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| Currency Watch | | | |
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# INTERNATIONAL NEWS

## Global trade sees positive growth in Q1 but faces headwinds: UNCTAD

Global trade growth was positive for goods in the first quarter of 2023, according to a report by United Nations Conference on Trade and Development (UNCTAD). This follows a downturn in the second half of 2022, with world merchandise trade showing a rebound in both volume and value.

Trade in goods increased by 1.9 per cent from the last quarter of 2022, contributing approximately $100 billion. However, UNCTAD's nowcast for the second quarter of 2023 suggests a deceleration in global trade growth due to factors such as persistent inflation, financial vulnerabilities, the war in Ukraine, geopolitical tensions, and recently downgraded world economic forecasts.

Despite fluctuations in global trade, the geographical proximity of international trade has remained relatively stable over the last five quarters, implying no significant trends in nearshoring or farshoring. Interestingly, a rising trend in 'friend-shoring' has been noted since late 2022, characterised by a shift in bilateral trade flows to favour countries that share similar political values, as per UNCTAD's latest global trade update report.

Major events such as the war in Ukraine, the decoupling of US-China trade interdependence, and the impacts of Brexit played significant roles in shaping key bilateral trade trends. Specifically, the report highlighted a decline in trade interdependence between the US and China over the past year and a half, with the US becoming a less significant export market for China, and the US' dependency on China as a supplier decreasing even further.

The growth of merchandise trade varied among the world's major economies over the last four quarters. While Brazil, India, the US, and the European Union witnessed significant increases in both imports and exports, trade trends for other major economies were more subdued, and in many cases negative, between January and March 2023. However, China and India displayed substantial growth in exports during this period.

Year-on-year, all regions saw international trade growth, with the exception of the Russia and central Asian economies. The East Asian region, however, experienced below-average growth. On a quarterly basis, most regions experienced a decline in the value of trade in Q1 2023, barring the Pacific region, North America, and Africa, which saw marginal growth.

Intra-regional trade patterns mirrored these trends, with trade within Africa increasing by 3 per cent, outperforming other intra-regional trades. Over the past four quarters, global trade trends were influenced by the energy sector, where rising prices led to higher trade values until an 11 per cent quarterly drop was witnessed between January and March 2023. Sectors such as apparel and chemicals also saw increases in trade.

Source: fibre2fashion.com– June 23, 2023

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# UK & ASEAN reaffirm using international standards to boost trade

UK government representatives and Southeast Asian standards bodies recently met to renew their commitment to using international standards to boost trade opportunities between the UK and members of the Association of Southeast Asian Nations (ASEAN).

The UK and the ASEAN Consultative Committee for Standards and Quality (ACCSQ) held the 2nd Annual Dialogue Meeting on Standards and Conformance, marking another significant milestone in a growing partnership, the UK Mission to ASEAN said in a press release.

This year, the UK is closely working with ACCSQ and Indonesia's Badan Standardisasi Nasional (BSN) to deliver by the end of the year one of Indonesia's Priority Economic Deliverables (PED) as ASEAN chair for 2023—developing a roadmap for harmonising standards to support the SDGs. This work, funded by the UK Foreign, Commonwealth, and Development Office (FCDO), and delivered by the British Standards Institution (BSI), represents the next phase of UK-ASEAN cooperation on international standards adoption.

The meeting also highlighted the various cooperation initiatives delivered by BSI in collaboration with ASEAN member states. It provided a platform for BSI and ASEAN to reflect upon their successful collaboration in the field of standards and conformance over the past year.

BSI has been actively engaged in supporting ASEAN member states in their pursuit of harmonised standards, enhancing trade facilitation, and promoting consumer safety across the region. Through the sharing of best practice, technical expertise, and capacity-building initiatives, BSI will continue to play an important role in advancing international standards adoption within ASEAN.

The UK-ACCSQ Dialogue Meeting concluded with a renewed commitment from the UK, BSI, and ASEAN to deepen their partnership and explore new avenues for cooperation. The exchange of knowledge, technical expertise, and best practice will continue to be the cornerstone of future collaboration, enabling both sides to promote economic growth, innovation, and consumer protection in the ASEAN region.

ASEAN-UK trade is worth £45.3 billion—a huge increase of 23.5 per cent since September 2022. ASEAN and the UK have agreed to work together to open markets and facilitate the smooth flow of goods and services to ensure trade continues to increase. The UK has been working with ASEAN to adopt and implement international standards across ASEAN.

Sarah Tiffin, UK ambassador to ASEAN, said: "This is an exciting time for the ASEAN-UK relationship, as we work in partnership to deliver our agreed objectives, including to open markets and facilitate the smooth flow of goods and services. The great work that BSI have done with ASEAN will support the adoption of international standards, which can in turn accelerate the adoption of new technologies, build consumer trust, support businesses, and create unhindered and competitive trade opportunities domestically and internationally."

