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Currency Watch			
USD	EUR	GBP	JPY
82.80	90.67	105.28	0.58

INTERNATIONAL NEWS

SAYING NO TO CHILD LABOUR

INTERNATIONAL NEWS

Global economy to grow by 2.9% in 2023: S&P

S&P Global expects the global economy to grow by 2.9 per cent in 2023, revised up from its previous forecast of 2.7 per cent due to resilient demand and tight labour markets in several advanced economies.

The company revised its 2023 forecasts for many key advanced economies, including the United States (0.7 per cent to 1.7 per cent), the United Kingdom (minus 0.5 per cent to 0 per cent), Japan (1 per cent to 1.2 per cent) and the euro zone (0.3 per cent to 0.6 per cent).

On the other hand, the forecast on China was revised down to 5.2 per cent from 5.5 per cent, given the country's uneven recovery.

Though inflation has eased in several key advanced economies, it remains well above central bank targets, a release from the company noted.

While central banks worldwide have hiked interest rates at a fast pace, global economic activity continues to be resilient, resulting in interest rates likely to remain high, S&P Global said.

The US real GDP grew by an annualised 2 per cent in the first quarter this year, but slower than 2.6 per cent growth in the previous quarter. The upward revision in GDP growth was due to upward revisions in exports and consumer spending.

Inflation in the United States cooled to 3 per cent in June from 4 per cent in May, partially due to a high base effect. Core inflation, which excludes food and fuel, also cooled to 4.8 per cent in June from 5.3 per cent in May.

US trade deficit narrowed to $69 billion in May as imports fell at a faster pace than exports. Imports decreased by 0.8 per cent to $247.1 billion, while exports fell by 2.3 per cent to $316.1 billion.

UK gross domestic product (GDP) contracted by 0.1 per cent month on month in May compared with 0.2 per cent growth in April. The fall was driven by a 0.6 per cent contraction in production output.

UK consumer price index-based inflation was at 7.9 per cent from 8.7 per cent due to a year-on-year fall in prices of fuel. Core inflation in the country cooled to 6.9 per cent in June from a 31-year high of 7.1 per cent in May.

The first quarter real GDP growth in the euro zone this year stood at minus 0.1 per cent for the second quarter in a row. The unemployment rate stood at 6.5 per cent in May, which was stable compared with the previous month.

CPI inflation is expected in the zone to ease to 5.5 per cent in June from 6.1 per cent in May led by the faster on-year fall in energy prices and softening food inflation.

Source: fibre2fashion.com – Aug 04, 2023

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China announces incentives to boost growth of micro, small firms

China will offer several incentives, including support and tax reduction, to domestic micro and small firms to boost their growth. Relevant financial support will also continue. The incentives will be effective until the end of 2027, an official statement from the ministry of finance and the state taxation administration said.

Taxpayers with monthly sales revenue of no more than 100,000 yuan will continue to be exempt from value-added tax (VAT), the statement said.

Micro and small firms and self-employed households enjoying a 1 per cent VAT rate now from earlier 3 per cent will continue to enjoy the benefit, a state-controlled news outlet reported.

Income of lenders from loan interest and guarantee fees related to such small business entities will stay VAT-free, and their loan contracts will continue to be exempt from stamp duty.

Source: fibre2fashion.com – Aug 04, 2023

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Liquidity low in Brazilian cotton market; values rise in July

The Brazilian cotton market experienced a low liquidity in July, resulting from disagreements among players on prices and/or quality. The standoff led to a reluctance to participate in the market, and only a limited number of deals were struck for both the 2021-22 and the 2022-23 crops, as per the Center for Advanced Studies on Applied Economics (CEPEA).

Farmers maintained their stance against lowering asking prices throughout July, concentrating on crop activities, and fulfilling term contracts. The support of international values also continued to prop up quotes in the Brazilian market, leading to an increase in the month, CEPEA said in its latest fortnightly report on the Brazilian cotton market.

Despite the low liquidity, trading companies engaged in cotton transactions, motivated by firm demand and an impressive export performance. However, certain industry agents resisted closing deals, citing the underwhelming sales performance of manufactured products within Brazil.

The CEPEA/ESALQ Index for cotton witnessed a significant increase of 9.7 per cent, reaching BRL 3.9484 per pound on July 31. Conversely, the monthly average of the cotton Index decreased by 3.5 per cent from that in June, settling at BRL 3.81. This marked the domestic prices as 2 per cent lower than the export parity on average for the month.

Source: fibre2fashion.com – Aug 03, 2023

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US manufacturers signal decline in sector's health in Jul: S&P Global

US manufacturers signalled a further decline in the health of the sector during July this year, according to the latest purchasing managers' index (PMI) survey from S&P Global.

The seasonally adjusted S&P Global US manufacturing PMI posted 49 in July, up from 46.3 in June, to signal a further but slower downturn in operating conditions at US goods producers. The deterioration was the third in as many months, albeit the weakest in this period of decline.

The downturn stemmed from another monthly contraction in new orders, as domestic and external demand conditions remained muted.

A challenging sales environment in the United States led firms to scale back their input buying, causing inventory holdings to be depleted strongly, S&P Global said in a release.

Despite a sharp fall in backlogs of work as new orders dropped, companies expanded employment at a faster rate amid greater confidence in the outlook for output.

Meanwhile, firms reported a renewed rise in raw material costs, albeit only marginal overall. Selling prices, however, were broadly stable for a second month running as manufacturers sought to remain competitive and drive sales.

Driving the downturn was a further fall in new order inflows at manufacturers in July. Firms reported that the dearth in new sales stemmed from client hesitancy and reduced impetus to spend among customers amid difficult demand conditions.

The rate of decline softened, however, to the slowest in the current three-month sequence of contraction. Alongside evidence of subdued domestic demand, new export orders fell for the fourteenth month running.

Input prices faced by manufacturers increased for the first time in three months. The rate of input cost inflation was only marginal and much slower than the rises seen over the last three years, but companies attributed the rise to greater supplier charges.

Despite a sharp fall in backlogs of work and reduced new order inflows, firms reported a stronger rise in employment at the start of the third quarter. Staffing numbers increased at a solid pace that was among the fastest in a year.

Manufacturers mentioned that challenges finding suitable workers encouraged staff retention, with some firms continuing to fill long-held vacancies.

