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Currency Watch			
USD	EUR	GBP	JPY
82.97	90.68	105.21	0.57

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INTERNATIONAL NEWS

Dark clouds over global economy

For the past four months, a strong rally has gripped the Indian market, while the US stock market has been on a huge bull run throughout this year. Investors have shrugged off macroeconomic problems such as high interest rates, poor economic growth, and very high debt levels in the developed world. And yet, having declared victory over inflation in the US, which was the main bugbear of 2022, investors appear to be having second thoughts about whether the problems are really over. Indeed, various parts of the world economy could perhaps throw up some nasty surprises. Let's take a look.

China: Let's start with China, whose gross domestic product (GDP) growth in 2022 was just 2.9 per cent, mainly because of draconian measures to control Covid-19. In December, when China lifted Covid restrictions due to public protests, there was a global consensus that growth would surge. "China reopening" proved to be a mirage. Several reports last week reveal that China has serious problems. In July, consumer prices declined for the first time in over two years, while exports plunged by 14.5 per cent year-on-year; this is the third month of continuous decline. China's exports to the US, its biggest market, fell by a staggering 23 per cent, while exports to the European Union were down 20.6 per cent.

China's exports and imports collectively make up 40 per cent of its economic output. A big chunk of its imports go into manufacturing products for export, so when China's exports drop, its imports also decline, which could have a devastating effect on jobs and incomes in the country. Manufacturing activity contracted for four straight months and the unemployment rate among China's youth was 21 per cent in May. A continuous fall in prices is technically known as deflation.

Deflation is a killer for heavily indebted countries like China because debt repayment increases. China's national debt is now estimated at 282 per cent of national output — more than that of the US. A large part of the debt is due to wasteful infrastructure projects and real estate. China's real estate market, which represents 30 per cent of Chinese GDP, is in slow-motion crash. The majority of Chinese property developers are in default of their dollar bonds. Worryingly, a lot of issues that China will face are long-term, including the deep impact of its single-child policy of the past.

Over the past decade, China has delivered more than 40 per cent of global economic growth, according to BCA Research. If China faces deflation, there would be new economic realities to address. Through a lower cost of exports, it may help to curb inflation but it would put local manufacturers in many countries on the mat, increasing unemployment there. Protectionism would rise even more. US President Joe Biden referred to China's economy as "a ticking time bomb", adding: "When bad folks have problems, they do bad things." India's imports from China have been galloping, widening our current account deficit. It would get worse.

US: While China faces deflation, the US is struggling to control inflation despite 11 rate hikes between March 2022 and now. The latest data shows inflation remains untamed for shelter, services, and wholesale prices. The US is also going through an extraordinary debt binge. It added $8 trillion to its debt in three years, of which $1.5 trillion has been added since the debt ceiling crisis last May. The US will soon pay over $1 trillion in interest per year, but tax revenue is down around 8 per cent over the past 12 months. Its Budget deficit has doubled to $1.6 trillion for the first 10 months of the financial year (which ends on September 30). Consequently, the rating agency Fitch has downgraded the US government's top credit rating to AA+ from AAA. In Fitch's view, "there has been a steady deterioration in standards of governance over the last 20 years, including on fiscal and debt matters". The effect on debt and higher interest rates on consumers has been worrying. US homeowners are now spending a record 40 per cent of their gross income on their mortgage. This is higher than the 2008 peak of 39 per cent.

Japan: If China is going the Japan way, what is happening in Japan? After decades of price stability, there is now 3.3 per cent inflation in Japan, caused by higher prices of food, fuel, and durables. A lot of the inflation is imported, as the yen has plunged against the dollar. Two weeks ago, the Bank of Japan (BoJ) abandoned its hard cap on 0.5 per cent on the government bond yield, a decision that has shaken up the financial world. The new cap is 1 per cent. The day the BoJ upped its yield cap, US bond yields jumped, hitting their highest level since November last year. The US treasury is set to ramp up its new long-dated bond issues, putting further upward pressure on yields. A higher yield in US treasury bills is like an uncontrolled wrecking ball. The bond and forex markets are digesting these implications. They will eventually set the direction for equity markets.

