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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 133 of 2023 July 21, 2023

Currency Watch			
USD	EUR	GBP	JPY
82.03	91.38	105.76	0.58

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INTERNATIONAL NEWS

Brazilian cotton market sees price surge in early July

Cotton prices in Brazil have seen a significant surge in the first fortnight of July, rebounding from their lowest levels since October 2020, according to a report released by Center for Advanced Studies on Applied Economics (CEPEA) of ESALQ (Luiz de Queiroz College of Agriculture), University of São Paulo. The price surge comes after the value of domestic cotton fell below export prices, creating a 9 per cent disparity on July 6.

In reaction to this, several sellers retreated from the national spot market, hoping for prices to rise before they engage in new transactions. Harvesting operations progressed as the market lay low, with a significant reduction in wholesale dealings due to low purchasing volumes, which have been attributed to the slow sales of finished products, CEPEA said in its latest fortnightly report on the Brazilian cotton market.

The CEPEA/ESALQ Index, a measure of cotton prices in Brazil, dropped by 12.51 per cent in June. However, it has since increased by 5.77 per cent between June 30 and July 14, closing at BRL 3.8061 per pound on July 14. Despite the increase, domestic cotton prices in the first half of July still averaged 3.9 per cent lower than the export parity value.

Future trading trends suggest increased liquidity for exports. Occasional sales of the 2021-22 crop were recorded in the first half of July, while liquidity is expected to rise for the 2022-23 and 2023-24 seasons. Prices were set or based on the ICE Futures Index.

Source: fibre2fashion.com – July 20, 2023

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China: Price difference between cotton and other fibers continues to widen

From end Mar, ZCE major cotton contract has risen from 14,000yuan/mt to 17,300yuan/mt, up by 3,300yuan/mt, mainly driven by supply side and various speculations. The capital continues to push up cotton prices. On the night of Jul 18, the state cotton reserves sales policy was announced, but the specific details have not been released.

In face of the higher cotton prices, downstream spinners' operation status gradually turns weaker, and product inventory piles up. Operating rate of spinning mills continues to drop, especially the heavy losses. Currently, cotton yarn mills face several situations:

1) most spinners in inland face heavy losses, over 2,000yuan/mt on theory. Spinners in Xinjiang see less losses, but also step into losses.

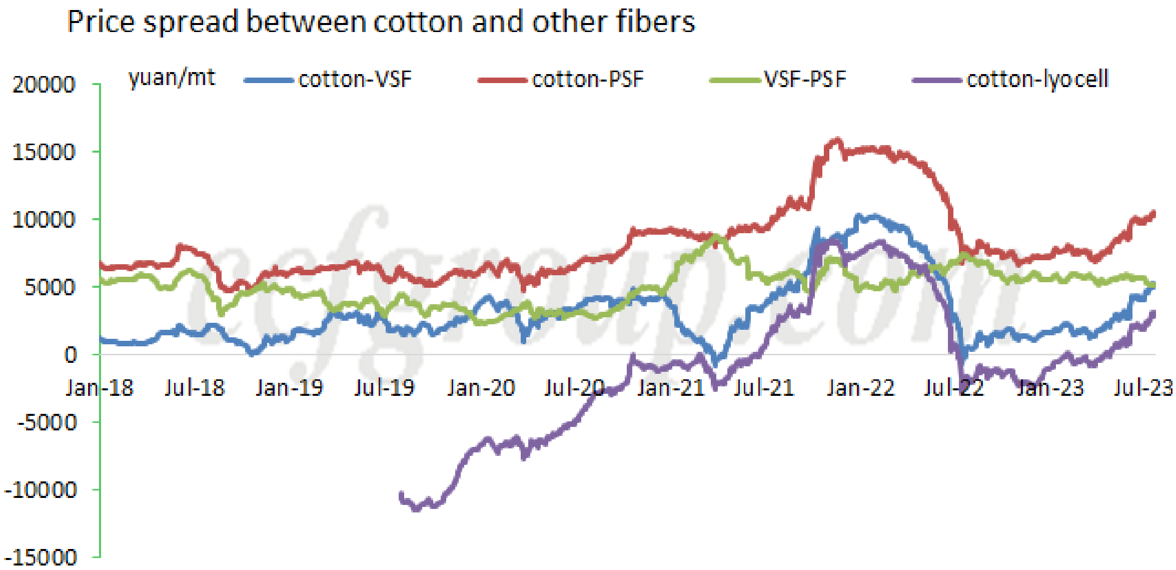
2) Cotton yarn inventory is gradually accumulating, and the trend may sustain for a period.

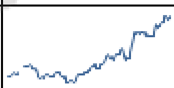
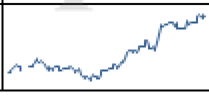
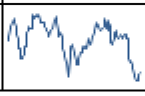
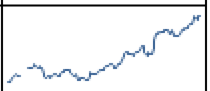
3) Cotton yarn inventory at traders' hand and supply chain like is high, and some costs are low, so spinners may face difficulties in selling later.

4) Cotton inventory in spinning mills is not high. Some spinners have less cotton inventory, and to slow down the cotton consumption speed, they turn to produce high-count cotton yarn.

5) Possible power rationing may appear this year. Based on above conditions, operating rate of spinning mills is very likely to reduce further in the future.

The weakening operation status of cotton yarn mills may make the substitution effect of other fibers for cotton strengthen. This year, driven by supply factors, the price of cotton has been continuously rising, especially after Apr. In contrast, the changes in PSF and VSF prices have been relatively moderate. As a result, the price spread between cotton and other fibers have gradually widened. Currently, the price spread between cotton and PSF has exceeded 10,000yuan/mt, and the spread between cotton and VSF has reached more than 5,200yuan/mt. Moreover, this price spread trend has not shown significant narrowing.



Price differences among fibers (yuan/mt)				
	Cotton-VSF	Cotton-PSF	VSF-PSF	Cotton-lyocell
2018-2022 average	3261	8276	5013	-1036
2023/7/19	5220	10460	5240	3130
Compared with the average	1959	2184	227	4166
Trend since 2023				

During the fourth quarter of 2021 and the first half of 2022, the high price of cotton in China strengthens the substitution effect of other fibers for cotton, and from a cost perspective, there is already a driving force for switching to other varieties currently.

However, the current market is in the traditional slack season, with generally fewer orders. Therefore, the motivation for spinners to switch production is also limited.