Source: fibre2fashion.com – Aug 04, 2023

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Turkiye's annual CPI for clothing & footwear at 22.65% in Jul 2023

Turkiye marked its consumer price index (CPI) at 47.83 per cent year-on-year (YoY) and 9.49 per cent month-on-month (MoM) in July 2023. The CPI annual rate of changes in main groups in July 2023 for clothing and footwear was 22.65 per cent, while the monthly rate was 3.19 per cent.

A change in general index was realised in CPI (2003=100) on December of the previous year by 31.14 per cent, on same month of the previous year by 47.83 per cent, and on the 12 months moving averages basis by 57.45 per cent in July 2023, the Turkish Statistical Institute (TurkStat) said in a press release.

In July 2023, within indices of 143 basic headings in the index, the index of four basic headings decreased and the index of four basic headings remained unchanged while the index of 135 basic headings increased.

A change in CPI excluding unprocessed food, energy, alcoholic beverages, tobacco, and gold was realised in CPI (2003=100) on the previous month by 8.92 per cent, on December of the previous year by 34.66 per cent, on same month of the previous year by 54.32 per cent, and on the 12 months moving averages basis by 58.08 per cent in July 2023.

Source: fibre2fashion.com – Aug 04, 2023

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Japan: Garment-makers bet on 'cooling' fabrics as temperatures rise

Retailers such as Macy's and Columbia Sportswear are expanding their use of "breathable" and "cooling" fabrics in a bid to boost sales as record-high temperatures drive demand for clothing that can help consumers beat the heat.

Other major companies, including VF Corp. and Permira-owned Reformation, are also touting warm-weather styles made with Tencel, a Lyocell fiber that textile manufacturer Lenzing says is more absorbent than cotton.

Clothing retailers, whose sales dipped as inflation-weary consumers prioritized essentials over discretionary purchases, are amping up their marketing of "cooling" garments as heat waves batter at least three continents.

Apparel manufacturers and sellers are banking on lightweight materials and performance fabrics aimed at offering more relief than traditional cotton and polyester knits, as well as high-tech fibers they say offer wearers "active" cooling.

Many such textiles have been used for years, especially in athletic clothing from brands such as Lululemon, according to Jess Ramirez, an analyst for Jane Hali & Associates. But with rising temperatures, more retailers are promoting them for hot weather and expanding into year-round styles as winters grow warmer.

Macy’s officials said the firm's newest line includes a $150 trench coat made with Lyocell and $24.50 tee-shirts made with Modal — two silky fibers produced from wood pulp that textile experts say are lightweight and breathable.

The department store chain is expanding such inventory and will market some of those items as "breathable" and "cooling," according to Macy’s Senior Vice President of Private Brand Strategy Emily Erusha-Hilleque. Macy's conducts quality tests to back the claims, she added, but the company declined to offer details.

In June, women's brand Reformation began selling new skirts, bottoms and dresses with Tencel, which the company calls "foundational" to its products.

Few retail market firms track specific sales of "cooling" clothes, but related fabric manufacturing is rising.

Tencel-maker Lenzing expanded production with a Thailand facility last year, its senior business development manager Sharon Perez said, citing growing demand from brands including Patagonia and VF's North Face despite costs of up to $0.10 more per pound than other materials.

Overall, global production of cellulose-based fibers including Lyocell, Modal and cupro grew more than 10% to 7.2 million tons in 2022, according to the nonprofit Textile Exchange.

PT Golden Tekstil, an Indonesian mill whose clients include Macy's, PVH and Ralph Lauren's Polo brand, boosted its "performance" fabric production by 20% to 30% in recent years, its U.S. design director Beth Carter Schlack said.

Still, it also remains unclear whether materials marketed as cooling can lower body temperature or simply help wearers feel more comfortable.

Textile industry groups have developed tests to assess cooling, mostly by measuring a fabric's ability to distribute moisture and dry out quickly as a proxy, according to the American Association of Textile Chemists and Colorists.

But no specific tests are required before companies can make cooling claims, and not all lab findings necessarily translate to actual use, said Roger Barker, who studies textiles at North Carolina State University.

Companies are also producing more garments with performance fabrics such as Lycra's COOLMAX, a polyester yarn designed to wick sweat away to evaporate.

Fast Retailing's Uniqlo has expanded its AIRism line using super-fine, smooth fibers made from polyester and cupro, which is made from cotton waste, that it says dry quickly and feel cool.

Kirsty Wilson, a materials consultant who has worked with major retailers, said more brands are using "performance yarns" such as COOLMAX that dry more quickly than cotton.

J. Crew and H&M are among the retailers using COOLMAX, which is also used in bedding, sleeping bags and other products geared toward warm, humid weather.

Hotter temperatures are also driving more advanced "active cooling" fiber technology by embedding materials that trap and release heat rather than the passive cooling offered by most materials to-date.

While sweat-wicking clothes can speed up the evaporation of sweat from the body, which is how humans naturally stay cool, there is a limit to how much relief such passive cooling provides, said Barker, who heads North Carolina's Textile Protection and Comfort Center.

This summer, Columbia Sportswear released a new sweatshirt with its updated Omni-Freeze Zero Ice fabric, combining "active" technology with wicking properties and a print it says absorbs sweat.

Creating new styles for hot environments will "remain an area of focus," said Haskhell Beckham, the company's vice president for innovation.

Other retailers have turned to similar fabrics, including those from Atlanta-based textile manufacturer Brrr that embed cooling minerals.

Brrr works with 47 brands — including Adidas, which launched golf polo shirts using its material in March — and has at least doubled production since 2018, according to its Vice President of Sales Julie Brown.

While many garments with Brrr fabrics target hot summers, there’s growing demand for modified base layers and cold-weather clothing as more shoppers experience unseasonably warm winters, Brown added.

"If you're out walking or hiking or skiing, a lot of people want that cooling effect, even in wintertime," she said.

