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USD	EUR	GBP	JPY
81.99	90.71	105.77	0.58

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INTERNATIONAL NEWS

'Erroneous' China Tariff Ruling Called into Question

A group of retail and product trade associations led by the Retail Litigation Center filed an amicus brief this week in the United States Federal Court of Appeals for the Federal Circuit, urging the court to reverse the U.S. Court of International Trade (CIT) judgment in the China 301 tariff case.

The National Retail Federation, the American Apparel & Footwear Association, the Consumer Technology Association, Footwear Distributors and Retailers of America and the Juvenile Products Manufacturers Association collectively signed onto the brief, which called the CIT's reasoning in its latest decision in the China Section 301 tariff litigation "erroneous" and said it "must be reversed."

The tariffs enacted in 2018 by the Trump administration placed duties ranging from 7.5 percent to 25 percent on hundreds of billions of dollars' worth of imported goods from China. In September 2022, the U.S. Trade Representative (USTR) held a customary four-year review, saying it would keep the tariffs in place.

Earlier that year in April, the CIT found that the enactment of these duties did not violate the Trade Act, but the USTR failed to follow the Administrative Procedure Act (APA) requirement to consider public comments when it imposed the tariffs.

"Initially the CIT correctly ruled that USTR failed to meet its statutory and fundamental duties under the APA when they raced forward to impose these tariffs without responding to a single comment from American consumers and business," the amicus brief stated.

After around 3,600 importers challenged the legality of Section 301 tariffs at the CIT, a three-judge panel issued an opinion in March upholding the USTR's imposition of the third and fourth round of tariffs enacted in 2018 and 2019.

"The CIT erred when it failed to vacate the illegally imposed tariffs and instead gave USTR a second chance to meet its legal obligations," the brief stated. "On remand once again, the agency failed to meet the core requirements of the APA. Instead of addressing the magnitude of legitimate concerns raised over imposition of tariffs on virtually all imports from China, USTR switched gears and basically argued, 'the President made us do it.' Shockingly, the CIT accepted this novel excuse." So far, the Biden administration has made no moves to change the tariffs.

Critics of the tariffs argue that rather than punishing China, the duties unfairly impact U.S. companies, contributing to inflation and continued higher costs of goods for consumers. Tariffs have become one of many factors driving some companies to pursue re-shoring or near-shoring some of their production to the U.S. or neighboring areas such as Mexico and Latin America.

In June, the Economy, Politics and Social Research Center at the Universities of Bonn and Mannheim reported that American importers shouldered 93 percent of U.S. tariffs, while Chinese importers bore just 68 percent of China's tariffs. The researchers concluded that U.S. exporters covered the remaining 32 percent.

"Such a near-complete 'pass-through' is uncommon and astonishing given the power of the United States to influence terms of trade," Lei Li, assistant professor of applied microeconomics at the University of Mannheim and one of the paper's three authors, said in a statement at the time.

The brief filed by the Retail Litigation Center calls for the U.S. Court of Appeals for the Federal Circuit to vacate the List 3 and List 4A tariffs, which cover nearly 10,000 products. List 3 goods—food, beverages, chemicals, wood and fabrics—are subject to a 25 percent duty. List 4A goods, which include clothing, electronics, sports equipment and other items, are subject to a 7.5 percent tariff.

"The APA demands that USTR justify the imposition of List 3 and 4A tariffs," the brief said. "The agency has been given multiple chances to do so and they continue to ignore all comments, concerns and alternative options. This blatant disregard for the law cannot continue to go unchecked. It's beyond time to impose the normal remedy for unlawful agency action and vacate the tariffs which are taxing American consumers and businesses, contributing to persistent inflation and burdening our supply chains."

Source: sourcingjournal.com– July 25, 2023

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China's export container shipping index sees 3.5% dip in Jun 2023

China's export container shipping index saw a decline in June 2023 with a 3.5 per cent month-on-month (MoM) drop, as per data from the Shanghai Shipping Exchange. The average China Containerised Freight Index (CCFI) settled at 918.89.

Data from 22 international carriers operating on 12 worldwide shipping routes form the basis for the CCFI, which monitors spot and contractual freight rates from Chinese container ports.

Container throughput at Chinese ports increased by 4.7 per cent YoY last year, according to the ministry of transport data. Domestic ports handled 296 million twenty-foot equivalent units (TEUs) of containers last year.

The sub-reading for the Korea service led this downturn with a significant 11.1 per cent MoM decrease, followed by the East Coast US service which fell by 6.3 per cent.

Source: fibre2fashion.com – July 25, 2023

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Why Better Cotton is Expanding its Reach in Egypt

Better Cotton is expanding its reach into Egypt with a new strategic partnership designed to protect and improve the sustainability and quality of Egyptian cotton while guaranteeing the safety of the country's working farmers.

In collaboration with the Cotton Egypt Association (CEA), Better Cotton will help implement sustainable farming techniques, train farmers in best practices and support them in efforts to comply with rigorous environmental and social regulations. Better Cotton, the world's largest cotton sustainability initiative, will also help farmers reduce their use of water and harmful chemical pesticides and improve soil health, in an effort to make Egypt's cotton crop more sustainable and resilient.

Egypt's cotton production for the 2022/23 market year was estimated at 320,000 bales, according to the U.S. Department of Agriculture's forecast published in April 2022.

The new partnership will further help CEA increase market access for members' cotton by maximizing engagement with Better Cotton's extensive global market network including brands, retailers and textile mills working in the sustainable cotton category. This is intended to ensure a greater return for farmers and support the Egyptian textile industry as a whole.

This new agreement between Better Cotton and the CEA is an extension of a program first launched in 2020 by the Egyptian Cotton Project, that was implemented by the United Nations Industrial Development Organization (UNIDO) and funded by the Italian Agency for Development Cooperation and the International Islamic Trade Finance Corporation (ITFC).

Khaled Schuman, executive director of CEA, welcomed this next step forward in the partnership. "By combining our expertise and resources, we can drive positive change in Egyptian cotton farming practices and secure a sustainable future for our industry," he said. "This collaboration aligns perfectly with our vision to globally authenticate the legacy of Egyptian cotton."

Alan McClay, CEO of Better Cotton, said he looked forward to assisting the Egyptian cotton community and seeing it thrive in the future. “Our renewed strategic partnership with Cotton Egypt Association will allow us to build on our work to make cotton farming in the country a more climate resilient, environmentally friendly and responsible activity,” he said.

Egyptian cotton is known for its quality, softness and durability that makes it a symbol of luxury in the textile industry. It has however been threatened in recent years by climate change, drought and changing market demands which have all had an adverse effect on the health of the sector. It is hoped that the move toward sustainability and ethically produced textiles will reverse that trend.

Source: sourcingjournal.com – July 25, 2023

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China to allocate 750kt of sliding-scale duty quotas to curb cotton prices

Due to low temperatures and extreme weather conditions, there are expectations of lower 2023/24 Xinjiang cotton production and the delay of arrivals. Meanwhile, some market institutions have conducted research and found that Xinjiang cotton inventory is much lower than official data, which has raised concerns about domestic cotton supply in Sep. As a result, both cotton futures and spot prices have surged. The operating environment for downstream textile enterprises has rapidly deteriorated. To effectively control cotton prices and bring them back to a reasonable level, the 750kt of sliding-scale quotas was announced to be released last Friday. Taking into account the relatively low cotton imports in the first half of the year, the issuance of the sliding-scale quotas is relatively large. Additionally, the implementation of the state cotton reserves sales indicates the strong determination of policy makers to curb cotton price increases in the near term.