Where does India figure in this jigsaw? India's exports are uncompetitive due to high infrastructure cost, poor productivity, friction in doing business, vexatious laws, poor governance, and a slow and expensive justice system. Note that China's export loss has been Vietnam's and Mexico's gain, not India's. That is why India has a widening current account deficit, which needs to be funded by foreign capital. While domestic growth has been robust in the post-Covid period, a lot of it is due to massive government spending on defence, railways, and infrastructure. Even with a spending boost, India's capital goods segment grew only 2.2 per cent this June, consumer durables output fell 6.9 per cent, and the output of consumer non-durable goods increased a mere 1.2 per cent. Rhetoric and chest-thumping are running high on India's recent growth record. But will the giant waves developing elsewhere allow us to sail smoothly into fair winds? We will know soon.

Source: business-standard.com – Aug 13, 2023

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China's foreign trade grows by 0.4% YoY to $3.29 trn in Jan-Jul 2023

China's foreign trade expanded by 0.4 per cent year on year (YoY) to 23.55 trillion yuan ($3.29 trillion) in the first seven months this year, according to the General Administration of Customs (GAC). It is expected to maintain steady growth despite a challenging external environment, domestic experts feel.

In July, the country's foreign trade totaled 3.46 trillion yuan—up by 25.7 per cent from July 2019 and 4.5 per cent above the 2020-2022 July average.

Since the second quarter (Q2) this year, the country's monthly trade scale has remained above 3.4 trillion yuan.

The latest data was in line with expectations, and China's foreign trade maintained stable operations, GAC spokesperson Lyu Daliang was quoted as saying by state-controlled media outlets.

China's general trade rose by 2.1 per cent to 15.41 trillion yuan between January and July this year. It accounted for 65.4 per cent of the country's total foreign trade value—up by 1.1 percentage points from a year earlier.

ASEAN remained China's largest trading partner during that seven-month period. China's trade with ASEAN members rose by 2.8 per cent YoY.

The country's trade with countries along the 'Belt and Road' amounted to 8.06 trillion yuan, jumping by 7.4 per cent YoY and accounting for 34.2 per cent of its total trade value.

Ministry of commerce official Li Xingqian said the situation is extremely grim in the second half this year due to weak global demand for production, consumption and investment, and 'decoupling' or 'de-risking' moves from some countries.

Source: fibre2fashion.com – Aug 14, 2023

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China deflation: What lies ahead

China reported "deflation" in July. Marquee business dailies in the West have termed this as a "warning sign for the global economy". We explain how this could compound the task of monetary policy managers, and twist the narratives so far on global growth and financial stability across nations.

Deflation, and China

Deflation is persistent, generalised decline in price levels in an economy. While the other major economies are battling stagflation (low growth-high inflation) with monetary tightening and fiscal correction, China has started experiencing stagnation.

The recovery of the world's second-largest economy after its tight Covid curbs appeared quick initially, but has since proved to be slow. Consumer demand is tepid. Both the relevant indices—consumer price index (retail) & producer price index (factory gate)—slipped to the deflationary zone in July, with y-o-y decline of 0.3% and 4.4%, respectively. For CPI, this is first fall since February 2021, while PPI has declined for the 10th month in a row. The Chinese economy grew 6.3% in Q2-2023, against 4.5% in Q1—but that was largely because of the base effect.

Consequences for China & likely policy reaction

Deflation inflates a country's public debt, triggers expectations of further fall in prices—thereby causing consumers to postpone purchases—and leads to demand falling further. Companies' profits will take a hit, leading to job cuts. All these scenarios and a fall in exports—which has much to do with the problems in the West—are already visible in China.
Unless there is firm counter-action, this could lead to economic contraction and financial instability. The customary economic solutions to deflation are tax cuts, higher government spending and monetary easing—an apt mix of all these, to be sure.

Beijing has so far belied expectations of any such policy response. The People's Bank of China (PBoC), the central bank, had said it would regard "stability as the top priority in 2023."

A struggling China and the world

China has been an export powerhouse for long; its share of the world goods trade has only risen from 13% in the year just before the pandemic to 14.4% in 2022, as shipments from the country were still growing fast in relative terms. It also accounts for 6.5% of global export of services. The immediate salutary impact of deflation-hit China is that cheaper goods/services from the country could help cool inflation in importing countries. However, this could soon become a bane, as industries in other countries will suffer, forcing them to cut back on investments. Also, falling import demand from China, still a ravenous consumer of raw materials, and industrial building block, is something the world can ill-afford.