Source: japantimes.co.jp– Aug 02, 2023

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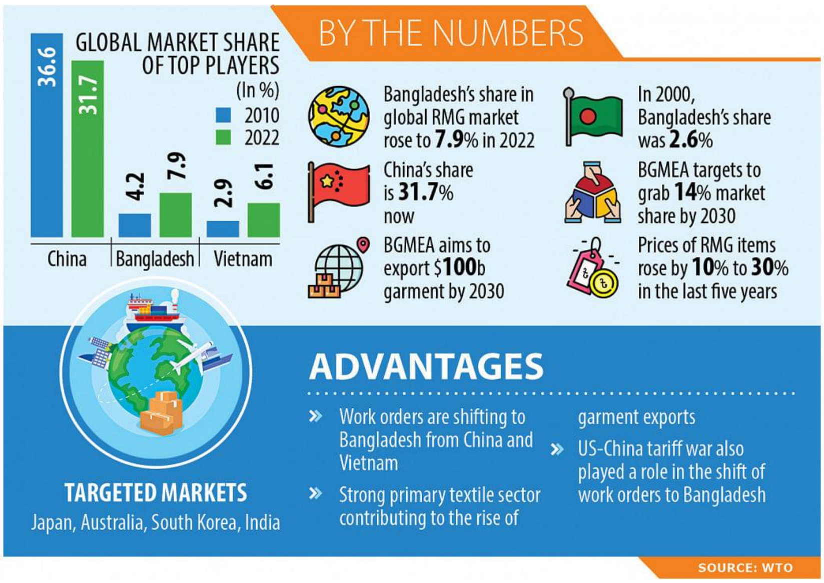
Bangladesh's share in global RMG trade trebles in 17 years

Bangladesh's share in the global readymade garment trade more than tripled in the past 17 years as the country cements its position as one of the largest suppliers internationally.



In 2005, the country's share was 2.5 percent but it rocketed to 7.9 percent last year, data from the World Trade Statistical Review 2023 showed.

In 2000, Bangladesh shipped garment items worth $4.82 billion. It posted a meteoric rise in the past 22 years, elevating earnings to $45 billion last year.

A number of factors have driven the expansion in the past two decades as the country solidified its place as the second-largest apparel supplier in the world after China and raised its market share.

One of the strengths has been the expanding primary textile sector, which has already invested more than $23 billion.

As a result, the knitwear segment currently can avail more than 90 percent of fabrics and yarn from domestic markets, which have cut the lead time by four weeks.

Similarly, woven exporters can procure more than 40 percent of fabrics locally. Equally, the accessories sector meets 90 percent of the demand.

The China-US trade tension has worked in Bangladesh's favour.

For example, China's share in the global apparel busines was 18.2 percent in 2000, 26.6 percent in 2005, and 36.6 percent in 2010. But it declined to 31.7 percent in 2022, owing largely to the rift that began in 2018.

So, while Bangladesh's share has continued to widen, China is losing its grip.

What is even more extraordinary for Bangladesh is that it has been capturing more market share despite the shortage of raw materials such as cotton and capital machinery and recurrent challenges such as energy.

Still, Bangladesh is also the largest apparel supplier to the European Union in terms of volume and the largest denim supplier worldwide.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association, said exporters are also getting better prices.

He said exporters are receiving 10 percent to 30 percent higher prices per unit garment item. In the case of high-end value-added items, the price has gone up by a similar rate.

Md Fazlul Hoque, managing director of Plummy Fashions Ltd, thinks apart from the trade war and the backward linkage integration, Bangladesh has developed a lot of skilled workforce and skilled managers, improved productivity, ensured faster delivery of goods, enhanced quality, and introduced green initiatives.

The garment sector as defied major domestic and global crises such as the elimination of the quota system, the financial crisis of 2007-08, the Tazreen Fashions fire, the Rana Plaza building collapse and political crisis.

"It has been possible because of the commitment of entrepreneurs," he said.

Bangladesh's reputation as a predictable supplier received a major boost during the peak of the coronavirus pandemic as the country kept factories open for most of the time whereas many competitors had kept their industries closed for a longer period.

Anwar ul Alam Chowdhury Parvez, a former president of the BGMEA, said the growth of global population over the last 20 years also helped lift Bangladesh's export receipts.

"Similarly, a higher cost of raw materials brought better prices."

FUTURE LOOKS EVEN BRIGHTER

Exporters are gearing up to grab more market share on the bank of diversified products and markets. They are putting more money in new projects, marketing, fashion, and design.

Bangladesh is expected to raise its market share to 10 percent by 2025 as the shipment is on the rise despite the disruptions caused by post-Covid-19 challenges and the ongoing Russia-Ukraine war.

Local exporters are betting on Asian markets such as Japan, India, South Korea and Australia where exports are rising phenomenally and there is more room to grow.

With the trade row in place, not only American buyers but also European and Japan retailers and brands have started reducing sourcing from China.

Bangladesh has also started producing high-end garment items like a jacket worth $100 apiece. This was almost impossible a few years ago.

Although Bangladesh will have to go a long way before outracing China in the global apparel trade, local exporters have overtaken their competitors in the second-biggest economy in the world and are set to repeat the same success in other markets as well.

Last year, Bangladesh's garment export to the US surged 53 percent to nearly $10 billion.

However, in the January-April period of 2023, the shipment to the US declined by nearly 17 percent against China's more than 30 percent owing to the impacts of higher consumer prices. This indicates that Bangladesh's sales in the world's largest economy will grow despite facing a 15.62 percent duty.

The BGMEA has set a target to generate export earnings worth $100 billion and lift market share to 14 percent by 2030 on the back of the growth in Asian markets and the increasing use of man-made fibre-based garment items, which fetch almost double prices compared to cotton-made products.

Kutubuddin Ahmed, chairman of Envoy Legacy, said the cotton price has played a major role for the higher export growth from Bangladesh.

Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association, said green initiative is one of the major reasons for the spike in shipment growth.

Bangladesh is already a champion when it comes to eco-friendly apparel manufacturing units and has the highest number of green factories certified by the United States Green Building Council.

Mohammad Ali Khokon, president of Bangladesh Textile Mills Association, thinks exporters have the capacity to capture a 10 percent market share but it is standing at 7 percent because of gas and power crises.

