as its outbound shipments of high-tech components (computer memories and integrated circuits) fell by 42 per cent from US$ 13.1 billion to US$ 7.5 billion.

IG exports from Europe experienced a 9 per cent decrease, which can be traced to sharp declines in exports of metals such as aluminium alloys, whose production was deeply affected by the rise in energy costs triggered by the war in Ukraine. IG exports of Africa fell 14 per cent , while IG exports of North America and South and Central America (-2% and -0.1% respectively) suffered distinctly less.

The decrease in global IG exports can be partly traced to the product categories “parts and accessories (excluding transport equipment)” and “other industrial supplies,” which declined by 13 per cent and 14 per cent respectively year-on-year in the fourth quarter of 2022. World exports of ores and precious stones, meanwhile, decreased by 3 per cent, reflecting the downward demand worldwide and a decrease in prices, especially for iron ores. Food supply chains, in contrast, remained resilient with IG exports in the "food and beverage" product category rising by 7 per cent.

Similar to global IG growth, trade flows within and between regions posted a decrease in the fourth quarter. Intra-Asia IG trade dropped by 16 per cent, signalling a slowdown in regional supply chains. A similar trend was observed in Europe, where regional exchanges of industrial inputs decreased by 10 per cent.

IG exports to South and Central America from all regions were among those that decreased the most. China drastically cut its exports of semi-manufactured metals (iron and steel products) to the region by two-thirds in Q4 2022 YoY (from US$ 945 million to US$ 321 million). This was probably linked to China's reduction in crude steel production as part of an environmental policy aimed at reducing carbon emissions.

The fourth quarter information note on trade in intermediate goods is available here.

Source: wto.org– June 12, 2023

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ITMA 2023 bolsters textile tech in Europe: CEMATEX president

The ongoing international textile and garment technology exhibition ITMA 2023 plays a significant role in promoting European textile technology and strengthening the industry in European Committee of Textile Machinery Manufacturers (CEMATEX) countries, emphasised CEMATEX president Ernesto Maurer in a recent interview with Fibre2Fashion.

“Since 1951, it holds a key position… providing a reputable exhibition for them to launch their latest technologies,” Maurer told F2F. He also acknowledged the substantial investment in R&D from European machinery manufacturers, which places them at the forefront of offering sophisticated automation, digital solutions, and sustainable technologies.

Maurer also highlighted the new Start-Up Valley initiative by CEMATEX aimed at showcasing early-stage companies with game-changing solutions. He added that 16 out of the 31 applicants that have been selected for the grant are exhibiting at ITMA 2023.

ITMA 2023 is currently being held at Fiera Milano Rho, Italy, until June 14, 2023.

Click here to read the full interview.

Source: fibre2fashion.com – June 13, 2023

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US textiles & apparel exports ease 3.28% to $7.8 bn in Jan-Apr 2023

Exports of textiles and apparel from the US reduced by 3.28 per cent in January-April 2023, reaching a value of $7.842 billion, compared to $8.108 billion in the same period last year, according to data from the Office of Textiles and Apparel (OTEXA), US department of commerce.

Among the top ten markets, textile and apparel shipments to the Netherlands increased by 31.08 per cent to $166.301 million in the first four months of 2023. Exports also increased to the United Kingdom (17.96 per cent) and Dominican Republic (1.67%).

However, shipments to Canada, China, Guatemala, Nicaragua, Mexico, and Japan experienced a decline of up to 38.49 per cent. The US supplied $2,286.809 million worth of textiles and apparel to Mexico during this period, followed by $1,779.378 million to Canada and $441.032 million to Honduras.

Category-wise, apparel exports increased by 6.49 per cent year-on-year to $2,397.707 million, while fabric exports decreased 4.65 per cent to $2,810.096 million in January-April of this year. The exports of yarn and made-up and miscellaneous articles decreased by 6.98 per cent to $1,394.900 million and 12.11 per cent to $1,239.682 million, respectively, during the same period.

US textile and apparel exports increased by 9.77 per cent to $24.866 billion in 2022 compared to $22.652 billion in 2021. In recent years, US textile and clothing exports have remained in the range of $22-25 billion per annum.

In 2014, they stood at $24.418 billion, while the figure was $23.622 billion in 2015, $22.124 billion in 2016, $22.671 billion in 2017, $23.467 billion in 2018, and $22.905 billion in 2019. The value dropped to $19.330 billion in 2020 due to the pandemic.

Source: fibre2fashion.com – June 13, 2023

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USA: Inventory Realignment Gives Department Stores, Online a Boost in 2023

Last year's weakest apparel subsectors will be this year's top performers, according to Moody's Investor Service credit analysts, who pointed to online sellers and department stores as doing the best job right now to realign their inventories according to consumer purchasing trends.

In a report led by retail credit analyst Christina Boni, the ratings firm issued a stable outlook for global retail and apparel for the next 12 to 18 months with global revenue growth forecast at 3.4 percent, led by gains in North America.

Getting inventory in order will improve merchandise margins by limiting deep promotions. That's particularly true for North American retailers such as Walmart that overshot on demand last year and ended up paying a steep price. The good news for retailers this year is that sourcing, product and freight costs are coming down. A less chaotic supply chain means retailers don't need to fly in quite so many orders.

"And while still early, the pressure on consumer purchasing power should subside as runaway inflation starts to ease," the report said. For now, inflation is less of a problem in North America than it is in Europe, where real income lags the cost of living and retailers still need to clear an inventory glut.

Big retailers such as Walmart and Target with the scale to negotiate better pricing with suppliers as costs fall stand to benefit the most. Retailers will eventually pass along these cost savings to consumers to "stimulate demand," the credit analysts said.

In addition, retailers importing from Asia benefit from freight cost declines as container costs from Asia have dropped as a result of lower cargo volumes inked to consumers buying less stuff. "Spot rates have been pushed lower and retailers have been able to renegotiate costly annual container contracts, which are typically readdressed each spring," the Moody's report noted.

Still, shipping-cost benefits are expected to be offset in part by higher transportation costs in the U.S. and in most parts of Europe, Middle East and Africa (EMEA). The benefits from lower costs will probably come later this year, particularly as "companies first sell inventories that were purchased earlier at much higher freight levels," analysts said.

Retailers expected to benefit the most from realigning their inventories this year will be department stores and online retailers, the two worst-performing retail subsectors in 2022.

Global online retailers last year saw their adjusted earnings before interest and taxes (EBIT) plummet by 45.2 percent in 2022, but EBIT is expected to rise by 47.0 percent in 2023. Most of that turnaround is expected to come from Amazon, as it readjusts overcapacity following a Covid-era ramp up. Adjusted EBIT at department stores, down 41.4 percent last year, is projected to grow by 14 percent this year.

In other industry subsectors, global adjusted EBIT for off-price retail is expected to rise 11.7 percent this year, after falling 6.5 percent in 2022. And apparel and footwear is forecasted to be up 1.8 percent, following a decline in adjusted EBIT of 20.7 percent last year.

Moody's said that the North American apparel and footwear subsector won't see much growth, thanks to a lack in pricing power and weak unit demand. Adjusted EBIT is still expected to rise 9.1 percent, as a result of year-ago comparisons when U.S. retailers aggressively promoted to clear excess product. Despite the projected growth in North America, overall global adjusted EBIT for the subsector will be dragged down by business conditions in EMEA. That's because of weak consumer sentiment and persistent inflation, which has forced consumers to cut back or trade down.

