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IBTEX No. 110 of 2023 **June 19, 2023**

Currency Watch			
USD	EUR	GBP	JPY
81.97	89.63	105.06	0.58

INTERNATIONAL NEWS	
No	Topics
1	UK's clothing imports down 21% to £1.16 bn in April 2023
2	Bank of Japan policy board maintains ultra-loose policy settings
3	South Asian countries have to spend 88 per cent of total cost on obtaining, submitting trade-related documents
4	Cambodia's trade turnover over $19.2 bn in Jan-May 2023; 14% YoY drop
5	Vietnam's apparel exports to Italy down in Q1, T-shirts dominate trade
6	Vietnam: Bright spots amid the gloom
7	Pakistan: Over $15bn textile products exported in 11 months
8	11th Intex Bangladesh trade show begins June 22

NATIONAL NEWS	
No	**Topics**
1	Export growth still depends on demand in Europe, North America
2	Textile and apparel exports slide 12.2% on slack demand
3	May textile exports dip over 12% as demand from Europe, US declines
4	Tighter origin norms likely to check cheap imports
5	Revise strategy as trade headwinds impact exports
6	Cottonseed prices shoot up as shortage of top-brand seeds hits farmers ahead of kharif sowings
7	Interest equalisation scheme. Finmin unlikely to raise interest subsidy rates for exporters despite cap on individual disbursals
8	Double decline fail to cheer garment exporters
9	Direct tax collection in April 1-June 17 rises 12.7%

SAYING NO TO CHILD LABOUR

INTERNATIONAL NEWS

UK's clothing imports down 21% to £1.16 bn in April 2023

In April 2023, the United Kingdom's clothing imports stood at £1.161 billion ($1.470 billion), representing a 20.91 per cent decrease compared to the £1.468 billion recorded during the same period in the previous year. Clothing imports demonstrated a month-on-month downtrend, standing at £1.459 billion in March 2023, according to the UK's Office for National Statistics (ONS).

Textile fabric imports fell by 15.18 per cent to £430 million in April 2023, down from £507 million in April 2022. Month-on-month, the import declined from £500 million recorded in March 2023. The UK's fibre imports were £30 million in April 2023, down from £46 million in April 2022 and £36 million in March 2023.

In the first quarter (Q1) of the current year, the UK's clothing imports totalled £4.137 billion, with fabric imports at £1.432 billion and textile fibres at £110 million.

The country's clothing imports for 2022 were recorded at £21.255 billion ($25.86 billion), a 23.50 per cent increase compared to the imports of £17.034 billion in 2021. Textile fabric and textile fibre imports were recorded at £6.357 billion and £545 million, respectively, in 2022.

In April 2023, clothing exports from the UK amounted to £262 million, down from £292 million during the same period in 2022. Exports stood at £339 million in March 2023. During the first quarter of 2023, clothing exports declined to £943 million, down from £955 million in Q1 2022 and £1,151 million in Q4 2022. Exports further decreased, reaching £3.931 billion in 2022, down from £4.263 billion in 2021. Exports of textile fabrics and fibres were recorded at £2.716 billion and £616 million, respectively, in 2022.

Source: fibre2fashion.com– June 18, 2023

HOME

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Bank of Japan policy board maintains ultra-loose policy settings

At the monetary policy meeting held today, the policy board of the Bank of Japan (BOJ) decided to maintain ultra-loose policy settings, especially the yield curve control (YCC) policy, to support the nascent economic recovery and sustainably achieve its inflation goal. The uncertainty regarding Japan's economy is 'very high', the central bank said.

YCC means buying bonds at a slower rate than would occur under a quantitative easing policy. It affects long term interest rates. The Japanese fiscal begins on April 1.

The decision was widely expected after BOJ governor Kazuo Ueda said last month the central bank would ‘patiently’ maintain the current policy as there is still some way to achieve its 2 per cent inflation target stably and sustainably.

Ueda had also said the central bank expects inflation to slow below 2 per cent toward the middle of the current fiscal and rebound thereafter. This would be around September-October, the bank said today.

The central bank maintained short-term interest rate target at minus 0.1 per cent; its 10-year Japanese government bonds (JGB) yield target around 0 per cent; and its band around the 10-year JGB yield target at plus or minus 50 basis points.

The bank will continue with large-scale JGB purchases and make nimble responses for each maturity by increasing the amount of JGB purchases and conducting fixed-rate purchase operations, it said in a release.

Although exports and industrial production in the country have been affected by the developments in overseas economies, they have been more or less flat, supported by a waning of the effects of supply-side constraints, BOJ noted.

With corporate profits being at high levels on the whole, business fixed investment has increased moderately, and the employment and income situation has improved moderately, it said.

Private consumption has increased moderately, despite being affected by price rises.

Japan's economy is likely to recover moderately around the middle of this fiscal, supported by factors such as the materialisation of pent-up demand, although it is expected to be under downward pressure stemming from past high commodity prices and a slowdown in the pace of recovery in overseas economies, the central bank said.

Thereafter, as a virtuous cycle from income to spending gradually intensifies, Japan's economy is projected to continue growing at a pace above its potential growth rate. The pace of growth is highly likely to decelerate gradually, it added.