Source: thedailystar.net– Aug 04, 2023

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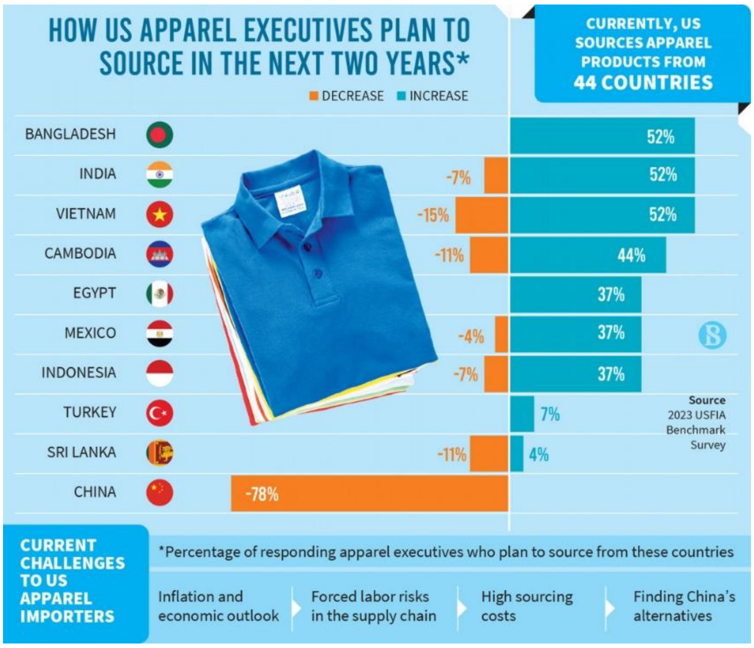
US apparel buyers to increase sourcing from Bangladesh: Report

More than half of US apparel executives intend to increase sourcing from Bangladesh, surpassing China, Cambodia, Indonesia, Egypt and other competitors, according to the US Fashion Industry Association's (USFIA) 2023 Benchmarking Study.



Bangladeshi apparel entrepreneurs said the potential influx of additional orders to Bangladesh would not only catalyse the growth of existing industries but also pave the way for the creation of numerous job opportunities.

When queried about the countries or regions from which US fashion companies intend to enhance their sourcing value over the next two years, an equal proportion (52%) of executives intend to boost their sourcing from Vietnam and India alongside Bangladesh.

However, 15% of US fashion executives expressed a desire to reduce their sourcing from Vietnam, while 11% aimed to do so from Cambodia and Sri Lanka. Additionally, 7% indicated a similar intention regarding India and Indonesia.

In contrast, a significant 78% stated their intention to reduce sourcing from China, with no executives indicating an alternative stance.

None of the executives interviewed expressed a desire to reduce their sourcing from the country, as per the study, which was published recently.

According to sources, in 2022 the US imported apparel products worth more than $10 billion from Bangladesh.

Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), said a majority of brands and buyers are reluctant to engage in sourcing from China primarily due to geopolitical concerns.

These geopolitical factors have introduced a sense of uncertainty among all buyers, prompting them to explore alternative sourcing destinations, he said.

He added, "China holds the title of being the world's largest exporter of apparel. Should a 2%-3% market share from China be redirected, no other country possesses the capability to step in and bridge this gap, except for Bangladesh."

He underscored the fact that Bangladesh's apparel industry has established itself as a dependable and steadfast supplier within the global market.

Besides, the consistent political stability in Bangladesh experienced in recent years has contributed to the industry's growth, positioning it for a significant surge in exports, he said.

Shahidullah Azim, vice president of the Bangladesh Garment Manufacturers & Exporters Association (BGMEA), said a notable trend among western buyers is that they are searching for an alternative to China for apparel sourcing.

"In this context, Bangladesh holds a distinct advantage due to its robust capacity, commitment to ethical manufacturing practices, and emphasis on sustainable, environmentally friendly industries," he said.

According to entrepreneurs, Bangladesh must focus on enhancing its infrastructure capacity to effectively address future demands, with particular emphasis on bolstering port and road communication capabilities.

The industry has set a goal of achieving a substantial $100 billion in apparel exports by the year 2030, they said.

BKMEA Executive President Mohammad Hatem said that there are boundless opportunities for expanding the apparel market share even further.

However, he acknowledged that the challenge of maintaining an uninterrupted supply of utilities – such as gas and electricity – remains a hurdle to achieving continued growth.

US apparel industry's anti-China strategy

According to the study, US apparel companies are fast-tracking efforts to diminish their reliance on China due to escalating bilateral concerns.
A major challenge in 2023 is diversifying sourcing bases beyond China. Notably, over 40% now acquire under 10% of apparel from China, up from 30% a year earlier. A record 61% shifted from China as their top supplier, compared to 50%, the study revealed.

The sourcing model transitions from "China plus Vietnam plus many" to "Asia plus rest of the world," with 97% sourcing at least 40% from non-Chinese Asian nations.

Yet, reducing "China exposure" in textile raw materials remains tough due to limited alternatives for 70% sourcing yarns, fabrics, and accessories, as per the study.

Sustainability Issues in Sourcing

In the study, US apparel executives demonstrate a solid dedication to expanding their sourcing of clothing made from recycled or other sustainable textile fibres. Around 90% of the respondent executives of this study plan to allocate more resources towards sustainability and compliance over the next two years, notably higher than approximately 60% reported before the pandemic.

In the study, respondents seem keen on adopting sustainable textile and apparel items as over 80% plan increased allocation for recycled or sustainable textile materials. The study also underscores tariff reduction or elimination on such imports as a key trade policy proposal.

The United States Fashion Industry Association (USFIA) produces the Fashion Industry Benchmarking Study every year.

Source: tbsnews.net– Aug 03, 2023

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Textile exports: where does Pakistan stand?

Insofar as the enormity of Pakistan's economic (balance of payments and manufacturing) challenges is concerned, one of the worrying factors is that exports in general and textile exports in particular are falling. One cannot blame the demand factor from the West as there is an uptick in textile exports for countries like India and Bangladesh.

There are some Pakistan-specific factors, which are hurting the competitiveness of exporters such as a massive rise in energy prices, growing working capital cost and supply-side bottlenecks. Buyers are also reluctant to offer business to Pakistan due to the country's woefully fluid macroeconomic position.

It is important to note that in FY22, as per the central banks' payment data based on export receipts, Bangladesh's textile exports (net of textile imports) were not much higher than those of Pakistan. Bangladesh's net textile exports were of $15.7 billion while for Pakistan the number was $12.7 billion.

Textile imports to exports ratio was 39 percent in Bangladesh versus 31 percent in Pakistan in FY22. Thus, Pakistan has a higher conversion of imports to exports in value terms.

However, in gross valuation, Bangladesh's textile exports were much higher at $32.7 billion versus $18.3 billion of Pakistan. And if we take Bangladesh's Export Promotion Bureau's statistics, textile exports were $46.7 billion as compared to $19.3 billion recorded by Pakistan Bureau of Statistics.

This difference has widened in FY23 - especially in the last six months. Bangladesh recorded a growth of 11 percent in textile exports (Bangladesh's Export Promotion Bureau data) to $42.6 billion in 11MFY23 while in FY23 Pakistan's textile exports are down by 15 percent to $16.5 billion – the deceleration is higher lately.

There are some notes one should take. One is that historically, the net exports from Pakistan were in line with those of Bangladesh in value terms.

