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IBTEX No. 131 of 2023 **July 19, 2023**

Currency Watch			
USD	EUR	GBP	JPY
82.10	92.06	106.42	0.59

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INTERNATIONAL NEWS

Is Japan China's future?

During a recent visit to China, I had the opportunity to get a sense of where the Chinese economy was heading after the zero-Covid restrictions were lifted in November 2022. These pervasive restrictions on mobility had adversely affected both domestic and external economic and commercial activities. Chinese annual gross domestic product (GDP) growth had fallen to 3 per cent in 2022, the slowest in several years. The property sector, which has accounted for over 30 per cent of Chinese growth for years, has been hit by the imposition of much stricter regulatory measures. The property bubble has "popped", leading to knock-on effects on other related sectors, particularly banking and finance.

It was expected that the removal of Covid-related restrictions would lead to a significant revival of the economy, and this is what reportedly happened in the first quarter of 2023. Chinese GDP growth was 4.5 per cent during this quarter, leading to projections of 5.6 per cent for the whole calendar year.

However, growth sharply decelerated in the subsequent quarter ending June. It was 6.7 per cent compared to the same period last year, but this reflects the low base effect. Growth has been less than 1 per cent compared to the last quarter.

One senior Chinese academic told me that the Chinese economy was in "dire straits" and that the slowdown was likely to persist for at least 3 to 4 years. He added that for the first time in 40 years, Chinese employed in several sectors of the economy were having to accept salary cuts. While there may have been some years when incomes had not risen, this was the first time that a substantial number of people had lower incomes than before and were no longer optimistic about the future.

He also pointed to the now well-known phenomenon of youth unemployment, which persists at over 20 per cent. The pessimism was heightened by a much less benign external economic environment, with geopolitical tensions exacerbating economic challenges. All this, he admitted, was generating social tensions, though the Xi Jinping government is under no threat.

A recent World Bank report bears out the strong headwinds buffeting the Chinese economy. It doubts whether the projected growth rate of 5.6 per cent for the current year would be achieved and estimates growth to slow further to 4.6 per cent in 2024 and 4.4 per cent in 2025. The same report says that Chinese debt levels reached an all-time high of 287 per cent of GDP at the end of 2022. This constrains China from deploying significant stimulus measures to boost growth.

What about the property sector? The report reveals that real investment has fallen by 6.2 per cent while housing starts have declined 21.2 per cent during the first quarter of this year. The sale of land use rights by local governments has fallen by 21.7 per cent year on year this quarter on top of a 23.3 per cent decline registered in 2022. This means that the chief source of revenue for local governments has been severely impacted. In a recent report, the Chinese finance ministry said that there were 35 trillion yuans ($5 trillion) outstanding on the books of local governments at the end of 2022. According to some analysts, the actual figure may be higher, possibly double this amount.

This represents a major vulnerability in the economy, and the severely depressed sale of land-use rights by local governments suggests the crunch will continue and possibly worsen.

The woes of local governments pose a threat to the banking sector. Local government financing vehicles constitute 15 per cent of total banking assets. Mortgage loans outstanding at the end of 2022 were 40.6 trillion renminbi (RMB) or $5.7 trillion and constituted 18 per cent of total bank loans.

Direct exposure to property developers was much less, just 5.9 per cent of total loans. While the level of non-performing assets (NPA) of Chinese banks is still very low at less than 2 per cent, this could change if the economic slowdown intensifies.

Inflation in China is remarkably low and it is an outlier in this respect. This is the result of weak demand and a fall in producer prices. This could be the start of a deflationary phase of the kind Japan experienced in the early 1990s, brought on by a combination of a property bubble bursting, bad debts multiplying and a rapidly ageing population. Japan went from constituting 18 per cent of the global economy in 1990 to only 8 per cent in 20 years.

Despite repeated policy announcements that the Chinese economy must shift from being investment-driven to one that is driven by rising consumption, this has not happened so far. Consumption is still at a relatively low level of 40 per cent compared to over 60 per cent in most mature economies. The Covid pandemic, spanning three years, has dampened consumer demand, and stagnant or falling incomes have made the situation worse. An article in the Nikkei reports that retail sales in China are still 10 per cent below the level reached pre-Covid. Chinese are saving more and these are mainly precautionary savings because the overall economic outlook has worsened. The household saving rate currently is 3 per cent above pre-Covid level, which suggests a continuing reluctance to spend.

The Chinese economy has been written off before and has always belied doomsday predictions. One should therefore be careful in making assessments about its likely trajectory. There is a strong and capable government, which has the ability to adopt difficult policy measures to deal with the looming crisis. It will need to restructure the mounting debt of local governments. It may need to resort to direct income transfers to boost consumption. Technological innovation is part of the solution but the heavy spending on high-end technologies has been less than productive. The Xi Jinping regime has been generally hostile to the private sector, which has been the main driver of growth during the past four decades. Would this be reversed?

In conversations with several Chinese interlocutors, there seemed to be some surprise over India having emerged as a preferred destination for flows of international capital and technology, with its economic prospects appearing brighter than China at this point. It was argued that China had been adversely impacted by trade and economic relations being increasingly influenced by geopolitics and security considerations. That China has itself contributed to this changed environment is not acknowledged.

Indian and Chinese economies are complementary. An improvement in political relations, anchored in a restoration of peace and tranquillity at the border, could open up opportunities for expanded economic and commercial relations between them. But it appears unlikely that China will make that choice.

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

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USA: Retail Sales Gain as Consumers Keep Rolling On

Despite months of on and off worries of recession — when inflation and a big jump in interest rates was expected to sap strength from consumers — shoppers are shopping on.