Scott Steedman, BSI director-general, standards, said: "BSI is proud to partner with the UK government to support the adoption and harmonisation of international standards across the ASEAN region. We have been working closely with ASEAN member states to help them gain a deeper understanding of how standards can play a vital role in boosting trade opportunities and promoting consumer safety.

"We look forward to the continued collaboration, developing activities and identifying new areas of cooperation for a strong ASEAN-UK standards partnership, with a focus on accelerating progress on sustainability and supporting the achievement of the sustainable development goals (SDGs)."

Source: fibre2fashion.com – June 22, 2023

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# Inditex is Getting Out of Myanmar

Inditex is in the process of a "phased exit" from Myanmar, in accordance with global trade union IndustriALL's call for disinvestment, a spokesperson told Sourcing Journal.

As such, the Zara owner will continue to reduce the number of "active" manufacturers that it contracts in the Southeast Asian nation, where the military has been locked in an increasingly bloody civil war with armed ethnic groups and anti-coup protestors since 2021.

The move comes as the retail titan was named as a buyer at Hosheng (Myanmar) Garment Company, a Yangon-based factory where seven union workers were fired at the start of June. Their alleged offense: Demanding a wage increase from 4,800 kyats ($2.29) to 5,600 kyats ($2.67) per day, according to The Irrawaddy, a news outlet run by Burmese exiles living in Thailand. Five of them were subsequently arrested and hauled off to a junta interrogation camp, a witness told the outlet on Tuesday. Another two, the person said, are in hiding.

Hosheng, a Chinese-owned facility in the Thardukan Industrial Zone, did not respond to a request for comment.

Such heavy-handed tactics are far from new, said IndustriALL. In the two years since the semi-democratic government's ouster, more than 300 union members and activists have been thrown into jail. The junta has banned nearly all unions, "effectively" wiping out the fundamental right of freedom of association.

"The military getting involved in a strike and workers being arrested yet again show that freedom of association is impossible in Myanmar," said IndustriALL general secretary Atle Høie.

The Delegation of the European Union to Myanmar urged on Tuesday for the "immediate" release and reinstatement of the workers, as well as an "end to arrests of all those who are peacefully exercising their right to freedom of association and expression."

"We call on all concerned to operate in accordance with the ILO Declaration on Fundamental Principles and Rights at Work," it said in a statement posted on Facebook. "This includes respecting fundamental human rights, including freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labor; the effective abolition of child labor; the elimination of discrimination in respect of employment and occupation, and a safe and healthy working environment."

The European Union is a key funder of the Multi-Stakeholder Alliance for Decent Employment in the Myanmar Apparel Industry, or MADE in Myanmar. The project, designed to promote responsible business practices in the country also known as Burma, has drawn brickbats, including from IndustriALL, for promising to promote social dialogue and collective bargaining under conditions where they cannot survive.

"Employers take advantage of the political situation to deprive workers of their rights," Høie wrote in a letter, dated April 18, to European Council president Charles Michel, EU Commission president Ursula von der Leyen, EU ambassador Ranieri Sabatucci and others. "Serious violations of human rights and labor rights continue in Myanmar."

The letter echoed the Ethical Trading Initiative's assessment from last year that it "wasn't possible" for responsible businesses to apply normal human rights due diligence in Myanmar. Inditex is a member of the multi-stakeholder group.

"The main industrial zones producing garments, leather, shoes, and bags are under martial law," Høie said. "There have been numerous incidents of military intervention and repression of worker protests. Workers have been kidnapped, soldiers have been used to intimidate workers, threatening their lives, and workers have been laid off under pressure."

By replacing "legitimate" unions with Workplace Coordination Committees comprising workers' representatives vetted by employers, Høie said, MADE in Myanmar provides both employers and junta with "propaganda designed to create the impression that social dialogue exists."

"The EU should without hesitation put an end to the MADE in Myanmar project, which only serves to legitimize the country's illegitimate government," he added.

Ranieri previously told Sourcing Journal that the EU acknowledges and is "immensely concerned" about deteriorating labor conditions in Myanmar but that the option of not doing anything will only cause massive unemployment and further exploitation of workers.

"As a responsible partner of Myanmar, we believe that we should all try to stop this negative trend as best as we can," he said. "We do believe that through the MADE project, we can mitigate and hopefully improve overall labor compliance in Myanmar. The project target group is the garment workers and the project will work with all stakeholders of goodwill to address the significant challenges workers are currently facing."

Khaing Zar Aung, the exiled president of the Industrial Workers Federation, an IndustriALL affiliate, said she's been pleading with the EU, as well as the European Chamber of Commerce in Myanmar, for help with Hosheng's former employees. But they have limited powers, she said.

"These international and internal organizations completely ignore the interference of the military in labor disputes and the retaliation from the employers," she said. "They have no leverage to stop it to protect workers." Inditex, for its part, said that events at Hosheng represent a "severe breach" in its supplier code of conduct, specifically in relation to freedom of association, which it dubbed non-negotiable.