For India too, reduced Chinese imports of copper, mineral oils, iron ore and cotton yarn are a significant economic negative.

The technology factor

Deflation can also be caused by technological breakthroughs that help cut costs. The smugness with which China reacts to deflation and low growth (by its standards) also makes many analysts curious. On Wednesday, US president Joe Biden signed a fiat proscribing certain US investments in sensitive technologies in China, indicating technological advancements there are being treated with caution. These developments must be seen in the context of predictions that China's share in world trade expansion would decline by half in five years, and the intent of businesses to diversify away from China (China Plus One), to countries like India.

Global inflation and the Fed response

The Russia-Ukraine war and post-Covid recovery of consumer demand pushed global inflation to close to 9% in 2022. The IMF expects it to fall to 6.6% in 2023 and 4.3% in 2024—still above pre-pandemic levels. US inflation peaked at 9.1% in June 2022, and has been declining since, aided by the Fed's rate-hike cycle. After a let-up for two months, oil prices started rising from early June. In July, US inflation rose to 3.2%, up 20 bps from the June level, but it is still believed that the Fed is at the end of its rate-hike cycle. While risks persist, expectations are that the US may manage a soft landing, with inflation reverting to targetted 2% in 2023.

Source: financialexpress.com – Aug 12, 2023

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Why Central America Makes Sense—Even in a Down Market

Nearshoring and onshoring have become buzzwords in the industry, particularly since the pandemic, when brands and retailers experienced the pitfalls of sourcing from faraway places. Nowhere else have we seen the benefits of sourcing closer to consuming markets than in the Western Hemisphere. More so, free trade agreements like the U.S.-CAFTA-DR have helped to ease sourcing companies into the region as part of a global sourcing strategy.

These days, the market is experiencing a major slowdown. The question is which apparel-producing region will benefit when it turns around. We think it will be Central America—a destination for $4 billion of U.S. textile and apparel exports and 81 percent of U.S. spun yarn exports alone. This co-production chain is the solution to the inventory issues facing brands and retailers and elongated, non-transparent supply chains that have created both financial and ethical risks.

Here, we breakdown key themes surrounding the Central America region as a go-to sourcing locale.

Central America, the U.S. and Capitalizing on Nearshoring Momentum

Patricia Figueroa: The recent momentum started when the pandemic hit, and the co-production chain between the region and the U.S. stepped up to the desperate call for personal protective equipment (PPEs) to address severe shortages in this hemisphere. We went from total shutdown to turning around our factories to make gowns and masks for our population and the United States. This showed the importance of producing close to market, where long-term relationships with U.S. textile producers were maximized for the greater good.

Kimberley Glas: Brands and retailers recalibrated their supply chains during the pandemic, looking for diversification from elongated supply chains out of Asia to proximity to the U.S. market. In the past 18 months alone, this vibrant partnership with the region has spawned $2 billion in investments in both the U.S. and Central America, as brands and retailers continue to look for ways to diversify their supply chains. We are really excited about this trend and poised to meet the opportunity ahead.

Pandemic Aftermath: Weighing Investments and Commitments

P.F.: Companies will continue to invest in the Region and diversify production as we continue forging alliances with several brands and retailers highly committed to the region. They usually have a presence in the area; they have committed to building our sourcing capabilities and are willing to invest time and resources to expand and innovate. These types of brands and retailers also consider the many benefits of doing business in the region when comparing the cost of sourcing from other regions.

K.G.: The CAFTA region is a leading destination for U.S. textiles, and there's little wonder why: the diversity of products and available capacity to make this vast array of products is enormous. Nearshoring and onshoring are here to stay and will only grow into the future. Central America came out of the pandemic quicker—with 70 percent growth in apparel exports to the U.S. in 2022 compared with the 2020 Covid downturn year. That trend, compared with the major investments, is a major sign that companies are invested for the long term.

Capacity and Capability of the CAFTA Region

P.F.: The CAFTA-DR countries are the third largest supplier of apparel to the U.S. We have achieved higher diversification of category or type of product we are producing, and in 2022 the largest export categories from the region, apart from men's and boy´s knit shirts, were men's and boy´s trousers and shorts and women's and girl´s trousers, slacks, and shorts. Our region also manufactures dresses, cotton coats, baby garments, sportswear, and workout clothes. New investments will further enhance this diversification.

