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IBTEX No. 121 of 2023 **July 05, 2023**

Currency Watch			
USD	EUR	GBP	JPY
82.13	89.38	104.36	0.57

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SAYING NO TO CHILD LABOUR

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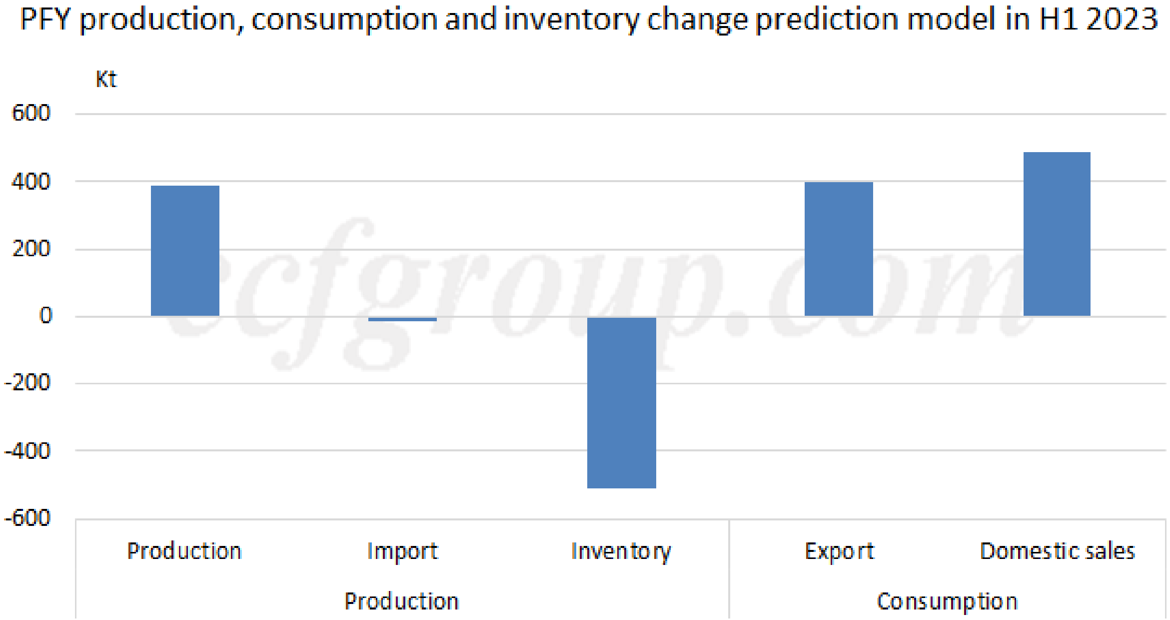
INTERNATIONAL NEWS

China: Consumption of polyester filament and textiles diversified in H1 2023

Demand for PFY was diversified in the first half of 2023, and the growth rate of export was higher than that of domestic sales. Export volume basically covered the increase of PFY production. The increase in domestic sales and the reduction of inventory was basically consistent.

As for the consumption of downstream products, domestic sales were better than export. Actually, the rise of domestic sales was mainly contributed by the inventory increase of middle products and downstream finished goods.

1. PFY export exceeded expectation and the increase of export basically covered the growth of production

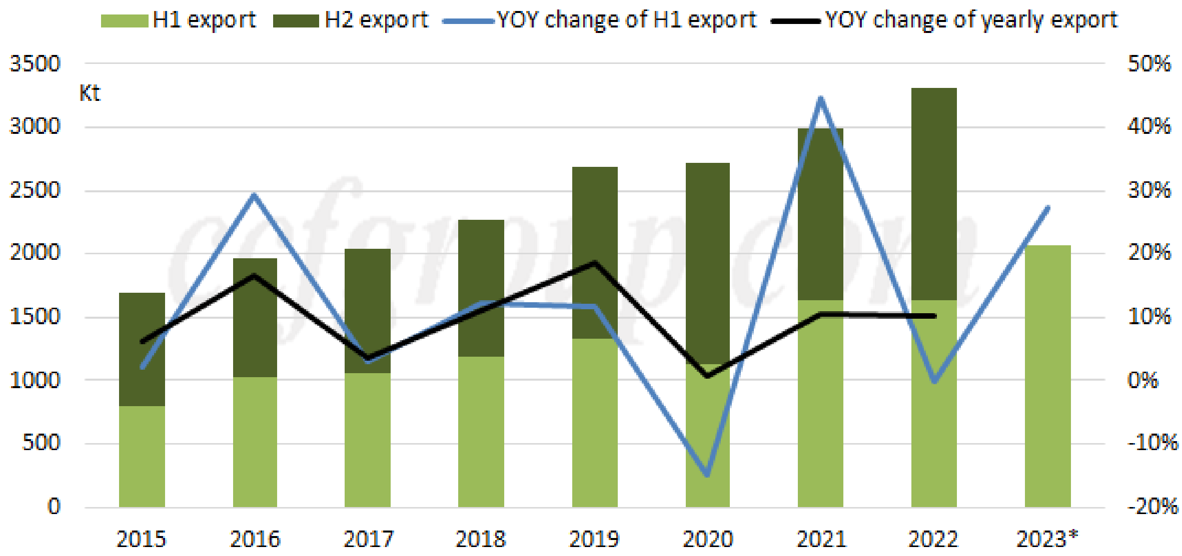


Exports of PFY were at 1720.7kt in Jan-May, 2023, up by 31.01% year on year. Factories reflected that exports of PFY are not small too in Jun. Total PFY exports are estimated to be around 2.07 million tons in the first half of 2023 when PFY export in Jun is estimated at 350kt, which will hit record high, up by 440kt or 27% on annual basis.

Soaring PFY exports in H1 2023 were mainly attributed to the following reasons: firstly, China-made PFY enjoyed cost advantage with integration of upstream and downstream production. Secondly, the sea freight to nearby routes sharply declined. Thirdly, some buyers purchased in advance due to policy issue, such as the BIS certification of India.

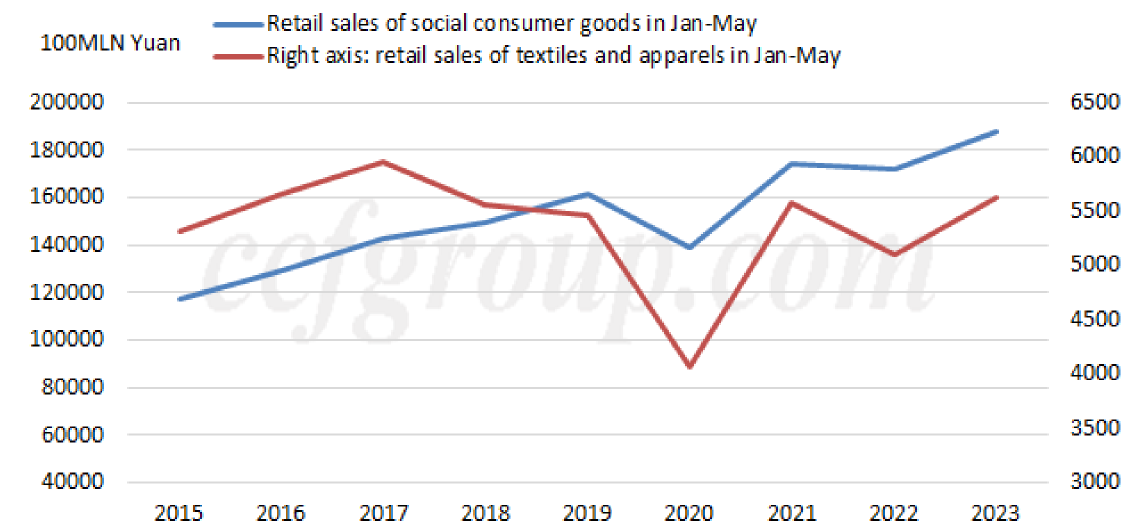
The PFY production increased by near 400kt in the first half of 2023. That meant export basically covered the growth of production. Domestic sales of PFY was basically flat with the corresponding period of last year.