"As a result, we have decided to block the possibility of our suppliers working with this factory," the representative said. "In addition, we have urged this manufacturer and their related supplier to take all immediate actions to prevent and remediate any harm to the workers' rights that might have taken place."

Because the world's No. 1 apparel maker by revenue doesn't publish a list of its suppliers, but shares them with a select group of organizations, including IndustriALL, it's unclear how broad its Myanmar footprint is.

But Hosheng isn't its only Burmese supplier to face allegations of misbehavior. Watchdog group Business & Human Rights Resource Centre has questioned Inditex about multiple allegations of abuse in its supply chain, including shuttering without compensating workers, failing to pay overtime, excessive production targets, verbal abuse and child labor.

As recently as March, Inditex said it was performing a “continuous and reinforced due diligence process” in its Myanmar factories, including implementing specific corrective action plans to “support factories in the managing of any type of improvement area identified.”

In pivoting away from Myanmar, the Spanish giant is in growing company. Other fashion businesses that have exited or are in the process of exiting the country include Aldi South, C&A, Mango, Primark, Marks & Spencer, Tesco, Uniqlo owner Fast Retailing and Muji parent Ryohin Keikaku.

Source: sourcingjournal.com – June 22, 2023

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# China's textile & garment exports down 5.26% to $118 bn in Jan-May

Between January and May 2023, China's overall exports of textiles, clothing and accessories totalled $118.202 billion. This marked a decline of 5.26 per cent compared to the same period in the previous year, according to data from the General Administration of Customs of China. Garment exports have witnessed a decrease of 1.1 per cent during the same period.

Despite a brief recovery in April 2023, garment shipments slipped back into decline in May. From January to May 2023, the export of garments and clothing accessories reached $61.373 billion, a 1.1 per cent decrease from the same period in 2022. These exports were valued at $62.052 billion in the prior year.

China's exports of textiles, such as yarn and fabric, fell 9.4 per cent year-on-year (YoY) in the first five months of 2023, down to $56.829 billion from $62.719 billion in January-May 2022.

In April 2023 alone, China exported $12.021 billion worth of textiles and $13.298 billion worth of garments.

Meanwhile, the country's imports of textile yarn and fabric products also saw a decrease, falling by 21.9 per cent to $4.334 billion in January-May 2023 from $5.548 billion during the same period last year. The country imported textile yarn and fabric products worth $1.004 billion in May 2023.

China exported $323.344 billion worth of textiles, clothing, and accessories in 2022, marking a modest growth of 2.53 per cent compared to the previous year. Last year's exports included $175.396 billion in garments and accessories and $145.079 billion in textiles, such as yarn and fabric, according to the data.

Source: fibre2fashion.com – June 23, 2023

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# Textile industry calls for EU-Mercosur deal finalisation by 2023

Representatives of the European, Brazilian, and Argentinian textiles and apparel manufacturers have written to the Presidents of Argentina, Brazil, and the European Commission demanding the finalisation of the European Union (EU)-Mercosur free trade agreement (FTA) by the end of 2023.

During the last three years, multiple crises have shown the vital importance of resilient supply chains, whose strength depends on well-established trade relationships, especially between like-minded partners, like Europe, Brazil, and Argentina are.

The recent trip of the European Commission president Von der Leyen to Latin America, especially to Brazil and Argentina, demonstrated the importance of strengthening relations with key partners in the region, the European Apparel and Textile Confederation (EURATEX), Brazilian Textile and Apparel Industry Association (ABIT), and Federacion Argentina De Industrias Textiles Fadit (FITA) said in a letter.

The organisations expressed their satisfaction with the discussions taking place at the highest political level regarding the need to finalise the EU-Mercosur agreement.

The agreement fosters the common objectives of promoting free and fair trade, while creating mechanisms and platforms for cooperation on various topics of global importance, such as globalisation and the promotion of diversified supply chains. It is especially essential for the textile and clothing sector, which has one of the most complex supply chains worldwide.

The EU-Mercosur FTA also allows the contracting parties to jointly tackle global sustainability issues, such as climate change, forest preservation, and social and labour rights.

The organisations reiterated their belief that the EU-Mercosur agreement creates higher standards of environmental preservation and rainforests protection, ensuring that the pledges taken in the context of the Paris Agreement will be fulfilled.

“Our sector supplies not only the creative and fashion industry, it also provides our society with essential products that enable the work in safe conditions for medical personnel, firefighters, and police forces. In addition, textiles are used in many other sectors, such as automotive, building, aviation, and shipbuilding, thus ensuring that all these products comply with the highest technological and safety standards,” the associations said in the letter.