"Promotions will remain intense in EMEA during the first half of 2023, as many companies contend with inventory clearance, such as Adidas," the report said.

And while the Moody's outlook is stable for the next 12 to 18 months, the credit analysts warned that significant risks remain.

"The global economic and political environment still remains fraught with risks, which could delay the recovery," the credit analysts said, citing risks that include more aggressive monetary tightening, further stress to banking systems, sustained inflation and the geopolitical environment, among others.

"Our outlook could change to negative should these risks result in negative adjusted EBIT growth. Our outlook could change to positive should the aforementioned risks abate," the analysts said, noting that improving conditions would result in better consumer unit demand and people being able to afford products that cost more. Their outlook could also change to positive if adjusted EBIT growth is projected to exceed 4 percent.

Source: sourcingjournal.com – June 12, 2023

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UK's 26-mth retail sales streak ends with 1.5% drop in May 2023

Negative retail sales in the UK during May 2023 mark the end of 26 months of positive results, dating back to March 2021. Total like-for-like (LFL) sales, in-store and online combined, fell by 1.5 per cent, as per the industry data.

Despite positive footfall growth through the majority of May, total in-store sales grew by just 1.0 per cent across the month, and online sales fell into the red, down 3.3 per cent, according to the latest high street sales tracker by accountancy and business advisory firm BDO LLP.

The fashion sector recorded a third consecutive month of poor results, with total LFL sales falling by -1.5 per cent in May from last year's base of 27.6 per cent. This is the first time in over two years that the fashion sector has recorded negative sales growth.

The lifestyle sector was the only category to record total LFL sales growth in May, however, at just 0.7 per cent, these results are far from reassuring. It marks the category's sixth consecutive month of positive LFL sales.

Sophie Michael, head of retail and wholesale at BDO LLP, said: "These results are extremely discouraging. LFLs are an absolute value and therefore, given the high inflation rates, these figures suggest significant drops in volumes.

With three bank holidays last month and the fact that footfall has increased compared to this time last year, these results highlight the huge pressure on the consumer purse. Retailers are not just competing with each other, but also with the hospitality and leisure sectors for every pound of discretionary spending.

The drop in online sales is also stark, recording the worst online sales results on record with the exception of the months impacted by the COVID-19 pandemic.

"Competing for this discretionary spending requires ongoing investment in the sector but, with consumers simply not spending, retailers will be naturally looking to where they can cut costs.

There are reports showing that headcount numbers for retailers declined at the fastest rate since 2009 while investment has also deteriorated. Retailers that make savvy investments will give themselves a competitive advantage in the long term, but the economic backdrop remains hugely concerning.

Continued inflation, potential further interest rate rises, and significant increases to many mortgage repayments this year means things may get worse before they get better for the retail sector.”

Source: fibre2fashion.com – June 12, 2023

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Better Cotton develops roadmap to strengthen Uzbekistan programme

Better Cotton, the world's largest cotton sustainability initiative, has developed and signed a Roadmap of Sustainability Developments with key stakeholders in Uzbekistan to drive further improvements in the country's cotton sector.

Uzbekistan's senate chairperson and chairperson of the national commission to combating human trafficking and forced labour, Tanzila Narbayeva, and Uzbekistan's textile and garment industry association chairperson, Ilkhom Khaydarov, were amongst signatories to the collaborative agreement during Tashkent Textile Week.

At the event, Better Cotton's senior programme manager, Rachel Beckett, presented the roadmap to an audience of more than 600 delegates, including representatives from business, government, civil society, international organisations and educational institutes.

To advance the aims of the roadmap, national stakeholders have committed to supporting its implementation, including the ministry of agriculture, ministry of employment, and textile and garments association, amongst others, Better Cotton said in a press release.

The roadmap will be built on the Better Cotton Programme in Uzbekistan, launched in 2022. As the sixth largest cotton growing nation globally, operations in Uzbekistan are intrinsic to Better Cotton's goals of mainstreaming more sustainable cotton production.

The roadmap effectively maps out a detailed action plan through which progress will be assessed in line with four overarching objectives. The objectives are to build effective management systems for the Better Cotton programme in Uzbekistan and raise the awareness amongst cotton stakeholders in the country on sustainability pillars; promote the labour rights of workers in the cotton sector by putting in place effective labour systems that ensure decent work, safe and healthy working conditions, effective management of employer-worker relations as well as productive social dialogue; build key stakeholders' awareness of best practices relating to environmental sustainability in cotton production and how these can be assessed at a field level and build a three-year strategy that defines the ways in which the Better Cotton programme can be managed, funded, and delivered at scale.

"Better Cotton sees its work in Uzbekistan as an opportunity to create value and drive improvements for the environment, producers, and workers in the country's cotton sector, and to bring us closer to our vision of a world where all cotton is more sustainable," Rachel Beckett, senior programme manager, Better Cotton, said.

The roadmap's approach will include recommendations by Better Cotton on how cotton growing communities across Uzbekistan can adopt more sustainable practices that are better for the environment, communities and the economy.

With the support of key Uzbekistan stakeholders, Better Cotton is well-positioned to address any current and future concerns, and will strive to develop operations across the country to continually support cotton farmers.

"We believe that our partnership with Better Cotton will support the creation of effective management systems in cotton fields, encourage the broader application of modern, energy-saving technologies and reduce the impact of production on the environment. This roadmap serves to strengthen social protection, improve labour relations based on international standards, and create decent and safe working conditions for workers," added Narbayeva.

Source: fibre2fashion.com – June 12, 2023

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Pakistan: Is barter trade a game changer

There is a lot of optimism in the press that the recent decision to allow barter trade with neighbouring and other countries, ie, Afghanistan, Iran, and Russia, would ease Pakistan's difficulties in meeting its energy import bill and also boost exports. Some call it a "game changer".

Are such estimates grounded in reality, or are we daydreaming? Has barter trade worked in any other situation in modern times?

It is a fact that the three countries with which Pakistan is planning barter trade are among the most sanctioned nations. They are forbidden to use the US dollar, which is not only the world's principal reserve currency but also the most widely used currency for international trade.

While many world leaders, including those of BRICS (Brazil, Russia, India, China and South Africa) and Southeast Asian nations, have been pushing the need to reduce reliance on the US dollar, it does not seem likely soon. This is even though China is now the largest trading partner for over 120 countries.

Since Iran has been under US sanctions for the longest period of over four decades, it has always sought new ways to trade without using the US currency. It has been able to do so successfully with its neighbouring countries in the Middle East, Central Asia and South and East Asia.

With some, like India, it has been trading through a special rupee-rial mechanism for almost a decade.

Under this procedure, almost half of Iran's oil money is deposited in rupees in India's state-run banks (UCO and Industrial Development Bank). Iran uses that money to buy Indian goods such as Basmati rice and sugar.

More recently, Iran has found a major opportunity to expand its trade with Russia, which has already become its fifth largest trade partner.

The two have also increased cooperation in many other fields, especially the defence sector. Last year, Russia became the largest investor with $2.76 billion in investment.

Several new trade routes that had faced long delays are now opening up. These include the International North-South Transport Corridor (INSTC), a trade route spanning 4,500 miles of railroads, highways, and shipping routes via the Caucasus region, which opened in June 2022. Pakistan has an opportunity to link up its CPEC with these new routes.