But they're not spending everywhere, as department stores continued logged declines, according to the Census Bureau's latest monthly reading. June sales at department stores fell 5.2 percent from a year earlier and the sector was down 1.1 percent the first half of the year. Apparel and accessories specialty stores fared better with a 0.7 percent increase for June and a 1.1 percent rise for the year so far.

The overall message is one of continued consumer momentum.

June retail and food service sales rose 1.5 percent from a year earlier.

Seasonally adjusted sales depicting the change since May, showed a 0.2 percent increase, less than the 0.6 percent jump economists projected, according to FactSet. But sales in the control group, which removes food service, gas, building materials and motor vehicles, came in with a 0.6 percent gain, better than the 0.5 percent economists had penciled in.

Taken together with the Consumer Price Index's reading of inflation last week showing that price gains slowed to 3 percent in June from 9 percent a year earlier, hopes are rising that the economy could some in for a soft landing after years of pandemic disruption.

That would mean that inflation continues to come down — and stays down — while consumers continue to spend and the labor market remains strong. The unemployment rate is currently standing at an ultra low 3.6 percent.

"The bottom line: The consumer continues to spend; each time there is an expectation that consumption will pull back, consumers thumb their nose at those expectations," said Mike Graziano, consumer products senior analyst at RSM US, in an analysis. "As long as the labor market remains strong, consumers are likely to spend.

"This does not minimize the real impact that inflation and other macroeconomic factors have had on consumers on the lower end of the income scale; however, there's still broad confidence to spend given the labor market," Graziano said. "Excess savings of approximately $670 billion — concentrated to the top income earners — continue to provide the backstop needed against full scale consumer pullback."

Still, it remains to be seen just where those excess dollars in the top earners' piggy banks go.

After the U.S. helped luxury companies power through last year, Americans have proven to be a soft spot for the big luxury players.

Compagnie Financière Richemont reported that its first quarter sales in the Americas region fell 2 percent at constant rates, a decline attributed to wholesale sales. And last week, Burberry said its U.S. sales dropped by 8 percent for the first quarter with aspirational shoppers pulling back.

Source: sourcingjournal.com – July 18, 2023

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China's textile & garment exports down 8.35 per cent to $142 bn in H1

In the first half (H1) of 2023, China's cumulative exports of textiles, clothing, and accessories reached $142.677 billion, according to data from the General Administration of Customs of China. This represented an 8.35 per cent decline compared to the same period in 2022. Notably, garment exports saw a decrease of 5.9 per cent during this period.

In June 2023, the downward trend in garment shipments persisted, despite a brief respite in May. The six-month export total for garments and clothing accessories came to $74.981 billion, a reduction of 5.9 per cent from the $79.678 billion reported during the corresponding period in 2022.

The first half of 2023 also saw China's exports of textiles, such as yarn and fabric, decline by 10.9 per cent year-on-year. The total dropped to $67.696 billion from $75.994 billion in the first half of 2022.

For June 2023 alone, China's exports comprised $11.567 billion in textiles and $15.424 billion in garments.

At the same time, China's imports of textile yarn and fabric products fell 19.6 per cent to $5.342 billion in the first six months of 2023, down from $6.644 billion during the same period in 2022. In June 2023, the country's imports of these products were valued at $1.007 billion.

In the preceding year, 2022, China's textile, clothing, and accessory exports totalled $323.344 billion, reflecting a modest 2.53 per cent growth compared to 2021. The exports for that year included $175.396 billion in garments and accessories and $145.079 billion in textile products, such as yarn and fabric.

Source: fibre2fashion.com – July 19, 2023

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Canada Port Strike Back on

The strike at 30 Canadian West Coast ports is back on.

Just five days after 7,400 union dockworkers and their maritime employers agreed to a tentative four-year deal that presumably ended 13 days of work stoppages, the International Longshore and Warehouse Union (ILWU) Canada voted down the recommended settlement terms offered by Canada's federal mediator.

As of Tuesday afternoon, the ILWU Canada longshore division went back on the picket line, according to a statement from union president Rob Ashton.

Ashton said the union's longshore caucus did not believe the recommendations had the ability to protect the workers' jobs "now or into the future," noting that the four years of the term were "far too long" when accounting for the uncertainty across global financial markets.

"Our position since day one has been to protect our jurisdiction and this position has not changed," Ashton said. "With the record profits that the BCMEA's member companies have earned over the last few years the employers have not addressed the cost of living issues that our workers have faced over the last couple of years as all workers have."

In a statement, the British Columbia Maritime Employers Association (BCMEA) said that caucus leadership rejected the tentative agreement before it was even taken to a vote by the full union membership.

The BCMEA, which represents 49 marine terminals and ocean carriers operating in the Canadian province, said the tentative deal included "considerable" hikes in wages and benefits over and above an approximate 10 percent increase received over the past three years.

According to the employers, the settlement also included specific provisions that addressed the union's concern regarding contracting out work and measures to improve training, recruitment and retention of ILWU trade workers now and in the future.

Costs of living and the outsourcing of contract work were two of the three major talking points among ILWU Canada as the union also shared concerns about the increasing impacts of automation.

The BCMEA said it agreed to provide benefit coverage for all casual trade workers, a tool allowance that enables workers to purchase the equipment they prefer, as well as a commitment to increase apprentices in the industry by 15 percent.