PFY export volume and growth rate in 2015-2023



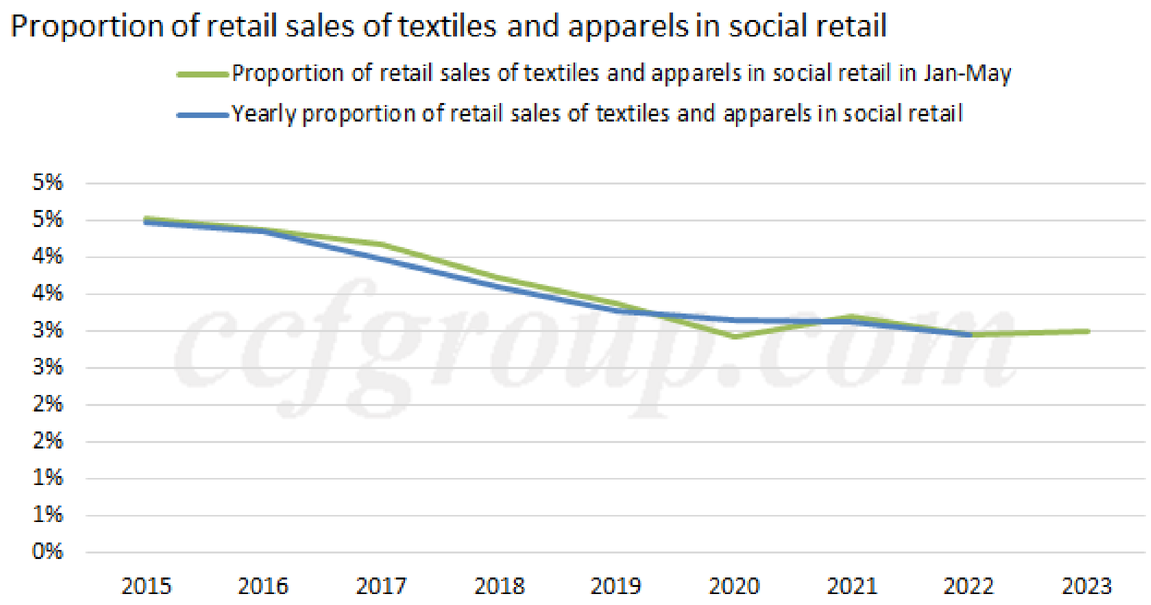
2. Domestic retail sales of textiles and apparels recovered but consumers still held cautious mindset

Retail sales of social consumer goods in 2015-2023



The retail sales of social consumer goods was at 18.76 trillion Yuan in Jan-May, 2023, a year-on-year rise of 12.7%. The retail sales of textiles and apparels was at 561.91 billion Yuan in Jan-May, 2023, up by 17.6% year on year.

In terms of consumption value, it apparently increased on the year, but the proportion of retail sales of textiles and apparels in total retail sales of consumer goods remained at 3%, which was low since the outbreak of pandemic.



3. Export of textiles and apparels was still under pressure and the pressure of apparels was bigger than that of textiles

Exports of textiles and apparels were weak, which was mainly because major textile and apparel importers such as Europe and US imported less.

Under RMB basis, textile and clothing exports totaled 812.37 billion yuan from Jan to May, an increase of 2.1% over the same period last year (the same below), of which textile exports totaled 390.48 billion yuan, down 2.4%, and clothing exports amounted to 421.89 billion yuan, up 6.6%.

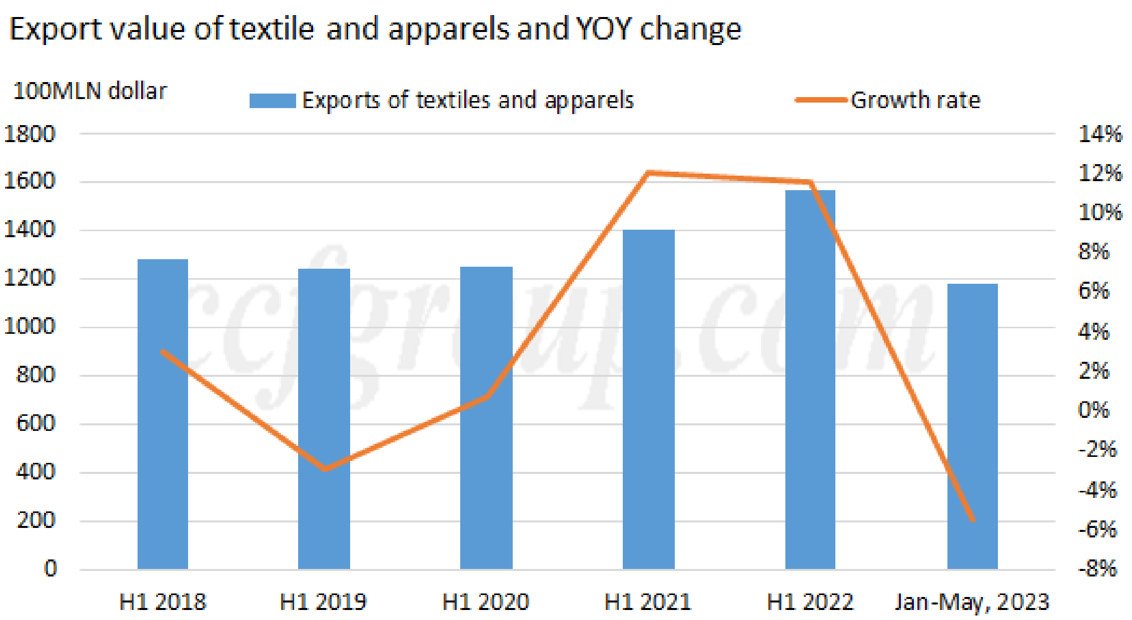
Under US dollars basis, from Jan to May, textile and clothing exports reached US$118.2 billion, down 5.3%, of which textile exports were US$56.83 billion, down 9.4%, and clothing exports totaled US$61.37 billion, down 1.1%.

As for export volume, from Jan to May, knitted clothing exports reduced by 5.79% compared with the same period of last year, woven clothing exports decreased by 0.77% on annual basis, woolen leather clothing exports fell by 3.17% year on year, other clothing exports decreased by 8.09% on the year, yarn exports increased by 13.16% over the same period of last year, fabric exports descended by 1.96% year on year, and finished goods exports rose by 1.67% on the year. Chemical fiber woven clothing export improved but knitted clothing weakened; fiber export was better, but chemical fiber woven fabric (grey fabric) export was weak.