Source: fibre2fashion.com – June 16, 2023

HOME

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South Asian countries have to spend 88 per cent of total cost on obtaining, submitting trade-related documents

Informal trade in South Asia has been estimated at around 50 per cent of the formal trade within the region even if businessmen in countries in this region have to spend 88 per cent of their total cost for obtaining, submitting or having trade-related documents, checked or processed by different jurisdictions, during cross-border trade.

This is as per a World Bank official, who shared the views at a recent event in the capital Dhaka.

Speaking as the function World Bank Senior Transport Specialist Erik Nora, trade cost in the South Asian nations was 27 per cent higher than that among the East Asian countries while also adding the World Bank has confirmed US $ 1.28 billion loan for the Accelerating transport and trade connectivity in Eastern South Asia (ACCESS) project that will simplify cross-border and regional trades among the South Asian nations.

The project will help increase freight by 30 per cent while travel time will reduce by 30 per cent even if it has been underlined globally the South Asian nations were less integrated in terms of regional trade, as these countries conduct only 5 per cent (of their total trade) among themselves.

It may be mentioned here trade between some South Asian countries, especially between neighbouring Bangladesh and India, have great potential to take mutual trade to new heights, especially in view of the significant increase in shipment of 'Made in Bangladesh' apparel to India even as India continues to be a preferred destination to source raw materials as required by Bangladesh's flourishing apparel and textile sector.

Source: apparelresources.com – June 17, 2023

HOME

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Cambodia's trade turnover over $19.2 bn in Jan-May 2023; 14% YoY drop

Cambodia's total trade turnover with global partners topped $19.2 billion in the first five months this year, a 14 per cent year on year (YoY) decline, according to data from the ministry of economy and finance.

The country exported goods worth nearly $9.2 billion during the period, down by 2.4 per cent YoY, while imports accounted for more than $10 billion, a sharp fall of 22.6 per cent YoY.

Commerce minister Pan Sorasak attributed the decline in exports to geopolitical tensions and the impact of the COVID-19 pandemic.

However, the situation is expected to see a brighter outlook in the remaining months of the year.

The country primarily imports raw and construction materials, automobiles, pharmaceuticals, electronic equipment, fertilisers and pesticides, while its main exports comprise garments, footwear, travel goods, bicycles, rice, electrical appliances, rubber, furniture and vegetables.

Cambodia's 10 biggest markets are the United States, China, Japan, Canada, Germany, Vietnam, Thailand, Singapore, Indonesia and Taiwan.

Source: fibre2fashion.com – June 18, 2023

HOME

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Vietnam's apparel exports to Italy down in Q1, T-shirts dominate trade

Vietnam's apparel exports to Italy fell to $74.591 million in the first quarter of the current year. This decline followed previous exports valued at $84.362 million in the preceding quarter (October-December 2022) and $84.334 million in January-March 2022. In this year's first quarter, T-shirts were the dominant product in Vietnam's apparel exports, with cotton garments leading in material type.

The outbound shipments continued to follow a downward trend since Q3 of 2022, when the trade was valued at $121.992 million, as revealed by an analysis based on Fibre2Fashion's market insight tool TexPro. This value slipped to $84.363 million in Q4 2022 and then to $74.591 million in Q1 2023. Prior to this, exports were recorded at $71.383 million in Q2 2022, $84.334 million in Q1 2022, and $60.474 million in Q4 2021.

On an annual basis, Vietnamese apparel exports were recorded at $362.072 million in 2022, $285.610 million in 2021, $242.697 million in 2020, and $284.961 million in 2019.

According to TexPro, T-shirts were the most dominant product among apparel exports to Italy, contributing 16.24 per cent of the total. Among the top 10 products, trousers and shorts contributed 15.99 per cent, shirts 13.86 per cent, innerwear 13.06 per cent, swimwear 11.64 per cent, jerseys 7.97 per cent, sportswear 6.03 per cent, dresses 3.61 per cent, accessories 3.16 per cent, and coats 1.01 per cent of the total.

In the first quarter of this year, 38.45 per cent of the apparel that Vietnam exported was made from cotton fibre. Exports of garments made from man-made fibre constituted 34.91 per cent by value, and other types of fibre garments comprised 26.49 per cent.

Source: fibre2fashion.com – June 19, 2023

HOME

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Vietnam: Bright spots amid the gloom

Despite weak global consumer demand, many foreign buyers are still looking to Vietnam for sourcing goods and business cooperation.

This is crucial for manufacturers and exporters in Vietnam to seize this opportunity to retain existing buyers and attract new customers.

Promising opportunities ahead

It has been proven that enhancing trade promotion activities is one of the practical solutions to look for new orders, especially in tough economic times.

Cao Van Dong, CEO of Kettle Interiors Asia, stated that his company participated in the Vietnam International Furniture and Home Accessories Fair (VIFA EXPO 2023) in HCMC and received significant attention from international buyers.

Kettle Interiors Asia successfully sold 24 containers of wooden products worth over half a million U.S. dollars right at the trade fair. Over 40 new foreign buyers came to discuss supply opportunities and requested visits to their factory in Binh Duong Province.

Similarly, Huynh Thi Phuong Vi, deputy CEO of Hiep Long Company, said that after VIFA EXPO 2023, the company successfully gained an additional 20% of new customers, primarily from Europe and Australia. Notably, some of these customers have already started placing orders. “International trade fairs offer great chances for businesses to boost sales and look for new customers, especially amidst an economic slowdown,” Vi said.