“Throughout the past five months, the BCMEA has continued to advance reasonable proposals and positions in good faith with the urgent objective of making progress, reaching a fair deal, and ensuring ports are open and supply chains are stable and reliable,” said the BCMEA union statement. “We strongly believe the tentative four-year agreement fairly recognized the skills and efforts of B.C.’s waterfront workforce, while allowing for the safe restoration of critical cargo operations for all Canadians.’

At around 5 p.m. PT on Tuesday, picketing workers had returned to the BCMEA dispatch office near the Port of Vancouver, according to the CBC. Chants of “an injury to one, an injury to all” and “one day longer, one day stronger” were heard from ILWU members.

Bridgitte Anderson, president of the Greater Vancouver Board of Trade, said in a statement that she was “dismayed and disappointed” that the strike had resumed.

“We are greatly concerned about the impacts the continuation of the strike will have on Canada’s international reputation as a reliable trade partner,” Anderson said. “In less than two weeks, business across Canada were facing shortages, temporary layoffs, and, in some cases, total shutdowns.” When talks between the ILWU and the BCMEA stalled, Canadian Labor Minister Seamus O’Regan called on federal mediator Peter Simpson to propose a new contract. Pressure had been mounting as North American trade groups called for the federal government to enforce back-to-work legislation.

Pierre Poilievre, the leader of Canada’s opposition Conservative Party, criticized both O’Regan and Prime Minister Justin Trudeau for failing to solve the dispute.

What colossal incompetence by Trudeau's Labour Minister. He claimed he'd gotten a deal to end the strike, and now it's back on with massive costs to consumers, workers & businesses.

A port shutdown calculator published by a group of Canadian trade associations the day the strike was called off said an estimated $9.9 billion in trade had been disrupted since the stoppage began July 1. The Royal Bank of Canada estimated that 63,000 shipping containers were still waiting to be unloaded at the B.C. ports.

Even when the strike was off, estimates indicated that longer-term impacts would continue all summer long.

According to an estimate from the Railway Association of Canada, it would have taken three to five days for every day the strike lasted for networks and supply chains to recover. Prior to the 13-day strike's initial pause, that would have taken until late August to late September.

Source: sourcingjournal.com – July 18, 2023

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Secondhand Shoes, Clothes Imports Cramp East Africa's Textile Industry

Interest in East Africa as a destination for textile sourcing has blossomed in recent years. But the growth of its fabric and apparel supply chain could be stymied by a lack of investment in regional production and an influx of used goods from other global markets, experts say.

According to the Kenya Institute for Public Policy Research and Analysis (KIPPRA), the growth of the secondhand economy for goods like shoes and clothes has limited local industries and hampered the success of government stimulus programs like the Buy Kenya Build Kenya initiative. Locals aren't buying enough new clothing to justify the expansion of the 170 large and medium-sized apparel companies, as well as 74,000 small and micro firms, that are currently struggling to grow domestic business.

Instead, 70 percent of Kenyan apparel makers sell about 80 percent of their output to the U.S., with the Export Processing Zones hosting 21 companies that manufacture clothing for export under the African Growth Opportunity Act (AGOA). Kenya and Ethiopia were the largest beneficiaries of AGOA until the latter was dropped from the preferential trade agreement in January 2022. The Biden administration cited "the gross violations of internationally recognized human rights being perpetrated by the Government of Ethiopia and other parties" amid the conflict in Tigray as the reason for Ethiopia's removal.

A 2022 economic survey from the Kenya National Bureau of Statistics showed that Kenya brought in 183,830 tons of secondhand apparel during 2021—a 20-percent jump from the year prior. During the five-year period from 2017 through 2021, the country imported an average of 160,638 tons of textile goods.

There are a number of reasons that Kenya is bringing in so much used apparel and footwear, according to the country's Institute of Economic Affairs (IEA Kenya). For one, these secondhand goods generate over $84 million in tax revenue in the form of import duties, and their distribution contributes to the incomes of over 2 million people. There's also huge local market for the products. "The existence of second-hand clothes is a demand-side issue rather than a supply-side issue," IEA Kenya wrote in a 2021 report. "For a considerable number of people, incomes in the country can only support the buying of second-hand clothes."

"This is a reflection on incomes rather than whether the supply of new clothes and footwear is available," the report's writers added. There's a meaningful price differential between new and used clothing in Kenya, with used considered to be much more accessible to the average family.

IEA Kenya's analysis showed that most households purchase new clothes when required—like work or school uniforms, for example. On average, 91.5 percent of households buy secondhand clothing worth less than $7, while just 74.5 percent buy new clothes at the same price, "confirming the price sensitivity of second-hand clothes." A typical worker in Kenya spends about 40 percent of their monthly income on food alone, and spending on shelter, transportation and health come before necessities like clothing.

Some Kenyan leaders blame the wave of used, foreign goods for the lack of domestic industry growth. KIPPRA reported that the dominance of the secondhand market has sparked a debate about limiting its growth, especially as Kenya attempts to rebuild its textile sector, but the public is largely opposed. The country's government earlier this year committed $1.6 million to revamping and reopening closed garment factories and textile mills. It is also eager to curb the mass accumulation of textile waste, which results from the dumping of unsalable or unusable low-quality goods, which are being shipped into the country daily.

The country is home to 52 mills with the ability to spin fibers into yarns, but just 15 were operational as of January. "Due to low labor productivity and low technology, operating textile mills use only 45 percent of their capacity," KIPPRA wrote. "The textile industry is also facing increased business costs such as high electricity costs, which are eroding their market competitiveness."