K.G.: The U.S. and regional co-production chain offers a diversity of products. This co-production chain has the capabilities and capacity to meet the needs of brands and retailers, and it's all supported by a strong regional base of spinners, knitters, and weavers with installed capacity ready to go. In new yarn capacity installation alone, the region is on track to manufacture more than a billion additional new apparel and home textile items with sustainability, transparency, diversification, capacity, proficiency and efficiency as core competencies of this critical co-production chain.

The Importance of the Yarn-Forward Rule

P.F.: To Central America-Dominican Republic Apparel and Textile Council (CECATEC-RD) members, maintaining the "yarn-forward" rule of origin is pivotal for our present and future success. It is the backbone of the US-CAFTA-DR textile and apparel supply chain. The investment in recent years has been based on that premise, and there is substantial programmed private investment currently in the pipeline geared towards more verticalization of the supply chain and higher value-added products.
K.G.: The "yarn-forward rule" of origin, fully supported by the Biden administration, facilitates trade, investment, and economic development in the United States and the region. It ensures that the agreement's benefits accrue to the signatory partners by driving massive investment and providing business certainty while providing a leg up against countries like China that continuously use predatory trade practices to undermine our domestic and regional industry.

Opportunities in the Western Hemisphere Supply Chain

P.F.: I advise acting now for the near-term opportunities that nearshoring brings us. I also advise engaging with us, the associations, the U.S. Congress, and the U.S. administration in aligning our vision of what we want the Western Hemisphere to look like in the coming years.
K.G.: The pandemic created a shift in thinking in boardrooms worldwide. The calculus turned to prioritizing sourcing diversification and leveraging closer proximity to market. People contacted our industry. We heeded the calls. They asked for solutions, which we offered. In turn, apparel exports more than doubled from the region. We don't want to be your solution for just three to six weeks. We want to be your solution for the next 60 to 100 years and we are here to help.

The CAFTA-DR trade pact has succeeded because it has proven to be a mutually beneficial trade agreement bolstering U.S. and regional textile mills and clothing companies throughout Central America. This free trade agreement is not an abstract government program. It's real, and it's working. And it represents success not only for today but for tomorrow, too. Many companies have already invested in the region and more will in the future as production continues to ramp up and global sourcing diversifies. Now is the time to explore the U.S.-CAFTA-DR textile and apparel production chain.

Kimberly Glas is the president and CEO of the National Council of Textile Organizations (NCTO) and former Commerce Deputy Assistant Secretary for Textiles, Consumer Goods and Materials.

Patricia Figueroa is the executive director of the Central America – Dominican Republic Apparel and Textile Council (CECATEC-RD).

Source: sourcingjournal.com – Aug 12, 2023

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China's economic shocks have thrown the world off balance

In the later years of the epic US growth stretch that ended with Covid, a phrase began to catch on to describe the buoyant conditions spreading across the globe. The world was said to be on the cusp of an unusually synchronized expansion. Few people still spoke of a jobless recovery in America, and China, after some rare stumbles, appeared to be returning to its old robust self. Inflation was off the floor, seen as a good thing.

Japan and the euro region looked good, the latter having put a crippling debt crisis behind it. The beauty of this surprising togetherness, hailed in early 2017 by articles from Bloomberg News and a story on the cover of The Economist, was that it would lighten the burden carried by the US. Not even the trade tensions between Washington and Beijing made much of a dent. Happy days beckoned and, for a while, they panned out.

But is the world now beset by a worrying bout of lopsidedness? The picture is discouraging. China, a source of so much commercial vitality the past few decades, just can't catch a break. Reports this week revealed new blows to a wobbly recovery. Exports swooned, imports dropped alarmingly and, after months of anemic inflation, consumer prices actually fell in July from a year ago. The deflation is expected to be temporary, given that CPI rose compared with the prior month and that food prices — a big culprit — are projected to pick up. That's little comfort. There's a troubling lack of demand in the second-largest economy.

There's also an abundance of negativity. People are looking for signs of weakness in the Chinese economy, so chastening has been the experience of watching rosy predictions for the reopening fade fast. Another data dump, another dour assessment. The property sector is a source of woe. Country Garden Holdings Co., once the biggest builder by sales, is teetering. The solutions at hand seem modest and very familiar, such as doing a bit more on the fiscal front and paring interest rates. The central bank is pushing back against bearish bets on the yuan, but not strenuously.