Currently, the Vietnamese wood industry continues to attract the interest of many international buyers due to its reputation for high-quality products and competitive prices. As evidence of this, the VIFA EXPO 2023 was attended by nearly 6,000 international buyers who came to seek product suppliers. Additionally, Vietnamese wood businesses at the fair signed contracts and memoranda of understanding worth nearly US$100 million.

The textile, garment, and footwear sectors are no exception. Quach Kien Lan, the founder of Bao Lan Textiles Company, noted that the company has continued to attract new buyers interested in establishing future business relationships. Notably, since its participation in the Global Sourcing Fair Vietnam in HCMC at the end of April, Bao Lan Textiles Company has connected with over 20 new international buyers for business links.

"These buyers may not be ready to place orders immediately. However, they are highly potential customers when the business market bounces back," said Lan. The majority of these buyers come from markets with strict requirements for product quality and sustainability, such as Europe, the U.S., the UK, and Australia.

Wei Hu, CEO of Global Sources, highlighted Vietnam's emergence as a global manufacturing hub through the success of Global Sourcing Fair Vietnam.

"Multiple buyers from the U.S., Europe, and Asia have approached us to establish connections for sourcing goods from Vietnam and neighboring countries. Importers from the U.S. and Europe are keen on finding business opportunities in Vietnam, Thailand, and Cambodia, instead of traditional supply markets such as Hong Kong and Japan. Furthermore, the growing quality and competitive pricing of Vietnamese goods have gained popularity among consumers in these countries," he said.

Vo Van Hoan, vice chairman of the HCMC People's Committee, believes that this positive signal indicates opportunities for domestic exporters to expand their target markets in the future. With many formidable challenges ahead, businesses need to make further efforts to create products that are suitable for the cultural, religious, and ethnic characteristics, as well as the specific regulations of each country.

Retaining customers

"Vietnam has received special interest from multiple countries in recent years, especially those seeking a reliable source market to diversify their products. Even when the world is suffering from the aftermath of the Covid-19 pandemic, Vietnam has seen an increase in the number of international buyers asking for new supply sources," said Wei Hu, CEO of Global Sources.

Apparently, there are ample opportunities for Vietnamese exporters and manufacturers to expand their markets. However, it is not easy for them to retain existing customers and embrace new buyers as they may face intense competition from multiple countries in the region, such as China, India, Indonesia, and Bangladesh.

At the HCMC EXPO 2023, Do Thang Hai, deputy minister of Industry and Trade, also emphasized that many countries have strengthened their trade protectionism amidst the adjustment of the global supply chain. Therefore, Vietnamese businesses need to regularly update information, change production and business methods, diversify trade promotion approaches, and align them with major global trends such as digital transformation, green transition, and technological advancements.

Stable product quality and competitive prices are always important factors in attracting customers. However, manufacturers and exporters are now required to satisfy stringent conditions set by brands and importing countries, including eco-friendly production practices, resource efficiency, and labor safety standards.

During a green exports forum held in HCMC on May 25, Nguyen Duy Minh, secretary general of the Vietnam Logistics Service Business Association, emphasized that the requirements for green supply chain transformation are now clearly defined and have a significant impact on the opportunity to secure export orders. It is no longer merely an aspiration but a tangible necessity.

Expert Vo Tri Thanh also believes that “green” and “digital” transformation are the two key priorities for businesses seeking to adapt to international market demands. “Going green is crucial for preserving competitiveness, sustaining production, expanding international sales, and attracting brand interest,” he said.

It is noteworthy that the requirements for green production are becoming more stringent. As an illustration, Thanh highlighted that the global textile industry now requires manufacturers to recycle excess fabric or defective products rather than dispose of them.

Businesses with ESG standards (Environmental, Social, and Governance) may receive more and better orders. Recently, while Vietnamese businesses have been grappling with shortages of orders, Bangladesh has secured its position as the world’s second-largest textile and garment exporter and is working tirelessly to fulfill its orders. Bangladesh's achievement is the result of its non-stop efforts toward green transition.

Nguyen Dinh Tung, vice chairman of the Vietnam Fruit and Vegetables Association, said that Vietnam's major markets, including the U.S., Japan, China, and the EU, are focusing on the green economy and green agriculture. Multiple exporters with GlobalGAP and SMETA have seen good growth in export orders and values.

Tung said that the entire fruit and vegetable industry recorded a 20% increase in export revenue to US$1.4 billion in the first four months of this year. It stood out as one of the rare sectors with positive and high export growth in the current challenging situation.

The green economy is a clear growth trend in the world, so Vietnamese businesses should invest immediately in this trend instead of waiting for their importers to impose regulations. Moreover, many experts believe that the green transformation requires a lot of effort from both individual businesses and the Government.

In search for effective collaboration

To achieve export growth and expand into new markets, businesses should enhance connectivity with each other and with the local authorities.

At the conference on market information held in HCMC on May 26, Nguyen Nguyen Phuong, deputy director of the Department of Industry and Trade, said that Vietnamese exports, in general, and agricultural products, in particular, have great potential to grow as the country has signed numerous Free Trade Agreements (FTAs) with most major export markets. However, many businesses have yet to take advantage of those agreements.

