IBTEX No. 129 of 2023 **July 15, 2023**

Currency Watch			
USD	EUR	GBP	JPY
82.08	92.32	107.45	0.59

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INTERNATIONAL NEWS

UK economy faces structural challenges, ambitious reforms needed: IMF

Although the United Kingdom is expected to avoid a recession this year, the country faces a challenging economic outlook and also faces structural challenges, notably weak potential growth, currently estimated at about 1.5 per cent, according to the International Monetary Fund (IMF). Ambitious reforms are needed to bolster the UK's productive potential, it said.

The energy price shock due to Russia's war in Ukraine has disrupted the recovery, with growth projected at a modest 0.4 per cent this year and 1 per cent in 2024, it said. The terms of trade shock, amid historically tight labour markets, has also pushed inflation to record levels, and bringing down inflation is a prerequisite for lasting stability and growth, IMF noted in a review of the country's economy.

Productivity growth has been sluggish, reflecting a slower pace of innovation and technological diffusion, it said. A stable, long-term strategy to promote business investment—including a permanent set of tax incentives that could potentially apply to investments other than plant and machinery—would strengthen investor confidence, it suggested.

Public infrastructure investment, notably in transport, health, networks and the green transition, could crowd-in private investment, it noted.

Liberalising the planning system would reduce barriers to investment in new industries and facilitate the mobility of both firms and workers. The authorities could also consider unlocking pension and insurance savings for investment in higher-return projects, while being mindful of any implications for financial stability, IMF said.

Upskilling and knowledge development, and higher investment in the education and training of young adults, can strengthen human capital and raise labour productivity, it added.

Source: fibre2fashion.com – July 15, 2023

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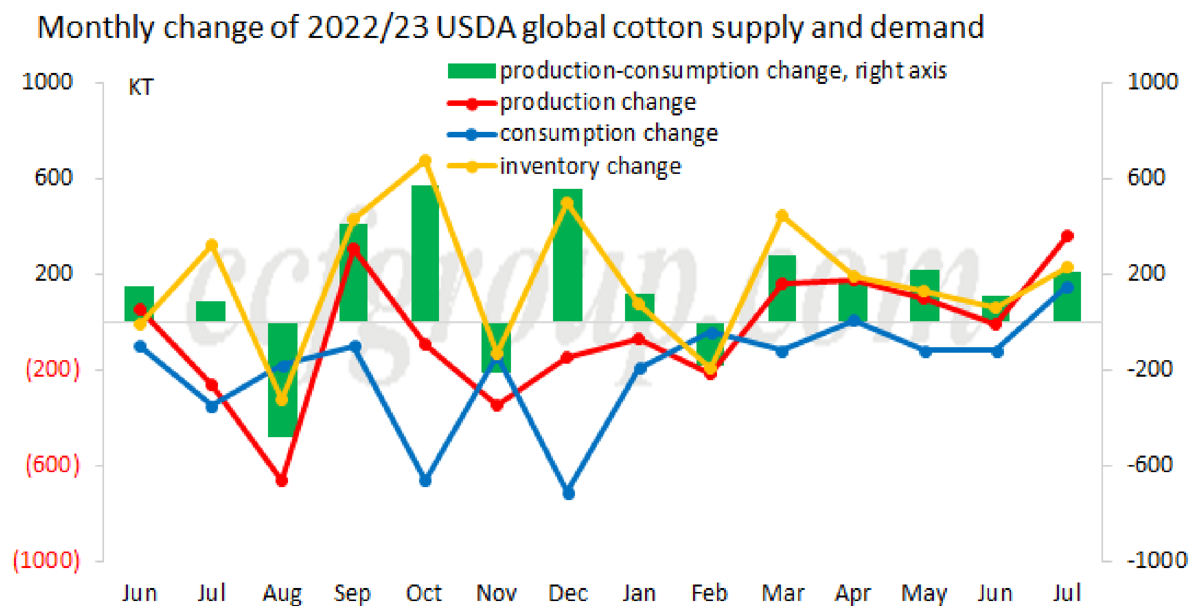
Interpretation of USDA's Jul supply and demand report on cotton

USDA has released its July supply and demand report on Jul 12, and this time of adjustment was bearish somewhat. For the monthly change, 2022/23 global cotton production was forecast 360kt higher, and the increases were mainly from 220kt of India and 110kt of Brazil. Global cotton consumption was forecast to rise by 150kt, and ending stocks might rise by 230kt. For 2023/24 season, global cotton stocks were projected to rise by 120kt.