But with sample production in Aug and the release of orders during the traditional peak season, if the current price spread is maintained, the substitution among fibers will be further strengthened.

Source: ccfgroup.com – July 21, 2023

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CottonConnect Releases Code of Conduct for Gins

CottonConnect has released a new resource for cotton gins that aims to raise standards for one of the most critical stages of cotton production.

The London-based global nonprofit this week published its Responsible Business for Gins Code of Conduct, a first-of-its-kind resource developed after six years of partnership with more than 100 cotton gins. According to CottonConnect, the code will help gins improve operations and align with best practices to drive productivity and profitability while promoting sustainability. The organization has also been working with gin partners to improve worker health and safety.

The Code of Conduct was developed with multiple industry stakeholders and third-party verification bodies, and focuses on promoting a hygienic work environment, protecting workers' statutory rights, and educating gin workers, supervisors and owners about social and environmental compliance. The Code's implementation and adoption will be independently verified, CottonConnect said.

Ginning is a mechanical process that separates the cotton boll from its seed and stalk to prepare the fiber for spinning. While the function is simple, CottonConnect said the working conditions in some gins still pose health and safety hazards to workers. The seasonal work employs tens of thousands of people, but ginning has often been left out of discussions about improving supply chains, according to CottonConnect.

CottonConnect has already released and implemented codes of conduct for sustainable cotton farmers, regenerative cotton farmers, and sustainable linen farmers, and a resource for gins was the logical next step, according to CEO Alison Ward.

"We've been working closely with gins in India, Pakistan and Bangladesh over the past six years, building a strong relationship of trust," she said, noting that CottonConnect is now jointly assessing issues and developing protocols with its gin partners. "Our approach is for improvement that helps gins raise standards and supports their aim to become a partner of choice for retail brands," she added.

Brands and retailers are increasingly investing in supply chain certifications and traceability programs as consumers become more invested in the provenance of the products they buy. “Our goal is to support retailers to have more transparent and ethical supply chains,” Ward added. “Improving standards at gins is part of that. A fully sustainable supply chain must include the ginning stage.”

CottonConnect’s collaborative work with the gins has allowed the organization to better address challenges in cotton processing and operational gaps. “With this code, our primary focus lies in working closely with the ginning sector to enhance standards and fortify the value chain,” CottonConnect senior director of Turkey and Global Supply Chain Dawa Dorje said.

Jayesh Patel, director of Indian textile and yarn-spinning firm Omax Cotspin Pvt. Ltd., said the creation of the Code of Conduct “is the result of extensive discussions within the sector.” He commended CottonConnect for leading the effort, which he believes has the “potential to transform the industry.”

“This code addresses the most pressing issues related to gin, including social, environmental, and traceability concerns,” he added. “By focusing on these crucial aspects, CottonConnect is taking a comprehensive approach to drive positive change in the gin phase of the textile supply chain.”

Source: sourcingjournal.com – July 20, 2023

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Asia continues to be attractive FDI destination: HSBC report

Foreign direct investment (FDI) continues to pour into Asia, and much of this is focused on manufacturing, which should cement the region's position as the centre of global trade, HSBC recently said.

Relative to the size of economies, inflows are especially large in Vietnam, Malaysia, Australia and New Zealand; far less so in South Korea, mainland China and Japan, it said.

In a recent report, HSBC said the Association of Southeast Asian Nations (ASEAN) has pushed past mainland China for the second year in a row, especially when it comes to new, rather than repeat, investment.

Manufacturers from mainland China, meanwhile, are increasingly investing in other economies as well, notably in ASEAN, the report noted.

The pandemic has not dented Asian FDI flows in a major way and the continent remains a pretty good destination for investment, the bank said.

In Vietnam, Malaysia, New Zealand, Australia and the Philippines, FDI inflows top 2 per cent of the gross domestic product (GDP) compared to 1 per cent in South Korea, Japan, mainland China and Bangladesh.

The total disbursed FDI volume in Vietnam reached $10.02 billion in the first half this year—a year-on-year rise of 0.5 per cent. FDI inflows into the country reached $13.43 billion in the first half—down by 4.3 per cent year on year, the ministry of planning and investment said.

Source: fibre2fashion.com – July 21, 2023

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Cambodia's export to RCEP nations rises by 24% YoY in H1 2023

Cambodia's exports to other Regional Comprehensive Economic Partnership (RCEP) member countries were worth $4.07 billion in the first half (H1) this year—up by 24 per cent from $3.28 billion over the same period last year, according to the ministry of commerce.

The country's top three export destinations under the RCEP during H1 2023 were Vietnam, China and Japan, the ministry said in a report.

It shipped products worth nearly $1.43 billion to Vietnam—up by 22 per cent; $713 million to China—up by 17 per cent; and $545 million to Japan—up by 1 per cent, the report said.

RCEP comprises 15 Asia-Pacific countries—ten member states of the Association of Southeast Asian Nations (ASEAN) and their five trading partners: China, Japan, South Korea, Australia and New Zealand.

"The growth clearly shows that the RCEP countries are a potential market for made-in-Cambodia products," ministry spokesman Penn Sovicheat told a news agency.

Source: fibre2fashion.com – July 21, 2023

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Dubai Chamber of Commerce eyes trade, investment with new rep office in HCMC

The Dubai International Chamber on Friday opened a representative office in Vietnam to explore opportunities for trade and investment.

The Ho Chi Minh City office is the 22nd of the Dubai International Chamber, one of the three chambers operating under the Dubai Chamber of Commerce.

It is its third in Southeast Asia after Indonesia and Singapore.

Salem Al Shamsi, vice president of global markets at Dubai Chamber, said this is a strategic step, opening a new era of cooperation between the Vietnamese and Dubai business communities.

"The vibrant and strong business environment, favorable policies, skilled labor and the strategic location of Vietnam are the reasons for us to set up a new international office here."

Dubai is a city and one of the emirates that make up the United Arab Emirates (UAE).

In April Vietnam and the UAE had kicked off negotiations on a bilateral Comprehensive Economic Partnership Agreement.

Speaking at the inauguration of the office on Friday, Bader Abdullah Al Matrooshi, Ambassador Extraordinary and Plenipotentiary of the UAE to the Vietnam said it would contribute to increasing trade and investment opportunities between the two countries.