"One of the crucial solutions is for export businesses to strengthen their connections and collaboration with partners to meet the technical requirements of export markets," Phuong suggested.

Statistics from the Department of Industry and Trade show that HCMC is currently home to thousands of foreign-invested enterprises, representative offices of foreign traders, and numerous foreign trade agencies. Therefore, the city could be considered a convergence and connection point for export supply chains.

Regarding agricultural products, Dr. Ha Thuy Hanh, former deputy director of the National Agricultural Promotion Center, highly appreciates the linkage between HCMC and the 13 provinces in the Mekong Delta region. This collaboration helps create consistently high-quality products and reduces logistics costs.

Nguyen Dinh Tung, chairman of Vina T&T Group, believes that product quality and brand reputation are key to success. To expand into new markets, businesses must have an abundant source of raw materials and quality products that are distinctive and suitable for the importing country and its target consumers.

Along with a skilled workforce, it is essential for businesses to closely collaborate with farmers in establishing a sustainable supply chain throughout the entire process, from seed selection and cultivation to harvest. Moreover, Vietnamese exporters should also focus on their digital transformation, as well as leverage online platforms and marketplaces to reduce costs and enable faster access to customers.

These are some of the insights and recommendations provided in the article "Bright spots amid the gloom" by Hung Le, which highlights the opportunities and challenges facing Vietnamese manufacturers and exporters in the current economic climate. It emphasizes the importance of trade promotion activities, green and digital transformation, and cooperation among businesses and with the Government to retain existing customers and attract new buyers.

Source: vietnamnet.vn – June 18, 2023

HOME

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Pakistan: Over $15bn textile products exported in 11 months

Textile exports reached $15,029.845 million during the first eleven months of the current fiscal year (2022-23), the Pakistan Bureau of Statistics (PBS) reported.

Textile exports showed a decline of 14.72 per cent from $17,623.697 million during the same period of last year (July-May 2021-22).

The export of raw cotton witnessed positive growth during July-May (2022-23) of 104.13 per cent from $6.577 million (last fiscal year) to $13.425 million, and that of tents, canvas and tarpaulin went up by 26.52 per cent from $99.463 million to $125.840 million.

Similarly, the export of cotton yarn showed negative growth by 33.75 per cent from $1,112.712 million to $737.186 million. Likewise, the export of cotton cloth decreased by 16.87 per cent from $2,236.855 million to $1,859.389 million; cotton (carded or combed) by 38.97 per cent from $1.631 million to $0.996 million, yarn (other than cotton yarn) by 32.91 per cent from $60.624 million to $40.674 million, knit-wear by 12.94 per cent from $4,646.097 million to $4,044.754 million, bed wear by 18.53 per cent from $3,008.838 million to $2,451.263 million and towels by 10.56 per cent, from $1,020,111 million to $912.363 million.

The export of ready-made garments also declined by 10.28 per cent from $3,535.953 million to $3,172.385 million; art, silk and synthetic textile by 10.13 per cent from $421.860 million to $379.142 million; made-up articles (excluding towels, bedwear) by 18.55 per cent from $780.182 million to $635.428 million, and all other textile materials by 5.17 per cent from $692.793 million to $657.002 million. On a year-on-year (YoY) basis, the textile goods' exports declined by 19.57 per cent in May 2023 to $ 1,320.558 million against $1,641.961 million in May 2022.

On a month-on-month (MoM) basis, the textile goods' exports however increased by 7.12 per cent in May 2023 against $1,232.834 million in April 2023, according to the PBS data.

Source: dailytimes.com.pk – June 17, 2023

HOME

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11th Intex Bangladesh trade show begins June 22

The 11th edition of Intex Bangladesh trade show 2023 will be held at International Convention City Bashundhara (ICCB) in Dhaka in June 22--24, said a press release. It said that the previous editions of the show connected over 40,000 trade buyers from more than 35 countries to more than 1,500 textile suppliers.

Arti Bhagat, executive director of Worldex India and the organiser of Intex Bangladesh said, 'Intex Bangladesh plays a key role in providing a platform for both large-scale and MSMEs to bridge the gap in international sourcing for the apparel industry.

The presence of quality suppliers from all over the world will provide the Bangladeshi industry the impetus in moving towards more valued-added production, grow international ties as well as strengthen intra-regional trade to ultimately boost manufacturing and exports for the industry as a whole.'

The opening ceremony will see Golam Dastagir Gazi, minister of textiles and jute, as chief guest and Pranay Verma, high commissioner of India in Dhaka, as the guest of honour.

Also participants will be apex industry associations Bangladesh Garment Manufacturers and Exporters Association as strategic partner of Intex Bangladesh, the Bangladesh Knitwear Manufacturers and Exporters Association and the Bangladesh Garment Buying House Association as trade partners of Intex Bangladesh and the Cotton Textiles Export Promotion Council as well as the Power loom Development & Export Promotion Council as the India pavilion organisers at Intex Bangladesh.

Intex Bangladesh brings together a concentrated collection of industry suppliers from India, Sri Lanka, Russia, Belarus, China, Hong Kong, Taiwan, Indonesia, Thailand, Austria, the United Kingdom and other countries, said the press release.