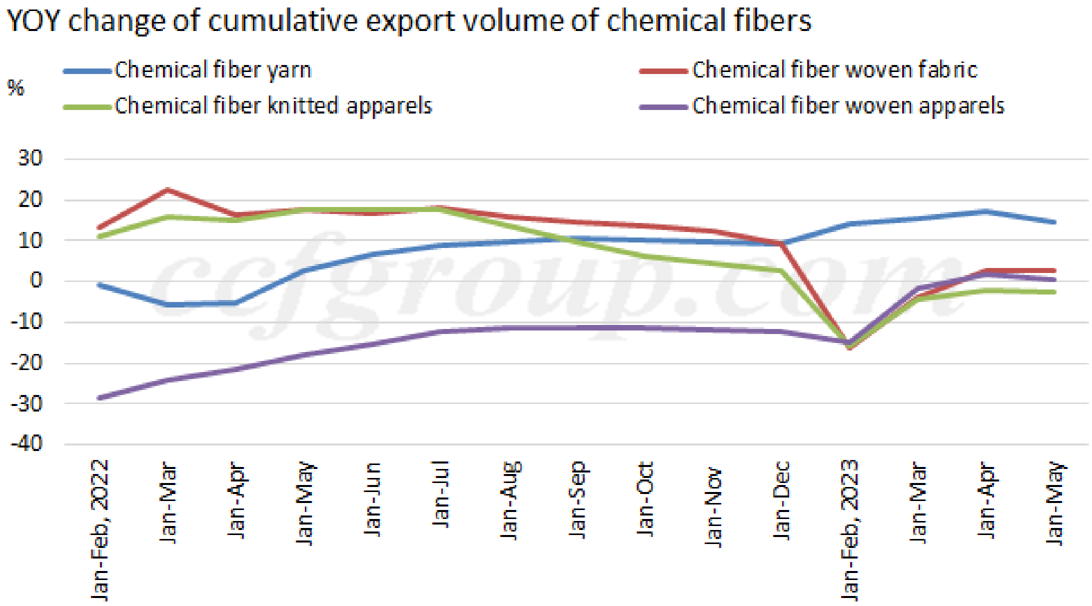
Import and retail sales of major economies outside China					
Nation	Import of textiles and apparels				Retail sales of textiles and apparels
	Time	Total import	Import from China	Import from other nations	
US	Jan-Apr	The import of textile and apparel amounted to $37.36 billion, a year-on-year decrease of 23.1%.	Imports from China totaled US$8.34 billion, down 33.7% from the same period last year, accounting for 22.3%, down 3.6 percentage points on the year.	Imports from Vietnam, India, Bangladesh and Mexico fell by 26.9%, 21.1%, 18.8% and 2.3% respectively year on year, accounting for 12.8%, 9%, 7.5% and 5.3%, respectively, increasing by -0.7, 0.2, 0.4 and 1.1 percentage points, respectively.	Retail sales of clothing stores in May were $25.63 billion, unchanged from the previous month, down 0.2% from the same period of last year, and an increase of 15.6% over the same period in 2019.
EU	Jan-Apr	The import of apparel reached $31.44 billion, a year-on-year decrease of 9.8%.	Imports from China were at US$7.78 billion, down 19.8% year on year, accounting for 24.8%, down 3.1 percentage points over the corresponding period of last year.	Imports from Bangladesh, Turkey, India and Vietnam increased by -6.1%,-13.8%,-1% and 1.6% year on year respectively, with proportion up by 0.9,-0.5, 0.6 and 0.5 percentage points, respectively.	Retail sales of clothing fell slightly by 0.7% in April from a year earlier in German; retail sales of clothing in the Netherlands were down 0.9% from a year earlier; and household consumption of textile, clothing and leather

					products in France reached 4.1 billion euros ($4.48 billion), down 1.1% year on year.
UK	Jan-Apr	The import of apparel approached $7.09 billion, down by 13.5% year on year.	Imports from China reached US $1.56 billion, down 24.5% on annual basis, taking up 22%, down 3.2 percentage points on the year.	Imports from Bangladesh, Turkey, India and Italy rose by 1.7%,-22.5%, 2.7% and-14.4% respectively on annual basis, with the market share up by 3.1,-1, 1.2 and-0.1 percentage points respectively.	From Jan to May, retail sales of textiles, clothing and footwear in the totaled 22.74 billion pounds in UK, an increase of 11.8% over the same period last year and 12.9% higher than that of the same period before the epidemic.
Japan	Jan-Apr	The import of apparel approached $8.57 billion, up by 3.7% on annual basis	Imports from China totaled US$4.4 billion, down 2.1% on the year, accounting for 51.4%, down 3 percentage points year on year.	Imports from Vietnam, Bangladesh, Myanmar and Cambodia advanced by 14.2%,-2%, 37.8% and 1.7% respectively year on year, with the proportion increasing by 1.4,-0.3, 1.3 and -0.1 percentage points respectively.	From Jan to Ap, retail sales of textiles and clothing totaled 2.8 trillion yen, an increase of 2.5% over the same period last year, down 22.1% from the same period before the epidemic.
Australia	Jan-Apr	The import of apparel totaled $3.02 billion, down by 4.2% on annual basis	Imports from China amounted to US$1.8 billion, down 7.4% from the same period of last year, occupying 59.6%, down 2.1 percentage points on annual basis.	Imports from Bangladesh, Vietnam, India and Indonesia increased by 7.3%, 6.8%,-1.1% and -0.7% on annual basis respectively, with the market	Retail sales in clothing and footwear stores reached US $11.91 billion from Jan to Apr, an increase of 7.9% on annual basis and 39.7%

				share up by 1.2, 0.7, 0.1 and 0.1 percentage points respectively.	over the same period in 2019.
Canada	Jan-Apr	The import of apparel as at $3.81 billion, down by 1.7%year on year.	Imports from China totaled US$1.07 billion, down 10.6% from the same period of last year, accounting for 27.9%, down 2.8% percentage points year on year.	Imports from Bangladesh, Vietnam, Cambodia and India moved up by-1.3%,-0.7%, 0.2% and 8.1% respectively year on year, with the market share up by 0.1, 0.1, 0.2 and 0.4 percentage points respectively.	Retail sales of clothing stores from Jan to Apr were C $11.42 billion, an increase of 13.5% over the same period last year and 19% over the same period in 2019.



The operating rate of water-jet mills, warp knitting mills and circular knitting plants in Zhejiang and Jiangsu also indicated apparently better woven market than knitted sector.



From the angle of export price, the export price of fibers decreased apparently year on year while that of apparels was higher than the corresponding period of last year.

4. The increase of fabric stocks contributed to the increase in domestic sales of PFY

The capacity increase of DTY market and fabric sector was bigger than that of PFY market in 2020-2022. The reservoir function of DTY market and fabric sector expanded.

As for the inventory of PFY and downstream fabric market in the first half of 2023, compared with the end of 2022, inventory of POY and FDY fell by around 1 day and that of DTY rose by around 10 days in big companies.

PFY stocks of downstream fabric mills fell by around 6 days while the stocks of grey fabrics rose by near 8 days. The increase of grey fabrics contributed to some increase in domestic sales of PFY. In addition, except for the increase of grey fabric inventory in factories, the replenishment of grey fabrics from traders and retailer also grew. Therefore, the growth of domestic sales of PFY was mainly attributed to the replenishment of downstream sectors.

Source: ccfgroup.com – July 04, 2023

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ASEAN manufacturing PMI drops marginally in June 2023: S&P Global

The Association of South East Asian Nations (ASEAN) manufacturing purchasing managers' index (PMI) fell slightly to 51 in June 2023, down from 51.1 in May, according to S&P Global. This drop marks the second consecutive monthly decrease, indicating the least significant improvement in operating conditions since March. The PMI, however, remained above the 50 no-change threshold, suggesting that the sector is still in expansion territory.

Data broken down by country indicated that five of the seven ASEAN constituents monitored by the survey reported stronger business conditions in June. Leading the upturn was Thailand. Though solid (PMI at 53.2), the rate of growth slipped further from April's record-high, signalling a much softer expansion during June.

Clustered together, growth across Singapore (52.7) and Indonesia (52.5) was modest overall. That said, the rates of expansion accelerated across both nations, pointing to the strongest upticks in seven and two months respectively. Moreover, they were the only two countries to record stronger growth in June, as per S&P Global.

As has been the case since February 2022, Filipino manufacturers registered an improvement in the health of its manufacturing sector. That said, the seasonally adjusted headline figure (50.9) was the second lowest observed in the aforementioned sequence, signalling only a modest improvement overall.

Manufacturing firms across Myanmar also reported a slight improvement in operating conditions. Though much weaker than the survey-high recorded in April, a reading of above 50 was still a positive development for this sector which has been in decline for most of the last three years.