It would be a mistake to be apocalyptic about conditions in China. Major economies go through cycles. We ought to get used to seeing more of them in China. In the meantime, the globe is dependent on the US to keep growth ticking over. If it was a good thing back in the pre-pandemic years

for the US to not shoulder the world's economy alone, must it be bad that divergence now rules?

Recession, or even stagnation, looks like a distant prospect today. Most contemporary analysis celebrates the fading chances of an American downturn soon. JPMorgan Chase & Co. last week joined the ranks of those predicting a slump will be averted. The labor market remains strong, inflation — still exceeding the Federal Reserve's target — has probably peaked. The debt ceiling impasse was resolved without crisis. Anxiety about the health of regional banks has eased.

JPMorgan is careful not to rule out a recession. The risk of a downturn is "still very elevated," chief US economist Michael Feroli wrote. Such prudence is wise.

It would be a shame if relief at benign US conditions translated into triumphalism. There was a fair amount around in the late 1990s when the US enjoyed a technology-driven boom, unemployment was low and inflation was behaved. Japan, perceived earlier in the decade as America's main economic rival, appeared to be in decline. Much of East Asia, once dubbed "Tigers" for their rapid transformation, were struggling to shake off a financial bust. People talked of "a new paradigm" and even questioned whether business cycles still existed. China's speedy, but not yet threatening, ascent was a big part of the picture.

But by March 2001, the US was in... recession. Big European powers followed and Japan was in dire straits, serving as a laboratory for so-called unconventional monetary policy that, in time, ultimately came to be practiced in the US and euro zone. The point is that economies aren't static. It's nice that the US has, for now, seen off naysayers. Yet this American expansion won't last forever. Instead of celebrating, we ought to worry about the rest of the world languishing.

In a recent note, Bank of America Corp. noted the divergence and asked whether the world was less synchronous. The firm recently revised growth forecasts for the US and China — in opposite directions. Noting that soft landings in the US are unusual, the economists said that "a lot still has to go right." BofA also expressed skepticism about China sinking into a "balance sheet recession" characterized by income being used to pay down debt rather than spend.

Either way, a world economy that's singing out of harmony is one replete with risks. The Fed again finds itself the hinge point. For all the gloom emanating from China, its central bank seems rather passive. US inflation is still too high for Fed Chair Jerome Powell to start sending out gentle flares about the global economy as he did in late 2018 or as Janet Yellen before him did in 2015, after the People's Bank of China botched a currency devaluation.

Keep an eye on it, though. China's troubles have a way of washing up on everyone's shores.

Source: tbsnews.net – Aug 12, 2023

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Cambodian H1 textile-apparel-footwear-travel goods exports dip 18% YoY

The Textile, Apparel, Footwear & Travel Goods Association in Cambodia (TAFTAC) recently said exports in the sector had slipped by 18 per cent year on year (YoY) in the first half this year due to global economic downturn. However, the situation will remain stable without notable positive trends, due to the economic situation in the United States and Europe, it predicted.

Cambodia has 1,077 factories employing 764,358 workers as of August 11, of which 802 are garment units, 140 produce footwear and 134 manufacture travel goods, according to TAFTAC president Kong Sang.

Sang released the figures at the 2023 Business Forum organised by the Cambodia Oknha Association (COA), according to Cambodian media reports.

The sector's exports last year reached $12.5 billion, equal to nearly 60 per cent of the country's total export value, and accounting for 10 per cent of the Cambodian economy.

Source: fibre2fashion.com– Aug 14, 2023

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China's machinery sector grows 5.44% in H1 2023

China's machinery industry has experienced stable growth in the first half (H1) of 2023, with the operating revenue of firms totalling 12.95 trillion yuan (about $1.9 trillion), a 5.44 per cent increase year-on-year.

The sector's added value went up by 9.7 per cent from a year ago in the January-June period, as per the China Machinery Industry Federation (CMIF).

The strategic emerging industries in the machinery sector saw a 10.4 per cent increase in business revenue and a 15.6 per cent increase in profits, respectively. Innovations within the industry seem to be at the core of this growth, with the number of innovation platforms reaching 260 by the end of June, thus bolstering the stability of the industrial chain.