Cotton import quota policy

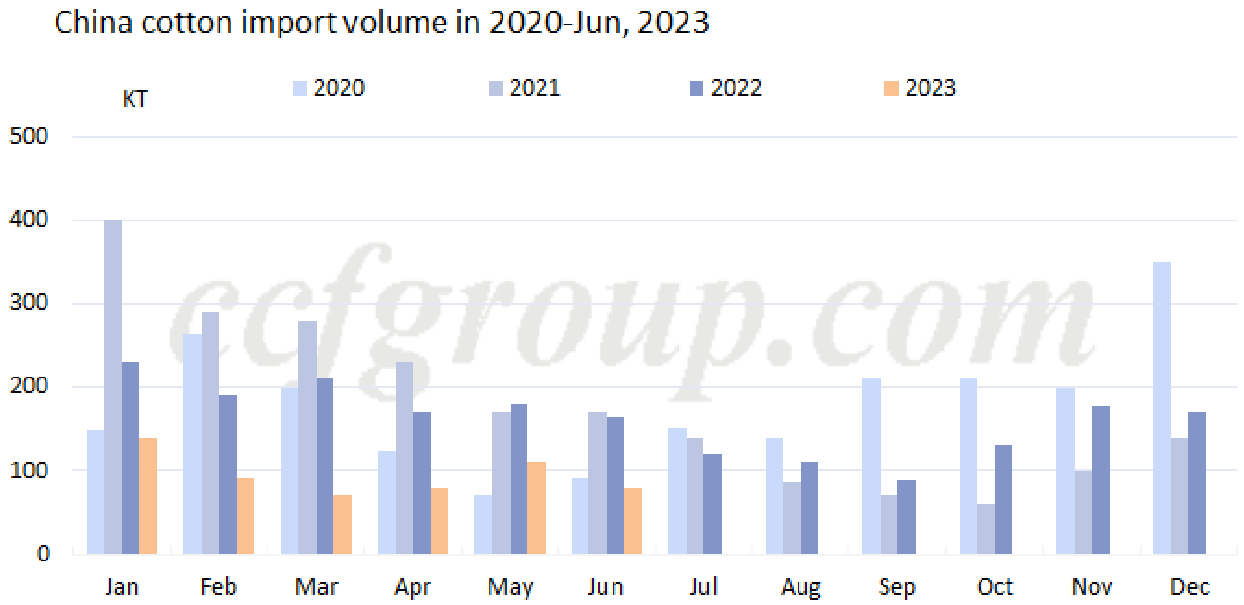
	1% import duty quota	sliding-scale duty quota	Re-allocation of quotas	Cotton import volume
2017	Sep 30, 2016: 894kt, 33% of state-owned trade			1153.7kt
2018	Oct 26, 2017: 894kt, 33% of state-owned trade	Jun 14, 2018: 800kt of non-state owned trade quotas		1575.5kt
2019	Oct 12, 2018: 894kt, 33% of state-owned trade	Apr 12, 2019: 800kt of non-state owned trade quotas		1845.5kt
2020	Sep 30, 2019: 894kt, 33% of state-owned trade	Spe 12, 2020: 400kt of non-state owned trade quotas, for processing trade import		2151.2kt
2021	Sep 17, 2020: 894kt, 33% of state-owned trade	Apr 30, 2021: 700kt of non-state owned trade quotas, incl. 400kt for pressing trade imports	Announcement time: Aug 13;deadline for delivery of unused quotas: before Sep 15	2135.4kt
2022	Sep 30, 2021: 894kt, 33% of state-owned trade	Mar 11, 2022: 400kt of non-state owned trade quotas, only for processing trade imports	Announcement time: Aug 13;deadline for delivery of unused quotas: before Sep 15	1927.5kt
2023	Oct 10, 2022: 894kt, 33% of state-owned trade	Jul 21, 2023: 750kt of non-state owned trade quotas, no restrictions on the terms of trade.		555.3kt (by Jun)

1. The quantity of sliding-scale duty quotas is higher compared with cotton imports in the first half year

In previous years, the announcement of the sliding-scale quota policy was usually made between Apr and Sep, with most announcements occurring between Apr and June.

This year, the announcement was relatively late, possibly indicating a deliberate coordination with the state cotton reserves sales policy to curb the rise in cotton prices and reduce the price difference between Chinese domestic and international cotton.

Looking at cotton imports in the first half of 2023, the volume was at its lowest compared to the same period in previous years. From Jan to Jun, cumulative imports amounted to 555,300 tons, a 51.09% decrease compared to the same period the previous year, and a 48.9% decrease compared to the five-year average for the same period (1.0866 million tons).



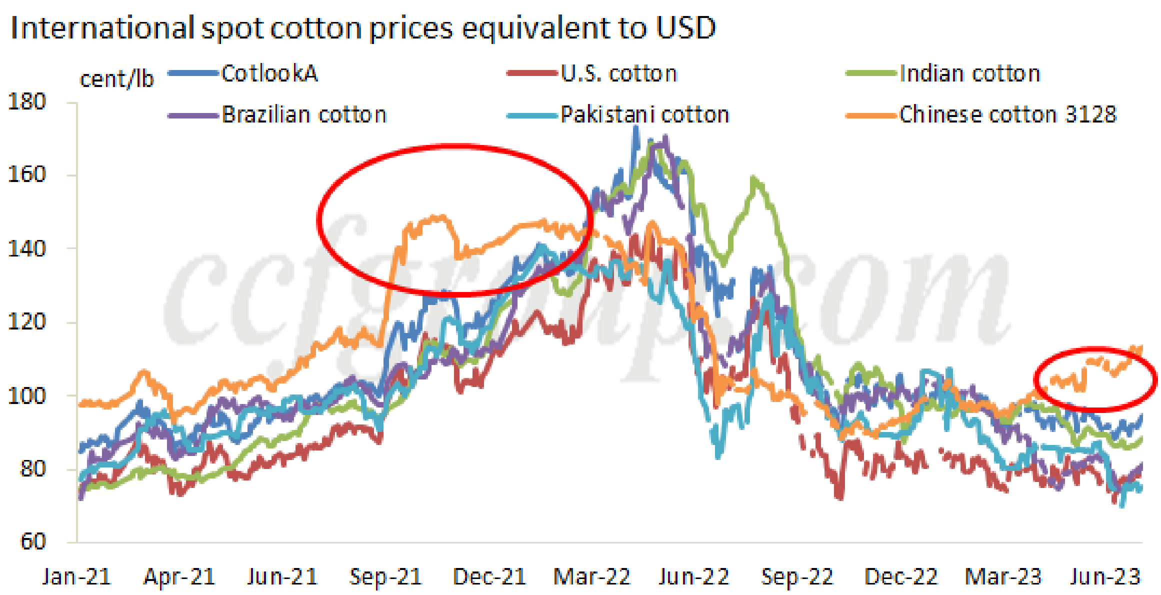
According to seasonal patterns, cotton imports in the first half of the year are usually higher than in the second half. Although cotton imports are expected to increase significantly in the second half of this year, even if we consider the highest import volume in the past decade, which occurred in the second half of 2020 at 1,255,200 tons, the allocation of 890,000 tons for the 1% quota and 750,000 tons for the sliding-scale quota would be barely sufficient.

Historically, normal import volumes in the second half of the year range from 650,000 to 900,000 tons. Therefore, from a quantitative perspective, the cotton import quota for the year 2023 is likely to be surplus.

The arrangement of such a large import volume also indicates that policymakers intend to promote cotton imports in the second half of the year to balance the price difference between domestic and international cotton, protect the downstream textile and garment industry, and stabilize the domestic employment environment.

2. Price spread between Chinese and international cotton continues to expand

Currently, there is a discrepancy in cotton supply and demand between China and overseas markets. Overseas, with the unexpected abundant production in Brazil and Australia, the supply of cotton in the third quarter is sufficient, which helps restrain the upward trend of the cotton futures market in the United States. While the domestic cotton market in China has a strong bullish sentiment. The market has reacted ahead of the anticipated peak harvesting period for the 2023/2024 season, and cotton prices have risen prematurely, even during the traditional off-season for textile production. The increase in cotton quotas aims to ease the supply pressure in the domestic cotton market during the third quarter, and to narrow the price difference between domestic and international cotton, which is crucial to providing relief to downstream export-oriented enterprises.