Bilateral trade was worth US$8.7 billion last year.

Vietnam's main exports to Dubai are electronics ($5.15 billion), footwear ($564 million) and machinery ($375 million), followed by textiles, non-organic chemicals, clothing, fruits and nuts, coffee, tea and spices, furniture, and leather products.

Its main imports are tobacco ($92 million), animal feed ($38 million) and aluminum ($33 million) besides perfumes and cosmetics, machinery, plastics, iron and steel, mineral fuels, and medical instruments.

According to the Dubai International Chamber, items with high potential for export growth from Vietnam to Dubai include coffee, tropical fruits, furniture and cashew nuts.

It has also identified a number of potential areas for investment in Vietnam, including agribusiness, construction, ecotourism, food processing, and renewable energy.

As of May 31 a total of 170 Vietnamese companies had registered as members of the Dubai Chamber.

Source: e.vnexpress.net – July 20, 2023

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Opportunities for Cotton in Non-Plastic Advanced Textiles

There is growing need and interest for plastic free nonwovens and advanced textiles, based on discussions during the 2023 World of Wipes international conference in Atlanta.

The conference is organized by the Association of the Nonwoven Fabrics Industry-INDA.

Growing regulations on the use of plastic-based products in the European Union and in the United States have heightened the need for the nonwovens and advanced textiles sector to look for alternatives to synthetic materials. Conference talks focused heavily on sustainability and the efforts by the global nonwovens sector to become carbon neutral.

The nonwovens and advanced textiles industry is moving towards an interesting spot to develop sustainable materials at competitive price levels. There are enormous opportunities for cellulosics such as pulp and cotton and other natural fibers such as flax and hemp in developing single use and durable nonwovens.

Given the quantity of nonwovens that come out of high-speed machines that can operate at 1200 m/min, there may not be enough non-plastic materials to meet the need in the immediate future, stated C.K. Wong, Chairman and CEO of Hong Kong-based U.S. Pacific Nonwovens, who has been in the industry for over 53 years.

Cotton can find new opportunities in the nonwovens sector as the cost will be competitive with bioplastics, added Wong. The industry has been successful in developing food packaging and medical products using bio-based materials such as PLA. Japan's AsahiKASEI has been leading in the development of spunbond nonwovens using cotton linters to develop products for wipes and cosmetics industry.

Consumers like green products but expect products with good functionality at similar cost levels as synthetic-based nonwovens, which is a challenge for the industry.

"The nonwoven industry is transitioning to less plastic-based raw materials," stated Tom Carlyle, Nonwovens Commercial Manager-Americas at Lenzing Fibers.

"Consumers are becoming curious about resources, which will drive innovation. Furthermore, growing regulations such as the EU Single-Use Plastic Directive will necessitate the immediate need."

"Spunlace (hydro entangling) technology is employed in China to develop virgin cotton-based nonwovens with six or more lines running," said Oliver Doring, Director of Sales & Marketing at Trutzschler Nonwovens. Two spunlace lines are developing cotton-based spunlace nonwovens in India, and an additional line which can develop cotton-based wipes will be online in six weeks.

Source: cottongrower.com– July 20, 2023

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Kingpins, Messe Frankfurt Join Trade Show Forces

Two giants of the textile and denim trade show industry are joining forces. Messe Frankfurt, which puts on more than four dozen textile shows in 11 countries, announced on Tuesday's its partnership with Kingpins Show, a leading global denim supply chain trade show.

Kingpins CEO Andrew Olah praised the extensive "knowledge" that the new shareholder will bring to the must-attend jeanswear event.

"We were never 'show people', we were 'industry people,' whereas Messe Frankfurt is an 800-year-old exhibition company with all the knowledge, technique, and data needed," Olah said, adding that the partnership was an aspiration of his company since its inception. "Now almost 20 years later, a kind of dream has occurred—now we are both 'show people' and 'industry people.' We know this collaboration will really grow each other's opportunities and quality."

Kingpins helps diversify Messe Frankfurt's offerings, according to one executive close to the organizer.

"We are pleased that with Kingpins we are strategically complementing our worldwide textile trade fair portfolio in a meaningful way," said Detlef Braun, executive board member for Messe Frankfurt GmbH, the German parent company. "The international events of our textile business network 'Texpertise' cover the entire textile value chain. With the planned participation of Messe Frankfurt Inc. in Kingpins, we are adding an important premium brand in the denim sector and rounding off our existing portfolio."

Kingpins is maintaining its operational identity even as Messe Frankfurt becomes a shareholder that will bring its "global network, unparalleled resources, and industry-leading expertise to strengthen the Kingpins Show's position as a premier denim platform," it said in a statement.

"Our partnership with the Kingpins Show is rooted in our admiration for their distinct vision and innovative approach to the denim industry," said Messe Frankfurt president and CEO Constantin von Vieregge. "We recognize the opportunity to learn from Kingpins, and together with our expertise we believe we can continue to be the stage for business encounters in the denim industry."

Kingpins started as a small denim show in New York City in 2004 and on Thursday will conclude the two-day Kingpins New York at Pier 36/Basketball City. Seven years ago Kingpins expanded its tour into China and in 2015 instituted a focus on sustainability by introducing its Transformers series of summits dedicated to making the jeans industry "…more environmentally viable, socially responsible and financially sound through education and discussion."

Source: sourcingjournal.com– July 19, 2023

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Bangladesh textile, RMG firms seek gas price reduction, steady supply

Bangladesh garment and textile exporters recently sought uninterrupted gas supply and its price cut as stalled production in textile mills disrupted timely shipment of yarn, fabrics and garments.

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) and the Bangladesh Textile Mills Association (BTMA) also requested the government to cut down the price of gas to Tk 16 a cubic metre from the hiked rate of Tk 30 as global prices of energy have reduced.

The three trade bodies wrote a joint letter in this regard to prime minister's principal secretary Mohammad Tofazzel Hossain Miah.

"The government had assured of providing uninterrupted supply of energy to the industry at the time of raising the gas price last February. But production in textile mills remained almost suspended for want of gas," the letter read.

With a 30-per-cent shrink in the global market for textile and apparel during the last two years, primarily because of the rise in cost of raw materials, energy and dollar following the COVID-19 pandemic and the Russia-Ukraine war, the latest price hike of gas has significantly raised the cost of production for yarns and fabrics, the organisations said.