Bangladesh mainly imports its raw material and processes it to exports while Pakistan traditionally used domestic cotton and had higher conversion of dollar imports to exports. The other factor is about composition of exports. Bangladesh's textile exports comprise readymade garments — knitwear and woven garments.

However, Pakistan's reliance is on varying products — low value-added products such as cotton yarn, cotton cloth and towels; and higher value-added products like readymade garments and knitwear.

The competitiveness is hit owing to higher reliance on low value-added products because of availability of low cost energy and cheap cotton to our exporters. Now energy is getting expensive and local cotton is becoming dearer and unsuitable for higher counts, and that is making these low value-added items less attractive.

And one must blame the lack of imagination of our textile exporters as well who never really worked towards fully exploiting the potential in garments made from cotton and also manmade fibers.

Many of our exporters even invested the TERF (temporary economic refinance facility) money in spinning rather than in higher value-added machinery or products. Interestingly, those who have ventured into readymade garments and knitwear are accruing dividends.

Even in FY23, there is an uptick in quantity (volume) exports of knitwear and readymade garments from Pakistan while all other categories (cotton yarn, cotton cloth, towels and bedwear) registered a decline.

Thus, in those areas where Bangladesh is present and growing, the performance of Pakistan's exports is not bad at all. However, some of the exporters in the high value-added segment could not utilize the capacities fully.

One big exporter in garments lately had almost 50 percent idle capacity, and now due to aggressive marketing they are confident that from October onwards, their factory may run close to 100 percent.

Pakistan is largely missing the shift of textile from China where India and Bangladesh are aggressively covering the turf. This was supposed to be a part of CPEC (China Pakistan Economic Corridor) Phase-II by shifting labour-intensive industries such as textiles from China to Pakistan in special economic zones (SEZs).

However, SEZs are yet to kick-start. Buyers are not bullish in the long term on Pakistan as they are more comfortable in other jurisdictions.

At the same time, Pakistan's exporters did also lock the capital in low value-added sectors. Having said that, one good factor is that Pakistan has positioned itself in higher value-added items within readymade garments and knitwear while Bangladesh is more focused on basic items. Overall volumes are much higher in Bangladesh while the higher value is extracted by Pakistan.

This trend needs to grow, and more capacities are required in these areas along with a focus on manmade fiber. We hope that sooner rather than later the policymakers and exporters of the textile chain would engage in deliberations to address the irritants and focus on maximizing textile exports and enter the high-end global market for textiles and generate a high multiple of exports on every dollar of textile import.

Source: brecorder.com– Aug 04, 2023

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Pakistan: Cotton arrivals in Pakistan up by 66.5%: PCGA

The latest fortnightly data released by the Pakistan Cotton Ginners Association (PCGA) on Thursday showed that cotton arrivals in Pakistan saw a remarkable month-on-month growth of 66.5%.

According to the report, the total arrival of cotton in Pakistan increased to 1.429 million bales till August 1, as against 0.858 million bales recorded on July 15, 2023, which is an increase of 0.571 million bales.

The PCGA said a year-over-year comparison was not available, as data was not collected on August 1, 2022. Last year, flash floods in Pakistan devastated large swaths of agricultural land in the country, especially in Sindh and Balochistan. Improvement in arrivals of cotton, the raw material needed for the textile sector, is a welcome development for cash-strapped Pakistan.

As per the PCGA data, cotton arrivals from Punjab have registered a significant increase. As of August 1, cotton arrivals in Punjab stood at 0.389 million bales as compared to 0.199 million bales as on July 15, 2023, an increase of 95.4%.

Similarly, cotton arrivals in Sindh stood at 1.040 million bales as compared to 0.659 million bales recorded in July, an increase of 0.381 million bales or 57.8%. Exports of Pakistan's textile sector registered a decline of 15% and stood at $1.31 billion during July 2023 as compared to $1.54 billion recorded in the same period last year.

Latest data from the All Pakistan Textile Mills Association (APTMA) showed that the country's textile exports during the first seven months (January-July) of calendar year 2023 stood at $9.09 billion, up from $11.48 billion reported in January. 21% less than July 2022.

Last month, the PCGA demanded the government to chalk out a clear strategy to buy cotton and oil at government-fixed prices and immediately remove the illegal tax on Banola (cotton plant) and also address the power problem . After this, it was unanimously decided in the meeting that the cotton producers would stop the purchase of cotton all over Pakistan.

Source: pipanews.com– Aug 02, 2023

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NATIONAL NEWS

PLI on track; investment commitments at 60% of capex target: SBI MF research

The investment and production in the government's production-linked incentive scheme will start meaningfully only from the current year, said economists at SBI Mutual Fund in a note on Friday, highlighting that the scheme is on track with the government receiving investment commitments of 60% of the capex target.

"Investment commitments in auto has overshot government expectation while on the other hand, investment commitments have underwhelmed government's vision for ACC, textile, and mobile electronics," SBI MF economists stated, pointing out that Rs 2.9 lakh crore of investment commitments had been received against the perceived capex target of Rs 5 lakh crore.

Even though the amount accounts for 8% of the annual capex of corporates and 3.6% of the gross fixed capital formation in the country, the researchers noted that investment could lead to positive externalities--attracting more investors in other sectors.

"In the near-term, expansion of the manufacturing capacity could drive the import bills and trade deficit higher. In the long run, it could be instrumental in increasing manufacturing activity and sustainably reducing the current account deficit in India a few years down the line," the note stated.

However, the researchers pointed out that the scheme has had a limited impact in attracting global manufacturing players. "Domestic listed and unlisted companies add to 24% and 70% of PLI participants, respectively," they noted.

They also pointed to certain areas for improvement in designing some PLI benefits.

"Product choices could have been more comprehensive or exhaustive for speciality steel, KSM/API (key starting material/active pharmaceutical ingredient) and telecom instruments," While the SBI MF researchers said that continuation of the scheme could have a "significant impact on Indian macro, export, and overall current account dynamics five to ten years down the line," they also noted that competition from other nations and a regime change with new policies could act as challenges to the scheme.

Source: economictimes.indiatimes.com– Aug 03, 2023

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EU's CBAM is unfair in principle

While the world is grappling with finding finance for energy transition towards low carbon pathway, European Commission has announced a Carbon Border Adjustment Mechanism (CBAM) as a part of its Green Deal (or Fit for package 55).