3. Downstream spinners' profits keep weakening, and spinners may reduce operating rate

More small and medium spinners shut down or cut operating rate in face of unfavorable profits. Large spinning mills have not reduced the operating rate largely, but they reflect yarn sales are slow and inventory is accumulating. It is not ruled out that after a period of time, some large spinners may begin to reduce their operating rate due to the poor business conditions.

There are different interpretations and understandings among market participants regarding the state cotton reserves sales and sliding-scale duty quota policies. The contradiction lies in the cotton supply from Sep to Nov, before intensive arrivals of new cotton. In short, Chinese cotton prices may be volatile, and there will be intense battles between bulls and bears.

Source: ccfgroup.com – July 25, 2023

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Global Textile Industry Needs Demand Revival

With economic rebounds expected in the United States and Europe, the global textiles industry needs strong demand revival.

The past 18 months has seen a rocky economic climate including anomalies such as high inflation, strong labor market, and weak consumer demand. Most citizens in developed economies such as Canada feel pessimistic about their future. Just this week, Canadian Prime Minister Justin Trudeau is expected to make a major cabinet shuffle to put new ministers in key positions to help boost job growth and revitalize the economy.

The export-oriented textiles sector in countries like India have been hit hard by weak export demand, which, in turn, impacted the domestic market as export-oriented companies have been forced to dump products into the market. In India normally, spinning mills maintain stock of 1-2 weeks of production. But due to low demand, many companies are holding stocks worth one month or more of production, leading to crisis.

The Indian textile industry has been demanding the waiver of the 11% custom duty on cotton imports to help reduce the cost of raw material, stated Velmurugan Shanmugam, General Manager of Jayalakshmi Textiles.

In my opinion, given the sensitivity regarding the farmers' livelihood in India and the ensuing parliamentary elections next year, it is highly unlikely that the Government would do anything about waiving tariffs on cotton imports. Mumbai-based Cotton Analyst Gnanasekar Thiagarajan agrees with my view and opines that with inflation expected to have a soft landing in the United States, demand may pick up in the next quarter.

Overcapacity in certain segments of the textile sector, excessive stocks of yarns, and weak global demand are all contributing to the current crisis in India's textile sector.

Product diversification, strategic stocking of raw materials, automation, and better labor retention policies are strategies the industry can adopt. Jayalakshmi Textiles has been manufacturing varied products and utilizes solar and wind power to help control costs.

"It is important to modernize and not go on expansion in the current times," stated Shanmugam.

With economic revival expected and no recession on the horizon, demand may pick up. "The downside will be limited from now," said Thiagarajan.

The textile industry has to revitalize depending upon regional needs and strategic strengths such as enhancement of crop yields in India, and manufacture of sustainable textiles at affordable prices in developed economies. Importantly, there needs to be better communication across the supply chain and better engagement with policy makers and consumers.

Source: cottongrower.com – July 25, 2023

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UK business activity slumps, output index drops to 50.7 in Jul 2023

July data highlighted a considerable slowdown in business activity growth across the UK private sector economy. The country's headline seasonally adjusted flash composite output index registered at 50.7 in July 2023, down from 52.8 in June and the lowest reading since January. The index has posted above the crucial 50.0 no-change threshold in each of the past six months.

The normalisation of global supply chains helped to boost vendor performance and bring down cost pressures in July. As a result, manufacturers reduced their output charges for the second month running. Survey respondents often commented on a headwind to business activity from rising interest rates, elevated inflation, and more caution among clients due to the uncertain economic outlook, S&P Global and the Chartered Institute of Procurement and Supply (CIPS) said in a joint press release.

Manufacturing production fell for the fifth successive month and at the steepest pace since December 2022. Goods producers mostly noted that lower demand and overstocking among clients had weighed on their production requirements in July.

New business volumes across the private sector stalled in July, thereby ending a five-month period of expansion. Marginal growth in the service economy was offset by falling manufacturing sales. Survey respondents typically noted inventory reduction and the impact of rising borrowing costs on spending decisions. Some firms commented on subdued demand in overseas markets, especially European clients.

Total new export orders decreased at the steepest pace since November 2022, reflecting weaker trends in both the manufacturing and service sectors.

July data pointed to a further reduction in unfinished work as softer demand, improving supply conditions, and greater business capacity helped to reduce backlogs. The latest decline in work-in-hand (but not yet completed) was the fastest since June 2020.

Private sector employment has risen in each of the past four months, but the rate of job creation eased since June. Around three times as many or 15 per cent of manufacturers reported improving supplier lead times as those that signalled a deterioration in July at 5 per cent. The resulting seasonally adjusted Suppliers' Delivery Times Index was above the 50.0 no-change value for the sixth month running.

Average cost burdens meanwhile increased sharply during July, but the overall rate of inflation dropped since the previous month and was the weakest since February 2021. Manufacturers reported a fall in purchase prices for the third month running. Goods producers often commented on lower freight rates, energy costs, and metals prices.

Private sector companies indicated a robust rise in their average prices charged in July. The rate of inflation has now eased in five of the past six months.

Finally, business activity expectations moderated for the third month running in July. The degree of positive sentiment regarding growth prospects for the year ahead is now the weakest since December 2022.

"Rising interest rates and the higher cost of living appear to be taking an increased toll on households, dampening a post-pandemic rebound in spending on leisure activities. Meanwhile, manufacturers are cutting production in response to a worryingly severe downturn in orders, both from domestic and export markets," said Chris Williamson, chief business economist at S&P Global Market Intelligence.

"Global supply chains are returning to normal after years of pandemic shortages and rising costs. Stocks of unused goods built up to help manage Brexit, the pandemic, and most recently global shipping disruption are finally being run down. Manufacturing input costs are falling, and supplier performance is improving at the fastest rate we have ever seen. This renewed supply chain agility, combined with falling raw material and transportation costs, could not have come at a better time for business," said Dr. John Glen, CIPS chief economist.

Source: fibre2fashion.com – July 26, 2023

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Germany's manufacturing PMI hits 38-month low in July 2023: Survey

Germany's manufacturing purchasing managers' index (PMI) output index has dropped to 41 in July from 43.6 in June, marking a 38-month low, according to the latest Hamburg Commercial Bank (HCOB) flash PMI survey compiled by S&P Global. This fall signifies the third consecutive monthly decrease in manufacturing production, experiencing the steepest rate of decline since May 2020. The downward trend can be primarily attributed to a rapidly diminishing demand for goods.

With the downturn in manufacturing orders gathering pace, total inflows of new work showed the sharpest drop for more than three years in July. The sharp decrease in demand for goods reflected a range of factors, including customer hesitancy, destocking, high inflation and rising interest rates, reports from surveyed businesses showed. Data also indicated a decline in new export business across manufacturing.

A lack of incoming new work saw firms make further inroads into their backlogs of work during July. Moreover, the rate of decline was sharp and the quickest seen for over three years. A shrinking pipeline of outstanding business in turn contributed to a weakening of firms' expectations towards future activity, which turned negative as pessimists outnumbered optimists for the first time since December last year, as per the survey.

In line with reduced inflows of new work and deteriorating expectations, the pace of employment growth across the German private sector slowed sharply in July. The overall rate of job creation was the joint-weakest in almost two-and-a-half years.

Whilst overall price pressures continued to ease during July, there were once again contrasting trends at the sector level. Input cost inflation maintained its downward trend—seen since last October—to reach the lowest for nearly three years. However, the result was driven entirely by a sharp and accelerated drop in manufacturing purchase prices—one of the fastest in the series history. The situation was similar for output prices. Here, the overall rate of inflation hit a 29-month low, although it was still firmly above pre-pandemic historical average.

Source: fibre2fashion.com – July 25, 2023

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Turkiye's confidence index in retail trade down in July

Turkiye's seasonally adjusted confidence index in retail trade dropped from 117.7 in June to 114.7 in July, which represented a percentage change of -2.6 per cent compared to the 0.9 per cent growth seen in June, according to the Turkish Statistical Institute.