Pakistan's trade with all three, particularly with Iran, is well below its potential. Its bilateral trade with Iran, estimated at $2 billion, is about 2% of Iran's worldwide imports of $53 billion and exports of $41 billion.

Recently, several steps have been taken to improve this situation. These include completing the 100-megawatt Polan-Gabd electricity transmission line to provide energy to Gwadar and the opening of the Mand-Pishin border market, one of the proposed six.

The regulation allowing barter trade specifies several conditions, such as the principle of "import followed by export" and the requirement for a Pakistani trader to net off the value of goods quarterly after the issuance of authorisation.

Any authorisation is valid for only one year, with no extension or carry-forward for the authorised value.

In addition to these conditions, potential traders would face high tariffs on either side. Because of rampant smuggling especially from Iran and Afghanistan, it will not be easy for legal trade to compete.

To successfully operationalise barter trade, especially with Iran, the two countries must expand the scope of their existing Preferential Trade Agreement (PTA), signed in August 2006.

Recently, the leaders of both countries have committed to complete a bilateral Free Trade Agreement (FTA) expeditiously. However, the success of the FTA would depend on its depth and breadth.

So far, Pakistan's FTAs have been of rather low ambition due to strong opposition from its industry to open up the local market to competition.

If the FTA with Iran is going to be as inconsequential as was the recent one with Turkey, which covered less than 2% of tariff lines, we can forget about barter trade authorisation to be a game changer.

To sum up, unless Pakistan can complement its barter trade regulation with other trade facilitation measures, such as opening new routes and FTAs, this measure may be like any other trade agreements that Pakistan signed with lots of fanfare but no output.

The Economic Cooperation Organisation Trade Agreement (Ecota) and Safta, which have existed for almost 20 years, are two examples of agreements that failed to create any new trade.

Source: tribune.com.pk– June 12, 2023

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NATIONAL NEWS

India's GDP soars to $3.75 trn in 2023: Finance minister

In 2023, India's gross domestic product (GDP) has surged to $3.75 trillion, up from around $2 trillion in 2014, according to the country's finance minister, Nirmala Sitharaman. The country has now become the fifth largest economy in the world, up from tenth position.

At current prices, India's GDP is ranked above Australia ($1.55 trillion), Russia ($1.84 trillion), Canada ($2.08 trillion), France ($2.92 trillion) and the UK ($3.159 trillion). Currently, the US is the largest economy, with a GDP of $26.854 trillion, as per a tweet by Sitharaman.

India's gross domestic product (GDP) growth is expected to touch 6 per cent in fiscal 2024 (FY24), compared with 7 per cent estimated by the National Statistics Office (NSO) for FY23, according to leading global analytics company Credit Rating Information Services of India Limited (CRISIL) Ltd. The country's average GDP growth over the next five fiscals is estimated to be at 6.8 per cent.

Source: fibre2fashion.com– June 12, 2023

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Successful conclusion of the 1st Meeting of the Joint Committee of the India-UAE Comprehensive Economic Partnership Agreement

India and UAE successfully held the 1st Meeting of the Joint Committee (JC) of the India-UAE CEPA. During the JC, both sides, inter-alia, reviewed the bilateral trade under the CEPA, agreed to operationalize the established committees/sub-committees/technical council under the CEPA, agreed on mutual exchange of preferential trade data on quarterly basis for effective monitoring of the CEPA, discussed various matters related to the implementation of the Agreement and agreed on addressing any issue that may potentially act as a hindrance to CEPA implementation or its usage by businesses on both sides, agreed on creation of a new sub-committee on Trade in Services, and also agreed to set-up a UAE-India CEPA Council (UICC) as a B2B collaboration mechanism, with a focus on MSMEs and start-ups, for building greater economic linkages and optimizing CEPA benefits.

Both sides also exchanged views on WTO matters. The 13th Ministerial Conference of the WTO (MC13) is scheduled to be held in Abu Dhabi, United Arab Emirates, during the week of 26 February 2024.

A high-level delegation from the UAE, comprising senior officials of the Government of the United Arab Emirates (UAE) and representatives from the business community of the UAE, led by H.E. Dr. Thani bin Ahmed Al Zeyoudi, Minister of State for Foreign Trade of the UAE, visited India on 11-12 June 2023. The agreed minutes of the 1st Meeting of the Joint Committee of the India-UAE Comprehensive Economic Partnership Agreement were signed between the two sides in the presence of the Ministers today.

Earlier, His Excellency Dr. Thani bin Ahmed Al Zeyoudi, Minister of State for Foreign Trade of the UAE called on Shri Piyush Goyal, Union Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution, and Textiles, Government of India today in New Delhi. The visit also marked the India leg of the 1st Anniversary of the Implementation of the India-UAE Comprehensive Economic Partnership Agreement (CEPA). Both the Ministers addressed a Joint Press Conference on the achievements and the successful conclusion of the 1st meeting of the Joint Committee. Addressing the press conference Shri Goyal said that the two countries had agreed to set a target of USD 100 billion of trade in non-petroleum products by 2030 from the USD 48 billion at present.

Both the ministers also participated in a B-2-B event which was organized by the Department of Commerce in partnership with the Confederation of Indian Industry (CII). Addressing the business gathering at the B2B event, Union Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution, and Textiles Shri Piyush Goyal emphasized that this path-breaking Agreement has significantly transformed the India-UAE partnership by providing renewed impetus and momentum to an already, close and strong relationship. The Minister also highlighted that initial gains have already started accruing from the Agreement with bilateral trade between India and the UAE growing at around 16.5% and touching an all-time high of around USD 84.84 billion during FY 2023-23.

Shri Goyal said that India's exports to the UAE also recorded a remarkable growth of 12%, reaching USD 31.6 billion in 2022-2023. He urged businesses from both sides to forge newer ties and build on this momentum. He highlighted other important initiatives that are being discussed between the two sides, including Virtual Trade corridors, potential set-up of offices of the Abu Dhabi Investment Authority in GIFT City, Gujarat, UPI partnership and the potential development of an efficient system for direct Rupee-Dirham trade.

H.E. Dr. Thani bin Zeyoudi, Minister of State of Foreign Trade of the UAE affirmed the keenness of the UAE Government and its leadership to further strengthen the India-UAE bilateral relations by engaging in all areas of mutual importance to both the countries. He also reaffirmed the commitment of his Ministry and his Government in working closely with the Indian side in the same spirit of mutual trust, cooperation and collaboration for the growth, prosperity, and welfare of the peoples of the two countries.

Delivering the welcome remarks, Commerce Secretary, Shri Sunil Barthwal, stated that the visit of the UAE delegation underscored the importance of the economic ties between the two countries. The B2B event was well attended by representatives from the business communities of India and the UAE, and senior officials from both sides.

Source: pib.gov.in– June 12, 2023

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80% of stakeholders in textile industry have adopted sustainable manufacturing practices: Report

Around 80 per cent of key stakeholders in the Indian textile industry have already adopted some form of sustainable manufacturing practices, according to "Sustainability Survey Report 2023" by The Yarn Bazaar and Wazir Advisors.

A media statement said the report showcases the significant momentum building among stakeholders across the textile value chain towards embracing sustainability and addresses key Environmental, Social, and Governance (ESG) factors. The realisation that ramping up production alone is insufficient has led to a collective focus on adopting sustainable practices, aligning with the environmental pillar of ESG.