Factories could not utilise their production capacity by up to 50 per cent.

The trade bodies sought a rise in the limit to the Export Development Fund loan for spinning mills to $30 million and extending the repayment period up to 360 days instead of 180 days, Bangladesh media outlets reported.

They also demanded a moratorium on all types of loans, including term loans, up to June 30 next year, citing a liquidity crisis in the textile sector.

Source: fibre2fashion.com– July 21, 2023

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Vietnam's textile & garment exports fall 15.5% in Jan-June 2023

Vietnam's textile and garment exports saw a decline of 15.4 per cent from January to June 2023, totalling $15.729 billion according to preliminary data from the customs IT and statistics department of the general department of customs under Vietnam's ministry of finance. In contrast, exports in June 2023 rose by 4.9 per cent to $3.060 billion relative to the previous month.

In the same period, Vietnam's yarn exports fell by 25.6 per cent to $2,063.717 million year-on-year. In terms of volume, the country exported 832,273 tons of yarn, marking a 2.5 per cent decrease compared to the same period the previous year. In June 2023 alone, yarn exports dropped by 3.9 per cent to $375.666 million, and the volume of yarn exports also fell by 3.9 per cent to 154,004 tons.

The US accounted for a substantial 44.21 per cent of Vietnam's textile and garment exports in the first half of the year, totalling $6.955 billion. Japan and South Korea were also key markets, with exports amounting to $1,751.742 million and $1,339.314 million, respectively.

Regarding yarn exports, China received 50.41 per cent of Vietnam's output, totalling $1,040.535 million. India was another major market, with shipments reaching $38.359 million in the first half of 2023.

In 2022, Vietnam's textile and garment exports grew by 14.7 per cent year-on-year, reaching $37.5 billion, missing the $43 billion target. In 2021, these exports totalled $32.750 billion, an increase of 9.9 per cent compared to 2020's exports of $29.809 billion. Meanwhile, yarn exports in 2022 rose by 50.1 per cent to $5.609 billion, up from $3.736 billion in 2020.

Under a positive market scenario, Vietnam aims to export $48 billion worth of textiles, garments, and yarn in 2023, according to the Vietnam Textile and Apparel Association (VITAS).

Source: fibre2fashion.com– July 21, 2023

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Pakistan's textile & apparel exports down 14.63% to $16.5 bn in 22-23

The value of textile and garment exports from Pakistan decreased by 14.63 per cent in fiscal 2022-23 (July-June). During this period, Pakistan earned $16.501 billion from textile and apparel exports, compared to $19.329 billion in 2021-22, as per data released by the country's ministry of commerce.

Pakistan's textile and garment exports had been experiencing numerous challenges during the last fiscal. The global economic slowdown has adversely affected textile exports for major supplier countries, including Pakistan. Additionally, political unrest within the country has also disrupted economic activities. The exports of textiles contributed 59.50 per cent in Pakistan's total goods exports of $27.734 billion during the last fiscal. The share was 60.89 per cent in the total exports of $26.246 billion during fiscal 2021-22.

Category-wise, knitwear exports slipped by 21.10 per cent year-on-year to $4,436.78 million during the period under review, while exports of non-knit readymade garments were down 10.57 per cent to $3,491.95 million. As for textiles, cotton yarn exports decreased by 30.04 per cent to $844.24 million, while exports of cotton fabric fell 17.06 per cent to reach $2,022.00 million in July-June 2023. Bedwear exports declined by 18.26 per cent to $2,691.65 million during this period, the data showed.

On the import front, synthetic fibre imports decreased by 34.77 per cent year-on-year to $484.53 million, while imports of synthetic and artificial silk yarn dropped by 33.65 per cent to $583.07 million during the same period. Meanwhile, the value of textile machinery imports by Pakistan in July-June 2023 decreased significantly by 57.03 per cent year-on-year to $328.62 million, showing a drop in new investments.

In fiscal 2021-22 ended June 30, textile and garment exports from Pakistan increased by 25.53 per cent to $19.329 billion over $15.399 billion in the previous fiscal. In fiscal 2019-20, the exports amounted to $12.526 billion.

Source: fibre2fashion.com – July 20, 2023

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Pakistan: Textile export performance: not all gloom

If full-pager ads by textile trade associations in leading newspapers are any guide, Pakistan's export lifeline is at the brink of collapse. The abrupt disruption of concessions committed under the Textile Policy 2020 – 2025 has resulted in a 10 percent decline in industry's exports, which declined from $18.5 billion during FY2021-22 to a little over $16.6 billion during the just ended FY2022-23.

Only a year ago, industry representative organizations had set themselves an export target of $25 billion for the FY23. However, they now claim that export performance was severely set back by the drastic turn in macroeconomic conditions during 2022-23, of which the historic rise in bank lending rates; raw material (cotton availability); and, retraction of concessional gas and electricity tariffs during the H2 of the last fiscal year damaged prospects of export growth irreparably.

Now that the outgoing federal government has finally inked an agreement with the IMF, the macroeconomic headwinds are expected to subside in the ongoing fiscal year 2023-24. It is little surprise then that the industry trade associations have now come out in full force, demanding resumption of Textile Policy 2025 and the concessions committed therein. But will it happen?

Short of an industry guru being nominated as the head of interim setup, there is very little likelihood that the concessions demanded by the industry will make a return during the current fiscal year. First, Pakistan's Letter of Intent under the latest Standby Arrangement disclosed earlier this week indicates commitment of harsh fiscal and monetary discipline to the IMF, chief among which is the rationalization of energy sector losses. Thus, whether industry's demand for regionally competitive energy tariffs holds water or not shall prove immaterial in an election year, as shielding lifeline domestic consumers from rise in tariffs shall take precedence over eliminating cross subsidies.

Two, the Fund has explicitly stated that SBP's monetary policy rate is very well in the negative territory. Thus, if Pakistan is to bring runaway inflation under control, IMF believes that the controversy over headline versus core inflation must be parked for now, and that the policy rate must be raised several more notches to yield positive real rateson a forward-looking basis.

Moreover, during the last two reviews of the previous Extended Fund Facility (EFF), IMF had come down hard on concessional refinancing programs by the central bank, demanding that the markup rate on refinance rates be pegged with the policy rate, and that further expansion of refinance loans be capped permanently.