Exhibitors and buyers will also witness the Interactive Business Forum seminar series where curated sessions and panel discussions.

Source: newagebd.net– June 17, 2023

HOME

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NATIONAL NEWS

Export growth still depends on demand in Europe, North America

The trade data for May released by the Commerce Ministry last week shows a year-on-year (YoY) decline of 10.31 per cent for merchandise exports and 6.59 per cent for merchandise imports leading to a five-month-high trade deficit of $22.22 billion. In all probability, it is the fall in commodity prices that has led to these declines and not necessarily the volumes. Indeed, the widening trade deficit suggests a relative pick up in the domestic economy, where the growth indicators are encouraging and prices are moderating, as the Reserve Bank of India (RBI) pointed out in its recent bi-monthly monetary policy statement.

Responding to the May exports figures, Dr. A Sakthivel, president, the Federation of Indian Exporters Organisations (FIEO), said that sharp decline in the international demand situation has led to the fall in overall exports. He blamed the economic slowdown in the United States (US) and Europe due to persistent geopolitical tensions, monetary tightening, and recessionary fears. He hoped that the exports will start showing better growth numbers starting July 2023, as things are expected to improve from the third quarter of the calendar year, when fresh orders for the festival and New Year season will start coming in. The government has similar views on exports growth figures and export growth prospects.

These reactions indicate that Indian exports growth is still heavily dependent on demand for our products in the developed countries in Europe and North America. The attempts to help the exporters diversify the markets for exports have not really borne fruit, at least to the extent expected. Between 2004 and 2014, the government gave incentives for diversifying the markets to the countries in Latin America, Sub-Saharan Africa, Central Asia, islands in the Pacific Ocean, and so on, through the Focus Market Scheme and Market Linked Focus Products Scheme. During that period, special incentives were also given through Focus Latin America scheme and scheme to encourage exports to the Central Asian Republics that were part of the erstwhile Soviet Union. In 2014, that focus was given up and all these schemes were merged into the Merchandise Exports from India Scheme.

The government is pinning its hopes on increased investment that its Production Linked Incentives (PLI) scheme may attract. The increased production and exports of mobile phones and electronic goods in recent months has helped the government defend its strategy. However, value addition in the manufacture of such products is modest and poor investment in some sectors has forced the government to review certain aspects of the scheme. Much depends on how the scheme is tweaked in the coming weeks.

Since the last few years, the government is rightly focused on building transport infrastructure that will help our exporters reduce logistics costs. By and large, the government has also ensured that in the last 8-9 years, the rate of inflation is maintained around 6 per cent.

However, the problem of exporters seems to be the exchange rate. With exports of services growing significantly in recent years and with growing inflow of funds from institutional investors in the Indian equity markets, the rupee has appreciated against currencies of the competing countries and remained stable against the US dollar, despite interventions by RBI that have boosted its foreign currency reserves. Till that position changes, many exporters may continue to struggle.

Source: business-standard.com– June 18, 2023

HOME

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Textile and apparel exports slide 12.2% on slack demand

Textiles and apparel exports registered a 12.2% year-on-year decline in May as the industry continued to face low demand in its key overseas markets including the U.S.

Textile exports shrank 11.8% from the year-earlier period and apparel exports contracted 12.7%. Jute products slumped 29.3%, while handicrafts and handmade carpets fell 21.1%. India's textile and apparel exports last month were in total valued at $2,816 million (as against $3,206 million in May 2022) and its share in all commodity exports declined to 8.05%, from 8.22% a year earlier.

The continuing decline in export of textiles and apparels was a matter of deep concern, said Siddhartha Rajagopal, Executive Director of Cotton Textiles Export Promotion Council. Exports of textiles and apparel shrank 19.3% in March and 21.7% in April, according to data available with the Confederation of Indian Textile Industry.

"The main reason is the sluggish demand in major importing countries including the U.S., Germany, and the U.K. on account of inflation and also piled up inventory," Mr. Rajagopal observed.

"However, reports from the trade suggest that going forward, the situation is improving as exporters are slowly but steadily getting orders for supply of merchandise.

With China also opening up after COVID there are expectations of good business opportunities especially for yarn and fabrics. Domestic cotton prices are also moderating giving hopes of higher sales from July/ August," he added.

K.M. Subramanian, president of the Tiruppur Exporters Association, said while the U.S. market was improving, exports to the EU had not picked up as expected. "Our competing countries have duty free access and that gives... 11% cost advantage. That is why we want the free trade agreement with the U.K. to be expedited," he added.

Source: thehindu.com– June 17, 2023

HOME

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May textile exports dip over 12% as demand from Europe, US declines

India's textile and apparel exports for the month of May dipped by 12.2 per cent year-on-year, mainly due to the decline in demand in the Europe and the United States market.

Industry experts, however, foresee a reversal in the declining trend by July owing to moderating cotton prices and inflation in the West. Cumulative textile and apparel exports in May stood at $2,816.39 million, as compared to $3,206.43 million a year ago.

Textile exports alone were down 12 per cent to $1,580.57 million, from $1,791.26 million last year. Apparel exports too dipped to $1,235.82 million, down 13 per cent from $1,415.17 million in May 2022.