A majority of the survey respondent companies reported a year-on-year increase in the share of sustainable products in their portfolios, along with an intent to continue this transition in the future. According to the report, 13 per cent respondents currently have a 50-75 per cent share of sustainable products in their portfolio. Similarly, 25 per cent respondents currently offer more than 75 per cent sustainable products.

The report said there is a significant upsurge in cotton recycling, alongside traditional polyester recycling, as the industry's approach towards circularity evolves. Integrated players and large-scale spinning mills are actively exploring ways to recycle waste for the production of circular textiles, contributing to a more sustainable and circular economy.

It said that due to the efforts of some companies the capacity for recycling polyester from bottles and converting it into textile materials in India is expected to reach or surpass 1,600 kilo tonnes per annum by 2030, at a CAGR of 4 per cent. This indicates a significant increase in recycling infrastructure and capabilities in the country, highlighting the growing focus on sustainable practices in the textile industry.

'Compass to navigate'

Quoting Pratik Gadia, Founder and Chief Executive Officer of The Yarn Bazaar, the statement said: "This report serves as a compass for us to navigate the landscape of the textile industry, both on a global scale and within our own country. It allows us to understand where other major brands stand on sustainability, identify our own progress, and recognise the gaps that need to be bridged."

The textile industry, being the second most polluting industry in the world, faces a crucial crossroads for its own long-term survival. Gadia said there is a need to take immediate action to infuse sustainability practices that align with the UN's Sustainable Development Goals (SDGs), and address key ESG concerns.

Sanjay Arora, Business Director from Wazir Advisors, said the report showcases a fundamental shift in the approach of key stakeholders in the Indian textile industry. It is heartening to see that 80 per cent of these stakeholders have already embraced sustainable manufacturing practices, reflecting the industry's commitment to environmental responsibility. Sustainability has become a critical factor for success in the global textile market, and the report highlights the increasing adoption of sustainable products, focusing on circularity, and alignment with global benchmarks, he said.

Source: thehindubusinessline.com– June 12, 2023

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May retail inflation, April factory output spring positive surprise

Post the spurt in GDP growth number, two high frequency economic indicators brought further cheer on the economy front. Retail inflation, based on Consumer Price Index (CPI), eased to 20-month low of 4.3 per cent in May and factory growth based on Index of Industrial Productions (IIP) rebounded to 4.2 per cent in April.

Better than expected numbers on these two counts translate into likelihood of the Monetary Policy Committee (MPC) continuing with pause for the third successive time when it meets in August. Though it is good news for borrowers, there is less cause for depositors to be elated as banks have started lowering interest rates on some term deposits.

Prices in retail market of various goods, barring spices, continued on a declining trend with edible oil and vegetables seeing the sharpest downward spiral. However, there are worrying signs underlined by Sunil Kumar Sinha (Principal Economist) and Paras Jasrai (Senior Analysts) of India Ratings & Research (Ind-ra) in a note.

“Cereals inflation although has reduced from its recent peak of 16.73 per cent in February 2023 has remaining in double digit in last nine months, milk inflation remaining in excess of 6 per cent in last 10 months, and core inflation remaining more than 5 per cent in last 37 months,” the economists’ note said.

El Nino Impact

Going forward, there is another concern around the El Nino impact on monsoon. Aditi Nayar, Chief Economist with ICRA, said while seasonally healthy reservoir levels are likely to provide some respite, a normal distribution of rainfall in July will be critical to ensure timely sowing of kharif crops.

“The development of El Nino conditions would be closely monitored as these could lead to a sub-par monsoon and impact kharif yields and rabi sowing, and thereby impact crop output and food inflation,” she said.

Meanwhile, most economists agree on one point — that the pause on policy rates is to continue. Rajani Sinha, Chief Economist with CareEdge Ratings, said: “We expect the RBI to maintain a status quo in 2023 with CPI inflation remaining above 4 per cent target and growth impulses expected to hold up well.”

Industrial Growth

Factory output rebounded from 5-month low of 1.7 per cent in March to 4.2 per cent in April. Manufacturing gave a big push with a growth rate of around 5 per cent. It got support from mining (5.1 per cent). However, electricity sector witnessed a second consecutive month of de-growth (1.1 per cent) in April.

Vivek Rathi, Director Research, Knight Frank India, felt latest headline and some sector numbers indicate healthy investment cycle in the economy. However, he said, “signals of recovery in domestic consumption which is the key engine to growth is uneven, as the growth in consumer durables goods is yet to pick up.”

Source: thehindubusinessline.com – June 12, 2023

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Industrial production grows 4.2% in April

India's industrial production growth rose to 4.2 per cent in April from 1.7 per cent in March 2023, mainly due to good performance by the manufacturing and mining sectors, according to official data released on Monday.

The factory output growth measured in terms of the Index of Industrial Production (IIP) stood at 6.7 per cent in April 2022. As per the IIP data released by the National Statistical Office (NSO), the manufacturing sector's output grew 4.9 per cent in April 2023 against a 5.6 per cent expansion a year ago.

Power generation declined 1.1 per cent in April 2023 compared to a growth of 11.8 per cent. Mining output, however, rose by 5.1 per cent during the month under review against a growth of 8.4 in the year-ago period. As per use-based classification, the capital goods segment recorded a 6.2 per cent growth in April compared to a 12 per cent expansion a year ago.

Consumer durables output during the month declined by 3.5 per cent against a 7.2 per cent growth a year ago. Consumer non-durable goods output grew 10.7 per cent against a contraction of 0.8 per cent a year earlier.

Infrastructure/construction goods posted a growth of 12.8 per cent compared to a four per cent expansion in the same period a year ago. The data also showed that the output of primary goods logged 1.9 per cent growth in the month against 10.3 per cent in the year-ago period.

The intermediate goods output in April grew by 0.8 per cent compared to a 7.1 per cent growth during the corresponding month last year. For fiscal 2022-23, the growth in IIP works out to be 5.2 per cent, down from 11.4 per cent in the preceding year.

Source: thehindubusinessline.com – June 12, 2023

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Growth prospects appear sluggish

The resolution of Monetary Policy Committee (MPC) released on June 8 kept the policy repo rate (PRR) unchanged and resolved to continue with the withdrawal of accommodation in the monetary policy stance in sync with the monetary policy objective of 'price stability keeping in mind growth.'

On account of 'combined impact of monetary tightening and supply augmenting measures,' the CPI inflation came down to 4.7 per cent in April 2023. However, due to uncertainties in the prospects for agricultural production and crude oil price outlook coupled with the hardening of input cost and output prices, the MPC projected CPI inflation at 5.1 per cent for 2023-24 would continue to remain above the target of 4 per cent.

The risk to growth outlook would emanate from weak external demand and prolonged geopolitical tensions. Accordingly, the MPC projected the real growth rate at 6.5 per cent in 2023-24 as compared with 7.2 per cent in 2022-23 and 9.1 per cent in 2021-22.

In the above context, it is important to mention that during the year gone by, the RBI assigned 'primacy to price stability' (controlling inflation and anchoring inflation expectations) as the headline inflation remained above the upper tolerance level of 6 per cent over 10 consecutive months during January-October 2022 with a peak at 7.8 per cent in April 2022.

As the RBI Annual Report 2022-23 has mentioned, domestic inflation was adversely impacted by global factors which included monetary tightening by major central banks on account of 'multi decadal' high level of global inflation (9.2 per cent in 2022) caused by food and energy prices (crude oil price reached a peak of $117 per barrel in June 2022).