1. USDA's Jul supply and demand report

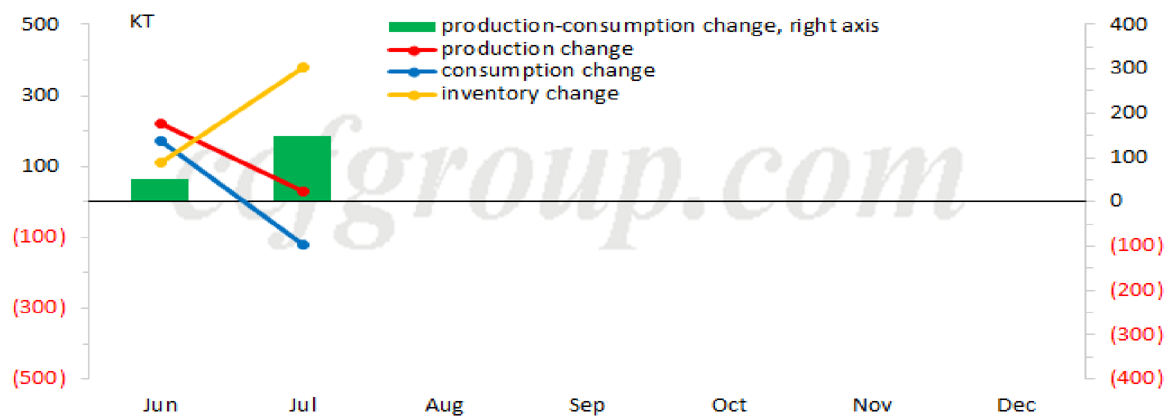
In the report, there were significant adjustments to the global cotton supply and demand for the 2022/23 season. Global cotton production was increased by 360,000 tons, with the increases of 220,000 tons from India and 110,000 tons from Brazil. Global cotton consumption was also adjusted up, with an increase of 110,000 tons from India. Ending stocks were forecast to rise by 230kt to 1.72 million tons.



2023/24 global cotton supply and demand was adjusted slightly. Global cotton production was increased slightly by 30,000 tons, including a higher of 130,000 tons from Pakistan and a lower of 90,000 tons from Australia.

Global cotton imports were reduced by 50,000 tons. Cotton imports of China were forecast to rise by 50,000 tons, which was in line with the expectations that China might increase the imports due to tight supply in the fourth quarter. Global cotton consumption was lowered by 120,000 tons, including a decline of 110,000 tons from China. Global ending stocks was forecast to rise by 380,000 tons.

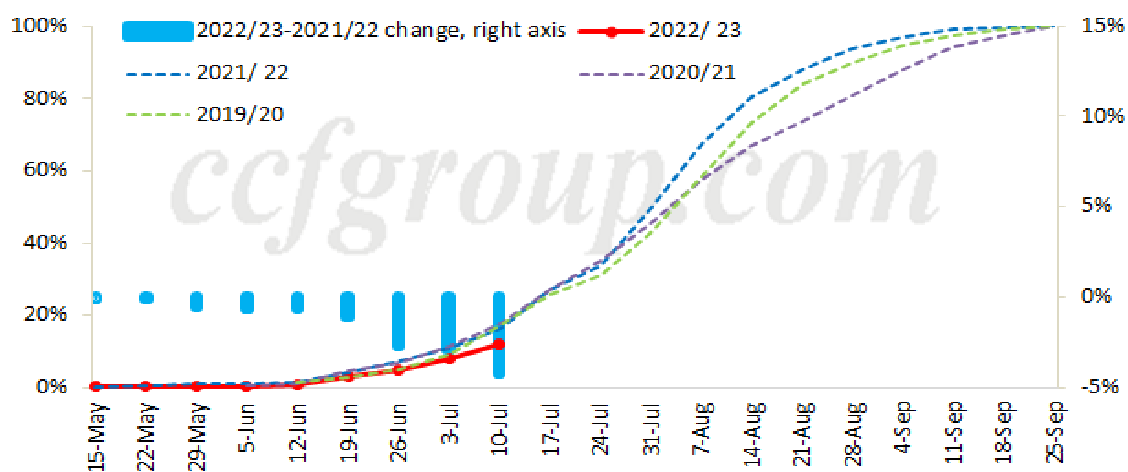
Monthly change of 2023/24 USDA global cotton supply and demand



2. Supply pressure continues to increase with good expectation of Brazilian cotton

Recently, Brazilian new cotton started to arrive on the market. As 2021/22 cotton export shipments were unfavorable, and 2022/23 cotton production was expected to be good, now USDA, Abarpa and CONAB all forecast a high production of Brazil in 2022/23 season, about 2.98 million tons. Therefore, Brazilian cotton inventory pressure is increasing. In Jun, weather condition was favorable in Brazil, very favorable for the cotton harvests, but the harvest progress was slow, which showed the higher supply pressure.