The business activity-sales over the past 3 months index experienced a slight increase, from 127.2 in June to 128.8 in July, denoting a 1.3 per cent growth, a contrast to the 0.6 per cent decline observed the previous month. The current volume of stock index showed a negative trend, decreasing from 98.4 in June to 95.3 in July, a -3.2 per cent change, compared to the 1.6 per cent rise in June.

Finally, the business activity-sales expectations over the next 3 months index experienced a significant decrease, falling from 127.7 in June to 120 in July, a -6 per cent change, contrary to the 2 per cent growth experienced in the previous month.

Source: fibre2fashion.com – July 25, 2023

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Japan studying likely post-2026 preferential treatment for Bangladesh

Japan is studying the preferential treatment that can be meted out to Bangladesh after the latter graduates from its least developed country (LDC) status in 2026, according to Japanese minister for economy, trade and industry Nishimura Yasutoshi.

"An Economic Partnership Agreement [EPA] in this regard would help," he said at a meeting with Bangladesh state minister for foreign affairs Mohammad Shahriar Alam in Dhaka recently.

A joint study group formed on the planned EPA is meeting for a second time in Dhaka, a Bangladesh newspaper reported

Alam sought Japanese cooperation and investment in joint ventures to make Bangladesh a smart and developed country.

Nishimura emphasised Japan's commitment to supporting Bangladesh's development endeavours.

Source: fibre2fashion.com – July 26, 2023

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Srilanka: JAAF urges increased export quota for India

The Joint Apparel Association Forum (JAAF) stressed the need to exceed the current export quota in the India-Sri Lanka Free Trade Agreement (ISFTA) for apparel to gain significant benefits. Presently, Sri Lanka can export eight million pieces of ready-made apparel to India without duties, but the JAAF desires a wider allowance to tap into extensive trade opportunities for both nations.

The apparel sector faces challenges with a 20 percent decline in textile and apparel exports, mainly due to reduced demand in primary export markets.

JAAF believes that India, as a close trading partner, could offer a lifeline to Sri Lanka while benefiting Indian fabric manufacturers. As Sri Lanka recovers from its worst economic crisis since independence, the role of merchandise exports becomes increasingly crucial.

Since the ISFTA's implementation, Sri Lanka's export trade surged from US $47 million in 1999 to US $815 million in 2021, facilitating the promotion of a diverse range of products. Despite these successes, the eight million export quota hinders the apparel industry's full potential under the ISFTA.

Sri Lanka's imports from India also exceed its exports, leading to a trade imbalance. This restricts Sri Lankan exporters from negotiating substantial orders with Indian buyers. JAAF welcomes the ongoing FTA talks between India and Sri Lanka and remains optimistic about the mutual benefits. While awaiting the FTA's finalization, the JAAF urges the removal of the eight million-piece quota to bolster apparel exports to India.

The association stresses the importance of flexible trade arrangements amid global market conditions, decreased demand, and the prevailing economic crisis in Sri Lanka.

Source: fashionatingworld.com– July 25, 2023

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EU's RMG imports recover, US, UK continue to remain low importers Wazir Advisors

Wazir Advisors July 2023 'Apparel Trade Scenario in Key Global Markets and India' study that covers the three months of April, May and June 2023 highlights global trade in readymade garments (RMG) hasn't really changed since the last report that was released in June 2023. The report which covers four of the largest readymade garment importers: US, EU collective, UK and Japan reveals, Japan is the only country out of the four that continues to increase import of readymade garments while the EU has turned its import quantities around in June, gaining an increase of 1.6 per cent year to date, and 4 per cent in April 2023. The decrease in import of RMF continues in the UK and US.

It may be noted the Wazir Advisors report publishes import, physical retail and online retail scenarios of these four countries, month after month and the July report highlights the current trends in these markets.
RMG imports recovers in the EU

The EU's apparel imports in April 2023 increased by 4 per cent compared to April 2022. The April 2023 imports were valued at $7.8 billion. On YTD basis, imports were 1.6 per cent higher than in 2022. In the EU market, Bangladesh's share witnessed an increase of 4.5 per cent from 2022 and, China's share decreased 7.4 per cent.

As retail shines in the US, imports still lag

In June 2023, the US' monthly apparel store sales were estimated at $18.4 billion, 6 per cent more than in June 2022. On YTD basis, sales were 6 per cent higher than in 2022. E-commerce growth was not as significant - in Q1 2023, online sales of clothing and accessories registered a growth of 2 per cent over Q1 2022 and were 32 per cent lower than Q4 2022 sales. This is, explained by the fact that the fourth quarter of every year is the peak of festive sales.

The report indicated mixed fortunes for home furnishings in June 2023. US monthly home furnishing store sales are estimated to be $5.1 billion, which is 2 per cent lower than in June 2022. However, on a year-to-date basis, sales were 1 per cent higher than in 2022. The downward slide of imported RMGs now stands at a negative 20 per cent, year-to-date.

Japanese buyers remain steady in RMG imports

In April 2023, Japan's apparel imports were $1.8 billion, 6 per cent higher than that in April 2022. In a reversal of fortune since the last Wazir report, Vietnam's share decreased by 7.2 per cent and China's share declined further 1 per cent, bringing the total to a decline of 8 per cent compared to 2021. Between January and April 2023, China was the largest supplier of apparel to Japan, still holding on to more than half of the total imports, at 51 per cent. Vietnam in that period supplied only 16 per cent whereas Bangladesh and Cambodia supplied 6 per cent and 5 per cent respectively.

UK imports continue to fall

UK apparel imports in May 2023 were $1.6 billion, which is 24 per cent lower than in May 2022. On YTD basis, imports in 2023 are 17 per cent lower than in 2022. In the first five months of 2023, China has only 16 per cent market share, equaling that of rival Bangladesh. So far down 2023, Italy and India have gained 1 per cent each, standing with market shares of 8 per cent and 7 per cent respectively.

On the other hand, in physical retail, May registered monthly apparel store sales were £3.8 billion, which is 6 per cent higher than in May 2022. On a year-to-date basis, sales were 11 per cent higher than in 2022. On the e-commerce front, the first quarter of 2023 fared better than the first quarter of 2022 by 13 per cent.

Source: fashionatingworld.com – July 25, 2023

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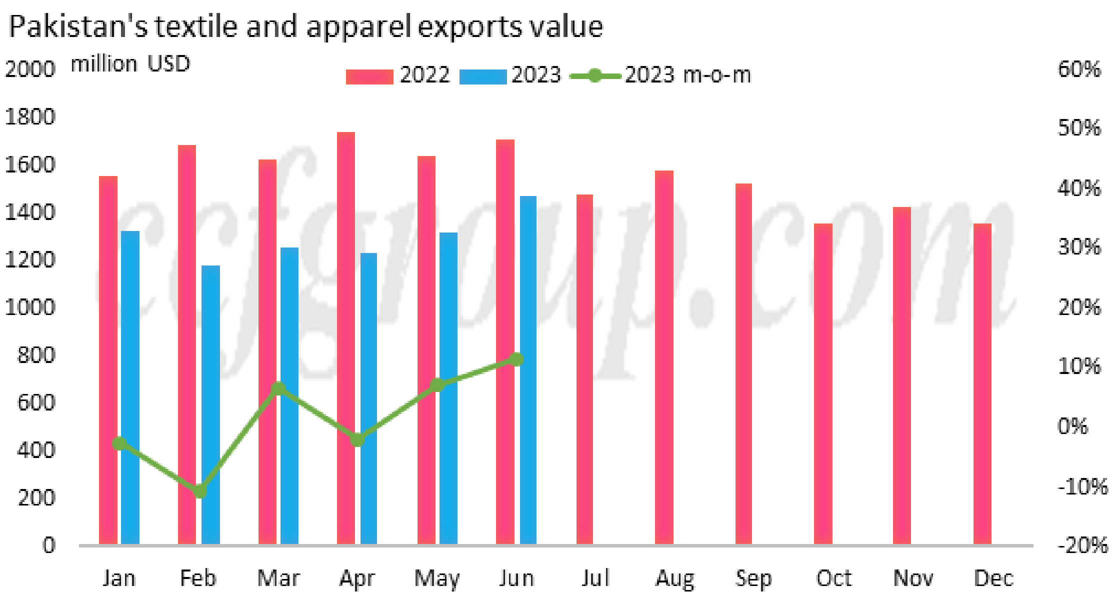
Pakistan textile industry receives $6 billion aid to struggle onwards

1. From January to June 2023, Pakistan's textile and apparel exports amounted to $7.785 billion, a decrease of over 20%.

Recently, it is reported that Pakistan has received successive injections of $2 billion from Saudi Arabia and $1 billion from the United Arab Emirates. In addition, with the approval of a $3 billion standby fund from the International Monetary Fund (IMF), its foreign exchange reserves are expected to rise to $15 billion.