The elevated inflation remained a major threat in terms of anchoring inflation expectations, breaking the persistence of core inflation (which remained on an average 6.1 per cent in 2022-23 with peak of 7.1 per cent in April 2022) and strengthening medium term growth prospects. Therefore, the RBI took recourse to monetary tightening by increasing the PRR by 250 basis points (bps).

The monetary policy tightening both in the global and the Indian context resulted in disinflation. The disinflation glide path (inflation rate witnessed a reduction from 9.2 in 2021-22 to 5.6 in 2022-23) took a toll on growth in the global context as the growth rate slowed from 6.2 per cent in 2021 to 3.4 per cent in 2022 and 2.8 per cent in 2022-23, according to the IMF. The pace of global disinflation, as the RBI Annual Report has mentioned, 'remains less than desirable', implying that the inflation rate in many advanced economies and emerging market economies has remained more than the target rate for a number of inflation-targeting economies.

The RBI technical study ('Recent inflation dynamics — role of supply vis-à-vis demand,' RBI Annual Report, 2022-23 Box II.3.2) observed that the average contribution of demand side factors was 35.2 per cent in 2019 and came down to 24.6 per cent in 2020. However, it went up to 31.8 per cent in 2021 and 30.5 per cent in 2022. On an average, the supply side factors contributed around 55 per cent to CPI headline inflation from January 2014 to December 2022.

The deceleration in inflation rate was from a peak 7.8 per cent in April 2022 to 5.66 per cent in March 2023 and further to 4.70 per cent in April 2023. Furthermore, the inflation outlook set out by the MPC revealed that the inflation would be 5.1 per cent in 2023-24. Thus, the Indian economy would continue to move along the disinflation glide path. In this context, the RBI technical study ('Monetary policy and disinflation', RBI Annual Report, 2022-23, Box II.3.1) has observed that a 1 per cent rise in PRR leads to a peak impact of 30 bps fall in real GDP growth rate. The impact of inflation will operate with higher lag, with a peak reduction of 20 bps.

Disinflation path

The disinflation glide path as explained above resulted in downward movement in growth rate measured in terms of GDP at constant prices from 9.1 per cent in 2021-22 to 7.2 per cent in 2022-23. The deceleration in GDP growth representing the demand side or expenditure was due to decline in growth rate of private final consumption expenditure (7.53 per cent in 2022-23 as compared with 11.24 per cent in 2021-22); government final consumption expenditure (0.12 per cent as against and 6.56 per cent); gross fixed capital formation (11.39 per cent as compared with 14.64 per cent in 2021-22). The growth outlook by MPC moderated to 6.5 per cent in 2023-24 with the gradual decline from Q1 (8 per cent), Q2 (6.5 per cent), Q3 (6 per cent) and Q4 (5.7 per cent).

The MPC has resolved that the cumulative rate hike of 250 bps is transmitting through the economy and its 'fuller impact should keep inflationary pressures contained in the coming months'. The RBI Annual Report 2022-23 has observed that banks raised their external benchmark-based lending rate (EBLR) upwards by the same magnitude, which strengthened the pace of transmission.

The RBI technical study ('Monetary policy and disinflation', Box II.3.1) observed that (a) if the PRR would have continued at 4 per cent (no change in PRR), inflation would have remained above 6 per cent with a peak rate of 7.3 per cent, (b) if PRR would have increased by 100 bps, inflation would have been lower at 25 bps, and (c) if PRR would have increased by 250 bps, inflation would have eased by more than 50 bps.

Thus, the technical study concludes that increasing PRR has a positive impact in the reduction of inflation rate. However, growth has been sacrificed. The efforts to control inflation by maintaining current policy stance might have sacrificed growth by about 65 bps.

This could be attributed to increase in higher interest rate which broadly moved in tandem with increase in PRR. For example, weighted average lending rate (WALR) increased to 6.52 per cent in March 2023 from 3.32 per cent in March 2022; three months treasury bill rate to 6.88 per cent (3.79 per cent); AAA corporate bonds to 7.85 (6.48 per cent); G-sec five-year bond to 7.28 per cent (6.38 per cent), and G-sec 10 years to 7.35 per cent (6.83 per cent).

The higher interest rate regime also impacted adversely credit uptake in the case of infrastructure sector (power, telecommunication and roads). For example the credit uptake for infrastructure declined to - 0.7 per cent in 2022-23 as against 9.1 per cent in 2021-22. Thus, the weak credit demand for infrastructure does not augur well for private investment and economic growth.

Thus, the picture is that the growth prospects remains sluggish with continued retail inflation pressure.

Source: thehindubusinessline.com – June 12, 2023

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Exim Bank projects merchandise exports to decrease to $111.7 billion

The Export Import (Exim) Bank India on Monday said the country's merchandise exports are set to fall to USD 111.7 billion for the April-June period amid continuing global volatilities.

The country had reported overall merchandise exports at USD 116.7 billion in the year-ago period, as per official data.

India's exports could be shadowed by a continued slowdown in select major trade partners including advanced economies, global financial sector stress, high inflationary pressures leading to tighter global monetary and financial conditions, and continued uncertainty around the Russia-Ukraine conflict, the Exim Bank said.

The bank said the non-oil exports are forecast to amount to USD 86.6 billion in the first quarter of the new fiscal year.

It said exports have displayed resilience amidst a challenging global economic situation, plagued by supply chain disruptions and geo-political tensions, and have consistently remained above USD 100 billion for seven consecutive quarters since Q2 FY22.

The city-headquartered policy bank has developed an in-house model to generate an Export Leading Index (ELI) for India to track and forecast the movement in India's exports on a quarterly basis.

The ELI gauges the outlook for the country's exports and is essentially developed as a leading indicator to forecast growth in total merchandise and non-oil exports of the country, on a quarterly basis, based on several external and domestic factors that could impact exports of the country, it said.

Source: business-standard.com – June 12, 2023

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Seeds of stagnation in Bt cotton: Can newer variants impact productivity?

Last month, a meeting of the Genetic Engineering Appraisal Committee (GEAC) decided to seek fresh information from Mahyco on the Bollgard-2 Round-up Ready Flex (BG-2 RRF), a second-generation variant of the genetically modified (GM) Bt cotton seed. Speci-fically, the GEAC wanted to recheck BG-2 RRF's efficacy claims against certain target-ed pests, including the dreaded pink bollworm. The committee also wanted a revised analysis of the socioeconomic impact of the use of this hybrid.
This dossier has had a chequered history. It was first submitted in 2013, according to senior industry sources.

In 2016, it was voluntarily withdrawn in 2016 owing to problems with intellectual property rights with its principal partner, US-based Monsan-to. The dossier was resubmitted in November 2021, following which a panel was constituted to study it. In the first dossier, the socioeconomic assessment was conducted independently by Indian Council of Agricultural Research and its affiliate, the National Academy of Agricultural Research Management.

Though the dossier's contents and the panel's findings are not available in the public domain, the demand for a fresh dossier and socioeconomic study has dismayed seed manufact-urers. Bhagirath Choudhary, founder and director of the South Asia Bio-technology Centre (SABC), Jodhpur, told Business Standard that revisiting the original dossier would delay the approval process for introducing next-generation GM cotton in India by at least two years. Seed manufacturers say the delay in granting approval for the new technology has resulted in stagnating cotton yields (per hectare yield has stagnated at 400-600 kg for the past few years).