Brazilian cotton harvest progress



3. 2022/23 Indian cotton production may be underestimated

By end Jun, Cotton Association of India raised the 2022/23 Indian cotton production to 5.29 million tons, and arrivals were projected at 4.79 million tons. And according to Cotton Corporation of India, arrivals were 5.24 million tons by now, and based on the trend, production might be 5.4-5.5 million tons, up 100-200kt from last season, which was in line with the planting areas and weather condition.

Therefore, the cotton supply in India may not be as tight as expected, which explains why Indian cotton prices did not experience the anticipated significant increase. Instead, recently there has been downward pressure on cotton prices due to the cotton arrivals and the slack season. Therefore, the support for global cotton prices in the third quarter is likely to come primarily from China.

CAI Assessment	30-Jun-23			30-Apr-23	
Unit: KT	2021/22	2022/23	yearly change	2022/23	monthly change
beginning stock	1220	410	-810	540	-130
production	5090	5290	200	5070	220
import	240	260	20	260	0
demand	5410	5290	-120	5290	0
export	730	270	-460	340	-70
ending stock	410	390	-10	240	150

4. Conclusion

Overall, as the expectations of abundant cotton production in Australia and Brazil are being realized, pressure is accumulating on the supply side of cotton from overseas sources.

USDA's Jul supply and demand report gives a bearish outlook somewhat. China may become the sole high ground for global cotton prices. Recently, the price spread between Chinese cotton/cotton yarn and international cotton/cotton yarn enlarges, and the import business may improve somewhat in the second half year.

Source: ccfgroup.com – July 14, 2023

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UK's clothing imports down 28.5 per cent to £1.27 bn in May 2023

In May 2023, the United Kingdom's clothing imports amounted to £1.279 billion ($1.680 billion), marking a 28.55 per cent drop from the previous year's £1.790 billion during the same month. There was an upward month-on-month trend, with the figure for April 2023 recorded at £1.197 billion, according to the UK's Office for National Statistics (ONS).

Imports of textile fabric in May 2023 declined by 9.75 per cent to £518 million, compared to £574 million in May 2022. Despite this annual decrease, there was a monthly increase from the £440 million recorded in April 2023. Meanwhile, the UK's fibre imports were £37 million in May 2023, a decrease from both May 2022 (£45 million) and April 2023 (£32 million).

For the first quarter (Q1) of 2023, the total UK clothing imports were £4.137 billion, fabric imports were £1.432 billion, and textile fibres were at £110 million. In 2022, the country's total clothing imports were £21.255 billion ($27.87 billion), reflecting a 23.50 per cent growth compared to £17.034 billion in 2021. The imports of textile fabric and textile fibres for 2022 were £6.357 billion and £545 million, respectively.

In terms of exports, the UK's clothing sector generated £305 million in May 2023, slightly down from the £306 million in May 2022. The figure for April 2023 was £282 million.

The first quarter of 2023 saw a decline in clothing exports to £943 million, a reduction from £955 million in Q1 2022 and £1,151 million in Q4 2022. For 2022, exports fell to £3.931 billion from the previous year's £4.263 billion. Exports of textile fabrics and fibres in 2022 were reported at £2.716 billion and £616 million, respectively.

Source: fibre2fashion.com – July 15, 2023

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USA: How to Avoid Falling Foul of the Uyghur Forced Labor Prevention Act

It's been a little more than a year since the U.S. government enacted its Uyghur Forced Labor Prevention Act (UFLPA), a mechanism to prevent goods made with forced labor in Xinjiang, China, from entering the country.

In that time, apparel, footwear and textiles have accounted for over $31 million in shipments detained by U.S. Customs and Border Control (CBP) under the UFLPA. That's according to Ben Kelbaugh, director of sales for the software company SourceMap, who said the stakes will only get higher. Speaking Thursday during an industry call hosted by the Footwear Distributors and Retailers of America, Kelbaugh said, "Enforcement of the law is increasingly ramping up in new industries. Additionally, other U.S. government entities such as the House Select Committee on China and the Senate Finance Committee have started specifically calling out organizations for their links to forced labor and the ex-Uyghur region. CBP is increasing staffing; they're increasing funding. And so all signs point to UFLPA compliance becoming a more serious concern for all industries moving forward."

FDRA's vice president of government affairs, Thomas Crockett, noted on the call that the UFLPA considers any good connected — in any way — to the Xinjiang Uyghur Autonomous Region in China to be produced with forced labor. "And the burden is on companies to show that it's not forced labor. That requires intense knowledge of supply chains, traceability and investing in companies that can help map supply chains," he said. "This is a big issue for companies."

And the U.S. isn't the only country cracking down on the issue. On July 11, FN sister publication Sourcing Journal reported that the Canadian Ombudsperson for Responsible Enterprise opened a fact-finding investigation into Nike Canada's alleged ties with businesses that have profited from forced Uyghur labor in China.