The headline numbers from Malaysia and Vietnam continued to signal deteriorating business conditions, with contractions recorded for the tenth and fourth month running respectively. While Malaysian manufactures signalled the quickest deterioration since January (47.7), manufacturing firms across Vietnam indicated a shallower downturn (46.2) than compared to the sharp reduction reported in the preceding survey period.

Central to the improvement in overall ASEAN manufacturing conditions were further expansions in both new orders and output. While the former registered a quicker rate of increase, production volumes grew at the weakest pace since December 2022.

In line with the softer uptick in output, manufacturing firms raised their buying activity at the slowest rate in five months. In terms of inventories, firms continued to build their stocks of raw materials and semifinished goods for the third straight month. However, post-production inventories were depleted for the second consecutive month, albeit only fractionally.

Elsewhere, supply chains continued to show signs of improvement, as average lead times for inputs shortened for the fourth straight month in June. Though modest overall, the rate at which delivery times improved was the most pronounced in three and a half years.

Additionally, the improved supply situation helped to ease price pressures during June. Cost burdens expanded at the slowest rate since October 2020. Consequently, manufacturing companies raised their charges to the weakest extent since the current run of output price inflation began in November 2020.

The sustained, albeit softer growth across the sector helped to revive confidence across ASEAN manufacturing firms in June. The level of optimism strengthened from May's 34-month low. That said, the latest index reading remained below the average recorded over the series history.

Lastly, despite the sector's overall positive performance, ASEAN manufacturing firms failed to raise employment for the fourth consecutive month. The rate of job shedding remained marginal, however, and was similar to those recorded in the three prior months.

Source: fibre2fashion.com – July 05, 2023

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China's 2023 GDP may grow by 5.4%; domestic demand's role in growth up

China's gross domestic product (GDP) grew by 4.5 per cent in the first quarter (Q1) this year, and is expected to grow by around 6 per cent in Q2, 4.9 per cent in Q3, and by 5.4 per cent in the entire year, said a recent report by the Bank of China Research Institute.

The contribution of domestic demand to economic growth has increased, the report noted.

Consumption is expected to see moderate recovery driven by pro-consumption policies and the accelerated release of service consumption, an official Chinese media outlet reported.

Infrastructure investment will continue to grow rapidly, and as economic recovery continues, the banking sector is taking the initiative to raise support for the real economy and steadily increase the size of its assets and liabilities.

China's bank industry continued to strengthen the ability to cope with risks, and asset quality continued to improve, the report added.

Source: fibre2fashion.com – July 05, 2023

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Turkiye's manufacturing sector continues improvement in June: Report

Turkiye's purchasing managers' index (PMI) held steady at 51.5 for the third consecutive month in June, indicating a continued, albeit modest, improvement in the health of the manufacturing sector, according to a report by S&P Global. The PMI reading above the 50 no-change threshold implies that business conditions have been strengthening for the past six months.

The main positive was a solid and accelerated rise in manufacturing production. Output was up for the fourth month running, with the rate of growth the fastest since July 2021. Alongside improvements in demand, firms also attributed the latest rise in production to an ongoing recovery from the earthquake and a pick-up in activity following the election period.

While new orders rose for a fourth straight month, the rate of increase was only marginal and the softest in the current sequence of expansion. The slowdown in growth was partly reflective of a depreciation of the Turkish lira against the US dollar, anecdotal evidence showed, as per S&P Global's Istanbul Chamber of Industry Turkiye PMI report.

Exchange rate fluctuations also contributed to re-accelerations in both input cost and output price inflation in June after sustained slowdowns in previous months. Input prices increased at the fastest pace in just under a year, while charges were up to the greatest extent since February.

Meanwhile, suppliers' delivery times lengthened markedly as vendors struggled to respond to increasing demand for inputs. Accordingly, firms used existing holdings of items to support production, leading to a reduction in stocks of purchases.

Job creation was signalled for the second month running in response to greater production requirements. The rate of expansion was modest, but slightly faster than that seen in May. Backlogs of work increased, however, for the second time in the past three months.

Source: fibre2fashion.com – July 5, 2023

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Reserve Bank of Australia holds cash rate steady

The Reserve Bank of Australia (RBA) has announced its decision to keep the cash rate target unchanged at 4.10 per cent. Additionally, the interest rate paid on Exchange Settlement balances will remain steady at 4 per cent. This move comes after a series of interest rate increases totalling 4 percentage points since May of the previous year.

The higher interest rates have been effective in establishing a more balanced supply and demand dynamic within the economy. Recognising the prevailing economic uncertainties, the board chose to maintain interest rates at their current level for the time being. This decision allows the RBA to evaluate the impact of previous interest rate hikes and assess the overall economic outlook, Philip Lowe, governor, RBA, said in a statement.

While inflation in Australia has peaked, the May consumer price index (CPI) indicated a further decline. However, the RBA acknowledged that inflation remains persistently high and is expected to remain so for the foreseeable future. The detrimental effects of elevated inflation, such as eroding savings, straining household budgets, hindering business planning and investment, and exacerbating income inequality, were highlighted. The board's primary focus remains on returning inflation to the target range within a reasonable timeframe.

Australia's economic growth has decelerated, and the labour market has experienced some easing, although it remains tight. While reports suggest a reduction in labour shortages, job vacancies and advertisements continue to remain at elevated levels.

Notably, labour force participation is at a record high, and the unemployment rate remains close to a 50-year low. Responding to the tight labour market and high inflation, wages growth has increased. However, the board emphasised the need for productivity growth to support sustained wages growth that aligns with the inflation target.

Although the board maintains its expectation of economic growth as inflation returns to the target range, it acknowledges the challenges associated with achieving this balance.

Household consumption remains a significant source of uncertainty due to the combined impact of higher interest rates and cost-of-living pressures, leading to a notable slowdown in spending. Moreover, uncertainties in the global economy, which is projected to grow below average in the coming years, add to the economic landscape's complexity, the statement added.

The RBA indicated that future monetary policy adjustments may be necessary to ensure inflation returns to the target range within a reasonable timeframe.

Source: fibre2fashion.com – July 04, 2023

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85% of Australian cotton harvested, quality exceeds projections

Around 85 per cent of the Australian cotton crop has now been picked with growers and cotton gin operators reporting better than expected yields and, in some cases exceptional quality despite the challenges.

Cotton Australia's general manager Michael Murray said indications are that the 2022-23 crop may just fall short of last year's result of 5.6 million bales, which was a record year, the company said in a press release.

Murray said: "With good rainfall leading to healthy soil profiles and good water storage results, we had forecast a positive result in 2022 and we achieved some of the best yields on record in some areas. That rainfall became a problem in parts of New South Wales and southern Queensland in late 2022 with severe flooding recorded in many growing areas as well as crop and infrastructure damage. The conditions at that point led to a downgrade in expectations.

"I'm pleased to say that better conditions, including a warmer than expected start to 2023, resulted in a boost for growers and the results are now becoming clear."

The quality of the crop ginned and classed to date is exceptionally high with lint that is white and clean while also recording good fibre length and strength. Cotton quality is measured by a variety of factors including the colour, strength, contamination by leaf and other plant matter, staple length and micronaire, which is a measure of fibre maturity.

Murray said the timing for Australian growers is good with crops processed through gins lining up with the increased shipping capacity as shipments traditionally ramp up through to September.

"Industry forecasts suggest that while US and Brazilian cotton is being traded at significant volumes to some of our trading partners, our cotton is considered to be of the best value when you take into consideration the quality, the lower transportation costs, and the turnaround times," he added.

The crop results come as the growing footprint of cotton in Australia continues to expand as more growers consider cotton in north Queensland, the Northern Territory, and North West Australia. Murray said cotton can grow across a wide geographical range and climatic conditions with scope for growth in many areas north of the Victorian and New South Wales border.