The total export volume increased by 10.41 per cent, displaying the sector's resilience.

Chen Bin, CMIF's executive vice-president, emphasised the need for ongoing efforts to ensure solid implementation of pro-growth policies, stabilising industrial chains, and resolving enterprises' difficulties, according to local media reports.

The expansion was attributed by the federation to a comprehensive package of pro-growth measures that have been implemented since the start of the year.

Source: fibre2fashion.com – Aug 12, 2023

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UK's monthly GDP estimated to grow at 0.5% in June 2023

Monthly real gross domestic (GDP) of the UK is estimated to have grown by 0.5 per cent in June 2023, following a fall of 0.1 per cent in May 2023 and growth of 0.2 per cent in April 2023, both unrevised from the previous publication, as per the Office for National Statistics (ONS). Monthly GDP is now estimated to be 0.8 per cent above its pre-coronavirus (COVID-19) levels (February 2020).

A range of businesses cited the additional bank holiday in May as a reason for increased output in June 2023 compared with May 2023. Looking at the broader picture, GDP has shown 0.2 per cent growth in the three months to June 2023.

Production output grew by 1.8 per cent in June 2023 after a fall of 0.6 per cent in May 2023, unrevised from the previous publication; this sector was the main contributor to the growth in monthly GDP in June.

Source: fibre2fashion.com– Aug 12, 2023

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Bangladesh close to surpassing China as largest cotton apparel exporter

Bangladesh is close to surpassing China as the world's largest cotton apparel exporter and stronger demand prospects are expected to drive cotton consumption higher, said the US Department of Agriculture (USDA).

According to the study, US fashion companies have attempted to reduce their sourcing from China, the largest apparel exporter, by reallocating sourcing orders to markets, including Bangladesh, to minimise logistical and political risks.

USDA gave the information in a report published on Friday citing the United States Fashion Industry Association's (USFIA) annual Fashion Industry Benchmarking Study that listed factors supporting even stronger future apparel export prospects.

"Bangladesh, India, and Vietnam were the three suppliers that retailers plan to increase sourcing from over the next 2 years to divert orders away from China. The USFIA study also indicated that Bangladesh is the most competitive apparel supplier from a cost structure point of view, scoring higher than any other country," the report said.

The USDA said, "The Export Promotion Bureau of Bangladesh is targeting more than $50.0 billion of apparel exports in FY2024, slightly higher than the previous fiscal year and proof that the government foresees greater demand."

"Spinning mills' operating rates in 2023-24 are expected to rise as the textile supply chain replenishes depleted stocks of yarn, fabric, and apparel; this past marketing year witnessed textile manufactures destocking and maintaining low inventories across the supply chain."

"2023-24 Bangladesh cotton consumption is forecast up 800,000 bales to 8.0 million and owed to burgeoning apparel exports. Practically all cotton yarn (i.e., cotton consumption) is sold domestically to the country's robust fabric and apparel sectors."

“Apparel exports are pivotal to Bangladesh’s economic growth and stabilising the value of the domestic currency, specifically by obtaining US dollars through foreign sales,” the report added.

It mentioned that the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) reported that apparel accounted for over 80 per cent of the country’s total exports in fiscal year (FY) 2023 (June 2022 – July 2023) at roughly $47.0 billion, more than double the value one decade ago.

“This value surpassed the previous year’s record and indicates global importers’ increasing preference for Bangladesh cotton products.”

“Exports of knit apparel have been crucial to recent growth with a value that nearly tripled over the past decade. According to the Bangladesh Textile Mills Association, local textile mills meet 85 per cent of the demand for knit fabrics and about 40 per cent for woven fabric, which is mostly imported from China.”

“Knitted cotton shirts and sweaters have been major products helping drive recent record high values. Growing apparel exports to the world’s largest importing markets, the United States and European Union, are particularly evident with record volumes of Bangladesh cotton apparel in 2022. “

Source: thefinancialexpress.com.bd– Aug 13, 2023

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Vietnam: Fashion names face off for new slice

Statista, a German online data platform, last week estimated that despite difficulties affecting consumer budgets, revenue in the Vietnamese fashion market is projected to reach $1.88 billion in 2023, and show an annual growth rate of 11.36 per cent, resulting in a projected market volume of $2.88 billion by 2027.