Kelbaugh — whose company offers a software to help brands gain visibility into their upstream supply chains — offered a few important tips for companies to ensure they remain in compliance with the UFLPA and avoid costly repercussions.

Tip 1: Start Mapping

“The first requirement for compliance is mapping your supply chain — mapping being defined as the discovery of your upstream sub-suppliers at every step, from finished goods, to the manufacturers, to raw material origin source, to the farms and the mines,” Kelbaugh said.

He explained that some companies may have the resources and bandwidth to conduct the mapping internally. For those who opt to use a third-party partner, he said there are two methodologies to consider: AI-based modeling and supplier-disclosed data.

“[AI-based software] is aggregating open-source trade data to infer what the supply chain of a particular brand may be or likely is,” Kelbaugh said. “These solutions can be very helpful to give you a cursory look at potential risk in the supply chain, but they inherently don’t present a comprehensive view of your actual supply chain.”

He added that SourceMap uses the latter methodology, gathering data on a firsthand basis directly from the suppliers. “Supplier-disclosed data collection is obviously a more intensive process, but it inherently provides more accurate data,” said Kelbaugh.

Tip 2: Monitor Continuously

Once mapping is complete, Kelbaugh recommends companies study the highest-risk areas of their supply chains first, looking at the product raw materials that CBP is targeting and tier-one suppliers in high-risk areas.

“Part of that risk analysis should also include screening discovered suppliers against global entities lists, government lists and academic research to identify if you have a supplier flagged for forced labor exposure,” he said.

And the information is constantly changing, according to Kelbaugh, who noted that research recently added 50,000 new names to the list of entities engaged in or benefiting from forced labor in Xinjiang. So companies should be continuously monitoring for risk.

Tip 3: Get Organized

If a shipment of merchandise or materials is seized by the CBP, companies have only 30 days to rebut the assumption of guilt, said Kelbaugh. That process requires specific forms of documentation, such as detailed transaction and supply chain records, including invoices, contracts, purchase orders, etc.

“Companies need to be collecting this information proactively at scale, because once a shipment is detained, that window to collect the information from suppliers reactively is unrealistically short,” he said.

Kelbaugh also noted that the information needs to be organized internally in a way that’s searchable and exportable, making it easier to present the strongest case to CBP officials.

“They have an expectation that you’re not just presenting the raw data,” he said. “You should have a concise report that outlines very easily and efficiently how to make sense of what you’re submitting — but not a doctoral dissertation that’s going to take them a very long time to review.”

Source: sourcingjournal.com – July 14, 2023

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Is Mexico the New China? Nearshoring and Reshoring Experts Weigh in

Three years ago, the way supply chains operated around the globe changed dramatically as the Covid-19 pandemic shut down factories, halted production and created shipping and logistical logjams that would persist for nearly two years.

In the time since, many of those pandemic-related issues have resolved, but geopolitical events such as the Russian invasion of Ukraine and the growing tensions between China and Taiwan have created new problems for those sourcing abroad.

These events, coupled with other factors, have led many companies to explore reshoring their production to the United States or nearshoring to neighboring areas such as Mexico and Latin America. Deloitte estimated in November that American companies were expected to reshore 350,000 jobs in 2022. And for the apparel industry in particular, some experts believe the benefits of making such a move could far outweigh the costs of relocating production from Asia.

Driving factors

One of the biggest lessons many companies learned during the pandemic was the importance of a diversified supply chain. As Covid shutdowns in China, Vietnam and other Asian countries persisted long after the U.S. began reopening, factories supplying product to American brands fell far behind, leaving empty store shelves and panic for both manufacturers and retailers.

And once production finally ramped back up, clogged shipping lanes and ports—along with astronomical transit rate increases—further complicated the problem for importers. Now those problems have mostly abated, but a variety of other issues make Asian production—particularly in China—less attractive than in the past.

"No matter who's president in the United States, U.S.-China relations are going to continue to deteriorate," said John Hyatt, founding partner, The Mexico Strategic Sourcing Alliance. "And people don't want to do business in China because of, one, IP theft. Two, if things overheat with what's

going on in Taiwan, companies are going to be up the creek without a paddle again, just like they were during the logistics crisis 18 months ago." Though they haven't been as widely discussed as several years ago, the tariffs enacted by the Trump administration, which have not been rolled back by the Biden administration, continue to add to costs for U.S. companies importing from China.

"People forget that importers are still silently suffering from 25 percent tariffs if they import from China," said Raine Mahdi, founder, global sourcing platform Zipfox. "Although rates in China are usually cheap, it's still a large part of their cost."

The ongoing conflict between Russia and Ukraine also has created impacts for importers in the form of fuel price increases. Sanctions on Russia, which is a major fuel exporter, rattled the global oil market at the start of the war and continue to make Russian fuel more expensive.