EURATEX, ABIT, and FITA also welcomed the possibility of intensifying cooperation between countries to strengthen the sustainable development of the sector. They said that the opportunity to work on such issues and find joint solutions cannot be ignored. They also expressed confidence that with the commitment and continued effort of both sides of the Atlantic the EU-Mercosur agreement can be ratified by all the contracting parties by the end of 2023.

The European, Brazilian, and Argentinian textiles manufacturers reiterated their strong support for the initiative and called on all the contracting parties to take the necessary steps to facilitate the finalisation of the agreement.

Source: fibre2fashion.com– June 22, 2023

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# Bank of England raises bank rate by 0.5 pp to 5%

The Bank of England's monetary policy committee (MPC) yesterday increased the bank rate by 0.5 percentage points to 5 per cent.

Monetary policy will ensure that the consumer price index-based (CPI) inflation sustainably returns to the 2 per cent target in the medium term, the bank noted in a press release.

CPI inflation is expected to fall significantly further during the course of the year, it said.

Core goods CPI inflation is expected to decline later this year, supported by developments in cost and price indicators earlier in the supply chain.

In particular, annual producer output price inflation has fallen very sharply in recent months.

Twelve-month CPI inflation fell from 10.1 per cent in March this year to 8.7 per cent in April and remained at that rate in May. This is 0.3 percentage points higher than expected in the May report.

The committee recognises that the second-round effects in domestic price and wage developments generated by external cost shocks are likely to take longer to unwind than they did to emerge.

There has been significant upside news in recent data that indicates more persistence in the inflation process, against the background of a tight labour market and continued resilience in demand, the bank added.

Business surveys continue to suggest underlying quarterly gross domestic product (GDP) growth of around 0.25 per cent during the middle of this year.

The unemployment rate has been flat at 3.8 per cent, in line with the May report.

Source: fibre2fashion.com– June 22, 2023

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# Turkish central bank raises policy rate from 8.5% to 15%

The Turkish central bank's monetary policy committee (MPC) today raised the policy rate, i.e., the one-week repo auction rate, from 8.5 per cent to 15 per cent. It decided to begin the monetary tightening process to establish the disinflation course as soon as possible, anchor inflation expectations and control the deterioration in pricing behaviour, the bank said.

Recent indicators in Turkiye point to an increase in the underlying trend of inflation, and strong domestic demand, cost pressures and the stickiness of services inflation have been the main drivers, the bank noted in a release.

The committee anticipates that the deterioration in pricing behaviour will put further pressure on inflation.

The medium-term inflation target is 5 per cent. Monetary tightening will be further strengthened as much as needed in a timely and gradual manner until a significant improvement in the inflation outlook is achieved, the bank said.

To raise the functionality of market mechanisms and strengthen macro financial stability, the committee will simplify and improve the existing micro- and macro-prudential framework.

Source: fibre2fashion.com– June 22, 2023

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## As apparel imports by US, UK and EU falls, Japan bucks the trend with a rise: Wazir Report

Wazir Advisors in its June 2023 'Apparel Trends Scenario in key global markets and India' report reveals Japan's apparel import in April was $1.8 billion, 6 per cent higher than that in April 2022. On YTD basis, imports are 4 per cent higher than in 2022. In Japan's apparel imports, Vietnam's share increased by 2 per cent, whereas that of China declined by 7 per cent compared to 2021.

From January to April 2023, China was the largest apparels supplier to Japan, still holding on to more than half of the total imports, at 51 per cent. Vietnam during that period supplied only 16 per cent whereas Bangladesh and Cambodia supplied 6 per cent and 5 per cent respectively. The total supply from other countries to Japan is again bucking Western trends as its diversification of supplier countries is considerably less than that of the US, the UK and the EU. The latest Wazir report covers the period April and May 2023

Imports down, retail up in the US

April 2023 has been a tumultuous one for the US economy with many banks failing and national debt in crisis mode. Therefore, apparel imports were 19-months down at $5.8 billion in April, which is 28 per cent lower than in April 2022.

On YTD basis, imports are 21 per cent lower than in 2022. China's share in the US market has reduced by 5 per cent since 2021, whereas India's share rose 2 per cent. Moreover, April performed slightly better than March 2023, YOY.

China continues ruling the roost at 18 per cent with Vietnam catching up at 17 per cent. US' near-shoring is evident as other supplier countries form the bulk at 42 per cent. The good news is that in May 2023, the US monthly apparel store sales were estimated at $18.5 billion, 1 per cent more than in May 2022. On YTD basis, sales were 4 per cent higher than in 2022.

With home furnishings showing negative sales were down by 9 per cent in May 2023 compared to May 2022. In Q1 2023, online clothing and accessories sales grew 2 per cent over Q1 2022 and were 32 per cent lower than Q4 2022.