"Negative growth has been happening for almost a year. This is predominantly due to slackness in demand all across. While Europe is facing inflation, high interest rates are dampening demand in the tech space in the US. In my 25 years of working in the industry, I have never seen such a sustained slowdown in demand.

Now, domestic demand is also very low and the combined impact is leading to a slowdown in textile and clothing," said Sanjay Kumar Jain of Delhi-based TT Ltd.

During April-May this year, textile and apparel segments saw a cumulative decline of 17 per cent to $5,568.74 million, from $6,722.89 million last year, said a report by the Confederation of Indian Textile Industry (CITI). In the first two months, textile exports on a standalone basis dipped by 16.4 per cent, apparel by 18.2 per cent.

"The decline has been lower in the current month. Our expectation is that from July onwards, exports will pick up. Chinese markets have opened up, cotton prices have moderated and inflation in large countries has come down, leading to an increase in purchasing power," said Siddhartha Rajagopal, Executive Director of Cotton Textiles Export Promotion Council. He added inflation is still high by Western Standards and in the US, the removal of stimulus is also adding to this.

The share of textile and apparel in overall exports declined to 8.05 per cent in May, from 8.22 per cent in May 2022. During the month, exports of cotton yars/fabs/made-ups/handloom products posted a dip of 12 per cent to $920.28 million, from $1,042.81 million last year. Products like manmade yarns/fabs/made-ups also dipped 6.3 per cent to $395.16 million.

Indicating a subsequent decline in domestic demand, cotton raw and waste imports during the month posted a degrowth of 40 per cent to $58.07 million in May this year, as against $96.47 million last year. Similarly, textile-yarn fabrics and made-ups imports too dipped 12 per cent to $188.39 million compared to $213.92 million in May last financial year.

Source: business-standard.com– June 18, 2023

HOME

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Tighter origin norms likely to check cheap imports

India is considering tighter origin rules to check imports of cheap and substandard shipments from third countries taking advantage of New Delhi's free trade agreements (FTAs).

The commerce and industry ministry is exploring certain criteria which have been used in the trade pacts inked by developed countries.

"The terminologies used in the rules of origin are evolving rapidly and we are looking at those which are being used frequently, especially by developed countries. The idea is to check circumvention and cheap imports," said an official.

Conditions such as minimal operations, de-minimise or tolerance, accumulation, accounting segregation, transitional arrangements and absorption or roll over principles are being considered, some of which are already in India's FTAs.

Accounting segregation can be a criterion for products that are of the same kind, commercial quality, and technical and physical characteristics, and which cannot be distinguished from one another for origin purposes. The absorption or roll-up principle allows intermediate products to maintain their originating status when they are used for subsequent manufacturing operations.

The ministry has sought details from industry on the time and cost involved in getting origin certificates and is analysing the Canada-EU, and US-Canada-Mexico trade pacts to understand the ways in which these countries have benefited from FTAs.

The stricter rules will also aid imposition of trade remedies such as safeguard duties and antidumping duties to check imports.

While the rules of origin can be simple, as is the case with most of India's FTAs as they are based primarily on wholly obtained criteria or 35% value added method, they can be intricate also for being different for different products in a specific agreement and varying across agreements.

Rules of origin essentially define the parameters of the source of a good and form the very basis of duty reduction or restrictions in a trade agreement.

Duty concessions in a trade agreement are extended only to the goods which are 'made in' the exporting country.

The rules of origin prescribe the criteria that must be fulfilled for goods to attain origin status in the exporting country. Such criteria are generally based on factors such as domestic value addition and substantial transformation.

There have been several cases of violation of rules of origin under the India-Asean FTA and India Sri Lanka FTA that were flagged by customs authorities.

An evolved template for origin rules is crucial, as India recently signed trade pacts with the UAE and Australia and is negotiating similar pacts with the UK, EU and Canada, among others.

India's imports in May shrank 6.6% on-year to $57.1 billion from $61.13 billion.

Source: economictimes.indiatimes.com– June 19, 2023

HOME

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Revise strategy as trade headwinds impact exports

Merchandise exports fell for the fourth consecutive month, while the trade deficit widened to a five-month high in May. Several key sectors saw negative growth, including petroleum products, gems and jewellery, engineering goods, textiles, chemicals, etc.

On the other hand, the services sector, led by the IT industry, did well bridging the widening goods export gap, but we must avoid such part-good,part-bad performances and aim for a steady and uniform growth of the exports basket.

After a noteworthy FY22 when India galloped to become the world's fifth-largest economy, exports surged to a seven-year-high share in GDP. But exports growth moderated in FY23, as persisting geopolitical tensions and monetary tightening-induced recessionary fears dented demand across advanced nations.

Trade is an essential growth engine, and for India to break into the top three, we must first achieve the $1 trillion export target by 2030. More than the headline export growth number, the pattern of specialisation or the composition of exports is also crucial. For the first time, economists at RBI studied India's Export Similarity Index (ESI) and offered both good and bad news.

The share of principal commodities like engineering goods, chemicals, drugs and pharma, rice, and electronics in India's overall export basket has increased in the past decade. In contrast, the share of commodities across labour-intensive items like textiles and others fell.

This is in line with the shifting pattern in international merchandise trade and confirms that India is on the right track. However, only 60% of India's exports are similar to that of the G7. Likewise, in services too, post-pandemic India did close the trade gap faster than the G7, but its services ESI, with respect to the world, is lower than all the G7 nations.