He explained: “We are hearing reports of growers in coastal Queensland locations adding cotton to their rotations and doing very well. And while some areas are considered ideal because of the rainfall and temperatures, cotton can thrive in other conditions and provide a profitable alternative.

“Some growers see the lack of nearby cotton gins as an issue but with a gin close to completion in the Northern Territory, a commitment to build one in the Ord River area, and plenty of positive industry talk about one for North Queensland, those transport costs will become less of an impediment.”

It has also been a record year for the production of myBMP cotton with over a third of the crop certified under the programme. myBMP cotton also qualifies as Better Cotton under an agreement between Better Cotton and Cotton Australia. Murray noted that important consultation is advanced across the industry as part of the roadmap process that is looking at some of the key issues confronting the industry.

“Cotton Australia, ACSA, and CRDC are collaborating to develop a strategic roadmap for the Australian cotton industry that will help the industry remain competitive in a changing fashion and textiles market,” he said. Five key topic areas will be addressed with broad consultation across industry, farmers, and stakeholders—traceability, industry data, sustainably certified cotton/myBMP programme, and Australian cotton marketing. Murray said the global market remains very positive for Australian cotton overseas.

“We sell every bale we grow, so clearly the global demand is there. As global economic conditions improve, so too will demand for our cotton which is seen as among the highest quality produced,” he added.

Source: fibre2fashion.com – July 04, 2023

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Retail turnover in Netherlands surges 4.6% YoY in May 2023

For May 2023, the Dutch retail sector recorded 4.6 per cent year-on-year (YoY) turnover growth. The volume of sales decreased by 5.8 per cent. Turnover was up by 1.2 per cent in the non-food sector. Furthermore, online retail turnover increased by 4.8 per cent YoY.

Retail turnover data has been adjusted for the shopping-day pattern in May. Retail sales tend to vary from one day to the next. If the shopping-day pattern is not taken into account, retail turnover in May 2023 was 6.3 per cent higher than in the same month last year, Statistics Netherlands (CBS) said in a press release.

The volume of sales (turnover adjusted for price changes) decreased by 7.5 per cent compared to the same month last year.

Shops selling products including home furnishings, footwear, and leather goods saw YoY turnover growth in May. On the other hand, clothes shops and others recorded a decrease in May.

Online stores recorded a turnover increase of 5.3 per cent. Multi-channel retailers achieved 4.1 per cent higher turnover in online sales.

Source: fibre2fashion.com – July 04, 2023

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Vietnam's fabric imports at $4.8 bn in Jan-May '23, China top supplier

Between January and May 2023, Vietnam imported fabric valued at $4.851 billion, with China being its largest supplier. Fabric imports from China during this period were worth $3.539 billion, constituting 72.95 per cent of Vietnam's total fabric imports.

The other four major suppliers, South Korea, Taiwan, Japan, and Thailand, contributed around 15 per cent to Vietnam's total fabric imports, according to the market insights tool, TexPro, from Fibre2Fashion.

However, Vietnam's fabric imports from China marked a decrease of 28.14 per cent compared to the same period in 2022, when the value stood at $4.943 billion. In comparison, Vietnam imported fabric worth $4.386 billion in January-May 2021, $2.834 billion in January-May 2020, and $3.563 billion in January-May 2019.

In 2022, the total value of fabric imports from China was $11.193 billion. This compared to $10.328 billion in 2021, $8.127 billion in 2020, and $8.817 billion in 2019. Given their geographic proximity, Vietnam relies heavily on China for raw materials. Despite this, the country's primary apparel market is the western world.

As per TexPro, Vietnam's total fabric imports in 2022 were valued at $16.014 billion. In the preceding years, the figures stood at $15.517 billion in 2021, $12.560 billion in 2020, and $14.235 billion in 2019.

Source: fibre2fashion.com – July 04, 2023

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Pakistan: Trade winds: On falling exports

The export figures for the eleven months of fiscal year 2022-23 are very disappointing. We had got used to export growth of over 20% in USD terms over the previous two years and now there is a drop of about 17% in USD value, from a figure of 17.58 billion dollars down to 15 billion in the 10 months of the last fiscal year.

To understand why this has happened one must first understand the factors which gave us the spurt in 20/21 and 21/22 before we comprehend the factors which have given us the drop in exports over the last one year. First of all let us see why our exports boomed over 20/22.

The Imran Khan government followed the advice of the IMF (International Monetary Fund), and common sense. It did not try to hold the rupee at an unrealistically high level and allowed it to float. This gave a fillip to our exports, and once the sales tax refunds were sorted out, exports boomed.

Then came the Covid years when the Indians, and to some extent the Bangladeshis, shut down their factories for fear of pandemic in their urban centers. We handled the situation very well. We not only did not shut down our factories, we gave them soft loans so that they do not lay off their workers. This worked wonders and we regained a lot of the business lost to India due to the policies of export suppression followed by the previous government.

Our exports boomed and brought in much-needed foreign exchange and employment.

What went wrong?

The world has been heading for a downturn over the last one year as Central Banks are tightening monetary policies over the last twelve months. So, overall demand for consumer products has fallen.

The effects of Covid are dissipating and lockdowns have been lifted. Demand for travel, holidays and entertainment has boomed while demand for textiles and consumer goods has dropped; demand for our textile products has also fallen.

There has been a complete failure of our cotton crop. We are now firmly a cotton- importing country and not a surplus country. It is seldom realised how big a setback this is to our textile industry, which is entirely based on the premise of cheap cotton.

What most of us do not realise is that our exports of textiles are closely linked to cotton, its availability and price. The world price of cotton fell from over USD1.3/ pound last year to 86 cents per pound now. A 40 cent/pound drop means a drop of about one dollar per kg once the waste factor in spinning is worked into the cost. Most of our exports are in the USD 5 to USD6 per kg region. A drop of one dollar in the raw material cost means a drop of about a dollar in the price of our products, meaning 16% of the price. This one factor alone explains most of the drop in the value of our textile exports.

We are in a highly competitive world and the market for textiles is fiercely fought over. If we do not drop our prices as cotton costs go down, the other countries will do so and take away our customers. So even if the volumes remain the same but prices drop by a dollar a kilo, then our overall textile exports drop by 15% approximately. In our current case the volumes for many products have dropped as well.

Therefore, the current drop in exports is quite understandable and we should not panic. Nor should we start blaming the exporters for being "unpatriotic." After all as the economy recedes and the car manufacturers or cement plants curtail their output, they are not called unpatriotic!

A detailed analysis is required by experts and policy measures adopted for further export growth. With the current exchange rate we have a huge cost advantage over our competitors and we should try to exploit it to its full potential. However, price is not the only determinant of a product's sale appeal.

It's also the quality, design, and appearance. We are very poor in all those departments, and now have to learn to improve our quality and image. Our image is very poor, and given a choice, most of the world would rather not travel or trade with Pakistan. It's unpalatable, but true.

If we look at the sectoral performance within the textile exports it tells you quite another story.

I am familiar with the field or terry towels and their exports and an examination of the last 11 months figures reveals a few factors not commonly understood, least of all by our policymakers.

If you examine the drop in exports this year it is only about 10% in USD terms, yet the quantity dropped by 15%. The value per kg did not drop by a dollar per kg as did the price of cotton; it went up by 2.5% from USD4.99/kg last year to USD5.13/kg this year. In effect, the towel industry has managed to upgrade and improve its product range from the cheapest to better-priced products.

Similarly, in the category of “bed wear” exports dropped in overall volume yet the value per unit did not go down. It went up from USD6.31/kg to USD6.64/kg! Much the same has happened to cotton cloth. These three industries, along with spinning units, are the established industries. Garments, knits and apparel are new developments from Pakistan.