The effects of limited growth have upstream effects on the Kenyan supply chain. Kenya's cotton industry is propped up by small-scale farmers who operate on less than 2.5 acres of land, on average. In most cases, that land is shared with other food crops. The number of smallholder cotton farmers in the country has plummeted from 200,000 in the mid-1980s—"when the textile and apparel industry was at its peak"—to just 40,000. The country's cotton mills consume just 41,200 bales of Kenyan cotton per year, while meeting national need would require 140,000 bales. Therefore, most of Kenya's cotton is imported.

"These statistics show that the high potential of the textile industry is curtailed by undersupply of cotton raw materials," KIPPRA said. "The major reasons for the undersupply of cotton are the constraints faced by cotton farmers, including the decline in seed cotton production, low quality of cotton seeds leading to declining yields, and relatively high costs of production due to low productivity."

The country's wool industry has also failed to grow significantly due to a lack of research and development, and a greater domestic demand for livestock raised for food. And while a promising leather industry emerged in the 20th century, competition from imported products cut its growth short. The value of leather hides and other exports has continued to decline in recent years, from a $49.72-million industry in 2017 to one worth just $18.49 million in 2021, KIPPRA data showed. Polyester has also become more popular as secondhand fast fashion deluges the retail market, further diminishing the market for goods made from natural fibers and leather.

The phenomenon began in earnest during the 1990s, KIPPRA said, and it led to the shuttering of many Kenyan clothing and textile firms. "The continued increase of cheap imported clothing and textiles led to reduced effective demand for local textile products and made secondhand clothing and textiles the preference of the majority population."

The volumes, and economic value, of imported secondhand goods have grown exponentially, and demand continues to snowball, according to IEA Kenya. Between 2015 and 2019, the nominal value of footwear and apparel imports into Kenya grew by 80 percent, from about $70.7 million to $127.2 million. "What this growth in import volumes shows is that along with the overall economic growth and the rise in incomes, the imports reflect the demand for secondhand clothing among Kenyan households and that this industry has supply stability," the group wrote.

Source: sourcingjournal.com – July 18, 2023

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USA: Crop Progress: Steady Growth for U.S. Cotton Crop

The 2023 U.S. cotton crop is making slow, but sure, progress, based on the results of USDA's Crop Progress report for the week ending July 16.

Squaring is now reported in 64% of the total crop – up 9 percentage points in the past week, but still 5 points off the 5-year average for the date. Four states (AL, KS, MO, TN) are running ahead of their respective 5-year averages.

Boll set is visible in 25% of the U.S. crop – up 8 points in the past week and a single point off the 5-year average. Five states (AL, AR, KS, TN, TX) are rated ahead of their respective averages.

Crop condition is rated 45% good/excellent (down 3 points from last week), 27% fair (unchanged), and 28% poor/very poor (up 3 points).

Source: cottongrower.com – July 17, 2023

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FDI in Cambodia rises by 9% YoY in Q1 2023 to $45.8 bn

Cambodia received foreign direct investment (FDI) worth 185.7 trillion riel ($45.8 billion) in the first quarter (Q1) this year—a rise of 9 per cent year on year (YoY), according to the National Bank of Cambodia (NBC).

The main sources of FDI were China, South Korea, Singapore, Japan, Vietnam, Malaysia, Thailand and the United Kingdom, a Cambodian newspaper reported.

The major sectors that received the FDI included financial activities, manufacturing, real estate, accommodation, agriculture, hydropower and construction, NBC added.

Source: fibre2fashion.com – July 19, 2023

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Pakistan: Textile exports decline 14.6 percent in FY23

Pakistan's textile sector experienced a decline in exports during the fiscal year 2022-23, with a drop of 14.6 percent to $16.5 billion compared to the record high of $19.33 billion achieved in FY2021-22.

This decline was attributed to a continuous decrease in sales abroad, marking the ninth consecutive month of decline until the end of the fiscal year in June.

In June 2023, textile exports declined by 13.7 percent to $1.47 billion compared to $1.71 billion in the same month of the previous year. However, over the previous month's exports of $1.32 billion, it increased 11.47 percent, Pakistan Bureau of Statistics (PBS) reported.

Since October 2022, there have been substantial declines in textile exports, with reductions of 15.23 percent, 18.15 percent, 16.47 percent, 14.8 percent, 29.9 percent, 22.6 percent, 29.1 percent, and 19.57 percent in November, December, January, February, March, April, and May, respectively, when compared to the corresponding months of the previous year.

All major components within the textile group, including cotton cloth, knitwear, bedwear, towels, and readymade garments, witnessed a decrease in exports.

In FY23, exports of cotton cloth decreased by 17.1 percent to $2.02 billion, knitwear fell by 13.36 percent to $4.44 billion, bedwear 18.26 percent to $2.69 billion, readymade garments 10.57 percent to $3.49 billion, towels declined by 10 percent to $999.6 million, and cotton yarn exports decreased by 30 percent to $844.2 million compared to the last fiscal's exports.

It is worth noting that in FY22, the textile sector's exports were at historic high of $19.35 billion, that increased 25 percent compared to FY21's exports of $15.4 billion.

Exports of food groups decreased by 7.25 percent to $5.02 billion compared to $5.42 billion recorded last year. Within the group, rice exports totalled $2.15 billion, a 14.5 percent decrease from FY22.

Basmati rice exports decreased by 6.35 percent to $650.4 million, while other rice exports decreased by 17.6 percent to $1.5 billion compared to the corresponding $1.82 billion in last fiscal. Exports of fish and fish preparations increased by 15.2 percent to $496.3 million, Sugar exports in FY23 were recorded at $104.5 million.