The short-term debt crisis seems to have been somewhat relieved, but the government has had to accept the IMF's conditions, including reducing subsidies to the domestic power sector. Currently, Pakistan has once again increased its electricity prices by 4.96 rupees/kWh to 29.78 rupees/kWh (equivalent to approximately 0.753 yuan/ kWh), making the prospects for subsequent industrial and commercial recovery in Pakistan more challenging.

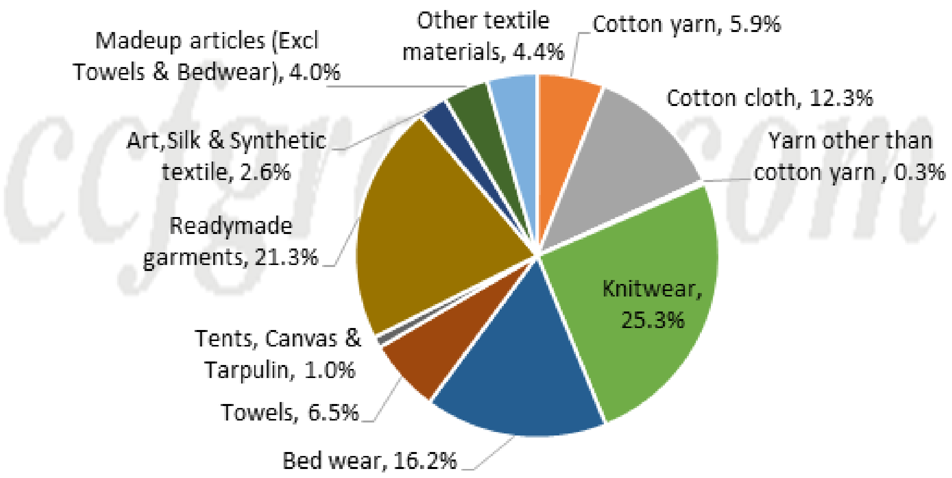


As one of Pakistan's pillar industries, the textile sector has been contributing significantly to the country's foreign exchange earnings, with textile exports exceeding $1 billion per month in the first half of this year.

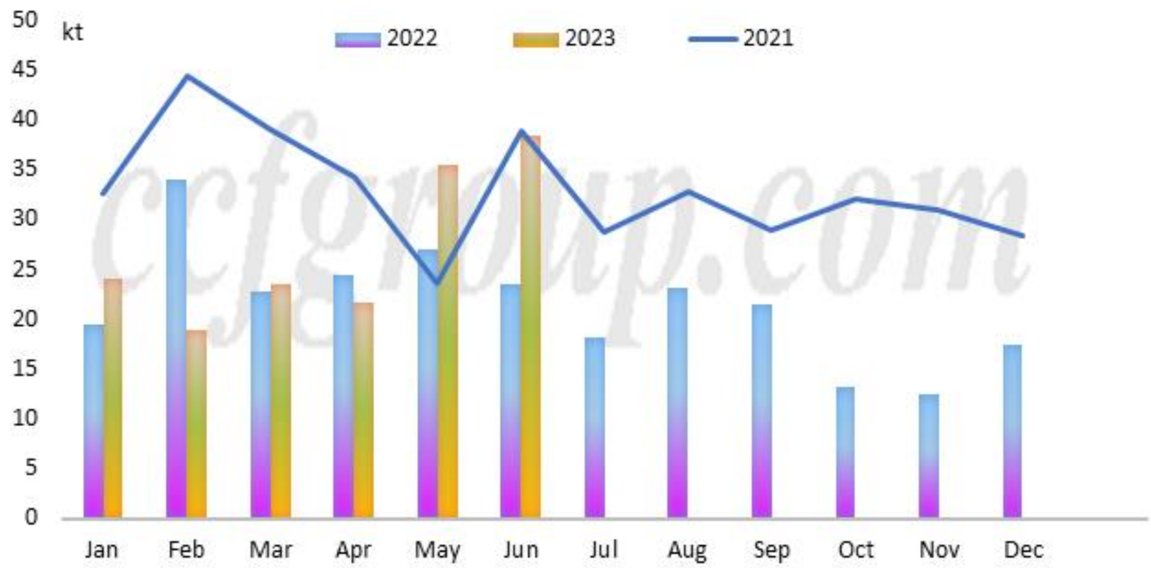
In June 2023, textile and garment exports reached $1.472 billion, hitting a new high for the first half of the year. However, compared to the same period last year, it still remain considerably lower. In cumulative terms, from January to June 2023, Pakistan's textile and apparel exports totaled approximately $7.785 billion, marking a decline of $2.165 billion compared to the first half of the previous year, which signifies a decrease of over 20% in textile and textile and apparel exports.

2. The value added in Pakistan's textile exports remains relatively low.

Distribution of Pakistan's textile and apparel exports from January to June 2023



Pakistani cotton yarn exports



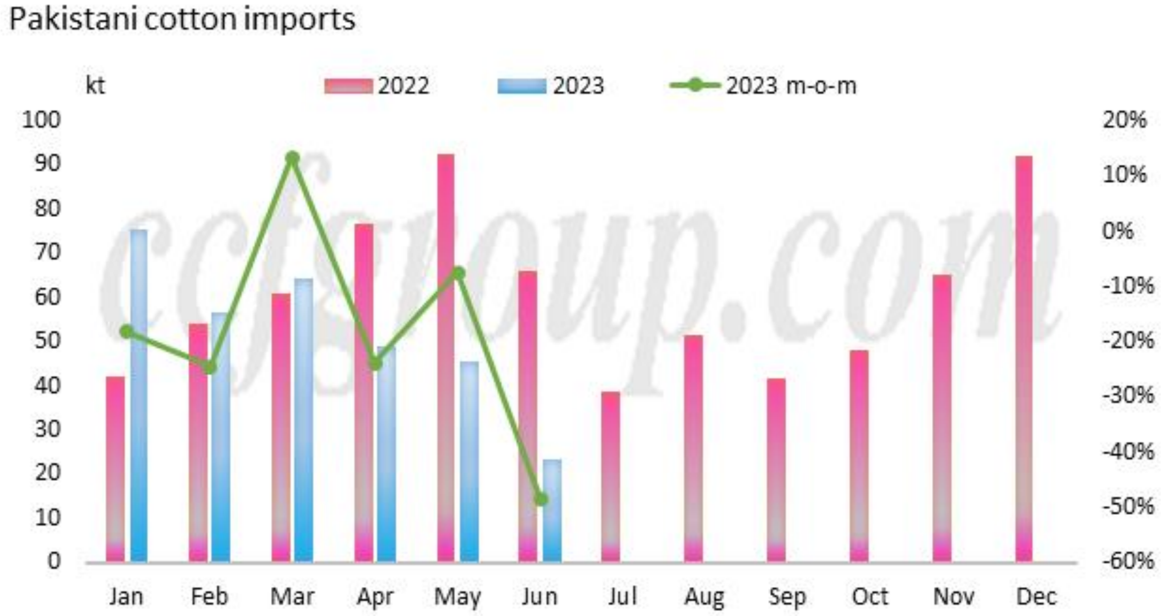
In terms of specific export categories, Pakistan's textile exports still focus mainly on primary processing and mid-to-low-end textile consumer goods. From January to June 2023, the top five export products were: knitwear ($1.972 billion), ready-made garments ($1.66 billion), bed wear ($1.264 billion), cotton cloth ($956 million), and cotton yarn ($463 million). The total proportion of clothing exports accounted for approximately 46.6%, which is still significantly lower than the international standard of 60%. Additionally, Pakistan's outdated cotton planting technology and production processes make it difficult for the country to meet the production requirements of the high-end market. There is a long way to go for the textile industry to achieve product iteration and upgrading in the future.