EU's CBAM, is an internationally binding unilateral environmental measure with two-fold objectives — one, to achieve 55 per cent net reduction in greenhouse gas emission by 2030; two, to ensure equalization of carbon price between imported goods vis-à-vis domestic goods thereby limiting global carbon leakage and encouraging partner nations to adopt 'green' technology.

Despite several internationally coordinated efforts to build resilience against climate change (the Paris Agreement, Glasgow Climate Pact), the EU seems to portray itself as a global 'boss' by holding a 'stick' (CBAM certificate prices) to achieve the 'carrot' — the desirable outcome of other nations to reduce their carbon footprints.

Fact-Check

CBAM has been designed initially to cover five industries — iron and steel, aluminum, cement, fertiliser, electricity, and hydrogen generation.

However, EU's policy document seems to suggest that the mechanism will be expanded to cover 50 per cent of the sectors under the Emission Trading Scheme (ETS). The initial transition phase begins on October 1, 2023, wherein the importers need to declare the emission embedded in their goods, which will be verified by third-party auditing.

Accordingly, importers need to purchase CBAM certificates and the price of these certificates will be based on the EU's existing carbon prices. The exporting countries with stringent emission regulations will be subject to a rebate, equivalent to the difference between their domestic carbon price and the EU's carbon price under the ETS.

This discriminatory provision across partner countries (discrimination among foreign goods) challenges the Most-Favored- Nations (MFN) principle of WTO, the basic tenet on which the world trade is now governed. The implementation phase of CBAM begins from 2026, accompanied by gradual phasing out of free ETS allowances across the EU's domestic producers.

Per the press release of European Commission's dated June 20, 2023, 75 per cent of the estimated CBAM revenue will be allocated to EU budget. Thus, the lofty idea behind CBAM boils down to another tax to fill-up the gap in EU's budget!

Should India worry?

Per the Ministry of Commerce and Industry data, India's total export value to the EU stands at $98 billion in FY2022-23. India's total export of CBAM goods — iron and steel ($5,083.7 million), aluminium ($2,679.7 million), fertiliser ($0.64 million), and cement ($0.04million) account for 8 per cent of India's total export to the EU in FY2022-23.

Over the last five years, India's export of CBAM goods to the EU has increased by 84 per cent — from $4.2 billion in 2018-19 to $7.8 billion in 2022-23.

Will the imposition of CBAM impact India's export significantly? This would of course depend on carbon intensities of India's CBAM products vis-à-vis her competitors. If India's carbon footprints on these products are lower than her competitors, it would have no effect on her exports at this point of time.

However, as all nations are attempting to reduce their carbon footprint on all products including CBAM products, in future, the CBAM tax will benefit nations that move faster towards lowering their carbon footprints.

Clearly, to understand the impact of CBAM on India, we need to use a global trade model like GTAP (Global Trade Analysis Project) model with relevant products and competing countries/region built into it.

However, as the standard GTAP database clubs CBAM sectors with others, we created a GTAP database with separate CBAM sectors and our competing nations using supplementary information to understand the impact of CBAM on India's exports.

According to our modelling results India's export of fertiliser, cement, and aluminium and iron and steel will decline by 0.07 per cent, 0.62 per cent, 0.004 per cent and 0.06 per cent respectively. The numbers are also small in absolute terms.

Currently, India has vehemently opposed EU's CBAM. India sees the proposed levy as discriminatory and a trade barrier, and questions its legality. The government has every right to file a complaint to the WTO against the EU's unilateral decision.
Negligible impact

As our findings indicates, the impact on India's export on these four products will be negligible. However, the danger is that if the EU's move goes unchallenged, there is every possibility that they will expand the product list in the coming years. At least, their official position seems to suggest so.

While trying to achieve the 'carrot', the CBAM can actually induce a distortionary effect in the global trade pattern by altering the global competitiveness of the least developed and developing countries vis-à-vis the developed countries.

Following the commitment of the industrialised countries to reduce GHG emissions under the Kyoto Protocol of 1997, most of the developed countries already have well-defined mechanisms (carbon pricing, emission cap, etc.) to control GHG emissions within their economies. This can give them elbow room to claim a rebate on the price of the CBAM certificates as opposed to the developing or least developed countries without the domestic carbon pricing mechanism.

Moreover, the industrialised nations also enjoy first-mover advantage in the use of less-carbon intensive technologies in their production process. Also export value of CBAM products has declined for developed countries vis-a-vis developing countries.

Apart from the trade-distortion effect, another major concern of the CBAM mechanism relates to financing of the transition towards the adaptation of less carbon-intensive production techniques, especially in the least developed and emerging economies.

Since EU is spearheading the ambitious global climate objectives, it is time to remind EU of its commitment of contributing $100 billion per year to support developing economies to finance their climate action.

Will it not be fair to inject the CBAM revenues back to developing countries? Or, is it a camouflaged trade-barrier, to widen the North-South inequality? As of now, EU has apparently no plan to recycle the CBAM revenue to developing countries.

Source: thehindubusinessline.com– Aug 03, 2023

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Udyam Registration Portal

The Ministry of Micro, Small and Medium Enterprises launched Udyam Registration Portal on 01.07.2020, to register and classify enterprises as micro, small and medium enterprises. The total number of enterprises registered in the Gopalganj district of Bihar, since inception till 31.07.2023, is 16,144, out of which 15,906, 226 & 12 are micro, small and medium enterprises, respectively.

As per Udyam Portal, the total number of enterprises set up during the last four years (2018-19 to 2021-22) in Gopalganj district of Bihar is 7,849, out of which 7,799, 48 and 2 are micro, small and medium enterprises, respectively.

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 today.

Source: pib.gov.in– Aug 03, 2023

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Green Technology in MSMEs

The Ministry of Micro, Small and Medium Enterprises (MSME) is implementing MSME Champions Scheme in order to enhance competitiveness of MSMEs to make them competitive in foreign markets. MSME Sustainable (ZED) Certification Scheme a components under MSME Champions Scheme provides financial support for technology up-gradation for moving towards zero effect solution/pollution control measures/cleaner technology.

The Ministry of Micro, Small and Medium Enterprises (MSME) has taken several initiatives to promote innovation and entrepreneurship in MSMEs. These inter-alia include MSME Innovative Scheme, Entrepreneurship and Skill Development Programme (ESDP) and Prime Minister`s Employment Generation Programme (PMEGP) to generate more employment through self employment or entrepreneurship of MSMEs in the country.

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 today.