Some industry players are also perplexed at GEAC linking BG-2 RRF with pest management for dreaded pests such as the bollworm complex. "BG-2 RRF is purely for weed management. To seek information on its specific impact on certain pests such as the bollworm complex is not very clear," a senior industry official said.

At the same meeting, the regulator also approved field trials of a separate application by Hyderabad-based seed company Bioseed Research India Pvt Ltd for field trials of a new variant of GM cotton that has a gene resistant to pink bollworm. The fate of these trials is also uncertain; some states where they were to be conducted have not been forthcoming in granting the mandatory no-objection certificates (NoCs) required for such trials.

In response, the GEAC, according to the minutes of the meeting, di-rected the Department of Biotech-nology (DBT), ICAR, and the ministry of agriculture to consider jointly organising capacity-building activities with regard to GM crops for (apprising) states and Union Terri-tories of the technology involved and regulatory framework in place for evaluating these GM crops, thereby enabling informed decision-making by them.

This intervention has infuriated civil society activists who allege that far from being independent, the regulator is trying to influence states or even coerce states to grant NoC for field trials of GM cotton. This direction, they say, ignores the fact that agriculture is a state subject and granting permission for field trials lies squarely in the state's domain.

The upshot of all this is that farmers are increasingly opting for illegally manufactured and untested second-generation Bt cotton, which may be detrimental to their own health and the soil in which it is being grown. Moreover, opposition by NGOs to field trials of new seed varieties of Bt cotton will only fuel the sale of illegal BG-2 RRF cotton, Choudhary said.
In any case, they contend, the pink bollworm has already developed res-istance to Bt cotton owing to alleged delays in allowing the growing of refugia, or non-Bt cotton crops, along with Bt cotton to maintain the resistance of Bt cotton to new emerging pests.

The proliferation of illegal Bt seeds is growing with each passing season. Some years ago, a report by the Field Inspection and Scientific Evaluation Committee set up under the DBT by the Prime Minister's Office had apparently found that in 2017 the area under unapproved Bt cotton was around 15 per cent of the overall figures.

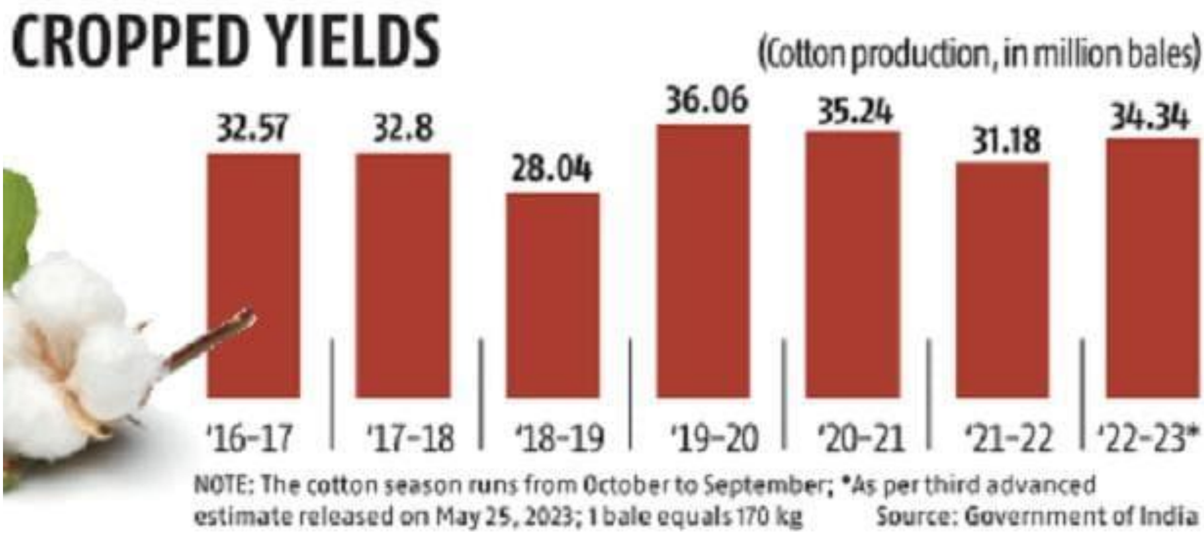
Though the report was never made public, industry sources said that it pointed towards a disturbing trend. In the 2023 kharif, cotton sowing has begun in several northern and western Indian states, and industry players said some 7.5 million out of the estimated 45 million packets of cotton seed sold (around 17 per cent) were of illegal Bt cotton.

"Unless, this is curbed it will have serious consequences on cotton production and cotton crop in India," another industry official said. That's because the Bt cotton has a unique resistance to pink bollworm.

According to various studies and an SABC note, pink bollworm is one of most common pests to inflict cotton farms worldwide and also in India where it has emerged as a major threat.

The outbreak of pink bollworm was first reported in 2013-14 in Gujarat from where it has quickly spread to Maharashtra, Andhra Pradesh and Telangana. Now, the pest has heavily infested cotton crops in Punjab, Haryana and northern Rajasthan. Cotton is grown in 12-12.5 million hectares in India and much of this is threatened by pink bollworm. The pest, said SABC, can reduce seed cotton yields by 35 to 90 per cent, and degrades the quality of the cotton that can be produced from the lint.
Scientists and field researchers say there are mainly three ways to deal with pink bollworms. One is disrupting the pest's mating cycle, the other is releasing sterile moths to control its reproduction, and the third is the extensive use of advanced varieties of Bt cotton seeds that are naturally resistant to pink bollworm.

The US, which is a big cotton producer, has used a combination of all three techniques. In India, the option has to exponentially raise the number of pesticide sprays. This requires spraying pesticides; after 50 days in the field, the crop will require one dose of pesticide every 10 days. Before the advent of pink bollworm, the average number of pesticide sprays had dropped to just two or three times because the available seeds had strong resistance to the pests. Now, for the pink bollworm, this is no longer an issue.



Source: business-standard.com – June 12, 2023

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Showcasing India's growth with data

The world is going through a difficult time. The IMF predicted that the global economic growth rate will fall from 3.4% in 2022 to 2.8% in 2023. Merchandise trade is expected to decline from 2.7% in 2022 to 1.7% in 2023 (WTO). A series of interconnected events, from the Covid-19 pandemic to Russia-Ukraine war, high inflation, geo-political tensions, and disruption of supply-chains have caused this economic downturn.

India is among the fastest growing countries in the world. India's exports of goods and services reached $766 billion in 2022. Merchandise exports were $453 billion, while services exports saw a 30% jump over 2021 to reach $313 billion in 2022. India is among the top investment destinations in Asia. In 2021, India was the seventh largest FDI recipient, with $45 billion in inflows (UNCTAD). In the same year, India captured almost 50% of the total R&D investment in developing Asia.

India's continued high growth and exports is driven by several pathbreaking reforms, starting with GST and PLIs, and measures to reduce logistics costs, such as the PM Gati-Shakti National Master Plan (PMGS-NMP) and the National Logistics Policy (NLP). The focus on the logistics sector has helped India to improve its ranking from 44 in 2018 to 38 (out of 139 countries) in 2023 in the World Bank's Logistics Performance Index 2023.