Comparatively, the export of textile intermediates, such as cotton yarn, has been relatively robust. In Jun, Pakistan's cotton yarn exports reached 38,000 tons, and exports to China accounts for around 50-60%. Considering the current market situation, Pakistani siro-spun yarn inventory in Chinese domestic markets is large, which puts pressure on selling, particularly during the off-season, there is a common trend of price reduction in order to stimulate sales. Therefore, the sustainability of future demand for Pakistani cotton yarn remains uncertain.

3. In the first half of 2023, Pakistani textile and apparel imports amounted to $1.626 billion, a decrease of 1/3 year-on-year.

Due to the limited foreign exchange reserves, Pakistan's textile and apparel import has remained sluggish in the first half of this year. In June, the import value of textile and apparel was only $200 million, with a monthly average import value of around $271 million for the first half of 2023, which represents a 1/3 decrease compared to the monthly average import value in the first half of the 2022. However, the recent development is that the State Bank of Pakistan has lifted all import restrictions to meet the requirements for disbursement of IMF loans, which will provide relatively loose conditions for import settlement transactions in the future.

The quality of Pakistani cotton is inconsistent, and in recent years, the country's reliance on imported cotton has deepened. As the major category of textile imports, the volume of cotton imports from Pakistan has gradually decreased to a recent low since Apr. In June, the import volume was only 23,300 tons, nearly 2/3 less than the same period last year. From January to June 2023, the total cotton imports in Pakistan amounted to approximately 163,300 tons. With the Pakistani new cotton hitting the market after July, the domestic cotton supply is relatively abundant, which helps stabilize the domestic cotton prices. Consequently, the cotton import volume is expected to remain at a seasonal low level.



In summary, in the first half of this year, with developed economies like Europe and the US maintaining high interest rates, the international demand for textile end-products has been suppressed, and almost all major textile countries in East Asia and Central Asia have faced a decline in export volumes. However, since the second quarter, there have been signs of export recovery in Pakistan, Vietnam, India, and other regions. For Pakistan's textile industry, although the difficulty of purchasing cotton imports has alleviated, the domestic manufacturing capabilities in the textile sector are relatively weak. Additionally, high costs of electricity, natural gas, and financing pose challenges in the market competition faced by the industry.

Source: ccfgroup.com – July 25, 2023

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Pakistan: Textile exports face 10% downturn

Pakistan's textile sector is grappling with a significant blow as its exports for fiscal year 2022-23 have witnessed a downturn of almost 10%, signalling a diminishing level of trust among international buyers. The trust deficit is expected to persist throughout the ongoing fiscal year, given the nation's precarious economic conditions. With general elections on the horizon, both local and foreign investors are adopting a cautious "wait and see" policy before reassessing their strategies for this critical sector.

Speaking to The Express Tribune, Pakistan Hosiery Manufacturers and Exporters Association, Chairman, Babar Khan explained that last year proved to be a tumultuous ride, with inflation and recession impacting economies worldwide, resulting in reduced imports of textile products. "We have lost 40% of our exports to the US this fiscal year, while Bangladesh has managed to increase its exports to the US by 20% during the same period," he said.

Bangladesh and India, in contrast, have been pursuing aggressive measures to further boost their textile exports to the US and Europe. Additionally, they are actively promoting their products in new markets. Pakistan, on the other hand, possesses a promising $4 billion export potential for African and Central Asian countries, but inadequate infrastructure, including payment systems, banking facilities, and trade routes, hinders the realisation of this potential, lamented Khan.

FY2022-23 saw Pakistan's textile exports experience a loss of $1.814 billion, reflecting a negative growth rate of 9.84%. According to data from the SBP, textile exports stood at $16.63 billion for FY23, down from $18.44 billion for FY22.

Disconcertingly, not a single sub-sector within textiles posted positive growth in the last fiscal year. Knitwear, bedwear, towels, and readymade garments, which typically demonstrate positive growth, were all subdued. Industry stakeholders have expressed concerns that if Pakistan fails to sustain its GSP Plus status, the situation may become even more dire.

Patron-in-Chief of the Pakistan Readymade Garments Manufacturers and Exporters Association, Ijaz Khokhar warned that "The state of textile exports might become more alarming if we lose GSP Plus status." He cited political and economic unrest in the country over the past year and the adverse impact of import bans as contributing factors to the challenges faced by the sector. Foreign buyers are now favouring Bangladesh due to the availability of cheaper products, he said.

Furthermore, the scarcity of a crucial raw material, cotton, exacerbates the situation. Khokhar expressed regret over the lack of price stability for this vital raw material and criticised the lack of 100% implementation of textile policy. Without a policy revision and effective implementation, the sector, which earns a substantial foreign exchange for the country, suffers.

Presently, all expansion projects for the textile sector remain at a standstill, resulting in a loss of market credibility that was painstakingly established over time. "We are currently losing on both ends – already established markets and the commitment to explore new markets," Khokhar added. In contrast, neighbouring countries are actively working to explore and capitalise on new markets, while Pakistan's relevant departments have been sluggish in this regard.

Source: tribune.com.pk– July 26, 2023

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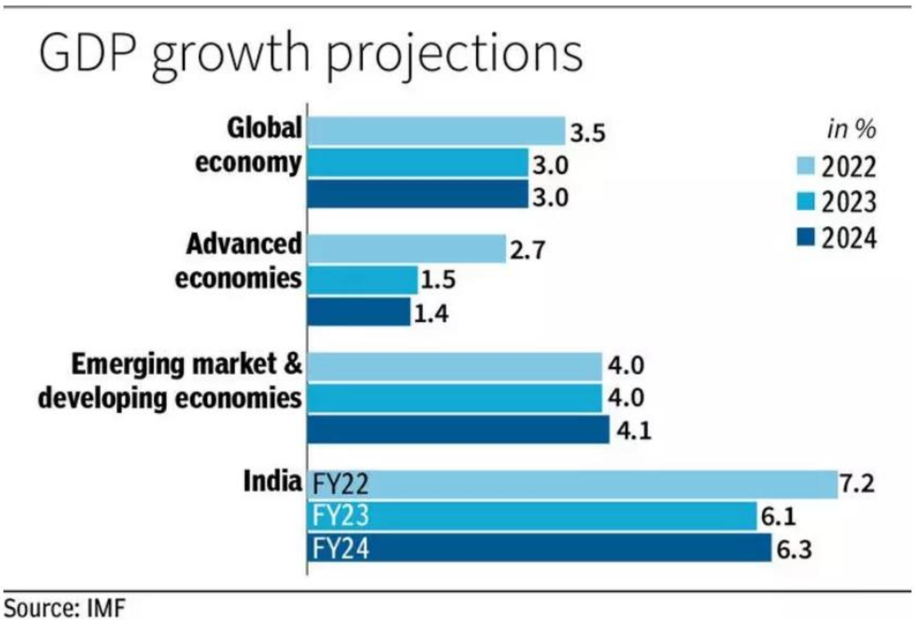
NATIONAL NEWS

IMF raises India's GDP forecast to 6.1% for FY24

Even as global economy is yet to be out of the woods, International Monetary Fund (IMF) on Tuesday upped India's economic growth forecast by 20 basis points to 6.1 per cent for fiscal year 2023-24. The multilateral body expects growth to be 6.3 per cent in Fiscal Year 2024-25.