"There's a new level of geopolitical instability that did not exist five years ago," said Jag Lamba, CEO, risk compliance software company Certa.

Compliance with environmental, social and corporate governance (ESG) goals also plays a role for some companies. Particularly for cotton grown and processed in the Xinjiang region of China, questions remain as to whether that product is being produced with the use of slave or child labor. By moving the supply chain closer to home, brands can more easily monitor every point in the production process to ensure no violations to ESG policies occur.

"It's easier to monitor and meet ESG standards in the U.S. and vicinity versus trying to manage something in a country where you don't speak the language, you don't understand the local customs and you don't really understand fully how the business is done," Lamba said. "You want to meet those goals and avoid the negative publicity if you're found negligent on sustainability or human rights issues, which could be the standard of doing business in another country, not the standard of doing business here."

Attractive alternatives

With this array of issues, finding alternative supply chains and production facilities has become increasingly important for many American brands. And Mexico and Latin American countries such as Peru, Colombia and

Brazil have become increasingly viable alternatives, particularly since several major apparel brands already produce product south of the border. "Apparel is already a large export category for Mexico, and brands like Levi's, Nike, Patagonia, Adidas and more have been producing a portion of their goods there for a long time," Mahdi said.

One of the biggest advantages Mexico and Latin America offer is simply geographic proximity. When a brand needs product quickly, be that for an introduction or restocking, sourcing from a supply chain closer to home drastically reduces lead times.

"When they can source out of Mexico or Latin America, that cuts that lead time about a third, compared to lead time from Asia," Hyatt said. "You're looking at a 10- to 14-day lead time as opposed to six weeks on the water from Asia."

And while labor costs may still make it prohibitive to move production back to the U.S., Mexico and Latin America offer a more affordable alternative without many of the potential humanitarian risks.

"The average cost of labor in Mexico is less than the average cost of labor in China," Mahdi said. "This means there is room for pay increases to lure more people into Mexico's manufacturing labor pool."

But Hyatt said the region works better for products that require more hands-on production.

"The more automated a manufacturing process is, the less likely it will be competitive out of Latin America," he said. "The more labor-intensive, the more competitive. If you're just looking for cheap automated stuff, you should just stick with Asia."

Cultural considerations

Hyatt said that while shifting business to Latin America or Mexico can be a better longterm alternative to Asia, it's important for American companies to understand the cultural mores before attempting to set up shop.

"Latin America has a risk-averse business culture," he said. "If they do not know you and like you and meet you in person, they will not work with you. They are a relationship-based culture.

"Something that may take one or two onsite visits in the United States will take at least two or three in Latin America," he continued. "Final concessions are always done in person and usually over meals."

Hyatt said things tend to move slower, and business partners who try to accelerate the process too quickly may appear desperate.

"From a strategic standpoint, you're going to want to draw things out from those initial meetings," he said. "The decision-making process in Latin America is not turnkey."

And that slower pace allows companies that ability to make thoughtful, well-vetted decisions about who to partner with and how products should be made.

"Start early to give yourself enough time to request samples," Mahdi said. "Then start with a smaller purchase order to check quality and consistency."

Ultimately, reshoring and nearshoring don't mean that production will entirely leave Asia. Rather, it allows brands to avoid the mistake of keeping all their eggs in one basket, making them less vulnerable to the next supply chain disruption.

"I think clients are looking more for diversification at this time," Jag said. "So the rough numbers that I've seen and heard are around shifting about 15- to 20 percent of production nearshore or reshore. Because it also does take fine-tuning when you set up a new manufacturing facility or any sort of sourcing facility."

Source: sourcingjournal.com – July 14, 2023

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Brexit, COVID led to fall in skilled workers in UK FTT sector: Report

Brexit and the COVID-19 pandemic contributed to the decline in skilled workers within the UK fashion, textiles and technology (FTT) ecosystem, according to a new report, which found most businesses in the sector are already working towards a more sustainable and environmentally-conscious future, including the UK net zero strategy.

Both factors above and the war in Ukraine have caused significant financial disruption for many UK FTT businesses. The increase in costs of shipment, import and export duty tariffs, energy and raw materials have made it increasingly difficult for businesses to operate, the report noted.

Many companies in the sector have made redundancies, closed factories, lost business to EU markets and suffered significant financial losses, it noted. But several businesses diversified into new market areas and brought in positive changes.

This report has been published through joint research collaboration between the Business of Fashion, Textiles and Technology (BFTT) at the University of the Arts London, the Future Fashion Factory (FFF) in the School of Design, University of Leeds, and the Leeds University Business School (LUBS).

The report recommended reducing cost and complexity of trade after Brexit, increasing access to global markets and improving competitiveness, particularly for start-ups and small and medium enterprises, through tax breaks, transparency and clear guidelines.