To meet the exports target of $2 trillion by 2030, India has fast-tracked the FTA negotiations with like-minded and key export markets. It signed the comprehensive agreements with Mauritius and the UAE and the Economic Cooperation and Trade Agreement (ECTA) with Australia. It is negotiating comprehensive agreements with the UK, Australia, Canada, and the European Union. These agreements focus on diversifying the goods and services export baskets, attracting investments, and building resilient supply chains. India's recent Foreign Trade Policy (FTP 2023), with a focus on trade facilitation, is in the right direction to support export growth.

While India seems to be doing fairly well, yet many in India and abroad are apprehensive of the growth, worried about employment and job losses and concerned about opening up sectors under trade agreements. The fears have compounded due to global slowdown and its impact on some of our exports, including technology services. Such fear arises primarily because of the lack of data and evidence. Major services exporting countries, unlike India, are now publishing their bilateral services trade data. Aside from developed countries like Australia, the US, and the UK, developing nations like Malaysia also report their data on bilateral trade in services to international organisations like the WTO. While countries like the US report data for around 71 countries, Malaysia is reporting for around 22 partner countries, including India.

While India is one of the most attractive investment destinations, there is no data on sector-wise and country-wise FDI inflows. This makes it difficult to understand which types of firms from which countries are investing in what type of sectors. Many countries like Australia publish data on the FTA utilisation to help analyse the impact of the FTA. Using such data, scholars in these countries can do robust data modelling to understand the pre and post impact of the trade agreement.

Availability of robust data will help in better data analysis for trade negotiations. For example, scenario analysis can be done to showcase the impacts of liberalisation on GDP, employment, and investment, which will, in turn, help to show evidence-based outcomes of the benefits of the FTA and liberalisation with key export markets. A report by one of the authors, titled Express Delivery Services: Supporting the Journey towards India@2047, found that export data through express or e-commerce is not captured in India's total trade data—our trade and exports may be under-reported.

While the FTP (2023) has identified four new towns of economic excellence in addition to the already existing 39 towns and focuses on making districts the export hubs, it is also important to know how MSMEs in these town and across districts and production centres can be linked to the global value chain and what kind of capacity building programmes and training do they need. Such information can help in targeted policy designs.

All stakeholders—government, academicians, and the private sector—can collaborate for better data gathering, collation, and analysis. India needs a state-of-the-art trade data centre, and this can be designed after looking at global best practices in data collection, identifying data gaps, and by using surveys and other tools. This will also help to diversify our production and export baskets, with a focus on inclusive growth, attracting investment and generating employment.

There is no doubt that India is doing well in a difficult global scenario. However, unlike many countries, India is yet to showcase its success stories through data. Robust trade and investment data will further confirm India's high growth performance, build business confidence, and help in policy design.

Source: financialexpress.com – June 13, 2023

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Rupee-kyat trade arrangement negotiations may conclude by Jun-end: Myanmar

Myanmar Commerce Minister, Aung Naing Oo, expressed hope on Monday that negotiations for the Indian rupee – Myanmar kyat payment system for trade settlement would be finalised by the end of June, paving the way for enhanced bilateral trade between the two countries.

Speaking at a session organised by EEPC India, the minister said that the Myanmar Central Bank and India's central bank had mutually agreed to the concept paper on the rupee-kyat payment system in principle, the terms of reference and the standard operating procedures (SOP) had been negotiated to be in line with the foreign exchange policies of both countries.

After concluding of negotiation between the two central banks, the rupee and kyat direct payment can be started, the minister said. "I do hope that if everything goes well all the negotiations will be finalised by the end of this month."

The trade between the two countries would at least double once the trade arrangement was in place, Oo said.

Myanmar already has similar trading arrangements with China and Thailand. Since 2021, Myanmar faced US sanctions, which made it difficult to settle payment transactions with other countries in dollar, Oo said.

To facilitate the rupee trade arrangement, RBI had chosen Punjab National Bank as the designated bank to open Rupee Vostro Account. PNB has approached two banks in Myanmar for opening of the Special Indian Rupee Vostro Account.

P K Shah, Chairman of the Committee on Foreign Trade Policy & WTO and Past Chairman, EEPC India, said that the total merchandise trade between India and Myanmar had reached $1.76 billion in 2022-23 due to rising imports from Myanmar.

"India's exports to Myanmar however witnessed a decline in both merchandise as well as engineering in the last few years," he noted.

However, Shah said bilateral trade between India and Myanmar could rise significantly once the rupee trade settlement mechanism was established. On the Sittwe port in Myanmar, Minister Oo, said that it would be dedicated for trade with this part of the country once commercial operations start. “That is the vision.”

The port built under a grant assistance from the government of India as part of Kaladan Multimodal Transit Transport Project was operationalised last month.
India ranks 11th in Myanmar investment inflow with an amount $775 million which is 0.84 per cent of total foreign investment in Myanmar.

Adani Myanmar port sale

Early May, Adani Ports and Special Economic Zone (APSEZ) had said that it had concluded the Myanmar Port sale for a consideration $30 million. The exit was in line with the guidance provided by the APSEZ board based on the recommendations made by the Risk Committee in October 2021, the company mentioned then.

Asked about it, Myanmar Commerce Minister, U Aung Naing Oo, said, Adani was a “very” strategic investor for Myanmar. “Hopefully, we will find some solution for them.”

Source: business-standard.com – June 12, 2023

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Domestic clothing manufacturers may see 25% fall in orders for festive season

New Delhi: Domestic clothing manufacturers are expected to see a 25-30 per cent fall in order bookings for the upcoming festive season, said industry experts.

Talking to ETRetail, Rahul Mehta, Chief Mentor, Clothing Manufacturers Association of India (CMAI) said that the market is currently facing a slowdown and manufacturers are projected to see a 25-30 per cent reduction in orders this winter. While North India is already reporting a lull in order booking for winter, the verdict for West and South India will be out from July onwards.

Several manufacturers present at the CMAI North India garment fair 2023 held earlier this month took note of the expected slowdown in demand.

Present at the fair, Nikhil from Gurukripa Garments, a Jaipur-based manufacturer, said two popular women's apparel brands, that the manufacturer works with, have cut down their order size by one-third due to muted demand from customers. He refrained from sharing the apparel brand names.

Requesting anonymity, another manufacturer present at the CMAI garment fair said, "...domestic demand has not picked up post covid. There is a cash crunch in the market."

Earlier this month, Abhishek Maloo, senior director at Flipkart Fashion told ETRetail in an interview that the growth rate for categories of apparel and footwear has been muted. He highlighted that as demand has been slow, end-of-season sales by retailers will be an important phenomenon across online and offline retail to revive industry demand.

Pointing out the industry trend, Mehta said that the slowdown in orders for the upcoming season is in line with the 20-30 per cent fall in sales reported by manufacturers during the current summer season.

Citing reasons for the slump in demand, he said that inflation coupled with input cost volatility across cotton, polyester yarn, and man-made fibers, resulting in higher-end prices for customers is contributing to a demand slowdown.

As per a CMAI report, released in April this year, the apparel market grew 15 per cent in 2023 as compared to 2022, however, the growth was completely price-led. The majority of clothing retailers have taken a price increase of about 15-20 per cent over the past two years. This has especially impacted the demand from small towns for unorganised players, the report said.

The overall Indian apparel market is pegged at Rs 5.3 lakh crore, excluding winterwear and women's innerwear.

Source: retail.economictimes.com – June 12, 2023

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150 years of Levi's 501: How the brand managed not to fade away

In 1873, 150 years ago, the iconic blue jeans were born in San Francisco when businessman Levi Strauss patented work trousers with metal rivets. One-and-a-half centuries later, Levi's has survived not just merely as a brand but as an arbiter of diverse cultural trends.