One way of raising exports includes Free Trade Agreements (FTAs) with other countries. India has 14 such FTAs, besides pacts with South Korea, Japan, Australia and UAE. An analysis of the FTAs shows that India's merchandise ESI in the Asean region is lower than the Big-5 Asean economies, and worryingly, it has been falling.

In contrast, Vietnam, the emerging manufacturing and export hub, has seen steep increases in its ESI values over the past two decades. Given India's aspirations of becoming a developed country, its score on export competitiveness is rather low even among Asean peers and needs urgent attention.

Source: newindianexpress.com – June 17, 2023

HOME

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Cottonseed prices shoot up as shortage of top-brand seeds hits farmers ahead of kharif sowings

Even as farmers are getting ready for the kharif sowings, prices of cottonseed have gone up by 50-100 per cent over the MRP of ₹850 a packet (450 gm each), owing to a steep fall in the seed production last year due to heavy rains, in Telangana and Andhra Pradesh.

Reports suggest that though there are about 15 seed brands available in the market, the top-4-5 brands are in huge demand every year for their good germination levels and ability to withstand dry spells.

M Prabhakara Rao, President of the National Seed Association of India, agrees to the fall in seed production. "Last year, there were untimely and heavy rains during the seed production phase. This has hit the seed production," he said.

Total demand

The total demand for cottonseed in the country for the current market season is pegged at 4.5 crore packets. Of this, the North and Maharashtra markets account for about 45-50 per cent, followed by Telangana and Andhra Pradesh with about 60-70 lakh packets.

Prabhakara Rao says the inventory was good enough to meet the total requirement.

"But the issue is the availability of top 4-5 brands that are in huge demand. As these brands are not in short supply farmers are paying a premium, over and above the MRP," Jaipal, a farmer from Mahboobabad district, told businessline.

Farmers are expected to increase the cotton area in the backdrop of good prices last year. Professor Jayashankar Telangana State Agricultural University pegged the rates at ₹7,000-7,500 a quintal this year.

The fiber crop was grown in 127 lakh hectares in 2022-23 as against 118.56 lakh ha in the previous year. Maharashtra topped the charts with a cotton acreage of 42 lakh ha followed by Gujarat (25.49 lakh ha), Telangana (20.23 lakh ha), Karnataka (8.21 lakh ha), and Rajasthan (6.83 lakh ha).

The country produced 341.91 lakh bales (at 170 kg a bale) of cotton production reported in 2022-23 as against 312 lakh bales last year.

Seed availability

Mithun Chand, Executive Director of Kaver Seeds, too said, "Production was severely hit and germination percentages were low for the industry. But I see no problem for the seeds for this year because almost all companies have carry forward stocks," he said.

But he said he's worried about the availability of the seed for the next kharif season. "I'm not worried about this year as the seed has been positioned (in the respective markets) well," he said.

"I'm worried about the seed availability for the next season. But the inventory will be zero with the industry after the current marketing season as carryover stocks will compensate for the shortfall in the production. The seed crop is yet to take off well this year because of the delay in rains," he said.

Unlike in other crops like maize, seed production in cotton happens along with the season. This means the seeds produced this season would be processed and sold in the next kharif season.

Source: thehindubusinessline.com – June 18, 2023

HOME

****

Interest equalisation scheme. Finmin unlikely to raise interest subsidy rates for exporters despite cap on individual disbursals

The Finance Ministry is not keen to raise the subsidy rates under the interest equalisation scheme for exporters despite capping the subsidy for individual exporting units at ₹10 crore per year as the resources saved are to be used to ensure that more beneficiaries can profit from it, official sources have said.

"There are no indications from the Finance Ministry suggesting that the recent cap imposed on subsidies under the interest equalisation scheme will translate into higher subsidy rates despite exporters demanding a raise. The reason why the government capped the subsidy at ₹10 crore for individual exporters was to ensure that there is a better spread and all eligible exporters get it instead of the amount getting concentrated in the hands of few," an official tracking the matter told businessline.

Under the interest equalisation scheme, exporters are extended credit by banks at a reduced rate (the rate of interest subsidy is determined by the government). The banks are later reimbursed by the government for their lower interest earnings.

The interest equalisation rate for MSME exporters is 3 per cent for all products, while it is 2 per cent for non-MSME exporters of 410 identified products that are covered under the scheme.

Because of higher costs of finance, exporters had demanded that the subsidy rate should be increased to 5 per cent for MSMEs and 3 per cent for other sectors.

"The Commerce Ministry has been speaking on behalf of exporters and trying to persuade the Finance Ministry to increase the subsidy rates as cheaper finance would help lower operating costs of exporters and increase their competitiveness in the unpredictable global market. However, the Finance Ministry has not consented due to resource constraints," the official said.

With Indian exports declining for four straight months (February-May) due to shrinking demand in the Western markets, export bodies are likely to continue their demand for cheaper money.

Exporters body, FIEO, had earlier said that it was looking into which kind of companies were getting affected by the interest subvention cap and based on that it would work out a case for higher rates.

Source: thehindubusinessline.com – June 18, 2023

HOME

****

Double decline fail to cheer garment exporters

It’s a double delight for garment exporters as both cotton prices and sea freight have had a steep fall in the last few months and at pre-Covid levels. However, exporters are unable to take advantage of the two due to poor order flow from clients abroad.