It urged the sector to grow its capacity and competency, reduce its carbon footprint and create employment opportunities, through business development support, government subsidies, grants and incentives, training and visa programmes for skilled workers.

It also suggested welcoming digital innovation in the FTT sector and raising capacity, efficiency and sustainability.

Source: fibre2fashion.com – July 15, 2023

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Pakistan: Textiles see decline while apparels boom

APTMA decries high energy costs that account for 30-40% of production cost

In contrast, the apparel sector has witnessed remarkable growth, with garments production increasing by 13% year-on-year in April 2023 and an impressive 26% year-on-year in the 11-month period of FY2023.

Textile sector analyst at Topline Securities, Nasheed Malik explained that the production decline in cotton yarn and cotton cloth, which are capital-intensive segments of the textile industry, can be attributed to multiple factors.

These segments heavily rely on machinery and power, involving automated processes like spinning and weaving. Economic challenges, technological limitations, and fluctuations in raw material prices have all contributed to this decline.

Conversely, the apparel industry's success can be credited to two major factors. Malik highlighted that Pakistan's currency underwent two rounds of rupee devaluation against the US dollar in 2018-19 and 2022-23. "These devaluations have made Pakistani labour comparatively cheaper, providing a competitive advantage similar to that of Bangladesh."

Consequently, apparel and garments manufactured in Pakistan have become more cost-effective, attracting increased orders from international buyers.

The All-Pakistan Textile Mills Association (APTMA) has raised concerns regarding the high energy costs in the textile industry, which account for approximately 30-40% of production expenses. APTMA has demanded a separate category of power tariffs that excludes losses and cross-subsidies. Lower power rates would significantly impact the industry's overall cost structure and enhance its competitiveness.

If this demand is met, textile exports could potentially reach $50 billion by FY2027, compared to the current value of $16.5 billion during FY2023, which reflects a 15% year-on-year decline in the 11-month period.

Recent data for the Large-Scale Manufacturing Index (LSMI) in May 2023 reveals a concerning 14.37% year-on-year decrease. The 11-month period of FY2023 also shows an overall decline of 9.87% year-on-year. This decline can be attributed to various sectors, including textiles, automobiles, food, pharmaceuticals, petroleum products, cement, and tobacco. However, there have been some positive contributions from the wearing apparel and furniture sectors, which saw growth rates of 2.6% and 0.5%, respectively. On a month-on-month basis, the LSMI has shown a promising 5.9% increase.

The textile industry's decline and the apparel sector's growth in Pakistan highlight the need for comprehensive measures to address the challenges faced by the sector. The government, industry stakeholders, and policymakers must collaborate to find innovative solutions that enhance productivity, reduce costs, and improve competitiveness. By leveraging the strengths of the apparel sector and resolving the issues faced by the textile industry, Pakistan can strive towards a more robust and thriving manufacturing sector.

Source: tribune.com.pk– July 15, 2023

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NATIONAL NEWS

Exports fall 22 per cent to $33 billion in June

Exports of goods from India declined for the fifth consecutive month in June 2023, falling a steep 22.02 per cent (year-on-year) to $32.97 billion, pulled down by key sectors such as gems & jewellery, petroleum products, engineering goods and chemicals, as demand from developed countries continued to falter.

Imports of goods fell 17.49 per cent to $53.09 billion in June 2023, narrowing the trade deficit to $20.13 billion during the month, down 8.8 per cent from $22.07 billion in June last year, per quick estimates released by the Commerce & Industry Ministry on Friday.

Items which posted a steep decline in imports during the month include petroleum products, coal & coke, chemicals and pearls, precious & semi-precious stones.

The decline in exports is due mostly to the persistent slowdown in major economies, including North America and the EU, where Indian exports are concentrated, according to Commerce Secretary Sunil Barthwal.

"The twin dilemma of a slowdown and inflationary pressure in the major economies is impacting manufacturing activities and, in turn, trade activities," Barthwal said at a press briefing on Friday.

He, however, was optimistic about things improving as exporters indicated that the inventory pile-up in major markets was declining and fresh orders had started picking up.

"In the quarter starting July, there should be a pick-up in exports. But by how much is yet to be seen," he said.

Exports during April-June 2023 posted a 15.13 per cent fall to $102.67 billion, while imports declined 12.67 per cent to $160.27 billion. The trade deficit during April-June 2023, at $57.60 billion, was 7.95 per cent lower than the trade deficit during April-June 2022.

"It will be too early to expect the world economy to make a strong rebound and propel Indian engineering exports, but the medium and long-term outlook remains strong," said Arun Garodia, Chairman, EEPC India.

To help exporters stay afloat in this period of uncertainty, the exporters' body FIEO underlined the need for easy and low-cost credit to the MSMEs, marketing support for further promoting Brand India products and services globally, and GST exemption on freight on exports.