It has now been three years since SBP last expanded credit limits of concessional working capital loans – Export Refinance (EFS) –to Rs 500 billion, with the borrowing under the scheme maxed out since June 2022. If Pakistan wishes to complete future reviews under the fresh Stand-by Arrangement, there is little chance that the scope of export refinance schemes shall be expanded or the markup rate declining in the short term.

So, in absence of a resumption of this concession, are textile exports set to suffer in the ongoing fiscal year too? There may be room for some hope. But first some background. The industry’s export performance during FY23 proved beyond doubt that the export boom witnessed over the preceding fiscal two years – 2020 to 2022 - was an outcome of a happy confluence of several factors, many of which have now receded.

First off, the industry was flush with liquidity between 2020-21 as a result of monetary stimulus offered by the central bank at the height of the pandemic. This included not just the expansion of traditional refinance schemes such as EFS and LTFF, but also the suspension of debt repayments, the over-discussed (and defended) TERF scheme, and, single-digit policy rate. Second, the PTI government went to lengths to appease the industry, reiterating its commitment to concessional energy tariffs many times.

Third, the unexpected cotton crop performance during FY21 provided the industry access to cheap fiber, just as global commodity price spiral was going into full swing following reopening of major economies post-pandemic.

Fourth, world cotton prices climbed up to 11-year high following the Russian invasion of Ukraine and crop failure in major producing countries during 2021, which helped boost unit price of low-value add products exported by Pakistan. Fifth, the one-time knock-on impact from dismantling of the fixed exchange rate regime in 2019 helped boost profitability, until production costs also caught up.

Many of these enabling factors are now a thing of the past, at least for the foreseeable future. The extraordinary era of cheap debt bonanza is now over, especially since interest rates have climbed up to decade-high levels globally. Domestic supply of raw material cotton continues to reel under the effects of extreme weather events, from the monsoon super floods of 2022 to high production costs in the current year.

The shocking depreciation of currency over the past year also continues to make imported cotton more expensive, with import volume declining despite shortage. Concessional energy tariffs could only make a comeback if an industry friendly government comes to power at the center post-elections – indicated by the overtures made by Pakistan People's Party's co-chairman to industry's trade associations in recent weeks.

Does this mean textile export growth are doomed? A detailed analysis of industry's performance over the last decade and half shows this not to be the case. Despite the freefall in world cotton prices since July 2022, Pakistani export performance has proved remarkably resilient in certain pockets and categories.

Although unit prices fell during FY22, quantity exported increased in two high-value adding segments – namely, knitwear and readymade garments. In fact, both segments have recorded annual compounded growth rate in export volume of 20 percent over the last three years, even as low- and medium- value add categories such as home textile, linen, and denim fabric etc have shown flat performance.

In fact, high value add segments of knitwear and readymade garments have truly come into their own over the last five years, proving resilience in export performance irrespective of suspension of concessional energy tariffs or concessional refinance loans. These segments also show very high and growing efficiency in utilization of working capital, nearly 5 times higher than that of cloth or home textile segments.

Meanwhile, the low value add industry shall remain beset with trouble in times to come. Especially considering the continued absence of reliable and affordable supply of raw materials – both cotton fiber and energy.

But that only begs the question: if the raw material for low-value add segments such as spinning continues to remain both unavailable and unreliable, why does the advocacy footprint in Islamabad remain so lopsided toward industry leader from these segments? Like Bangladesh and Vietnam, high-value add segments such as knitwear and readymade garments may hold the key to Pakistan's textile and garments exports' future growth, even without demanding concessional facilities. The policymaking circle just needs to think beyond yarn and cloth.

Source: brecorder.com – July 21, 2023

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NATIONAL NEWS

India, Germany to strengthen bilateral ties, increase investments: German Vice Chancellor

Germany's Vice Chancellor and Minister of Economic Affairs and Climate Action Robert Habeck on Thursday said India and Germany want to further strengthen bilateral cooperation and increase investments and collaboration among companies. He arrived on a three-day visit to India on Thursday.

Talking to reporters on the sidelines of the Indo-German Business Forum in New Delhi, Habeck also said China is Germany's biggest trading partner and a lot of German and European companies have invested in that country.

"It is a huge market and this goes the same for India and for the US for example. On the other hand we see that being dependent on only one market could be a risk and even more so if we see that economic issues are not politically neutral, that interests are interwoven in the economic relations," he said.

He further said "we can't decouple from China" but de-risking and diversification is of highest importance.

Diversification, he said means that other partnerships, the Indo-German partnership and other ones as well, become more and more important.

"My understanding also from the talks ahead with the Indian partners is, that goes the same for India. So there is a mutual interest from the German side and the Indian side to strengthen our cooperation and bringing more companies together, bringing more investments, creating a common trade sphere also as an answer that we are not becoming too dependent on only one country and from the German side that is also China," he said.

He further said from the European side, the Russian aggression on Ukraine is unprecedented and it has destroyed the European peace order built after the second World War.

"I know that Europe is a little bit away from Asia of course, but on the other hand this is of such importance that I urge all democracies worldwide to be clear in language and political position that this is not acceptable," Habeck said.

Referring to the price cap imposed on purchase of Russian crude oil, he urged countries "not to use the sanctions system to give credit, more money to Russia that they can fuel their war in Ukraine".

To a question regarding the situation in Manipur, Habeck said "this is not on the table for me".

He said he would be discussing economic matters during his meetings with the Indian side, besides the energy matters regarding sanctions and renewable energy.

Source: economictimes.indiatimes.com– July 20, 2023

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India working on its own cotton brand 'Kasturi' with Australian technology for good seed

A delegation of Indian businesses representing industry bodies – TEXPROCIL – The Cotton Textiles Export Promotion Council, Council For Leather Exports – India (CLE), Carpet Export Promotion Council (CEPC) and Federation of Indian Export Organisations (FIEO) from India, recently showcased their export offerings for the Australian market at the Global Sourcing Expo at the International Convention Centre in Sydney (ICC Sydney). The delegation was co-hosted by the Consul General of India in Sydney and the Australia India Business Council (AIBC).

This was one of the largest delegations from India, of more than 40 companies, looking to explore collaboration leveraging the Australia India Economic Cooperation and Trade Agreement (AIECTA) agreement based on bilateral opportunities.

Rakesh Kumar Choudhary from TEXPROCIL, who was part of the delegation mentioned that India is working on developing its own cotton brand 'Kasturi' with inputs from Australian technology.