The better established Knitwear Industry is transforming rapidly to changed conditions. The value per dozen of knitwear has dropped from 31 to 25 dollars. Their volume has increased from 148,307 thousand dozens to over 162,000 dozens. Similarly, the quantity exported of readymade garments has gone up by 50% from about 50,000 dozens to almost 73,000 dozens.

It is quite clear that the huge disruption caused by the failure of the cotton crop is forcing the Pakistani textile industry to transform itself. It is endeavoring to do so. What should be the policy imperatives? I will try to make some suggestions in a sequel to this article.

Source: brecorder.com– July 05, 2023

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NATIONAL NEWS

Collective responsibility of all nations to support innovation and startup ecosystem: Sh. Piyush Goyal

Union Minister for Commerce and Industry, Consumer Affairs, Food & Public Distribution and Textiles, Shri Piyush Goyal has said that India's remarkable economic scale and market potential have played a pivotal role in enabling startups to flourish and thrive in the global startup ecosystem.

While addressing the 'Startup20 Shikhar' at Gurugram, Haryana today, Shri Goyal said that there must be a global effort to nurture inclusive, supportive and sustainable startup ecosystems in all parts of the world to address global challenges.

Shri Goyal said that it is not just the role of individual nations but the collective responsibility of all nations to support innovation and the startup ecosystem. Highlighting the importance of the discussions on startups in the G20, the Minister said that the focus has to be on facilitating exchange of ideas, best practices and funding mechanisms and promoting collaborations in Research and Development.

The Minister lauded the Startup20 Engagement Group and said that this engagement of diverse experiences and knowledge is aimed to foster collaboration and bridge gaps between countries.

Shri Goyal expressed hope that participants, both local and international, will leave with valuable memories, learnings, and connections to further nurture their own startup journeys and contribute to the growth of the entrepreneurial community in their respective nations. The Minister said that India is delighted to engage with its partner countries through Startup20 and remains committed to sharing experiences and working together to encourage the new generation of job creators who are reshaping the future.

Shri Piyush Goyal pointed out that India is in a unique position with huge talent and skill of its demographic dividend that is attractive for the startups. He said that India has a unique startup culture and large market potential, which are truly beneficial for startups.

The Minister further said that India, a relatively new entrant in the startup ecosystem has already become the world's third-largest startup ecosystem. Shri Goyal added that the country's aspirations extend beyond this achievement, with a focus on fostering entrepreneurship among not only the youth but also individuals from diverse age groups.

He said that over the last seven years, India's 100,000 registered startups, including more than 100 unicorns, have made significant contributions to various sectors such as health, finance and agriculture and generated employment opportunities and given a spur to innovation.

Shri Goyal highlighted that Gurugram, known as an economic powerhouse in the state of Haryana, showcases the dynamic landscape of India's startup ecosystem with over 100 Fortune 500 companies, leading tech firms, and numerous startups.

Source: pib.gov.in– July 04, 2023

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Navigating the carbon-tax era in trade

The process for the EU's Border Carbon Adjustment Tax (Border-CAT) is set to start in October this year when firms exporting to the EU will start sharing emission data with their eurozone counterparts. The carbon tax will kick in from January 2026 and initially cover steel, aluminium, cement, fertilisers, hydrogen, and electricity. The list of products will expand rapidly to cover all products by 2034.

The idea of a carbon tax has found acceptance in the developed world. The UK will soon introduce it and countries like Canada, Japan, and the US are talking along similar lines.

Developed countries, which currently account for 65 per cent of global trade, have an average industrial tariff of 2-3 per cent. Imagine the trade disruption when they start charging carbon tax in the range of 20-35 per cent over and above import duties. Soon, the world will be divided into countries charging carbon tax and the rest of the world (RoW).

World Trade Organization (WTO) commitments on tariffs will become meaningless for countries charging a carbon tax. A ceiling tariff or bound duty for a product represents the uppermost level that a government can impose without violating WTO commitments.

Free trade agreements (FTAs) with developed countries charging carbon tax will become one-sided. Suppose India and the EU agree to eliminate tariffs on all products through an FTA. Once Border-CAT is implemented in full, EU products will enter India at zero import duty, while Indian products will still attract a tax of 20-35 per cent.

The carbon tax will also lead to a few unintended consequences for the EU and other developed countries. For example, it may reduce the EU's exports to RoW markets, where cheaper products will be available from countries that do not charge a carbon tax.

The EU firms must either invest in cleaner production or pay the carbon tax to become compliant. In both cases, their products will be expensive. Firms from countries with no carbon tax have no such limitations.

China may surprise by becoming the lowest-cost supplier of clean energy-compliant products, achieving this through a combination of hydroelectric and green hydrogen-led production of steel, aluminium, cars, and other industrial products. Green hydrogen produced using electricity generated by hydroelectric power costs just one-third of the price of hydrogen made using wind or solar energy, on which most of the EU and US strategy is based. So the EU's home market may see more Chinese products. On the industrial side, car makers in the EU may find Chinese green steel to be cheaper. A similar fate may await the markets of the US and UK.

The EU will not stop dirty imports; it will just tax them. So carbon tax will have an insignificant impact on the reduction in global emissions.

While computing its net-zero goals, the EU only counts what it produces, not what it consumes. This means EU consumers can continue to happily consume items made in China and elsewhere without feeling guilty about global warming—such hypocrisy. Developed countries indulge in high consumption, and there is no discussion on reducing consumption levels, which alone will lead to a reduction in emissions.

What should India do to prepare for this scenario?

Actions by government: Set up a carbon trading mechanism, similar to the ones already in use in 45 countries. It should re-designate customs, excise duty, and cesses charged on petroleum, coal and other items as carbon tax. This will reduce the amount of tax to be paid to the EU. The government should also start to work towards setting product embodied-carbon standards in end-use sectors.

Since less than 2 per cent of the production-linked incentive (PLI) funds have been spent so far, the government may consider a new PLI for low-carbon trial projects. Additionally, it should provide capital expenditure subsidies on installations and prioritise green products in public procurement.

On trade, the government must devise a WTO-compatible carbon tax retaliation mechanism. It should sign new FTAs with developed countries after resolving the carbon tax issues with the EU or UK. Simultaneously, it must create a cadre of energy auditors to help firms with emissions data, ensuring their accreditation by the EU system. Additionally, it may also start an industry awareness programme.

Actions by industry: Each firm must know its unit's current state of baseline emissions and calculate the monetary impact associated with them. They should set internal targets to decarbonise and evaluate the costs of adopting renewables.

As the emissions data is to be shared with the EU starting October 1 this year, firms should hire an auditor to prepare documents. Large firms may consider setting up two production lines — one for carbon tax markets, and the other for the RoW.

Large firms must develop strategies to enhance their competitiveness in the new trade regime. They must consider if it is possible to grab market share from competitors, replace the EU's home production, or their export market share. Firms should also watch out for cheaper imports, which will be on the rise.

The world's trade rules are shaken periodically. The US and EU take the lead, be it through the founding of GATT in 1947, or pushing globalisation via offshoring production and global value chains in the 1980s, or the founding of WTO in 1995. They plan meticulously, but the law of unintended consequence comes into play.

For example, the US promoted offshoring and WTO to make China its production base, but not as a competitor in high-tech products. The rising trade of developing countries also was never an intended consequence. Next, the EU pushed for the adoption of the Information Technology (IT) Act at the WTO in 1996 to become a leader in emerging computer, electronics and IT product manufacturing. But, the EU has lost its market share post-IT Act and is now a minor player in this product group. It remains to be seen if a similar fate awaits the carbon tax.

For now, the carbon tax is a reality. Let's play the game with full awareness, strategy and statecraft.

Source: business-standard.com– July 04, 2023

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Chinese imports cheaper as rupee gains over yuan

Mumbai: India's inflation outlook, which faces upside risks from an uncertain monsoon prognosis, has gained an advantage from the economic struggles of neighbouring China, as a sharp appreciation in the rupee versus the yuan cheapens the price of imported goods.