Sports goods exports increased 10.9 percent to $404.8 million, of which, football exports increased by 24.25 percent to $236.9 million. Export of surgical goods went up 5.85 percent to $447.4 million, and chemicals and pharmaceuticals went down 11.6 percent to $1.387 billion. Cement exports dipped 15.2 percent to $189.9 million in FY23 against $224 million in FY22.

In June 2023, exports of cotton cloth decreased by 19.1 percent to $162.6 million, knitwear by 17.5 percent to $392 million, bedwear fell by 15.4 percent to $240.4 million, readymade garments decreased by 13.3 percent to $319.6 million, towels declined by 4.4 percent to $87.2 million, while cotton yarn exports jumped up 13.8 percent to $107.1 million compared to the same month of the last fiscal.

Significant decline in petroleum imports

In FY23, imports of the petroleum group experienced a notable decrease, declining by 27 percent compared to $17.0 billion against $23.3 billion in FY22. The import ofcrude oil dropped by 11.6 percent to $4.95 billion, petroleum products by 36.8 percent to $7.63 billion, and liquefied natural gas (LNG) by 24.6 percent to $3.76 billion. On the other hand, imports of liquefied petroleum gas (LPG) increased by 2.2 percent to stand at $675 million.

Machinery imports in FY23 witnessed a year-on-year decline of 46.8 percent, totalling $5.81 billion compared to $10.9 billion in FY22.

Among the subcategories, imports of textile machinery decreased by 57 percent to $328.6 million, power generation machinery by 66 percent to $499.8 million, agriculture machinery by 63.4 percent to $41 million, construction and mining machinery down by 51 percent to $85.3 million, and telecom machinery imports reduced by 64.3 percent to $570 million. Electricity machinery and apparatus imports also went down by 13.6 percent, amounting to $1.67 billion.

Imports of mobile sets experienced a substantial decline of 71.2 percent, reaching $570 million compared to $1.98 billion in FY22. Within the transport sector, which includes cars, vehicles, and parts, imports declined by 60.5 percent in FY23, totalling $1.76 billion against $4.45 billion in FY22.

In terms of road motor vehicles (built units, CKD/SKD), spending during the fiscal reduced 57.5 percent to 1.565 billion. Under completely built units (CBU), imports of buses, trucks, and other heavy vehicles experienced a decline of 68.9 percent to $104.6 million, while motor car imports were down by 77.3 percent to $70.3 million compared to the same month last year.

Regarding CKD/SKD models, imports of buses, trucks, and other heavy vehicles decreased by 55.6 percent to $289.7 million, while motor car imports fell by 55 percent to $752.3 million. Additionally, motorcycle imports stood at $41.2 million, while parts and accessories imports stood at $281 million.

Source: thenews.com.pk– July 19, 2023

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NATIONAL NEWS

Re-opening of PLI Scheme for Textiles for MMF apparel, MMF Fabrics and products of Technical Textiles for inviting fresh applications

In view of the requests from the Industry stakeholders', Ministry of Textiles has decided to re-open the PLI Portal till 31st August 2023 for inviting applications from interested companies under PLI scheme of Textiles for MMF Apparel, MMF Fabrics and products of Technical Textiles.

All the terms and conditions notified earlier vide notifications and guidelines shall be applicable.

Earlier notifications are mentioned below:

i. PLI-Textiles Scheme Gazette Notification dated September 24, 2021

ii. Scheme Guidelines for PLI-Textiles dated December 28, 2021

iii. Amendment Gazette Notification dated February 22, 2022

iv. Amendment Gazette Notification dated 09.06.2023

v. Amendment guidelines dated 09.06.2023

Source: pib.gov.in– July 18, 2023

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DGFT implements the Advance Authorisation Scheme, allows duty-free import of inputs for export purposes

Directorate General of Foreign Trade (DGFT) implements the Advance Authorisation Scheme under the Foreign Trade Policy, which allows duty-free import of inputs for export purposes. The eligibility of inputs is determined by Sector-specific Norms Committees based on input-output norms.

To make the norms fixation process more efficient, the DGFT has created a user-friendly and searchable database of Ad-hoc Norms fixed in the previous years. These norms can be used by any exporter without requiring a Norms Committee review as outlined in the Foreign Trade Policy 2023. The database is hosted on the DGFT Website (https://dgft.gov.in) and allows users to search using Export or Import Item Description, Technical Characteristics, or Indian Tariff Classification ITC (HS) codes.

To access the database, the exporter or public may visit the DGFT Website under Services --> Advance Authorisation/DFIA --> Ad-hoc norms. If an ad-hoc norm matches the item description, specified wastages, and complies with the provisions outlined in the Handbook of Procedures (HBP), applicants may choose to apply for an Advance Authorisation under the "No-Norm Repeat" basis. This option allows users to obtain an advance authorisation without approaching the Norms Committee again, reducing the workload and enabling faster processing, subject to provisions as outlined in FTP/HBP.

This trade facilitation measure simplifies the advance authorisation and norms fixation process, resulting in shorter turnaround times for exporters, improved ease of doing business, and reduced compliance burden.

Source: pib.gov.in– July 17, 2023

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India is now a part of resilient supply chains amongst trusted partners due to efforts of industry: Shri Piyush Goyal

Union Minister of Commerce and Industry, Consumer Affairs, Food & Public Distribution and Textiles, Shri Piyush Goyal, appreciated the role of Indian industries and stakeholders in making India a major player in the world economy and a part of resilient supply chains amongst trusted partners. Addressing the 187th Annual General Meeting of Bombay Chamber of Commerce and Industry today, the Minister said that the goal of 'Aatmanirbhar Bharat' is not about closing doors but opening India to the world for greater international trade and making it a part of global value chains.