"Many local and foreign fashion brands are using the latest technologies for promotion in Vietnam, creating big competition," said Nguyen Viet Ha, an expert from the Ministry of Industry and Trade's Department for Science and Technology.

More than 200 medium and high-end foreign fashion brands such as Chanel, Giovanni, Mango, Zara, H&M, Uniqlo, Warehouse, Topshop, CK, Nike, and Levi's have arrived in the market and continuously expanded their retail systems in recent years.

In May, UNIQLO Vietnam announced the opening of a new store in Hanoi's Cau Giay district, with the number of the company's stores in Vietnam rising to 19. In just over six months, the Japanese fashion brand has launched six new stores, and another new store in the southern province of Binh Duong is set to open imminently.

Osamu Ikezoe, general director of UNIQLO Vietnam, said, "Our three years of development, in terms of physical stores and an online store, has been a memorable journey. We have achieved our targets in opening retail stores in Vietnam so far. This inspires us to continuously open and even increase the speed of opening new stores to meet such strong demand."

Elsewhere, H&M, which launched its first store in Vietnam in 2017, is now present in five provinces and cities across the country with 12 stores. Last month, the brand launched an online store in the Vietnam market.

At the end of 2022, a South Korean brand for young people, MLB, consecutively opened three big stores in Ho Chi Minh City and the central city of Danang. To date, the brand has 18 stores nationwide. Japan's AEON Retail Group recently also launched My Closet, a cheap fast fashion brand, in this country.

According to Statista, the garment and textile industry in Vietnam is forecast to reach $7.33 billion by 2025 and there is still plenty of room for growth.

The Ministry of Industry and Trade reported that the Vietnamese retail market is worth $142 billion, which is expected to increase to $350 billion by 2025, contributing to 59 per cent of the country's GDP.

To reduce dependence on export orders, enterprises are paying more attention to capturing domestic market share. However, local enterprises are facing fierce competition with foreign fashion brands.

In recent years, some top fashion manufacturers in the country, such as Garment 10, Duc Giang, Viet Tien, Nha Be, and Viet Thang have focused on researching and releasing a variety of product lines with assorted designs, categories, and brand promotion to conquer the local market. To utilise the domestic market, Garment 10 focuses on office fashion and high-end fashion for both women and men, and has opened a chain of both online and offline retail stores.

"We are proud to have self-designed and manufactured products and have a market research team that constantly updates fashion trends and new technologies in the fashion industry," said Than Duc Viet, CEO of Garment 10. "Moreover, we are also interested in manufacturing office uniforms for local enterprises such as VietinBank, An Binh Bank, and the State Treasury."

Other local players like Viet Tien, Nha Be, and Viet Thang are also investing in the local market, expanding to increase market share, enhance business performance, and deliver products to customers.

"At present, it is a favourable time for textile and garments enterprises to utilise the domestic market. Because 10 years ago, Vietnamese consumers preferred ready-made garments originating from abroad due to their low prices, and now most of them are choosing high-quality products from Vietnamese brands," said Cao Huu Hieu, CEO of Vietnam Textile and Garment Group.

Vu Duc Giang, chairman of the Vietnam Textile and Apparel Association, said that the domestic market with a scale of nearly $5 billion was being targeted by domestic enterprises by changing and applying new designs

and advertisements to conquer the market and take market share from foreign players.

“We will continue to stand side by side and support businesses, as well as coordinate with international organisations to support them in governance, green transformation, new technology, branding, and trade promotion, in their fight against foreign brands,” Giang said.

Source: vietnamnet.vn– Aug 12, 2023

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Bangladesh: BTMA seeks VAT cut on textile wastage

Leaders of the country's primary textile millers have demanded withdrawal of two-stage value-added tax (VAT) on the purchase of textile wastage from local sources and recycled cotton yarn from the wastage.

Bangladesh Textile Mills Association (BTMA) in a letter last week also urged the National Board of Revenue (NBR) to introduce a new Harmonized System (HS) Code for recycled cotton fibre to avert complexities over VAT and supplementary duty on the products.

BTMA President Mohammad Ali Khokon wrote the letter to NBR Chairman Abu Hena Md Rahmatul Muneem on August 6, further requesting to take effective measures to stop export of all kinds of garment wastage, known as jhut, and textile wastage.