The AIBC also organised B2B sessions along with Australian Chapter of the ICAI (Institute of Chartered Accountants of India) Sydney representatives with several of these companies to match them with market opportunities and potential supply chain partners in Australia.

Speaking with The Australia Today Consul General of India in Sydney, Mr Manish Gupta, said that this was the first such delegation from the textile, home furnishings, leather goods and carpet sectors from India to come to Australia after the signing of the Australia India Economic Cooperation and Trade Agreement. He added that there are huge opportunities here and that he was hopeful that these Indian products will make a huge impact in the Australian market.

Source: theaustraliatoday.com.au – July 20, 2023

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Falling demand, strong price competition pushing textile market into crisis

Since last Saturday, around 1,800 of the total 2,200 spinning mills in Tamil Nadu decided to stop production and sale of yarn. The state is home to more than half the country's 4,000-odd spinning mills. These companies' key grievance is the lack of policy support as a result of the demand recession in the United States and the European Union (EU) markets that has made their businesses unviable.

The mills have approached the Indian Bank Association (IBA) seeking relief, including an extension of a one-year moratorium on the payment of the principal on loans that spinning mills took during the Covid-19 period and conversion of three-year loans under the Emergency Credit Line Guarantee Scheme into six-year term loans.

According to the Tamil Nadu Spinning Mills Association (TASMA), at least 15 per cent of these 1,800 micro small and medium enterprises are falling under the banks' non-performing asset (NPA or bad loan) category and are looking to sell their assets.

Some estimates suggest that these closed mills supply around 45 per cent of the yarn requirement for India's largest garment hub, Tiruppur.

Some choose to see this crisis as impacting a small section of the spinning mills in Tamil Nadu, with 400-odd large companies still intact. But experts indicate that this is just the tip of the iceberg. The list of problems that the textile industry is facing go beyond the demand decline in key western markets to the high import duty on cotton, competition from countries like Bangladesh, and rising borrowing costs.

The demand recession is a key concern. In June, the country's textile and apparel exports declined 11.3 per cent over the year before following the production shut-down by several textile mills in south India. In June, textile exports stood at $1,624 million, compared with $1,736 million in June 2022, while apparel exports were also down to $1,248 million against $1,501 million last year. During the period, ready-made garment (RMG) exports dipped by 17 per cent.

Meanwhile, exporters from Tiruppur are seeing themselves losing out to rivals such as Bangladesh, Vietnam and Cambodia among others. Tiruppur accounts for 54 per cent of India's textile exports.
"The price difference between many of these players and us ranges from 15 to 20 per cent," said Sivaswamy Sakthivel, executive secretary, Tirupur Exporters Association.

Take the case of the EU. Vietnam reaps the benefit of a free trade agreement, which gives its exports a Customs duty advantage of 8-12 per cent depending on the product. Bangladesh, Cambodia, and Myanmar, being least developed countries (LDCs), gain from nil Customs duties. Pakistan and Sri Lanka also attract no Customs duty, being the Generalised Scheme of Preferences Plus (GSP+) category, a benefit that India lost under the Trump administration in 2019.

"All this makes it difficult to compete with these countries," Sakthivel added.

Compared to the countries above, Indian textile exports face an average tariff of 5.9 per cent in the EU and 6.2 per cent in the US. Being a developing country, India falls under the GSP category in the EU, but gets concessions to the tune of 3-4 per cent. Bangladesh, on the other hand, continues to enjoy the LDC advantage, though its per capita income crossed India's two years ago.

Interestingly, though the industry ascribes the demand decline in the EU on the Ukraine war, numbers indicate another trend. According to textile industry association Euratex, the EU's trade in textiles and clothing exceeded the €200 billion mark for the first time in history in calendar year 2022. In fact, it showed a 37 per cent increase in clothing import value, mainly driven by an increase in imports from China and Bangladesh. In the US too, imports of textiles and apparel were seen up by 16 per cent to $132.201 billion in 2022 compared to $113.938 billion in 2021.

In the first two months of 2023, EU textile imports showed a marginal decline of 2 per cent; its second-largest supplier Bangladesh saw a 5 per cent increase in supply in value terms. On the other hand, US imports of textiles and apparel fell 22.05 per cent to $33.780 billion in the first four months of 2023, compared to $43.333 billion during the same period in 2022. Almost all importers -- China, Cambodia, Pakistan, Vietnam, Indonesia, Bangladesh and India -- had a double-digit dip in imports to the country during this period.

Many believe that two major reasons for erosion of India's global competitiveness are the 11 per cent import duty levied on cotton and high volatility in cotton prices during the last two years.

"For the past 15 months, Indian cotton has been more expensive than international cotton," said Sanjay Kumar Jain of Delhi-based textile producer TT Ltd.

First, he pointed out, the government has increased the minimum support price by 8-10 per cent; second it imposed a duty on imported cotton, which cuts import options for textile players. "The government has given farmers double protection without considering the rest of the value chain," Jain added.

Adding to the pain may well be the decline in domestic demand too. Take the case of Tiruppur, the region's exports were valued at Rs 34,350 crore in 2022-23 and its domestic intake was around Rs 28,000 crore. "The real surprise is why the domestic market is not picking up. That is also down by 20-25 per cent. All our clients, such as Reliance, Westside, DMart, Max and Jockey are saying that they have a huge stock with them," Sakthivel pointed out.

The current shutdown of mills may affect cotton procurement by mills. “People in Europe are spending money on food and fuel and inflation is forcing them to stay away from textile goods. Chains such as Walmart are closing their retail outlets in the US and EU. Hence, there is no need to procure cotton and convert it into yarn. There is a reduction of around 55 per cent in cotton procurement itself over last year,” said K Venkatachalam, chief advisor, TASMA.

The industry hopes Diwali will light up demand and producers in Tiruppur are anticipating orders by players like Walmart, H&M, Tommy Hilfiger, and Target. Much, however, depends on the health of the US and European economies.

Source: business-standard.com – July 20, 2023

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From Africa to Latin America, trade in local currencies on the cards

Indian authorities are in talks with several nations in Africa and Latin America to settle bilateral trade in the respective local currencies similar to the one signed with the United Arab Emirates (UAE) last week.