Shri Goyal said that India's competitive and comparative advantages have to be leveraged for integration with the world economy and this is being focussed upon in the ongoing negotiations for Free Trade Agreements. The Minister noted the measures undertaken to attract investment and improve Ease of Doing Business like the Production Linked Incentive schemes, focus on R&D and innovation, effort to decriminalize corporate offences, reduce compliances, focus on logistics, last-mile connectivity, etc.

The Minister quoted a recent study which stated that India is the top choice for investors as per 85 Sovereign Wealth Funds and 57 Central Banks. Shri Goyal said that it is time to take advantage of the edge that India has in economies of scale, demographic dividend, government-industry partnership, focus on quality and efficiency, sustainability and innovation. Shri Goyal said that the Government is focussing on 4L- Land, labour, Liquidity & Laws and Five pillars- Economy, Infrastructure, System, Vibrant Demography & Demand for making India a developed country.

Shri Goyal mentioned that the world recognizes India as an emerging superpower now. The Minister said that the successful launch of Chandrayaan-3 by India is a matter of pride for every Indian and its successful landing on the Moon will make India the fourth country in the world to land its Spacecraft on the surface of the Moon. He appreciated the involvement of the private sector in space as it bodes well for rapid and significant advances for the future.

Shri Piyush Goyal highlighted the success of the recent foreign visits of the Prime Minister, Shri Narendra Modi to USA and Egypt and France and UAE as it helped in positioning India on the world map. The Minister said that the bestowing of awards like Grand Cross of the Legion of Honour, France's

highest accolade by the different countries and prestigious organisations on the Prime Minister is a testimony to growing stature of the Prime Minister representing 140 Crore Indians on the global stage.

Shri Goyal quoted the Prime Minister and said, “The third decade of the last century gave new momentum to the struggle for India’s Independence; Now the third decade of the new century will give impetus to the development journey of India.” The Minister said that this global recognition of India has been because of the significant efforts undertaken by the Government to meet the basic needs of every Indian by serving the poor, engaging in service with a sense of purpose, encouraging transparency and working towards corruption-free India.

The Minister said that the Government has focussed upon ensuring welfare for all without any discrimination. Shri Goyal cited the examples of providing homes to around 4 crore poor and needy families, free foodgrains to 80 crore beneficiaries every month, piped gas supply, piped water supply, Ayushman Bharat for free healthcare, toilets in every house, digital connectivity, etc. The Minister noted that these initiatives aim at improving the living standards of the underprivileged sections of the society and empowering them to aspire for a better future.

Shri Goyal said that the last two years have witnessed record exports but now the world is moving towards recession, developed economies are under stress, commodity prices are softening, discretionary spending is lukewarm and demand is reducing. The Minister said that it is incumbent upon all of us to work together and make ‘India story’ a compelling story for the world.

The Minister appreciated the theme of the AGM ‘What we are and what we want to be’ as reflective of the aspiration of the country. Shri Goyal said that India in 2047 will be way ahead of India of 2023 as the last decade has been a defining decade with significant achievements under the visionary leadership of the Prime Minister. He lauded the aspiration of 140 Crore Indians working with full commitment and dedication towards a new, developed and prosperous India in 2047.

Source: pib.gov.in– July 17, 2023

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Commerce ministry looking at fixing export target in range for this fiscal

With the increasing global economic uncertainties, the commerce ministry is looking at fixing this fiscal year's export target in a range instead of a single figure, an official said.

To set the target range, a detailed study on 200 countries and 31 commodity groups is in the process, the official said.

The target range would depend on parameters such as the USD 1 trillion merchandise exports target by 2030; import to GDP ratio of importing countries; export to GDP ratio of India that will tell the potential and past trends.

"We are not fixing any export target as a figure. In fact, my team has done an exercise, where we are saying that let us talk in terms of range. In the best scenario, the exports can be this much and in the worst scenario, it can be this much," the official said.

For a monitoring purpose of exports every month, the official said a fixed number would be required and that could be a mid-value or an average may be accepted.

The ministry has though fixed an internal target which has been to export promotion councils and Indian missions abroad.

"But we will take some more time before we will come up with our exports targets because based on the current trends, it can not be right on our part to fix those targets as of now, so we are waiting and watching," the official added.

A trade expert said that in 2022-23, India's merchandise exports were USD 450 billion, so the lower band of new target range could be USD 451 and even if one assumes a 10 per cent growth in 2023-24, then the upper band of the range could be around USD 495 billion.

In April this year, apex exporters body Federation of Indian Export Organisations (FIEO) said that they are targeting to take the shipments to USD 500-510 billion during the current financial year.

India's exports contracted by 22 per cent, the steepest decline in the last three years, to USD 32.97 billion in June on account of global demand slowdown, especially in the Western markets like the US and Europe.

Cumulatively, exports dipped by 15.13 per cent to USD 102.68 billion during April-June this fiscal.

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

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ADB retains India's economic growth forecast at 6.4% for current fiscal

The Asian Development Bank (ADB) on Wednesday retained India's economic growth forecast at 6.4 per cent for the current financial year and 6.7 per cent for the next, saying robust domestic demand will continue to support the region's recovery.

In an update to its Asian Development Outlook, the ADB said inflation is expected to continue to fall, approaching pre-pandemic levels as fuel and food prices decline. It forecast 3.6 per cent inflation this year for developing economies in Asia, and 3.4 per cent in 2024.

The Indian economy grew 7.2 per cent in the 2022-23 fiscal ended March 2023.