In April, IMF projected growth rate at 5.9 per cent for FY24 and 6.3 per cent for FY25. With the current growth rate projection, India will continue to be fastest growing economy in the world.

Though this rate is lower than estimates by government and other agencies, still reflect change in stance based on economic activities picking up. "Growth in India is projected at 6.1 per cent in 2023, a 0.2 percentage point upward revision compared with the April projection, reflecting momentum from stronger-than-expected growth in the fourth quarter of 2022 (FY23) as a result of stronger domestic investment," latest update of IMF's flagship publication World Economic Outlook (WEO).



The current reading endorses optimism of the government. Earlier, Chief Economic Advisor V Anantha Nageswaran had said India to have another solid performance during the current fiscal with risk evenly balanced. The government expects growth rate to be 6.5 per cent. The economy grew by 7.2 per cent in FY23 led by the upward movement in the January-March quarter.

"This upside to the growth estimate takes the momentum deep into the current year," said the Annual Economic Review, prepared by the Economic Affairs Department of the Finance Ministry. It pointed out that several forecasting agencies share similar optimism as they revise upwards their growth estimates for FY24.

Fitch Ratings raised its forecast for India's economic growth to 6.3 per cent for the current fiscal year from its previous estimate of 6 per cent. S&P Global Ratings retained its growth estimate for FY24 at 6 per cent and pegged it at 6.9 per cent for FY25. In its recent report, the RBI projected the FY growth at 6.5 per cent.

Global Outlook

Meanwhile, Pierre-Olivier Gourinchas, Economic Counsellor of IMF, said in a blog, titled "Global Economy on Track but Not Yet Out of the Woods," said the global economy continues to gradually recover from the pandemic and Russia's invasion of Ukraine. In the near term, the signs of progress are undeniable. The Covid-19 health crisis is officially over, and supply-chain disruptions have returned to pre-pandemic levels.

Economic activity in the first quarter of the year proved resilient, despite the challenging environment, amid surprisingly strong labor markets. Energy and food prices have come down sharply from their war-induced peaks, allowing global inflation pressures to ease faster than expected. And financial instability following the March banking turmoil remains contained thanks to forceful action by the US and Swiss authorities.

"Yet many challenges still cloud the horizon, and it is too early to celebrate," he said. Under baseline forecast, growth will slow from last year's 3.5 per cent to 3 per cent this year and next, a 0.2 percentage points upgrade for 2023 from April projections. Global inflation is projected to decline from 8.7 per cent last year to 6.8 per cent this year, a 0.2 percentage point downward revision, and 5.2 per cent in 2024, he added.

Source: thehindubusinessline.com– July 25, 2023

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Ministry of Textiles organizes '6th National Conclave on Standards & Regulations for Technical Textiles'

Ministry of Textiles, under its flagship scheme National Technical Textiles Mission (NTTM), organized the 6th National Conclave on Standards & Regulations in association with FICCI and BIS, emphasizing on importance of Standards, Quality regulations & Rationalization of HSN codes for Technical Textiles in India here today.

The event encompassed 5 technical sessions focusing on Standards and Regulations under specialized areas of Technical Textiles like Protective textiles, Geotextiles, Build tech, Oekotech, Medical textiles and in other emerging areas of Technical Textiles. There was a Special Session also discussing rationalization of HSN codes & standards and implementation of QCOs.

Bureau of Indian Standards (BIS) released 4 new standards during the conclave - (i) IS 18266 : 2023, Textiles — Medical Respirator — Specification, (ii) IS 18309 : 2023 Geosynthetics — Prefabricated Vertical Drains for Quick Consolidation of Very Soft Plastic Soil — Specification, (iii) IS 18158 : 2023 Textile — Floor Covering - Artificial Grass Carpet made of Synthetic Yarn for Landscape — Specification and (iv) IS 18161 : 2023, Textiles — Light Weight Jute Sacking Bags for Packing 50 kg Mustard Seed, Niger Seed and Ragi — Specification.

More than 150 participants attended the conclave including officials and representatives from Central Ministries, user Departments of Central and State Governments,

Institutes, industry leaders, scientific experts, researchers, and professionals related to technical textiles across various categories.

Ms. Rachna Shah, Secretary, Ministry of Textiles, Government of India, highlighted that there has been a considerable progress made on standards in Technical Textiles. Quality standards are critical for technical textile products, as these products are highly specialized and technical in nature. Continuous formulation and revision of the standards for each product category and segment significantly impacts the consumption of technical textile products in India.

She opined that to amplify the production of Technical Textiles products, it is imperative to map them with the relevant HSN codes which will facilitate the streamlining of trade tracking and alignment with the HSN mapping requirements. These steps will also support effective implementation of flagship schemes of Ministry of Textiles like, PM MITRA, Production Linked Incentive (PLI) Scheme.

A collaborative approach between Certification Agencies, Research Organizations, Industry, Academia and Ministry is imperative to work together in identification of gaps and meeting the standardization needs for the growth of the sector, she further added.

Shri. Rajeev Saxena, Joint Secretary, Ministry of Textiles, Government of India, emphasized on the importance of effective implementation of QCOs and introduction of new standards for technical textiles, especially in consonance with global standards, while setting the context for the conclave. Further, 32 new technical textiles' HSN codes has been notified in April 2023, beyond the list of already notified 207 HSN Codes, he further added. He also highlighted that a Technical Committee for Rationalization of HSN Codes for Technical Textiles has already been formed.

Regarding releasing of new QCOs, he mentioned that 2 QCOs for 31 technical textile items under Geotextiles and Protective textiles were notified and will come in-effect from 7th October 2023. In addition, Ministry has also undertaken the task to notify QCOs for 56 technical textile items including 22 Agro textiles, 6 Medical textiles, among others, he further added.

He opined that QCOs are vital for ensuring specified standards of quality, safety and reliability of products in technical textiles. Ministry has embarked on the journey to implement QCOs in technical textiles in a phased manner.

Besides, he urged the industry to recommend for any need for new QCOs, development of new product specifications standards, rationalization of existing HSN Codes and introduction of new HSN Codes for technical textiles, among others.

Shri H J S Pasricha, Scientist- F & Deputy Director General- Certification & CSMD, BIS stated the Textiles Division of BIS has published more than 1500 standards for textiles, out of which about 600 standards are on the technical textiles and its test methods.

To fast-track the process of releasing standards, BIS is maintaining the P membership on the Textiles (ISO/TC 38), Textiles machinery (ISO/TC 72), Geosynthetics (ISO/TC 221), Menstrual Products ISO/TC 338, Personal safety (ISO/TC 94) committees and its sub committees at ISO and is taking extensive process reforms to enhance the participation of Indian experts at ISO/IEC level by taking leadership role in various ISO/IEC technical committees, subcommittees, panels and working groups.

Shri Manmohan Singh, Co-Chair FICCI-Textiles and Technical Textiles Committee highlighted that there is huge potential in the country for Technical Textiles both for investments and consumption. It is vital to understand and establish robust standards and regulations that foster growth, ensure quality and safety.

He also mentioned National technical Textiles Mission (NTTM), a flagship mission under Ministry of Textiles is supporting the sector in significant ways.

Source: pib.gov.in– July 25, 2023

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As India's readymade garment exports continues to fall, it loses share in important markets Report

Wazir Advisors July 2023 report 'Apparel Trade Scenario in Key Global Markets and India' reveals the scenario hasn't changed much since the previous report released in June 25.

The June 2023 figures indicate India's apparel exports was at $1.2 billion, which is 20 per cent lower than June 2022. On YTD basis, exports are 14 per cent lower than in 2022. Between January and May 2023, US has remained the largest importer with 31 per cent of all Indian RMG exports; the UK with 10 per cent and the UAE with 9 per cent.