Indonesia, Egypt and Argentina are some of the countries where discussions were held to settle bilateral trade in local currencies, sources said. Talks were held at the central bank level first to understand how the system will work and governments also had discussions on the issue, according to sources with direct knowledge of the discussion.

“The Indian government has been very proactive,” said a source, adding that the aim is to reduce dollar dependence.

Sources said talks were held with Malaysia as well for settling bilateral trade in the Indian rupee and Malaysian ringgit.

Talks were also in the advanced stages to settle trade in Indonesian rupiah and the Indian rupee, sources said. Indonesia is India’s largest trading partner in the Association of Southeast Asian Nations (Asean) region. Major exported items from India to Indonesia include mineral fuels, mineral oils and products; bituminous substances, among others.

Among Latin American countries, such discussions were held with Argentina.

The India-Argentina bilateral trade registered a peak of $6.4 billion in 2022, a growth rate of 12 per cent in 2021, with exports accounting for $1.84 billion, and imports to the tune of $4.55 billion.

Major items of India’s exports to Argentina include petroleum oils, agro chemicals, organic chemicals, bulk drugs and two-wheelers.

Major items of India’s imports from Argentina include vegetable oils (soya bean and sunflower), finished leather, cereals, residual chemicals and allied products and pulses. India’s exports to Egypt was $4.11 billion in the last financial year, while its imports stood at $1.95 billion.

ILLUSTRATION: BINAY SINHA

EASE OF TRADE

- Discussions held with Egypt and Argentina to settle bilateral trade in local currencies
- Talks held with Malaysia for settling bilateral trade in rupee and ringgit
- Deliberations are in advanced stages to settle trade in Indonesian rupiah and rupee
- Last week, the RBI and the Central Bank of UAE signed MoUs for a framework to settle trade in local currencies

During Prime Minister Narendra Modi's visit to Egypt last month, both countries planned to increase bilateral trade to $12 billion over the next five years.

On Saturday, the Reserve Bank of India (RBI) and the Central Bank of UAE (CBUAE) signed two Memorandum of Understanding (MoUs) in Abu Dhabi to establish a framework to settle bilateral trade in respective local currencies, and interlinking payments and messaging systems.

"This will boost the trade between the two countries, it will be cost effective and the settlement will be much faster," RBI governor Shaktikanta Das said, after signing the pact with his UAE counterpart.

It covers all current account transactions and permitted capital account transactions. The India-UAE Comprehensive Economic Partnership Agreement (CEPA) came into effect on May 1, 2022. In the year since the agreement came into force (between May 2022 and April 2023), the bilateral trade in goods between the two countries increased to $82.6 billion from $75.2 billion in the corresponding period a year ago.

Exports to the UAE grew by 6.5 per cent during this period, as against India's overall merchandise export growth of 3.5 per cent. Imports from the UAE, however, grew by 12.2 per cent, lower than India's overall merchandise import growth of 13 per cent.

After the Russian invasion of Ukraine last year and the resultant sanctions on Moscow, many countries felt the need to reduce the dependence on dollars.

Source: business-standard.com– July 20, 2023

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It's time to get real about the rupee's global role

A year ago, there was palpable excitement in New Delhi around buying Russian crude. The Reserve Bank of India allowed foreign banks to open special rupee accounts with local lenders to encourage trade settled in its home currency. Moscow-based Sberbank and VTB Bank were the first to come on board. The idea was that importers would credit these accounts, whose surplus could be invested in Indian government bonds.

For sellers of Russia's flagship Urals crude in the spot market, avoiding dollar clearance meant bypassing the Western banking system and sanctions. Yet, the plan hasn't really worked. Russia's banks are reluctant to accumulate balances with lenders in India in a non-convertible currency that has lost half its value against the dollar over the past 15 years. Throw into the calculation an expected annual rate of 3% to 4% currency depreciation, and earning a 7% yield on a 10-year rupee bond doesn't seem like such a big draw.

Besides, while the US and Europe chose to ignore Russia's flourishing trade with China and India because it helped protect their own customers from last year's energy-market turmoil, the West still kept its finger on the kill switch. When Europe objected to a Rosneft crude-carrying ship bound for Indian Oil Corp., State Bank of India lost its nerve even though the cargo was priced below the $60-a-barrel cap imposed on the OPEC+ producer by the Group of Seven nations. The refiner had to go to another bank, and ended up paying for Russian oil … in yuan.

Bureaucrats in the Modi administration had set out to chalk up a big win for the rupee. Instead, they ended up replacing the yoke of the greenback with a new dependence on the Chinese currency. Given frosty ties between Beijing and New Delhi, it's a national embarrassment of sorts. Luckily, the price discount is now vanishing, so India can go back to tapping its traditional energy suppliers in the Middle East.

The goal of promoting the rupee in international commerce remains intact, however. The project is to be implemented in less geopolitically contentious situations. Close to home, Bangladesh and Sri Lanka should be relatively easy to persuade. Their dollar reserves are low or depleted. Since they run a combined $15 billion annual trade deficit with India, their banks will face the opposite of the problem that Russian institutions encountered. They will have to find enough rupee deposits to cover their accounts with Indian lenders. Naturally, Bangladeshi and Sri Lankan firms will petition their larger neighbor for greater market access so they're able to earn more of the Indian currency.

Then there are other memoranda of understanding, such as with the United Arab Emirates and Indonesia, both signed in the past week. These accords are somewhere between a wish list and a pipe dream. The basic problem is that India had a surplus with only two of its top 15 trading partners last year: the US and the UK. They will be the last to accept rupee payments. With all others, commerce was in deficit. The shortfall with Russia was nearly $37 billion. Which is why Russian lenders are balking at accumulating idle rupees. What are they going to do with those balances when there isn't enough demand from their importers for Indian tea and other goods?

Ditto for the Indonesians. What will they buy for rupees in exchange for selling the country palm oil? The UAE is wisely keeping hydrocarbons out of the proposed rupee-dirham trade deal.

When it comes to internationalizing a currency, a trade deficit is hardly a showstopper: The US is the biggest example of that. However, the medium of exchange needs to be a good store of value for the seller and the intermediaries.

Even if there are currency controls for residents (like in both China and India), foreigners require uninhibited access to deep financial markets. While China's debt market is much smaller than America's, India's is not even a part of global bond benchmarks, though the government has pursued index inclusion as a policy goal for years.