The UK and EU mirror the US

UK apparel imports in April 2023 were $1.4 billion, 22 per cent lower than in April 2022. On YTD basis, imports in 2023 are 16 per cent lower than in 2022. In the UK apparel market, China's share has decreased by 5 per cent, since 2021 and it now has only 17 per cent of import as do Bangladesh. Again, like the US, the UK is definitely spreading its buying basket wider as other countries constituted 47 per cent, the largest amongst the four markets discussed.

The EU's diversification is lesser than that of the US and the UK as others form 30 per cent whereas China and Bangladesh are the two top suppliers pegging at 24 per cent. This is due to China losing 6 per cent and Bangladesh gaining 4 per cent. The EU's apparel import in April 2023 decreased by 16 per cent, compared to April 2022, and was valued at $6.3 billion. On YTD basis, imports are 3 per cent higher than in 2022.

As for e-commerce, in Q1 2023, online sales of clothing registered a growth of 13 per cent over Q1 2022. In April 2023, the UK's monthly apparel store sales were £3.6 billion, which is 9 per cent higher than in April 2022. On YTD basis, the sales were 13 per cent higher than in 2022.
Indian apparel exports still down

In May 2023, India's apparel exports are estimated to be $1.2 billion, 14 per cent lower than in May 2022 exports. On YTD basis, exports were 13 per cent lower than in 2022. The US remains India's top destination with 31 per cent of its apparel exports.

Source: fashionatingworld.com– June 22, 2023

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# Foreign investors loyal amid Indonesia's textile decline

Amidst a decline in investment in Indonesia's textile sector, foreign investors from South Korea and Taiwan continue to demonstrate their commitment to the industry. According to Ignatius Warsito, Director General of the Chemical, Pharmaceutical, and Textile Industry (IKFT) at the Ministry of Industry, foreign direct investment (FDI) dominated over domestic investment (PMDN) in the first quarter of 2023.

Warsito stated, "In the first quarter of 2023, FDI in textile investment will actually increase," adding further credibility to the industry's foreign appeal. Investment data obtained from the Investment Coordinating Board's National Single Window for Investment (NSWI) website reveals that textile FDI during this period amounted to US$74.34 million, equivalent to IDR 1.10 trillion.

This represents an 84.13 percent increase compared to the same period last year and an 81.49 percent increase from the previous quarter. Among the foreign investors, South Korea led the way, investing US$28.6 million in 125 textile projects, followed by Taiwan with US$13.96 million across 27 projects.

India also contributed significantly with five projects totaling US$11.28 million. Despite the challenges faced by the Indonesian textile sector, other nations such as Hong Kong, Japan, and China also demonstrated interest, further diversifying the investment landscape.

Source: fashionatingworld.com– June 22, 2023

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## Vietnam seaports face cargo slump in Jan-May 2023

In the first five months of 2023, Vietnam's seaports experienced a dip in cargo transportation, according to the Vietnam Maritime Administration. The total cargo volume during this period reached 296.1 million tonnes, marking a 3 per cent decline compared to the same time frame last year.

The downtrend has been evident across various types of goods, with export volumes falling 7 per cent to over 71.7 million tonnes, and imports dropping 3 per cent, nearing 84.4 million tonnes. In addition, the volume of domestically transported goods was nearly 140 million tonnes, while transited cargo accounted for 681,000 tonnes.

Furthermore, the volume of container cargo transported through seaports within the period also fell by 8 per cent year on year, totalling 9.71 million TEUs. In May alone, domestic seaports handled over 63.3 million tonnes of goods and 2.07 million TEUs of container cargo, representing a year-on-year decrease of 3 per cent and 7 per cent respectively, as per the data by Vietnam Maritime Administration.

Despite the overall decrease, the Vietnam Maritime Administration's estimates for the first six months of 2023 indicate a continued drop in total cargo volume by 3 per cent to about 359.46 million tonnes. Moreover, container cargo is projected to fall 7 per cent year on year to reach 11,792 million TEUs.

Source: fibre2fashion.com– June 23, 2023

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# Bangladeshi apparel makers invite Indian traders to invest in non-cotton textiles

Local apparel entrepreneurs have invited businessmen from India and other Asian countries to explore investment opportunities in the Bangladesh textile industry based on non-cotton fabric and man-made fibre as the country needs huge investment in this sector.

"There is still 15% shortfall in knitted fabrics, and 60% in woven fabrics which Bangladesh needs to import," said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), in the inaugural session of "Intex South Asia Bangladesh", an international apparel textile sourcing show in the capital's International Convention City Bashundhara on Thursday.

Faruque Hassan said the textile industry in Bangladesh still does not have various raw materials like spandex, rayon, viscose, and other man-made fibres, so there is a huge investment opportunity in this sector.

He also pointed out some of the government steps – such as allowing four more land ports to import cotton and yarn from India, and partial shipments – to promote trade between the two countries.

"Such policy reforms would definitely enhance our capacity immensely," Faruque Hassan said.

The BGMEA president also urged India to set up a research facility that would be a centre for innovation.