While exports in July 2023 declined across a majority of sectors, including readymade garments, marine products, leather products, yarn & fabric, and plastics and linoleum, nine of the 30 key sectors posted a growth in exports, including electronic goods, drugs & pharmaceuticals, ores and minerals, fruits & vegetables, oilseeds and coffee.

India's top five export markets in April-June 2023 sequentially were the US, the UAE, the Netherlands, China and the UK. Its top import sources were China, Russia, the US, the UAE and Saudi Arab. Russia shot to the number two spot due to increased oil imports from the country, owing to discounts offered by Moscow following Western sanctions imposed on it.

Source: thehindubusinessline.com– July 14, 2023

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India-UK FTA: Efforts on to iron out contentious areas like IPR, digital trade, environment, labour

India and the UK are trying to iron out contentious issues including intellectual property rights, digital trade and data protection, rules of origin, labour, environment and services, in the ongoing negotiating round in London, as these would be crucial for the successful conclusion of the pact, official sources have said.

"Of the 26 chapters in the proposed India-UK FTA, as many as 14 are agreed upon and 5 chapters are close to conclusion. But it is important that the areas that continue to be contentious get ironed out soon," an official tracking the negotiations said.

Officials from both sides are participating in the eleventh round of negotiations in London that started on July 10 and would continue till July 19. "India has some redlines which it does not want to cross. In IPRs, it does not want to compromise on production of life-saving generics. In the area of digital trade and data protection, it is yet to firm up its own domestic laws and hence doesn't want to take on commitments.

"In the areas of labour and environment, India has unilaterally made tremendous progress and does not want additional conditions. Similarly, it wants to have strict rules of origin (ROO) in place to ensure that third countries do not take unfair advantage of the FTA," a source explained.

The UK, on the other hand, wants more stringent IPRs, free cross-border data flow and rules against data localisation, liberal ROOs and commitments in the areas of labour and environment, the source said. It is, therefore, important for both sides to try and arrive at a middle ground so that these do not come in the way of finalisation of the FTA.

Both sides are hopeful that the proposed FTA would double bilateral trade to $100 billion by 2030.

The areas covered in the negotiations include, goods, services, investments, government procurement, accounting and auditing, legal, digital trade, sustainability and intellectual property.

Source: thehindubusinessline.com– July 14, 2023

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Cotton production, exports record multi-year decline

Amid weak demand for textile products in the west due to the long drawn Russia-Ukraine war, India's cotton exports and production have registered a record decline during the ongoing financial year. Country's cotton production is concerning as India is among the world's largest producers of cotton but risks becoming a net importer.

The United States Department of Agriculture (USDA) estimates India's cotton exports to slip to its lowest in 19 years during the current crop season between October 2022 and September 2023 as it expects farmers to shift to other profitable crops such as oilseeds and pulses. Indian cotton yarn exports had hit a decade-low level of 664,000 tonnes in FY23, compared to the highest exports of 1,389,000 tonnes in FY22.

The value of cotton yarn and handloom products exports fell 14% in May 2023 compared to the comparable period last year. Cotton exports had earlier slipped nearly 75% in FY23 to $678.75 million compared to $2,659.25 million compared to the last quarter.

Notably, cotton yarn manufacturers had witnessed record-high profitability due to strong demand on the back of recovery from covid-19. Besides, experts said demand was also a result of lower domestic cotton prices compared to international prices, and the America's ban on cotton products from China's Xinjiang region.

However, the demand came under pressure in FY23 and declining domestic production added to the woes of the industry paving way for fears of India turning into a net importer. It's worth highlighting that India textile production caters largely to the domestic markets.

Experts also attributed the decline to demand slide in China, witnessing a patchy recovery from covid-19. Historically, China was the largest buyer of cotton yarn from India but post the USA's ban, Bangladesh took its place and became the largest importer of Indian cotton yarn during FY22 and FY23.

Query sent to the union textile ministry remained unanswered till press time.

According to the latest data by the agriculture ministry, sowing of cotton across India remains 8.5% lower on year at 7 million hectares due to a shrink in cultivation in some major growing states such as Maharashtra, Andhra Pradesh, and Telangana amid patchy rainfall.

Though the category of rainfall in the country turned to normal from deficiency in about 10 days, uneven distribution of monsoon rainfall in these regions remains a concern for cotton cultivation. While rain deficiency in Maharashtra till Thursday was 22%, that was 27% and 14% in Telangana and Andhra Pradesh, respectively.

However, 106% above-normal rainfall pushed up cotton sowing 4.6% year-on-year in Gujarat, the leading largest producer of cotton in India. Plantation of cotton lags 10.4% at 1.7 million hectares in Maharashtra, 2% at 1 million hectares in Telangana and 0.3% at 57,000 hectares in Andhra Pradesh.