Source: pib.gov.in– Aug 03, 2023

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Indian cotton industry, trade want Govt to keep quality order at bay

With the Cotton Bales (quality control) Order, 2023, set to come into force from August 28, textile organisations and trade associations have begun approaching the Textile Ministry for putting off the implementation to a later date.

The order, better known as cotton QCO (quality control order) was notified by the Union Textiles Ministry on February 28, saying that it will come into force 180 days after its publication in the Gazette. It applies to processed cotton (ginned) and unprocessed or raw cotton (kapas).

The order prescribes certain norms for bales of ginned cotton as well as requirements of the materials used for the packing of bales.

Trouble for imports too

The QCO specifies that the moisture content for cotton bales be 8 per cent. It requires ginning mills to test at least 5 per cent of the bales, while the trash content in the bales should not be more than 3 per cent.

According to K Venkatachalam, chief advisor, Tamil Nadu Spinning Mills Association (TASMA), the QCO will apply to imported cotton too and this could create some "trouble".

"Signing of contracts for imports of cotton need to be executed very carefully," he told businessline.

TASMA president AP Appukutti, in a memorandum to Commerce and Textiles Minister Piyush Goyal, wanted the implementation of the QCO postponed until a consensus is arrived at among all stakeholders in domestic and imported cotton.

He urged the minister to issue a specific order to exempt imports from the order as it would be re-exported by adding value in the form of quality yarn.

Appukutti said many of TASMA members have entered into contracts with foreign shippers from countries such as Australia, the US and West Africa to import cotton and these would arrive at Indian ports in the first or second week of September.

Also, countries abroad have their own standards and it may be difficult for shippers to meet the standards, he said.

Weather impact on moisture

On Wednesday, the Cotton Association of India (CAI) wrote to Commerce and Textiles Minister Piyush Goyal urging him to put off the implementation of the QCO by a “minimum of one or two years”.

CAI president Atul Ganatra told Goyal that ginners will find it difficult to ensure 8 per cent moisture in cotton bales. This is because during October-December the moisture level in lint (processed cotton) will be 10-12 per cent, while in kapas (raw cotton) it will be 15-25 per cent.

The CAI president said ginners are required to test 5 per cent of the bales but they lack adequate infrastructure for this. Referring to the maximum limit for trash content, he said kapas from Rajasthan, Punjah and Haryana have more than 4 per cent trash.

Issue raised with BIS

Similarly, the trash content in V-797 cotton is 12-15 per cent in view of the variety’s basic characteristics. “Cotton is a natural product and, therefore, it is extremely difficult to achieve standardisation of cotton parameters,” Ganatra said.

The issue had been taken up with the Bureau of Indian Standards, too, he said and urged Goyal to hold discussions with his association.

On the other hand, the Karnataka Cotton Association (KCA) has written to JK Gupta, Scientist-E and Head (Textiles) at BIS, seeking a meeting between the Textiles Ministry and ginners to address and clarify “all the confusion” surrounding the QCO.

The association president Shantilal M Ostawal said implementation of the QCO should be deferred until proper testing infrastructure is available as there are only a few labs that are accredited by National Accreditation Board for Testing and Calibration Laboratories (NABL).

‘Implement at APMC yards’

The ginning industry is prepared to adhere to all prescribed packaging requirements but it is imperative to apply the parameters at the Agricultural Produce Marketing Committee (APMC) yards from where kapas are procured first, he said.

Such an approach will ensure that moisture levels do not affect the quality parameters of cotton. “...achieving fixed parameters may not always be feasible due to inherent variations in the raw material,” Ostawal said.

The KCA president said the establishment of a single and monopolistic laboratory may lead to controversies. Therefore, sellers and buyers should mutually agree on the usage of such labs and “be limited to resolving disputes to prevent disruptions in business operations”.

In the case of any ambiguity or uncertainty in the system, the ginning sector would be willing to withhold operations until all issues are cleared and resolved, he said.

Source: thehindubusinessline.com– Aug 03, 2023

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Indian VSY industry to hit $2.5 bn in FY2023

Revenue of the Indian viscose staple yarn (VSY) industry is set to grow 10-12 per cent on-year to an all-time high of over $2.5 billion in fiscal (FY) 2023 on continued strong demand—similar pace to last fiscal. Even as yarn prices decline, though at a lower rate than raw material prices, overall profitability is likely to improve 200-300 basis points (bps).

Strong balance sheets and improved cash flows will support the credit risk profiles of manufacturers, despite substantial debt-funded capital expenditure (capex), according to a CRISIL Ratings analysis of VSY companies, accounting for over a fourth of the industry by revenue.

VSY is an attractive alternative to cotton yarn because of its lower prices and comparable features. It logged a compound annual growth rate of 13 per cent over the last three fiscals, higher than 5 per cent for cotton yarn.

During this period, VSY prices were relatively stable, ranging between ₹200–₹250 per kg. In contrast, cotton yarn prices ranged between ₹200–₹380 per kg. The removal of anti-dumping duty on imports of viscose staple fibre (VSF) in FY2022 also helped steady VSY prices.

Subsequently, VSY's share of the spinning industry volume increased to over 10 per cent last fiscal from under 7 per cent in fiscal 2020.

"Viscose spinners' volume is expected to grow 15 per cent on-year this fiscal, supported by sustained domestic demand and a revival in export demand during the second half. Overall, segmental growth will be in low double digits," said Himank Sharma, director, CRISIL Ratings Ltd.

With VSY makers' revenue improving and spreads between VSY and VSF expanding to ₹55-58 per kg, operating margin is likely to improve to 11-12 per cent.

Higher viscose yarn imports from China and weaker global demand impacted spreads last fiscal, causing margin to shrink 800-900 bps. Margin is projected to recover this fiscal as prices of major raw materials (wood pulp and chemicals) moderate, nearing steady-state levels of 12-13 per cent.

VSY makers have increased capacity by 50 per cent in the past three fiscals. They are expected to add another ~15 per cent capacity this fiscal with an outlay of ~ ₹600 crore, likely to be funded by a 1:1 debt-to-equity ratio.

“The capital-intensive nature of the VSY segment has resulted in players regularly contracting debt for capacity expansion. However, strong balance sheets have ensured credit risk profiles of players remain comfortable despite continuous capex,” said Jayashree Nandakumar, director, CRISIL Ratings Ltd.

Gearing is expected to improve to ~0.85 time as on March 31, 2024, from ~1.0 time as on March 31, 2023, while the interest coverage ratio is likely to improve to ~6 times this fiscal, from 4.5 times last fiscal, on the back of higher profitability.