"Asia and the Pacific continues to recover from the pandemic at a steady pace," ADB Chief Economist Albert Park said.

"Domestic demand and services activity are driving growth, while many economies are also benefiting from a strong recovery in tourism. However, industrial activity and exports remain weak, and the outlook for global growth and demand next year has worsened, Park added.

In April, the ADB had projected that India's economic growth is expected to moderate to 6.4 per cent in the current financial year due to tight monetary conditions and elevated oil prices.

Source: business-standard.com– July 19, 2023

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India should reconsider import duty on capital and intermediate goods

India may reconsider its import duty to enhance its participation in the global value chain and accelerate the success of its Make in India program. An analysis of the latest WTO Tariff Profile database by MVIRDC World Trade Center Mumbai reveals that India has the highest average import duty in comparison to 11 prominent development and developing economies.

Leading developing countries such as Vietnam impose 47% less tariff than India at 9.6%, with its trade-weighted average duty being 5.1%. Similarly, Brazil and Mexico also have a lower tariff profile than India.

Capital goods

In the last 11 years, the gap between India's average MFN rate and the corresponding global rate nearly doubled. India raised tariffs on imports of not only non-essential goods but also on intermediate and capital goods that are used in the manufacturing process.

In the last 11 years, India’s trade-weighted average MFN rate rose 48% (from 7.7% to 11.4%), while the global average decreased by 8% (from 7.5% to 6.9%). On an average, India imposes higher import duties on capital goods such as electrical machinery (10.7%), non-electrical machinery (8.2%), and transport equipment (29.1%), compared to the global average tariff.

The report suggests that India may reconsider its import tariff structure, particularly for capital goods, in order to attract investment in domestic manufacturing. India can learn from Japan's approach to strategically use imports by lowering duties on critical intermediate and capital goods as high import duties may deter foreign investors.

According to the report, India had the highest import duties globally, with an average Most Favored Nation (MFN) rate of 18.1%, twice the global average. India's trade-weighted average duty was also 1.7 times higher than the global average.

Source: economictimes.com– July 18, 2023

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Indian textile sector seeks relief amid overcapacity & export slump

India is having around 30 per cent over capacity in spinning and weaving sector. PM MITRA Parks may add further capacity in few years. Over capacity has already become pain point for the industry amid slower demand in global garment market. Industry bodies like Confederation of Indian Textile Industry (CITI) and The Southern India Mills' Association (SIMA) has warned the government that if the problem is not addressed on an urgent basis, many textile units, specifically MSME units may go into financial stress. Industry bodies have issued a wishlist to seek relief from the government.

Addressing the joint Press Meet in Coimbatore, T Rajkumar, president, CITI, and Ravi Sam, chairman, SIMA, stated that textiles and clothing industry is currently facing an unprecedented financial stress mainly due to the prolonged Russian-Ukraine war that has impacted the EU and US markets, higher inflation, slowdown in global economy, 11 per cent import duty levied on cotton, and disruption in the supply of man-made fibres due to certain practical difficulties in implementing Quality Control Orders (QCO). The cumulative impacts are an 18 per cent drop in total textile and clothing exports, 50 per cent drop in yarn exports, and 23 per cent drop in cotton textiles exports when compared to the previous year.

The industry bodies said that the country currently has over 30 per cent excess capacity across the textile value chain, especially in the capital-intensive sectors like spinning and weaving. The banks have given red alerts to most of the textile units across the country owing to the unforeseen financial stress. The repayment for the short-term loans extended during the COVID-19 period has significantly increased the financial burden of the textile industry. A majority of the SME spinning mills in Tamil Nadu have announced stoppage of production and sale of yarn from July 15, 2023.

The spinning sector's huge working capital eroded as the cotton prices have crashed from ₹63,000 per candy of 356 kg during April 2023 to ₹56,000 per candy in July 2023. The mills are incurring loss of ₹10 per kg of yarn even on current lower cotton prices. Steep increase in power tariff, especially for the SME units in Tamil Nadu, has also made 2,000 spinning mills in the state uncompetitive.

The two organisations said that the textile industry urgently needs interim financial relief to prevent the units becoming NPAs (non-performing assets) and causing irreparable trouble for both the financial institutions and the textile units, especially the SME units. The heads of industry bodies demanded removal of 11 per cent import duty levied on cotton.

The industry bodies have also sent a memorandum to the Indian Banks Association and all the leading financial institutions seeking relief. They have urged them to extend one-year moratorium for repayment of the principal amount for the textile sector. Also, loans under ECLGS should be converted to six-year term loans in place of three-year loans. Financial assistance is also needed on case-to-case basis to mitigate the stress on working capital.

In a separate request to the Tamil Nadu government, they have sought relief in power tariff as the industry is not capable to bear steep rise.

CITI and SIMA said that the Indian industry can reap benefits of recent FTAs with the Western countries only in 2024 (once FTAs are agreed, signed and implemented), but the textile units would not be able to survive till such time without any relief from both the Central and state governments.

Source: fibre2fashion.com– July 18, 2023

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Weak demand: Q1 textile, apparel exports decrease by 15%

The recession in the textile industry continued in the first quarter of the financial year 2023-24, with India's textile exports dropping by 15.26% to $8.4 billion. Industry experts attribute the decline to weak demand and high prices of cotton.

The entire textile value chain of ginning, spinning, weaving, processing and garment making has been affected by weak global demand. Exports of cotton yarn and fabrics, man-made yarn and fabrics, carpets, handicrafts and apparel shrank from April to June, according to data from the Confederation of Indian Textile Industry (CITI).