"India's excellence in apparel manufacturing, productivity, research and development, and innovation has positioned itself as a knowledge hub in the Asian region. This is an area where the South Asian nations may collaborate further," Faruque Hassan.

Addressing the foreign investors, Mohammed Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association, said, "Invest in the readymade garment's backward linkage industry, as well as in woven and non-cotton fabric industry to cater to the huge local demand."

Worldex has organised the 11th edition of the "Intex South Asia Bangladesh", where more than 100 yarn, textile, dye, and chemical companies are showcasing their products and innovations.

Most of the companies participating in the exposition are India-based, while companies based in Bangladesh, China, Russia, and the United States are also showing their products.

The exhibition will end on Saturday (23 June).

Textile and Jute Minister Golam Dastagir Gazi virtually joined the programme as the chief guest, while Indian Powerloom Development and Export Promotion Council Chairman Vishwanath Agarwal, Cotton Textile Export Promotion Council Joint Director Murali Balkrishna, and Bangladesh Garment Buying House Association President Kazi Iftequer Hossain, among others, also delivered speeches at the programme.

Source: tbsnews.net– June 22, 2023

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# NATIONAL NEWS

## Piyush Goyal proposes Invest India desk for Indian textile sector

Union minister Piyush Goyal suggested setting up a dedicated Invest India desk in the ministry of textiles to assist and handhold investors looking to set up or expand their manufacturing base to meet increasing global demand in the sector. Goyal also released a Pradhan Mantri Mega Integrated Textile Region and Apparel (PM MITRA) brochure prepared by the textile team of Invest India while chairing an industry interaction in New Delhi.

The minister commended the industry for their enthusiasm to set up and expand businesses in the upcoming PM MITRA Parks. He urged the industry to collaborate and partner for research and development (R&D) and innovation to jointly achieve greater strides in the sector.

The industry interaction on 'Investment Opportunities in the Textiles Industry under the PM MITRA Scheme' took place in New Delhi, India, the ministry of textiles said in a press release.

The Union minister of textiles, commerce and industry and consumer affairs, food, and public distribution praised the initiatives taken by the seven state governments, namely, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Telangana, Tamil Nadu, and Uttar Pradesh, in providing a thriving ecosystem for textiles manufacturing.

Minister Goyal has encouraged the textile industry to utilise current ministry schemes, including the National Technical Textiles Mission and Scheme For Capacity Building In Textile Sector (Samarth). The dialogue focused on sustainability, R&D centre establishment, ESG compliance, and value-added product creation in the upcoming PM MITRA parks.

A phased development of these parks for resource efficiency and better textile value chain integration was emphasised. Two action teams were proposed to study ESG norms and global best practice park design for future PM MITRA units.

Following Prime Minister Narendra Modi's 5F vision (Farm to fibre; fibre to factory; factory to fashion; fashion to foreign) to create a self-reliant India and strengthen its position in global textiles, a scheme was announced in the 2021-22 Union Budget to set up seven PM MITRA Parks.

The PM MITRA scheme aims to establish an integrated textile value chain, reducing industry logistics costs. Expected to create about 100,000 direct and 200,000 indirect jobs per park spread over 1,000 acres, with proposed investment of around ₹70,000 crore, these parks will be developed through Public-Private Partnership.

Rachna Shah, secretary of the ministry of textiles, and other senior officials discussed the scheme with industry representatives. The respective strengths of the textiles sector in each of the seven selected States were highlighted, with an emphasis on infrastructure, scheme benefits, and investor-attractive initiatives.

Source: fibre2fashion.com– June 22, 2023

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# India, US agree to end six trade disputes at WTO; Delhi to remove retaliatory customs duties

India and the US have agreed to end six trade disputes at the World Trade Organization (WTO) while New Delhi will also remove retaliatory customs duties on 28 American products such as almonds, walnuts, and apples, according to an official statement.

This comes amid Prime Minister Narendra Modi's State visit to the US at the invitation of President Joe Biden and First Lady Jill Biden.

In 2018, the US imposed 25 per cent and 10 per cent import duties on certain steel and aluminium products respectively on grounds of national security. In retaliation, India in June 2019 imposed customs duties on 28 American products, including chickpeas, lentils, almonds, walnuts, apples, boric acid, and diagnostic reagents.

United States Trade Representative Katherine Tai today announced that the United States and the Republic of India have agreed to terminate six outstanding disputes at the World Trade Organization. “India also agreed to remove retaliatory tariffs which it had imposed in response to the Section 232 national security measures on steel and aluminium,” Tai said on Thursday.

It added that these tariff cuts will restore and expand market opportunities for US agricultural producers and manufacturers.

"Today's agreement represents the culmination of intensified bilateral engagement over the last two years, including through the US-India Trade Policy Forum, to deepen our economic and trade ties," Tai said.