Any adverse impact of levy of anti-dumping duty on VSF, leading to higher input cost for viscose spinners or lower domestic demand, along with a further slowdown in global demand, will bear watching.

Source: thehindubusinessline.com– Aug 03, 2023

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From invisible to invincible: Digital payments and the rise of India's informal economy

India's great economic narrative is not just about soaring skyscrapers, bustling IT parks, thriving manufacturing or burgeoning start-ups. Equally significant are the silent yet potent forces building the country from the grassroots – the informal economy. This 'invisible workforce', the backbone of India's growth is witnessing unprecedented integration into the digital fabric of our nation.

The ubiquity of smartphones coupled with affordable internet access is fueling this digitization. Apps like WhatsApp have overhauled communication, dismantling language barriers and eliminating the need for emails, facilitating smoother interactions between businesses and informal workers. The surge in job and skill enhancing apps integrated with identity verification, offer an added security layer enhancing trust and transparency. Furthermore, the increased smartphone usage has ignited aspirations among informal workers exposing them to the latest consumer trends and empowering them as not only contributors but also consumers within this digital landscape.

Digital Payments: The Gateway to Economic Inclusion

At the heart of India's vast informal economy supporting close to 450 million livelihoods, a financial transformation is also underway. From the construction worker receiving cash wages at a bustling site, an agricultural laborer trading his day's toil for currency to a textile factory dispensing cash payments to its casual workforce – the transition to digital payments is reshaping their financial standing while enabling professional autonomy. This shift promises to dismantle cycles of poverty, paving the way towards financial security and upward mobility for millions.

Digitizing transactions between businesses and their informal workforce spur three significant innovations. Firstly, digital payments, paired with digital identities, are bolstering transparency, accountability and generating valuable user data, birthing novel financial services. Secondly, digital payments unlock the potential of micro-transactions, seeding new business opportunities. Lastly, digital payments are democratising e-commerce, stimulating consumer spending in areas with limited retail access.

Evidence of this shift is seen in the drastic reduction of cash in circulation within India's economy from 50% a few years ago to just about 10% of GDP, as of July 14th, 2023. This acceleration has been largely fueled by widespread adoption of the Aadhaar identity rails and the interoperable Unified Payments Interface (UPI); digital infrastructures effectively serving both public and private sectors.

Informal workers, now growing comfortable with trustworthy online payment gateways, can benefit from the added ease and safety of digital wages. With these payments packing vital immutable details such as identity, banking information, skillset, earnings, productivity, and work history – the sector is set to undergo a significant transformation.

This transition extends beyond just a change in transaction mechanism, it's a powerful force propelling financial inclusion, social security, and economic growth for India's informal workforce. The repercussions for the economy are immense, promising a bright future for the nation's informal sector.

Data: The Key to Unlocking Future Growth

The future of the informal sector is intrinsically linked with data. Access to essential financial, social, professional and personal data if systematically gathered and ethically used, can become a powerful enabler, helping the informal workforce access a multitude of essential services that are currently out of reach.

Traditional challenges like securing credit due to lack of formal credit history can be overcome by creating authenticated digital footprints via online transactions, mobile recharge patterns, attendance records and earnings data. This rich data unlocks access to affordable credit, insurance, healthcare, early salary, online education fostering an environment that boosts professionalism, productivity and overall economic growth, a win-win for everyone.

From a government perspective, this sector represents a largely unreached, untapped and unregulated portion of the economy with tremendous potential. Consider the construction industry: As on April 2023 Nearly half the Rs 87,478 crore collected as cess on construction projects remains unutilized by worker welfare boards across the country. Meanwhile, workers report substandard working conditions and lack of access to welfare measures such as health coverage, pension, insurance, and accident protection. By linking worker records with government databases, an effective conduit welfare fund distribution can be established, ensuring they reach those who need them most.

Steering through Obstacles for Sustainable Digital Evolution

While the journey towards digital transformation holds tremendous potential, it also presents challenges that demand our attention and innovation. To encourage the transition to formality, India needs simpler regulatory frameworks that eases compliance burdens on businesses and heightens the tangible benefits for workers. Strengthening digital literacy, ensuring reliable internet connectivity, improving cybersecurity, and ensuring data privacy are critical milestones on this journey. Similarly, safeguarding against digital fraud, fostering healthy competition, promoting data portability, and curtailing platform dominance are essential focus areas.

As this silent digital revolution gradually but steadily transforms India's informal workforce from 'invisible' to 'invincible', it promises to be the cornerstone of India's future economic narrative, illustrating that truly inclusive growth leaves no one behind.

Source: timesofindia.com– Aug 03, 2023

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Ludhiana spinning industry facing crisis due to tax anomalies

The spinning sector in Ludhiana, which is critical to the city's and the region's financial and economic growth, is in a significant crisis, owing to duty and tax inconsistencies.

One of the major employers in the city, the spinning sector employs over 1.5 lakh people at about 60 locations and generates over Rs 28,000 crore in revenue annually.

Speaking with the Tribune, Gagan Khanna, chairman, Arisudana Spinning Mills Limited said, "under the inverted duty structure on MMF chain, raw material, including viscose and polyester staple fibre, is taxed at 18 per cent whereas the yarn is taxed at 12 per cent, which creates huge accumulation of GST refunds, leading to blockage of working capital, inability to take GST credit on capital goods, besides time-consuming and cumbersome process for taking refunds."

Khanna drew attention to yet another problem that the sector was dealing with when she stated that although polyester spun yarn was cleared at zero duty under the FTA, polyester staple fibre was not and was therefore imported at a fully duty rate of 5.5%.

According to Kamal Oswal, vice-chairman of the Nahar Group, the Government has been imposing an 11 percent import charge on raw cotton imports since October 2021, rendering the whole Indian cotton spinning sector unprofitable.

According to Oswal, since the imposition of this tariff, local prices have been 10% higher on average than ICE future prices. This has caused a significant drop in exports, which has resulted in the closure of spinning mills, which has caused a loss of jobs and export revenue.

The industrialists noted that the BIS standard on polyester spun yarn (IS 17265) had been continuously delayed and that October 5 was the new date for its implementation. They were seeking the repeal of the 11% import charge on raw cotton that was implemented in October 2021.

Leading businessmen have contacted Rajya Sabha member from Ludhiana, Sanjeev Arora, to discuss their concerns with the Government and support their efforts to preserve the current textile industry and draw in further capital.

Source: apparelresources.com– Aug 03, 2023

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