The textile industry has been going through a tough time for more than a year because of volatile cotton prices and weak global demand, especially since the Russia-Ukraine war began.

Rahul Shah, a member of the administration committee of Texprocil, said, "The entire textile value chain is under pressure and spinning, weaving and processing are struggling. Demand in the international and domestic markets has been low and this is seen in exports data as well. Last year, from April to June, textiles and apparel exports were worth $9.9 billion, which has decreased by about 15% to $8.4 billion this year.

Ripple Patel, vice-president of Spinners' Association Gujarat (SAG), said, "The spinning sector is struggling because international demand is low and the price of Indian yarn is about Rs 235 a kg (30 comb variety) which is still 2% higher than international prices, so we are not competitive.

Currently, spinning mills are running at about 90% capacity to fulfil orders they got a month ago. However, there have been no new orders for about a week now."

Industry experts say textile exports make up about 10% of the country's merchandise exports. Textiles and apparel make up about 40% of total textiles exports, while home textiles and fabrics account for 18% and 13%, respectively.

Source: timesofindia.com– July 18, 2023

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Japan has immense opportunities for Indian apparel exporters: AEPC

Decline in Chinese garment exports to Japan provides an immense opportunity for the Indian apparel industry to boost shipments to the island nation, AEPC said on Wednesday. The Apparel Export Promotion Council (AEPC) said a strong Indian garment industry with its unique offerings has a huge scope for Japanese trading companies to source from India.

Members of the council are participating in the 12th edition of the India Tex Trends Fair in Tokyo. Speaking at the inauguration of the fair, AEPC Chairman Naren Goenka said over 180 Indian exhibitors are participating in the fair.

"Apparel imports into Japan have witnessed a positive mark in the last three years. Japan's total import from the world, which was $28.49 billion in 2018, has now risen to $46.72 billion," he said adding Japan is the fourth largest garment importer in the world after the US, Germany and France. Out of the total garment import of $23 billion by Japan, India's share is just one per cent.

"We hold a strong business opportunity in Japan reflected by the fact that China, which has been a dominant garment supplier to Japan, has witnessed a decline in the past five years giving significant advantage to India. Moreover, the duty-free access for Indian ready-made garments post-Indo-Japan free trade agreement as against about 9 per cent for China and Turkey is a big advantage for us," Goenka said.

Sharing similar views, vice-chairman of the council Sudhir Sekhri said as India has the largest raw material availability of cotton, jute, silk and wool in the world, supported by the world's second largest spinning and weaving capacity, and 95 per cent value addition, India offers to the world a complete value chain solution from farm to fashion.

The government has taken several steps such as the production linked incentive scheme and PM MITRA scheme to support the textile industry's growth and development. Seminars and business delegation meetings were also held to strengthen understanding and collaborations on the sidelines of the fair.

Source: thehindubusinessline.com– July 19, 2023

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Cotton yarn demand picks up in south India, but prices remain steady

The production and supply halt by spinning mills based in Tamil Nadu have enhanced market sentiment in southern India. Despite the stability in cotton yarn prices, there is hope for a future upward trend. Increased lifting of cotton yarn has been observed in Mumbai and Tiruppur markets, as the weaving industry is eager to secure more raw materials. Notably, a few Tamil Nadu spinning mills have ceased cotton yarn production and sales, yet current supply remains adequate for existing demand. Nevertheless, the announcement of production cessation and forthcoming festival demand have contributed positively to market sentiment.

In Mumbai, cotton yarn prices remained constant, but demand escalated. Buyers showed an eagerness to secure cotton yarn due to anticipated price rises following production and supply cuts from spinners. A trader from the Mumbai market told Fibre2Fashion, "Although cotton yarn prices have not yet risen, the market has seen more trading. Good trading of cotton yarn has been noticed in Maharashtra's Bhiwandi and Malegaon markets. Expectations are high for an increase in yarn prices in the near future."

In Mumbai, 60 count carded 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 at ₹1,325-1,350 per 4.5 kg, 44/46 carded warp at ₹254-260 per kg, 40/41 carded warp at ₹242-246 per kg and 40/41 combed warp at ₹270-275 per kg, according to Fibre2Fashion's market insight tool TexPro.

Tiruppur's market also saw an uptick in cotton yarn trade, driven by the weaving industry. However, yarn prices remained consistent. Purusottam Parmanandka, joint managing director of Tiruppur-based yarn trading company Kesharinandan Knit Fabrics Pvt Ltd, told Fibre2Fashion, "Some smaller mills have stopped cotton yarn production, which has led to increased lifting of the material. Despite this, there hasn't been a shortage in the market due to the production halt."

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 ₹230-236 per kg, 34 count carded cotton yarn

at ₹238-245 per kg and 40 count carded cotton yarn at ₹241-246 per kg, as per TexPro.

Cotton prices in Gujarat have observed an upward trend due to concerns about crop yield, both domestically and in the US. Even with heavy rainfalls in north India, the central cotton-producing region faces inadequate rain, which could negatively affect the domestic crop. Some regions may require reseeding due to flood damage and heavy rainfalls. Additionally, fears over hotter weather in the US potentially harming cotton crops have led to a rise in ICE cotton prices. Cotton prices in Gujarat have increased by ₹300 per candy (356 kg). Shankar-6 cotton was quoted between ₹56,000-56,500 per candy. The cotton arrival was approximately 8,000 bales (170 kg each) in Gujarat, and the all-India arrival was estimated at 30,000-32,000 bales of 170 kg.

Source: fibre2fashion.com– July 18, 2023

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