"As a result of our work, US agricultural producers and manufacturers will now enjoy renewed access to a critical global market and we will strengthen our trade relationship with one of our closest partners. I look forward to continuing to work with my counterpart, (India's Commerce and Industry) Minister (Piyush) Goyal, as we identify additional ways to bring our people and our economies together," she added.

The six disputes include three initiated by India and as many by the US.

These include countervailing measures on certain hot-rolled carbon steel flat products from India, certain measures relating to solar cells and modules, measures relating to the renewable energy sector, export-related measures, certain measures on steel and aluminium products, and additional duties on some products from the US.

According to trade experts, both countries can resolve the disputes on mutually agreed terms and later inform the Geneva-based WTO about the same.

The US had filed a complaint in the WTO about India's support measures to its export sector under different schemes. In 2019, a WTO dispute panel ruled that India's export measures are inconsistent with global trade norms.

The US is the largest trading partner of India. In 2022-23, the bilateral goods trade increased to $128.8 billion as against $119.5 billion in 2021-22.

According to WTO rules, a member country can file a case in the Geneva-based multilateral body if they feel that a particular trade measure is against the norms of the world body. Bilateral consultation is the first step to resolving a dispute. If both sides are not able to resolve the matter through consultation, either of them can approach the establishment of a dispute settlement panel.

The panel's ruling or report can be challenged by WTO's appellate body.

Interestingly, the appellate body is not functioning because of differences among member countries to appoint its members. Several disputes are already pending with this body. The US has been blocking the appointment of the members.

Source: thehindubusinessline.com– June 23, 2023

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# PLI Scheme: Govt may consider lowering eligibility norms to push manufacturing in Tier-2 and Tier-3 cities

To encourage manufacturing activity in smaller cities and towns, the government is likely to consider the option of lowering the minimum investment and turnover criteria under the ₹1.97 lakh crore Production Linked Incentive (PLI) scheme in Tier-2 and Tier-3 cities in sectors such as textiles, where second edition of the scheme are being drafted, and also some new sectors, like toys and furniture, which may get incorporated, according to sources.

"In the review meeting for PLIs that is being convened by Commerce and Industry Minister Piyush Goyal next week, the proposal for lower eligibility criteria for investments in Tier 2 and Tier 3 cities made by several industry sectors is likely to be taken up for consideration," a source tracking the matter told businessline.

All stakeholders, including representatives from line Ministries and Departments, the industry, Niti Aayog, and Project Management Agencies, will participate to give their assessment of the scheme so far and share suggestions on the alterations needed, the source said.

The PLI scheme, announced in 2020 to attract investments in 14 sunrise and strategic schemes over a five-year period, has had a slow start, with disbursals of just ₹2,900 crore so far out of the corpus of ₹1.97 lakh crore.

While a handful of sectors, such as large-scale electronics comprising mobile phones, pharmaceuticals, and food processing, are doing well, there are six sectors, including white goods, automobiles, auto parts, textiles, solar PV modules, and ACC batteries, where disbursals are negligible or yet to happen.

Small investors' plaint

"Industry representatives in certain sectors, including textiles and food processing, have been complaining about the high threshold levels of investments and turnover for eligibility as they are a disincentive for smaller investors.

Lowering the thresholds for Tier-2 and Tier-3 cities could allow smaller investors to benefit from the scheme and also spread production activities and create employment across the country. This can be done in the new editions of the scheme, like the one being planned for textiles," the source said.

The option of offering lower eligibility criteria for Tier-2 and Tier-3 cities could also be considered for newer sectors with high employment potential that may be brought under the scheme, such as toys and furniture, the source added.

Source: thehindubusinessline.com– June 22, 2023

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# Textile companies weaving a bright scenario for H2FY24

Premium The textiles sector has been grappling with numerous challenges, including dwindling demand, inflationary pressures, and global supply chain issues, resulting in a lacklustre sales performance in FY23. (Photo: Bloomberg)

Indian textile companies are poised to witness improvements in the second half of the financial year, helped by falling global inventory levels. This is despite a forecast of subdued global demand. In their latest earnings call, major retailers such as Walmart and GAP Inc. have indicated that they continue to reduce their surplus stock.

In tandem with global retailers' commentary, Indian home textile and apparel exporters expect demand to remain muted in H1FY24 on account of excess inventory liquidation, said analysts at JM Financial Institutional Securities Ltd in a report dated 20 June. "Any normalisation of demand in CY24 amidst improved global retailers' inventory position leaves headroom for export demand recovery by Indian exporters, implying orders pick up from 2HFY24," added the report.

The textiles sector has been grappling with numerous challenges, including dwindling demand, inflationary pressures, and global supply chain issues, resulting in a lacklustre sales performance in FY23 following a high FY22 base. However, falling cotton prices and declining logistic costs may offer a lifeline to the sector's operating margin.