From March 31 to June 30, the rupee has appreciated 6% versus the Chinese currency, Bloomberg data showed. For the calendar year so far, the rupee's appreciation is at similar levels and taking into account the rupee's gains from its lows versus the yuan touched in January, the domestic currency has strengthened as much as 8%.

While slowing Chinese growth has cast a shadow on global economic prospects, given the prevailing trade dynamics, India stands to benefit from the inflation perspective.

"China is our biggest source of non-energy imports, which means that because of the appreciation of the rupee against the yuan, we will be importing China's disinflation. I think that is less appreciated in public discussions. That's a positive - it will bring down core inflation because imported Chinese goods will be cheaper," said Jahangir Aziz, head of emerging market economics at JP Morgan.

India's trade gap with China widened to $83.2 billion in the last fiscal as against $72.91 billion in FY22. Exports to China dipped by about 28% to $15.32 billion in FY23, while imports rose by 4.16% to $98.51 billion in the last fiscal. Imports of Chinese goods have continued to grow in the current calendar year, rising 4.6% in January-April and crossing $37.86 billion, reports said.

Disinflationary Impact

"Yuan weakness basically indicates that China is exporting deflation to the rest of the world and to that extent it will also help India because it's an important partner when it comes to our total imports, especially in chemicals etc," said Anubhuti Sahay, Standard Chartered Bank's head of South Asia Economic Research. Analysts pointed out that while the broader inflation dynamics would be shaped by the spatial distribution of the monsoon, the depreciating yuan was akin to the icing on the cake if the rains were not to throw up too unpleasant a shock due to the El Nino effect.

"For India's inflation, in the next few quarters, more than the external story, the monsoon story becomes far more important. Core inflation is well-contained. A sharp pick-up in commodity prices looks unlikely in the immediate term. The exchange rate story adds over and above the low commodity price theme," Sahay said.

A faltering Chinese re-opening after strict Covid restrictions, higher returns in the US following aggressive rate hikes by the Fed and slower demand for exports amidst weakening global growth have all contributed to the yuan's weakness. The Chinese currency dropped to a six-month low against the US dollar last month.

"I think it's largely a reflection of a weakening yuan rather than any material change in the rupee dynamics. It is something that may help in blunting inflation pressure," said Rahul Bajoria, senior regional economist at Barclays.

Mean Reversion

"It's something to be watched because we have large trading relationships with China. It is largely a mean reversion. Even in the earlier part of the year when people were very bullish on the Chinese economy, we saw the dollar-China move down a lot," he said. The Reserve Bank of India's efforts to ensure minimum volatility in the rupee's exchange rate versus the US dollar have also contributed to the Indian currency's move against the yuan.

"If the yuan continues to depreciate against the dollar, the rupee is going to appreciate probably even more against the CNY. If you want to keep the dollar-rupee rate stable at 81-82, then the corollary to that is that it has to move against its other trading partners. That's arithmetic," Aziz said.

The rupee has appreciated 0.8% against the US dollar so far in 2023 as against a depreciation of around 10% the previous year. Currency traders said that over the last couple of months, amid heavy foreign inflows in equities, the RBI had been keeping the rupee's gains in check by purchasing dollars and replenishing its reserves.

Source: economictimes.com– July 05, 2023

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Roadmap for 2030 will benefit UK and India: UK trade minister Nigel Huddleston

UK trade minister Nigel Huddleston on Tuesday said the 2030 roadmap with India will bring immense benefits for both countries. Speaking at an event here, the minister said it will deepen cooperation and bring both the countries even closer.

"The 2030 roadmap agreed by our Prime Ministers in May 2021 is a practical plan to transform the relationship between United Kingdom and India. It will bring immense benefits for both the countries. We have committed to doubling trade between the two great nations," Huddleston said.

He said both UK and India have global interests and global reach. "We are science and technology superpowers. We worked together on the Covid vaccine which saved hundreds of lives in several countries," Huddleston said.

In 2022, the volume of bilateral trade between India and the UK stood at GBP 36 billion, supporting half a million jobs in both the countries.

The minister said of the great global challenges, none is more urgent than climate change. "We are proud to work with India and support initiatives such as the International Solar Alliance and the coalition for disaster-resilient infrastructure," the minister said.

He also announced deepening of cooperation between the UK and West Bengal in electric mobility and sustainable construction sectors.

He said to address the barriers for faster adoption of electric vehicles, UK had worked with the West Bengal government to bridge the skill gaps in the ecosystem in the EV space.

"Together (UK and West Bengal) we will make the transition to zero emission vehicles faster, more affordable and accessible to all," he added.

Meanwhile, both the UK and India are negotiating a free-trade agreement which has completed the tenth round of talks.

Huddleston, who arrived here on Monday on a two-day visit to the metropolis, also met former West Bengal finance minister Amit Mitra.

"A pleasure to speak with @DrAmitMitra to reaffirm the UK's commitment to bolstering economic growth in this vibrant state. Also committed participation in the Bengal Global Business Summit, to which we brought the largest international delegation last year," he tweeted.

The UK minister also met Sanjiv Goenka, the chairman and MD of the RPG Sanjiv Goenka Group, and discussed business ties and opportunities.

"Really productive meeting with Sanjiv Goenka - Chairman and MD of @rpsggroup. We discussed UK-India trade and how a UK-India FTA could help address obstacles to trade, reduce tariffs, and open doors for businesses - creating jobs and opportunities for economic growth," the minister tweeted.

India is its 12th largest trading partner accounting for 2.1 per cent of its total trade.

The Department for Business and Trade (DBT) said Huddleston is on a three-day visit to South Asia, which covers Kolkata and Dhaka in Bangladesh, focused on unlocking more opportunities for British companies to grow trade and two-way business flows.

Source: economictimes.com– July 04, 2023

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Restoration of GSP benefits by US to India is need of the hour: CII EXIM committee chairman

An early solution for restoration of GSP benefits by the US to Indian exporters is the need of the hour as it would help further boost the bilateral trade, Chairman of the CII national committee on EXIM Sanjay Budhia said on Wednesday.

India and the US have agreed to discuss New Delhi's demand for restoration of Generalized System of Preferences (GSP) benefits to domestic exporters and now both sides will commence discussions to find a solution.

The previous Trump administration in the US revoked GSP from India in 2019. GSP allows eligible developing countries to export duty-free goods to the US.

Budhia said about two-thirds of the US imports under GSP are raw materials, components, or machinery and equipment used by US companies to manufacture goods in America for domestic consumption or for export.

GSP also helps American consumers by eliminating duties on a variety of usually inexpensive consumer goods, he said adding these benefits are real and tangible.

"Both sides have mutually agreed to discuss and find a solution. The earliest solution is the need of the hour," Budhia, who is also Managing Director of Patton Group, said.

He added that as there are huge opportunities of cooperation between the two nations, there is a need to fast-track the economic partnership to achieve the target of USD 500 billion by 2030.

The move to resolve and settle a few bilateral trade issues will create a congenial economic environment for development which will further strengthen the relationship between the two economies.

"The decision to end these trade disagreements at the WTO is a big step and will ensure that companies of both countries now can do business at enhanced level with mutual confidence and trust. A very pertinent and crucial issue which needs to be settled at the earliest is the restoration of GSP benefits to Indian exporters," he added.

GSP allows eligible developing countries to export duty-free goods to the US.

About 1,900 Indian products from sectors such as chemicals and engineering were getting duty-free access to the US market under GSP, introduced in 1976.

"Pending restoration of the GSP programme, all products are being exposed to full rate of import custom duties. The GSP programme aids American businesses by lowering the cost of imported goods that are used as inputs in value-added US production," Budhia said.