Originally, the jeans were work overalls made for miners during the California gold rush. They were rugged, didn't get soiled easily, and could be worn over regular trousers. From being the apparel of the working class to chic clothing, Levi's became a versatile popular brand.

From gold miners, the jeans came to be associated with cowboys, popularised by John Wayne in his Western movies. When Marlon Brando wore them with boots and black leather motorcycle jacket, Levi's became a symbol for rebels. They went on to become the uniform of the counterculture and the Civil Rights movement. They were a hit with soldiers during the Second World War. Hordes of youth were spotted wearing Levi's 501 when the Berlin Wall came down. Miners, cowboys, biker gangs, Hollywood actors, activists, rock stars, protestors, handymen, politicians, professors, angst-ridden youth and the cool crowd, all have worn Levi's 501 to make their respective style statements.

Not that Levi Strauss and Co. did not adapt the jeans to the times. They began with a single back pocket, button fly, a cinch at the back, buttons for suspenders and a crotch rivet too, an altogether different species from the current form. But they still retain the Arcuate stitch design on the back pockets, the rivets, and the famous leather patch with the drawing of two horses pulling apart a pair of pants which was added in 1886.

The Levi's crisis

A brand with such versatility and popularity was, of course, a business success too. Though Levi's was the original denim brand, the denim revolution created several popular jeans brands that emerged as rivals in time. It also could not compete with the new designer avatars of jeans such as Calvin Klein, Tommy Hilfiger and Gap. In the late 90's, Levi Strauss and Co. was on the decline. Its sales fell drastically, and it had to close factories and stores and lay off nearly half of its staff.

The vast heritage behind Levi Strauss and Co. ironically became its main obstacle as it did not know how to reinvent itself. The jeans did adpat to changing times but the company could not make too many changes because heritage was its main selling point. For the next decade, the sales kept dropping and the company lost market share to rivals, until it hired a brand expert from Procter and Gamble with three decades of experience. In 2011, the board hired Chip Bergh as the CEO who went on to turn the company around with the canny insights he had gathered at the retailer.
Bergh gets to know Levi's

"As I began doing research to prepare for my first meeting with its board chairman, I was surprised by what I found. I'd guessed that Levi Strauss had revenue of about $10 billion. But in fact its sales had peaked at $7 billion in 1997 and then fallen to $4.1 billion in five years. From 2001 to 2010 they never exceeded $4.5 billion. The more I studied the company's recent history, the more it looked like The Gang That Couldn't Shoot Straight," Bergh recalled, writing in the Harvard Business Review a few years ago.

Bergh was shocked when he asked employee at a town hall meeting how many of them thought the company was performing well. Three-quarters of the attendees raised a hand. "A lack of urgency, of financial discipline, and of data discipline permeated the culture," Bergh said. He started with changing almost the entire top team that reported to him.

The insight at Bengaluru

During his second month in the job, Bergh visited Bangalore and found the tagline for the next advertising campaign as well as the guiding light for his new job. He asked his people in Bengaluru to set up an in-home visit. P&G relied heavily on in-homes which yielded valuable insights from customers.

The customer he met with was a 29-year-old professional woman from an upper-middle-class family, who lived with her parents and had studied at Cambridge. She had about 10 pairs of jeans of different brands and she talked about what she liked about each pair.

"She had two pairs of Levi's, and we talked about those last. She pointed to one pair and said, "These are my go-to jeans—the ones I'll wear day-to-day, like if I'm going to meet a girlfriend." Then she focused on the second pair. "These are the jeans I wore at university," she said. "They don't even fit me anymore, but I can’t bear to part with them because of all the memories.” Then she said something arresting: “You wear other jeans, but you live in Levi’s.” I still get goosebumps when I recall that moment. To me, her words captured the essence of our brand. “Live in Levi’s” became our advertising tagline. That experience is an illustration of how much value can come from listening to consumers," Bergh wrote in HBR.

The turnaround strategy

After six months on the job, Bergh and his team rolled out a plan consisting of four key pieces — build profitable core (80% of profits came from men’s jeans and Dockers); expand for more (seize the opportunity in women’s clothing); become a leading omnichannel retailer (grow sales in the company’s own stores and online); and achieve operational excellence (cut costs, drive cash flow, become more data driven and financially disciplined).

The new strategy provided funds for investment in the company’s Eureka Innovation Lab. In 2013, it created a revamped women’s denim line. A second big investment was the purchase of naming rights for the San Francisco 49ers’ new stadium—a 20-year, $220 million deal, which was to put the company in the limelight it needed.

Burgh wanted the company to act like a 160-year-old start-up. “We’ve got scale, heritage, authenticity, awareness and global reach,” he told Beeketing in an interview, “But if you’re a multi-billion dollar company that’s existed for over 100 years, you wish you had agility, focus, innovation and optimism of a start-up. That’s why the future will be better than the past."

Burgh expanded the range to women’s clothing instead of just menswear and jeans. He opened up untapped markets such as Russia, India and China. He launched e-commerce with experimental features such as a virtual stylist, an AI-powered chatbot that helps customers find the perfect pair of jeans.

He roped in celebrities in innovative ad campaigns such as for the Levi's trucker jacket as well as linked the company to contemporary issues such as conserving water. Burgh got popular by saying one did not need to wash one's jeans for two years.

Bergh's multi-pronged strategy bore fruit and the company revenue hit a record $4.9 billion in two decades. In 2019, the company filed documents to list itself on the New York Stock Exchange, seeking to return to public markets after more than three decades. The company fetched a higher price than expected.

In November last year, Bergh put his succession plan in motion with the appointment of Michelle Gass to the new position of president, reporting to Bergh. Gass brings direct-to-consumer experience to Levi Strauss and Co., having led the transformation strategy at Kohl's. Bergh had brought in Gass who had worked with him earlier at P&G.

Levi Strauss and Co. in India

When in several countries, especially the company's US home market, consumers are battening down the hatches and pulling back on spending due to the fear of recession, there's a high degree of consumer optimism in India, Bergh told ET recently in an interview.

Despite inflation, lifestyle and discretionary segments in the country have seen double-digit growth, driven by pent-up demand, pandemic-related savings and continued casualisation at workplaces, a trend that has helped brands such as Levi's.

Levi Strauss and Co., which opened its first door in India three decades ago, now has over 400 stores and competes with relatively newer entrants such as Zara and H&M in a market where youngsters are increasingly embracing western-style clothing.

While fast-fashion rivals create affordable, copycat versions of the latest trends or designer wear and make them available to shoppers in double-quick time, Levi's has a different strategy.

"The thing that separates us from Zara and H&M is that we are the opposite of fast fashion — we are slow fashion," said Bergh. "Just being self-critical, probably we don't have enough fashion in our line today here in India. But what we have got is a brand that is highly differentiated versus others and so for the people that really want quality denim, they are still going to come to Levi's."

The company is trying to push more non-denim clothing and women's apparel as it seeks to broaden its share of the consumer's wardrobe.

India is increasingly becoming a talent hub for the retailer globally. For instance, more than a year ago, Levi's named Sanjeev Mohanty, managing director of South Asia-Middle East and Africa for Levi Strauss & Co, based out of India, as its managing director for the US and Canada. Singh was also elevated and given additional roles in corporate strategy and global retail real estate.

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