Analysts at Sharekhan by BNP believe companies with robust product profiles, strong export clientele, integrated business models, and expanded capacity are primed to report robust earnings growth of 20-41% over FY2023-25E. "In view of a strong medium to long term outlook, we are upgrading our view on the textile sector to positive from neutral earlier," they said in a report.

The Indian textile sector also stands to benefit from the China+1 strategy. "China has been losing market share across the world apparel exports aided by rising labour costs and geopolitical tensions. This has led to a potential shift of exports from China towards other countries, creating new opportunities and growth in the other Asian countries for the apparel industry," added the JM report.

Investor confidence seems to be returning to the sector, as key stocks like KPR Mills Ltd, Gokaldas Exports Ltd, and Alok Industries Ltd have shown impressive gains, with each stock increasing by more than 20% this year. Future stock movements will hinge on the rate of demand revival, indicating the criticality of the upcoming half-year period for the industry.

Source: livemint.com– June 22, 2023

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## Yarn industry reels under crisis

The yarn industry here is reeling under crisis. Yarn industrialists were forced to run their industries in a single shift. There is over 50 per cent decline in production of recycled yarn in the past two months while the rate of yarn fell by 20 per cent due to the shrink in demand of handloom products in domestic and global market.

Panipat globally known as 'Handloom City' is the hub of recycling industry, resulting in production of yarn out of discarded clothes. This yarn is being used for making blankets, shawls, curtains, bath mats, foot mats, bedsheets, bed covers, carpets, kitchen items, cushion covers, and other handloom products. The final products are then sold in the domestic market and exported in the global market, especially in the USA and European countries.

The Handoom city has a turnover of approximately Rs 50,000 crore of which Rs 15,000 crore comes from export. But, due to high inflation in the USA, slowdown in Germany and disturbance in the European countries due to a year-long Russia-Ukraine war, the Panipat's export industry was badly hit and recorded 50 per cent slowdown. Apart from this, the domestic market has also recorded a downfall.

Pritam Singh Sachdeva, President, Panipat Industries Association and Northern India Roller Spinners' Association, said Now, the production of yarn is only 50 per cent, but the consumption is less than 50 per cent, due to which the stock has increased, he said.

Even, the recycled yarn rate has also decreased almost by 20 per cent. Earlier, the rate of yarn was Rs 100-110 per kg, but now, the rate is only Rs 80-82 per kg, Sachdeva added.

Maximum industries here are dependent on recycled yarn for manufacturing their products, he said. The industries here are running only in single shifts due to low demand for yarn, but in Southern India, the industries have been shut for 15 days, he asserted. Now, Panipat industrialists are also planning to shut their industries, Sachdeva maintained.

The industry used 80 per cent cotton to manufacture handloom products, but the demand from overseas buyers in the first quarter was low, he said. The exporters hoped for a good business but received poor response , Vinod Dhamija, chairman, Haryana Chamber of Commerce & Industries, Panipat chapter, maintained.

Source: tribuneindia.com – June 22, 2023

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# ONDC will propel Indian e-commerce from 80 million monthly users to 500 million: Nandan Nilekani

Infosys Chairman Nandan Nilekani said on June 22 that e-commerce companies will need Open Network for Digital Commerce (ONDC) for online purchases to grow from the current 80 million monthly transacting users (MTUs) to 500 million.

"ONDC will create a new class of e-commerce users. Suddenly, people who didn't think of e-commerce earlier will start thinking of it for convenience and order from their neighbourhood stores via ONDC," he said.

"The number of platforms which are in e-commerce will go up. It won't be just two guys, but 10 guys. It might not benefit one guy, but it will benefit India," he added.

Nilekani, who has been instrumental in creating India's digital public infrastructure from Aadhaar and UPI to Fastag and ONDC, was speaking at an event organised by management consulting firm Redseer.

The Infosys veteran highlighted the rapid growth of digital public infrastructure in India, and how it has increased bank account penetration from around 20 percent to over 80 percent in less than a decade.

He pointed out that a confluence of four important events in 2016 has led to the rapid digital adoption in India: Aadhaar hit the 1 billion user mark on April 4, the unified payments interface was launched on April 11, the launch of Jio in September that year which quickly brought down the cost of data and demonetisation in November.

“Aadhaar also laid the foundation of Covid vaccination. You could take one dose in one location and second in another... India is doing irreversible non-linear changes and each change is acting as input for next. This combinatorial innovation at population scale is why it is called digital public infrastructure,” he said.

“Digitisation is leading to formalisation and therefore the rate of tax growth is greater than rate of GDP growth because of compliance growing,” he added.

Nilekani argued that while the internet has grown in the US on the back of the high advertising revenue of $862 per capita shifting online, India can't take this approach as the number for the country is as low as $7 per capita.

"We needed a different kind of internet infra than West... Essentially, Indian internet is not advertising led, but transaction led... Your transaction history is itself a form of capital that will be unlocked at scale," he said.

Source: moneycontrol.com – June 22, 2023

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