Source: moneycontrol.com– July 05, 2023

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PLI, a truly transformative force

Never in my long career have I been so amazed to see the remarkably enabling environment being provided by policymakers to the Indian industry with a view to enhance manufacturing value-add in the country. Production-Linked Incentive (PLI) schemes are the cornerstone of the government's efforts to make India a global manufacturing powerhouse — both by augmenting the capabilities of Indian companies and attracting global companies to set up mother plants in India.

As chairperson of the SCALE committee, I have an opportunity to directly interact with industry in many of the PLI sectors and I can confidently say that PLI is making a huge difference and the impact is going to go way beyond the end of the scheme in five years. PLI is giving a kick-start to manufacturing in a way that it will get into a positive spiral.

The government is investing in the long-term growth of our manufacturing sector by providing a strong financial booster shot in the form of the Production Linked Incentive Scheme, as well as doing other reforms. The intent is very clear — to make our manufacturing sector globally competitive and thereby making India Atmanirbhar and take advantage of current geo-political situation. I may also add that we are only in the second year of the five-year PLI scheme. The positive impact of PLI will only accelerate as we move forward.
The foundation

PLI, as envisioned, are built on the foundation of 14 sectors with an incentive outlay of ₹1.97-lakh crore (about $26 billion) to strengthen their production capabilities and help create global champions. The underlying principle is to grow scale and make India globally competitive. The expectation is that in five years the industry will reach a scale and efficiency, helped with other reforms such as Gati Shakti, new trade agreements, EoDB, that it would not need a PLI to be competitive.

Already, we are witnessing a gradual shift in India's export basket, from traditional commodities to high value-added products such as electronics and telecommunication goods, processed food products etc. PLI Sectors that have seen an increase in FDI inflows in the last year are Drugs and Pharmaceuticals (+46 per cent), Food Processing Industries (+26 per cent) and Medical Appliances (+91 per cent).

In the 14 PLI sectors — mobiles, medical devices, telecom & networking products, automobiles and auto components, pharmaceuticals, drugs, white goods, specialty steel, electronic products, food products, textile products, solar PV modules, advanced chemistry cell battery and drones and drone components, as on date, 733 applications have been approved with expected investment of ₹3.65-lakh crore, of which ₹62,500 crore is already realised till March 2023. Along with the large industries, 176 MSMEs are also among the direct PLI beneficiaries.

Incentive amount of around ₹2,900 crore has been disbursed in FY 2022-23 under PLI Schemes for eight sectors — Large-Scale Electronics Manufacturing (LSEM), IT Hardware, Bulk Drugs, Medical Devices, Pharmaceuticals, Telecom & Networking Products, Food Processing and Drones & Drone Components.

One of the big success stories is that of mobile phones. The PLI Scheme has enabled major smartphone companies — Foxconn, Wistron and Pegatron to shift supplier base to India. As a result, top high-end phones are being manufactured in India.

This has also resulted in increase in localisation in IT Hardware such as Battery & Laptops. India has been able to increase the value addition in mobile manufacturing to almost 20 per cent within a period of three years, which is indeed a very good start compared to its peers.

Apple Inc. is looking to shift part of its iPhone manufacturing value chain to India. PLI Scheme for LSEM along with existing Phased Manufacturing Program (PMP) has led to increased value addition in the electronics sector and in smartphone manufacturing, 23 per cent and 20 per cent respectively, from negligible in 2014-15.

Local value-addition

The PLI scheme for White Goods (Air Conditioners, etc) has been successful in boosting local value addition. The domestic AC industry is working towards increasing the localisation content from 25 per cent to 75 per cent in five years and targeting to acquire a reasonable share of global exports in room air conditioners from a miniscule share currently. There is increased confidence in Indian companies to play in the global arena, thanks to the support from PLI.

Telecom sector has been able to achieve import substitution of 60 per cent with increased self-reliance in Antennae, GPON (Gigabit Passive Optical Network) & CPE (Customer Premises Equipment). Drones which is a strategic sunrise sector has seen significant momentum post PLI, particularly in growing number of promising start-ups in drone manufacturing.

Medical devices is another important sector with high import dependency – to the tune of 75-80 per cent and yet high export potential. India can become the global manufacturing and export hub for medical devices. Thanks to the PLI support, the sector has received committed investment of ₹1,206 crore, with actual investment of ₹714 crore till date.

Wipro and GE, Siemens are increasing manufacturing footprint in India. It is very encouraging to see that domestic manufacturing of high-end medical devices like, MRI Scan, CT-Scan, Mammogram, high end X-ray tubes, etc is starting in India.

A word of caution for the industry. The PLI scheme is for five years. It is critical that these five years are used by the industry to create scale and with the government's help to reduce factor and logistics costs. By the sixth year we must ensure that the Indian manufacturing is globally competitive even without the help of the PLI scheme.

Source: thehindubusinessline.com– July 04, 2023

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Demand for cotton yarn up in south India; prices drop in Tiruppur

South Indian traders are seeking more positive sentiment in the yarn trade. A surge in cotton prices has stimulated yarn buying from the weaving industry, while cotton prices in Mumbai have held steady in the face of increased buying. Expectations are high in south India's Tiruppur market for further demand for cotton yarn, which could push prices upward. However, cotton yarn prices in Tiruppur have decreased by ₹5-7 per kg following a monthly review by spinning mills. These mills reduced the ex-mill rate by ₹20 per kg.

In Mumbai, despite increased demand, cotton yarn prices remained unchanged. Weavers have been purchasing yarn in preparation for ramping up production to accommodate their workforce. The recent uptick in cotton prices has also motivated them to buy.

A Mumbai market trader told Fibre2Fashion, "Cotton yarn prices steadied at current level because of better demand. After summer holidays, workers are back in power looms. It will improve weaving activities. Higher buying activities in yarn is a good sign for the entire value chain."

In Mumbai, 60 count carded cotton yarn of warp and weft varieties was sold at ₹1,420-1,445 and ₹1,290-1,330 per 5 kg (excluding GST), respectively. Other prices include 60 combed warp at ₹325-330 per kg, 80 carded (weft) cotton yarn at ₹1,325-1,350 per 4.5 kg, 44/46 count carded cotton yarn (warp) at ₹254-260 per kg, 40/41 count carded cotton yarn (warp) at ₹244-248 per kg and 40/41 count combed yarn (warp) at ₹270-275 per kg, according to Fibre2Fashion's market insight tool TexPro.

Cotton yarn prices in the Tiruppur market initially fell by ₹5-7 per kg at the beginning of the month. Mills had cut yarn prices by ₹20 per kg for the month. However, after taking into account the existing discounts, the actual price drop amounted to ₹5-7 per kg.

A trader from Tiruppur told F2F, "Currently, sellers need to clear some stock. After a decrease in prices, demand improved as weavers were actively enquiring for fresh purchases. If cotton prices increase further, yarn will also attract stronger buying, which can support prices."

Prices in the Tiruppur market were noted as 30 count combed cotton yarn at ₹255-262 per kg (excluding GST), 34 count combed cotton yarn at ₹265-272 per kg, 40 count combed cotton yarn at ₹275-282 per kg, 30 count carded cotton yarn at ₹233-238 per kg, 34 count carded cotton yarn at ₹241-247 per kg and 40 count carded cotton yarn at ₹245-252 per kg, as per TexPro.

In Gujarat, cotton prices saw further gains due to slower arrival and higher demand. Traders suggested that the strong ICE cotton market was driving domestic sentiment. Spinning mills are buying cotton aggressively, but the slower arrival rate has pushed up cotton prices. Cotton prices have risen by a further ₹500 per candy of 356 kg this week, with cotton trading at ₹56,500-57,000 per candy of 356 kg. Cotton arrival in Gujarat is well within 10,000 bales of 170 kg, and all-India arrival is estimated at 35,000 bales.

Source: fibre2fashion.com– July 04, 2023

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