As per government's third advance estimates, cotton production in 2022-23 (July-June) has been 34.3 million bales (1 bale = 170 Kg) as against last year's 31.1 million bales. However, the Cotton Association of India revised the cotton crop estimates downwards to 29.8 million bales compared with 30.7 million bales predicted in 2021-22.

"Industry faced several challenges in FY23. These included the disparity between domestic and international cotton prices, a decline in global demand due to high inflation and recessionary pressures in developed economies, and increased energy and supply chain costs," Care Edge ratings said.

The agency further highlighted that India experienced its lowest cotton yarn exports in a decade, leading to a decline in sales volume and a contraction in the operating profitability margin for cotton yarn spinners in FY23, which remained below the historical average.

Source: hindustantimes.com– July 14, 2023

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Cotton yarn sales to increase 7% on better export demand

Indian cotton yarn industry is likely to record 5-7 per cent growth in sales volume, while the operating margin is expected to expand by 1-1.50 per cent in this fiscal on the back of alignment of domestic cotton prices with international prices and shift in demand from competing nations. Gradual recovery in demand from China following the relaxation of its zero-Covid policy and a rebound in global demand from downstream industries will also help cotton yarn exports, said a CareEdge report.

Last fiscal, the industry faced several challenges including the disparity between domestic and international cotton prices, a decline in global demand due to high inflation and recessionary pressures in developed economies, and increased energy and supply chain costs. Consequently, India experienced its lowest cotton yarn exports in a decade, leading to a decline in sales volume and a contraction in the operating profit margin for cotton yarn spinners which remained below the historical average.

While challenges persisted in the first half of this fiscal, CareEdge said there are positive indications for the demand of Indian cotton yarn in the second half of FY'24. Cotton production in India is expected to increase by 6-9 per cent to 330-343 lakh bales in cotton year 2022-23 against 311 lakh bales logged last year. This projected increase is supported by a 6 per cent increase in area under cultivation and a 2-3 per cent rise in yield.

After touching a peak of about ₹1 lakh per candy (of 356 kg) in FY23, domestic cotton prices are hovering at about ₹56,000-57,000 per candy with arrival of new crop. Cotton yarn exports from India hit a decade-low level of 664,000 tonnes last fiscal against the highest exports of 13.89 lakh tonnes in FY22.

While spinning units were able to pass on the increase in cotton prices to some extent, the significant drop in sales volume, coupled with rising energy costs and freight rates, led to a contraction in operating profitability margins. The average spread of cotton yarn remained about ₹100-105 a kg, similar to pre-Covid levels, said CareEdge.

Source: thehindubusinessline.com– July 14, 2023

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RBI to soon issue guidelines to banks for resolution of certain rupee trade issues: Official

The Reserve Bank of India (RBI) will soon issue guidelines for banks for the resolution of certain issues being faced by exporters while undertaking rupee trade with other countries, a senior government official said on Friday.

The official said that as far as the rupee trading mechanism is concerned, initially there were some teething troubles but in many of these areas the transactions have started. Some exporters had approached the commerce ministry that there are some issues with regard to generation of e-BRC (electronic bank realisation certificate).

"So we have taken this issue with the RBI. So the RBI is in the process of issuing a detailed SOP (standard operating procedure) to all the banks so that e-BRC generation becomes smooth. That SOP has been vetted by us and the RBI should be releasing it in the next 2-3 days," the official said. However, the official added that the limitation with rupee trade is that it can only work as a barter currency.

Due to trade in the defence sector, Russia has accumulated a lot of rupee reserves. "With Russia, because we have difference in trade, lot of rupee have got accumulated in Russia," the official said adding there is no bar on making payment in euro or dirham or yuan or dollar. The government is encouraging rupee trade with other partner countries to reduce dependency on the dollar.

Source: economictimes.com– July 14, 2023

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Fix monthly minimum wage of ₹26,000 for textile mill workers: AITUC

The All India Trade Union Congress (AITUC) has demanded a monthly minimum wage of ₹26,000 for textile mill workers.

A committee comprising five officials, six representatives of employers and six representatives of trade unions, recently visited Erode and sought opinion from textile mill owners, trade unions, and workers for fixing minimum wages.

S. Chinnasamy, district president of AITUC, in a letter submitted to the committee said that hundreds of workers were working in textile mills in the district who were paid meagre wages.

The letter said that minimum wages, as fixed by the government, were not paid to them and they were denied their rights and other privileges. The cost of essential commodities, clothing, food, transportation, electricity, mobile phone and other costs have gone up tremendously.

“Despite the price of products going up, workers’ wages have not gone up,” the letter said and pointed out the difficulties faced by workers in fulfilling the basic needs of their family.

Considering the present situation, a minimum wage of ₹26,000 per month should be fixed for them, the letter said.

Source: thehindu.com– July 14, 2023

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