For foreign governments, a smaller, but more tangible attraction lies in India's Unified Payments Interface, or UPI, a highly successful, smartphone-based domestic system for buyers to transfer money to sellers. From Paris to Singapore and Dubai, retailers could tap Indian tourists' purchasing power, without having to pay high credit-card fees on international transactions.

Linking overseas banking systems to UPI would make it possible. Although even here, the government is so determined to tax any foreign spending from the $250,000 limit it grants each resident that it's burying the technological advantage under a mountain of red tape.

Things are already less cheery in merchandise trade, where the world's fifth-largest economy commands less than a 2% share. When it crossed the 1% mark in 2005, Vietnam was three times less important. Now, the Southeast Asian nation's market share has come to rival India's, even though its population is 14 times smaller. Making India an easier place to do business, reversing the return in recent years of protectionist tariffs, allowing Indian tourists more freedom to use UPI overseas without having to bother about the taxman, and deepening domestic financial markets will all yield bigger gains than promoting the local currency abroad with bilateral agreements and photo-ops.

If China, with a 13% share of world trade, can manage only a 2.5% share in global payments, then surely India should curb its enthusiasm. New Delhi's own experiment with Russian oil should be a sobering reminder of how little sanctions have done to dethrone the US currency. As Barry Eichengreen, a University of California, Berkeley, economic historian, recently concluded after weighing the evidence, reports of the dollar's demise have been greatly exaggerated. Internationalizing the rupee will neither be swift, nor easy. Getting swept up by slogans of de-dollarization is a waste of time and energy.

Source: economictimes.indiatimes.com– July 21, 2023

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Steps to Enhance Work Capacity of Khadi Industries in the Country

The Ministry of Micro Small and Medium Enterprises, through Khadi and Village Industries Commission (KVIC), has taken the following steps to enhance the work capacity of Khadi Industries in the country including Rajasthan:

- Modified Market Development Assistance (MMDA) scheme introduced to help Khadi Institutions (KIs) to reorient their activities extending adequate emphasis towards increasing artisans' earnings as well as ensuring quality of Khadi to customers. MMDA for Cotton / Muslin / Woollen & Polyvastra shall be calculated @ 35% on Prime Cost. In case of Silk Khadi, the quantum of MMDA will be @ 20% on Prime Cost. 35% of this assistance is given as incentive to the Khadi Artisans, 14% as incentive to the Karyakartas and 51% as a share of Khadi Institutions (KIs).

- Workshed Scheme for Khadi Artisans: Under this component, financial assistance is provided to Khadi artisans to construct workshed. For construction of individual workshed, an assistance upto Rs 1,20,000/- or 75% of the cost (90% for NER) and for group workshed (minimum 5 & maximum 15 artisans), an assistance upto Rs. 80,000/- per artisan or 75% of the cost (90% for NER), whichever is less, is provided.

- Strengthening of Infrastructure of Weak Khadi Institution and Assistance for Marketing Infrastructure: This component provides financial support to the Weak Khadi Institutions with assistance of Rs. 15 lakh per KI to regain normalcy. Besides, financial assistance of Rs. 25 lakh per sales outlet is also provided to KIs/Departmental Outlets for its renovation.

Apart from the above, a Khadi Knowledge Portal (KPP) has been created under Centre of Excellence for Khadi (CoEK), in which designs, specifications with sketches are uploaded for adoption by KIs. Also, Capacity Building workshops have already been conducted by CoEK for Khadi Institutions at different locations.

KVIC is setting up Marino Wool Raw Material Bank at Bikaner, Rajasthan in order to supply raw material needed by KIs for increased production, thereby increasing earnings of the Khadi artisans.

Total of 30,519 Khadi workers is currently employed in Khadi Industries in the State of Rajasthan.

KVIC implements various schemes under the Khadi Vikas Yojana for improving the income of Khadi artisans which are as follows:

- 35% quantum of Modified Marketing Development Assistance (MMDA) is provided to artisans as incentive in case of KIs of Cotton, Woolen, Polyvastra and 30% quantum of MMDA is provided as incentive to KIs for Silk.
- Financial assistance is also provided under Workshed Scheme for construction of individual as well as group workshed for smooth and fatigue free work environment.

Apart from the above, spinning wages of artisans have been increased from Rs. 7.50/-per hank to Rs.10.00/-per hank and weaving wages for Cotton Khadi, Woollen Khadi and Polyvastra have been increased by 10% w.e.f. 01.04.2023.

This information was given by Minister of State for Micro Small and Medium Enterprises, Shri Bhanu Pratap Singh Verma in a written reply to the Lok Sabha.

Source: pib.gov.in– July 20, 2023

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Support manufacturing sector and increase FDI: NITI Aayog tells Maharashtra govt

The NITI Aayog has asked the Maharashtra government to take measures to support its manufacturing sector as its value addition to the State economy has suffered a setback.

NITI Aayog in its third edition of the report titled 'Export Preparedness Index (EPI) 2022' has stated that although the State has the second highest inflow of Foreign Direct Investment (FDI), which can be attributed to its nurturing business ecosystem, it has decreased in value over the previous year by nearly $730 million.

"Taking measures to enable growth in its manufacturing sector, and consistently increasing its FDI inflow can help the state in improving on its current performance, and use exports to increase development in the State," the report added.

Maharashtra exported products worth over $73 billion in 2021-22, with its top products being diamond and jewellery products, automobiles, petroleum products, and pharmaceutical products.

"The State has recorded an exceptional policy ecosystem to facilitate exports by formulating district-level and sector-specific export promotion policies, along with identifying thrust sectors, strategised investments in which can further boost its exports," the report added.

Robust Economy

The State has also crafted a robust business ecosystem laced with a high number of industry-specific parks (311), which contribute to its high cluster strength (80).

All of its districts are exporting districts and have connectivity facilitated by air cargo terminals and Free Trade Zones.

The report added that these measures have helped it build a robust business ecosystem which has contributed to its exceptional export performance. In numbers, the State currently has over 32,000 exporters and an increase in export from $58 billion in 2020-21 to its current value.

The EPI 2022 report seeks to empower State governments with region-specific insights to assist decision-making, identify strengths, address weaknesses and foster comprehensive growth across States and UTs of India.

The EPI also recognises that by unlocking regional competitiveness and leveraging innate diversity, India can enhance its export potential.

Source: thehindubusinessline.com– July 20, 2023

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