In the first five months of 2023, India's export to the UAE has dipped by 5 per cent since 2021 but there are seven more months to go. Similarly, India registered a 1 per cent increase in its share in the US and UK the first five months of 2023.

India's exports to Germany and France have remained steadfast at 6 per cent and 5 per cent respectively. The Wazir report takes stock of April, May and June 2023 trade stats. Apart from reporting on imports and retail level performances in the US, EU, UK and Japan, the report also provides analysis of India's RMG sector's performance.

Given India's falling export graph, a look at why India is not faring well in some traditional markets.

Indian RMGs fall from grace in the UAE

After the Comprehensive Economic Partnership Agreement (CEPA) between India and the United Arab Emirates was signed in May 2022, it was speculated that India's trade with the Middle-East country will get a boost. Indeed it did as per the government's statements.

Gems, jewellery, sugar confectionery, cereals, and electrical machinery have noted a significant rise in the UAE market after the implementation of CEPA but for inexplicable reasons, the readymade garment sector did not benefit much.

In terms of readymade garment export destinations, the UAE has fallen to the third position while the UK now takes up second spot. The UAE's decline in importing readymade garments from India is hurting local exporters as they are facing low to negative growth elsewhere as well.

Once the second largest supplier of readymade garments to the UAE after China, India has been elbowed out by Bangladesh. The economic conditions in the UAE at the moment are better disposed towards larger volumes of basic, cost-efficient clothing that Bangladesh is an expert at.
India's negligible presence in Japan's import basket

Japan is another case in point as the third largest importer of readymade garments. On an average, the country imports apparels worth of $24 billion. In this collective, India has only managed to capture a tiny 1 per cent share, despite excellent bilateral trade relations with Japan and the fact that India and Japan have had a bilateral trade agreement since 2011 whereby duty on importing Indian apparel is zero.

Moreover, India excels in manufacturing base for cotton, and cotton based knitwear, and has good chances for market penetration as demand for such items is high in Japan. Then what is the reason for Indian apparel exporters to underperform in such an important market? However, as late as 2022, Indian apparel exporters performed remarkably well in South Korea, seeing an increase of 51 per cent.

Taking into account the statistics in the report, it could well be said Indian exporters should take a leaf out of Bangladesh's playbook and focus on the Far East as new markets to leverage growth opportunities.

Source: fashionatingworld.com– July 25, 2023

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Uncompetitive policy pushing textile investments to other states

AHMEDABAD: Gujarat is considered the textile hub of India with the state receiving investments worth about Rs 30,000 crore in the sector between 2012 to 2017, largely due to its attractive textile policy. After this period, the state has been struggling to pull in new investments.

LOOKING ELSEWHERE

Major textile investments that went to other states in the past few years

Company	State	Investment*
Welspun	Telangana	5,000
Kitex Garments	Telangana	3,000
General Group	Maharashtra	500
Donear Group	J&K	100

*₹ crore; Source: GCCI

The Gujarat Chamber of Commerce and Industry (GCCI) textile task force recently submitted a report to the state government to illustrate that the textile sector policies of states such as Telangana, Maharashtra and Madhya Pradesh are more attractive, and textile majors such as Welspun, Arvind, Donear and General Group are setting up plants there.

The Gujarat Garment Policy expired in 2022 and no new incentive policy has been announced thus far. The existing Gujarat Textile Policy will expire in December 2023, and textile players say the state must announce a new attractive policy to ensure that players in this employment-heavy industry come to the state.

In 2012, then Gujarat CM Narendra Modi had announced the Gujarat Textile Policy-2012 for "Farm to Fashion". This scheme boosted the industry's growth and fetched more than Rs 30,000 crore in investments in six years. This scheme offered 100% investment reimbursement in the form of VAT subsidies over and above interest and power subsidies.

Gujarat was the pioneer in offering such an attractive textile policy.

Rahul Shah, co-chariman of the GCCI textile task force, said, "The Gujarat textile policy of 2012 expired in 2018 and a new policy was declared in 2019 which did not offer competitive incentives.

Other states have announced lucrative schemes, which is resulting in the shifting of new investment to other states. Industrialists from other states who had earlier brought investment in Gujarat, are now exploring other states, negotiating with them and finalizing their investments.

The Gujarat Garment Policy expired in 2022 and no new replacement scheme has been announced. The existing Gujarat Textile Policy will expire by December 2023 and we demand a strong policy.

States such as Maharashtra, Madhya Pradesh, Telangana and Odisha are offering capital subsidies, GST incentives and stamp duty exemption, which Gujarat does not offer. We raised the issue with the state government and are hopeful that it will announce a better policy soon."

A top official of a leading textile company said, "The textile industry is employment-heavy and many states thus offer incentives. Gujarat has a strong base with good availability of cotton but the state is lacking a strong incentive-based policy that can compete with other states."

Sandip Shah, a member of the GCCI textile taskforce, said, "Many companies have committed significant investments outside Gujarat in the last two years, and some even before this period. Some of these companies have bases in Gujarat while others are those that have still not come here."

Source: timesofindia.com– July 26, 2023

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India's mass consumers to drive more than $135 billion GMV on e-commerce by 2030: report

Mass consumers with an average annual income ranging from ₹2.5 lakh to ₹10 lakh are driving e-commerce adoption in India and may drive more than $135 billion in gross merchandise value (GMV) of the $300 billion in total e-commerce opportunity in India by 2030, according to a report by Redseer.

The survey was conducted across Metros, Tier 1, and Tier 2+ cities, with the target groups involving Gen-Z, millennials, and Gen-X shoppers. The 'affluent' consumers on the survey are a cohort with an average annual income greater than ₹10 lakh. The 'mass' consumers make between ₹2.5-10 lakh annually, while the 'strivers' are a third cohort who earn less than ₹2.5 lakh a year.

As of 2022, India has 65–70 million households transacting on e-commerce platforms monthly, which is projected to go up to 120-130 million by 2030, with mass consumers contributing more than 80 per cent of the incrementally transacting households.

Demographic breakdown

Breaking down the cohort by demographics, the report found that 75 per cent of the mass consumers were comprised of millennials and Gen-Z consumers.

While Gen-Z, who are young and independent, show purchase preference for apparel, BPC, and electronics, value-driven independent millennials tilt towards BPC, food & grocery, and apparel. Gen-X constituted about 13 per cent and spent a higher share on food and groceries, followed by health and wellness. Although Gen-Z consumers have distinct characteristics from older generations, they are also value-conscious at their core, the report adds.

Moreover, the country's retail market would play out differently across these consumer cohorts in the coming decade, with mass consumers expected to lead spending on the Indian retail market.

As of 2022, mass consumers constitute 53 per cent of the Indian retail market, valued at $ 950 billion. This share is expected to grow at a CAGR of 12 per cent to touch 65 per cent by 2030, making it a $1.3 trillion opportunity for brands and businesses. The remainder of the projected $2 trillion retail market value is expected to be occupied by strivers and affluent consumers, growing at a CAGR of 8 per cent and 5 per cent, respectively.

Decision makers, major players

The top three decision drivers while making purchases included prices, deals, and discounts on e-commerce platforms, quality of products, and trust in the platform. Further, the survey indicated that more than 60 per cent of mass consumers were open to purchasing unbranded products if they liked the quality, while 30 per cent of mass consumers preferred unbranded over branded products.

Within the $15–20 billion mass e-commerce segment (in 2022), 60–70 per cent of the sales were led by large horizontals. The rest (30–40 per cent) were led by players who had a specific focus on solving for and expanding the mass consumer segment, such as Meesho (which grew by focusing on better regional and local selection and pricing), along with vertical platforms like Purplle (BPC category), and the longer tail of smaller verticals and horizontals.

Source: thehindubusinessline.com– July 25, 2023

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