Price of cotton per candy (356 kg) has dropped by nearly 40 per cent to around ₹65,000 from a peak of nearly ₹1 lakh last year. Similarly, freight rates have dropped by half in the last one year.

For example, freight rate from Tuticorin port to New York dropped steeply to $2,150 for a FEU (forty foot equivalent unit) as against $9,800 per FEU a year back. Freight from Mumbai declined to $779 per FEU versus $1,660 a year back. The trend has been like this for most of the major garment markets in Europe and in the US, said an industry source.

Biggest challnges

Raw material, freight and energy were the three biggest challenges for the garment industry last year. Now, the reverse trend will lead to revival of sentiments, which is very important in the fashion space and enable brands to place more orders in the medium term, said Prabhu Dhamodharan, Convenor, Indian Taxpreneurs Federation.

Freight rates witnessed a steep fall and touched below pre-Covid level rates in the beginning of June. It will help retailers to fight inflation. Particularly big products like towels and bed sheets will get major benefits and the price of all goods will decline. Lower prices at store level ultimately leads to better consumption in the upcoming cycle. Manufacturers also will benefit because of revival of demand due to increase in volumes with lower landed cost, he said.

These factors will be the beginning of the next cycle towards normalisation, added Dhamodharan.

P Sundararajan, CMD of the Avinashi, Coimbatore-based SP Apparels recently told analysts that the prices of cotton have started slightly declining to the normal fee from the inflated one. “In the last 2 to 3 months, the prices of cotton have come down roughly to ₹5,000 per candy, which is a good thing for us. This will help the long spinners to come out of the losses, which is again good news for us,” he added.

“The cotton prices have now stabilised, and I do not foresee more fluctuations in cotton prices. I am confident that our spinning unit will overcome the challenges and will contribute to the margins from the current quarter onwards,” he told analysts while discussing the company’s fourth quarter financial performance.

Will the two declining trends help the garment industry? A source in Tiruppur says as the demand contraction is still continuing , thanks to the slow down economy in the EU, UK and US , the declining prices are not useful to most of the garment manufacturers.

Apparel demand

An official of a leading garment manufacturer in Bangalore says the situation is more complicated. Garment exporters benefit when demand is in favour. Post Covid, apparel demand increased in 2021-22. Despite higher cotton prices and logistics cost, the apparel manufacturing industry benefited as these costs were passed to customers. Subsequently, when demand fell due to inflation and high interest rates, the industry suffered despite lower commodity prices.

Spinners are more impacted by raw material prices as they are converters. Apparel manufacturers are dependent on demand from principal markets, he said.

A month ago, businessline reported that global fashion brands have begun placing orders for the year-end sale in global markets, albeit slightly delayed. Industry insiders attribute the building momentum to the “anti-China” feeling in the Western markets and the consequent shift in their buying to India. However, the sentiment seems to be changing every month.

Source: thehindubusinessline.com – June 18, 2023

HOME

****

Direct tax collection in April 1-June 17 rises 12.7%

Better compliance and economic recovery helped direct tax collection to surge to almost 13 per cent in the gross term during the first two and half months of current fiscal. First instalment of Advance Tax collection saw a growth of 13.7 per cent. Direct Taxes comprise of Corporate Income Tax (CIT) and Personal Income Tax (PIT).

According to the Central Board of Direct Taxes (CBDT), the figures of Direct Tax collections for FY24, as on June 17 show gross collection surged to around ₹4.19 lakh crore as against ₹3.72 lakh crore during the corresponding period of FY23, registering a growth rate of 12.73 per cent. Similarly, net collection (subtracting refund from gross collection) reached ₹3.80 lakh crore from ₹3.41 lakh crore, showing a growth of 11.2 per cent. Net collection is nearly 20 per cent of budget target.

The government aims to get ₹18.23 lakh crore through direct taxes (net) in FY24. In FY23, the collection was at ₹16.61 lakh crore, compared to ₹14.12 lakh crore in FY22, representing an increase of 17.63 per cent. With strong collection in the first quarter, officials are expecting better collection during the remaining period of the fiscal subject to normal monsoon and not much disturbance at global level.

The Gross collection includes CIT at about ₹1.87 lakh crore and PIT (Including Securities Transaction Tax) at about ₹2.31 lakh crore. The net collection includes CIT at ₹1.57 lakh crore and PIT at ₹2.22 lakh crore. Refunds amounting to ₹39,578 crore have also been issued in FY24 till June 17 as against refunds of ₹30,414 crore issued during the corresponding period in FY23, showing a growth of 30.13 per cent.

The Advance Tax collections for the first quarter of FY24 stood at about ₹1.17 lakh crore as against ₹1.03 lakh crore for the corresponding period of the immediately preceding fiscal, showing a growth of 13.7 per cent. This collection comprises of CIT at ₹92,784 crore and PIT at ₹23,991 crore. Advance Tax for the first quarter comprises 15 per cent of total advance tax liability of a financial year. Any assesses, individual or entity, whose tax liability is more than ₹10,000 or more after TDS, are required to pay advance tax in four instalments.

Source: thehindubusinessline.com – June 18, 2023

HOME

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