According to the BTMA, currently recycling industries need to pay 7.5 per cent VAT while purchasing textile wastage from the local vendors and 15 per cent VAT is applicable for selling recycled fibre or cotton produced from that wastage to spinning mills.

"As a result, spinning mills are not encouraged to use the recycled fibre as they can import virgin cotton duty free," Mr Khokon said in the letter.

According to industry insiders, the readymade garment industry produces around 0.4-0.5 million tonnes of waste annually and only 5.0 per cent is recycled locally.

Citing the example of RBD Fiber Ltd, a recycling unit, Mr Khokon said the factory has already invested US$ 50 million and an additional investment of $50 million is in the pipeline as global demand for such recycled products is increasing.

Virgin cotton imports could be reduced by 30 per cent that could help retain US$1.0 billion annually if the wastage that is generated by export-oriented textile and garment factories could be recycled fully, he noted.

Besides, Bangladesh will face post-graduation challenges as high tariffs would be applicable in exporting garments to the European Union while garments produced from recycled fibre would enjoy a 30 per cent duty rebate which would make local garments cost-competitive, he added.

"This (duty rebate) would work as an impetus, besides cash support."

The BTMA leader lamented that during the pre-budget discussion, BTMA requested the NBR to exempt recycled industry in the textile sector from all types of duties while Bangladesh Investment Development Authority (BIDA) in a separate letter on February 26 last had forwarded the issue before the NBR for its consideration.

"It is very unfortunate that despite assurances, there is no reflection of our demand in the national budget," the BTMA president said.

Source: thefinancialexpress.com.bd– Aug 13, 2023

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India-Oz FTA utilisation above 90% in some textiles, engineering goods exports

Above 90% of India's exports of some textiles and certain engineering goods such as electrical transmission lines to Australia are happening through the trade agreement which came into effect December 29, 2012, meaning that exporters have begun benefiting from the pact.

Officials said that the utilisation of the India-Australia Economic Cooperation and Trade Agreement (ECTA) is as high as 90% in around 113 products especially labour intensive items where duties were reduced to nil from 5% under the pact.

"90% of the exports of these products to Australia are happening through the FTA (free trade agreement) route," said an official. This assumes significance as India's utilization rate of its FTAs has been historically low due to documentation costs, lack of awareness and strict morphine norms.

The Asian Development Bank has pegged the utilisation of India's trade pacts under 25%, among the lowest in Asia whereas FTA utilization by developed countries averages 70-80%.

The ECTA allows 98% of the Indian exports by value to enter Australia duty free. India's exports of good items to Australia could see a jump once the two sides ink a mutual recognition agreement.

Think tank GTRI has said that to counter the low utilisation rate of India's FTAs, Indian firms must also compare the most favoured nation (MFN) duty and trade agreement duties for a product as a company benefits from an agreement only when the customs duty under that pact is lower than the MFN duty.

MFN means that a country must charge the same import duty from all countries for a product unlike an FTA where the trade partners give each concessions exclusively.

Source: economictimes.com– Aug 13, 2023

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Pink bollworm threatens cotton crop in North India

The cotton crop in North India is under the threat of pink bollworm (PBW) attacks and the intensity of pest attacks is seen higher this year compared to the last two years.

While PBW was observed in cotton only at the end of the season in North during kharif 2022-23, this year the pest has surfaced at the start of the season, which is a big threat for the farmers, said Bhagirath Chaudhary, Director of Jodhpur-based South Asia Biotechnology Centre (SABC).

Generally, the PBW affects the crop at mid-and late-stage causing yield reduction and impacting quality. Till 2017-18, the North cotton-growing zone of India was free from PBW infestation, but pest attacks above the economic threshold levels (ETL) were reported from Jind and Bathinda from 2018-19 and in the subsequent years.

Cutting coverage

Despite a decline in the coverage in Punjab, the area under cotton in the North Zone consisting of Punjab, Haryana and Rajasthan is up at 16.17 lakh hectares (lh) compared with 15.44 lh. Impacted badly by the pest attacks such as white flies and pink bollworms in recent years, farmers in Punjab have reduced the area to 1.7 lh compared with 2.54 lh last year.

In Haryana, farmers increased cotton coverage to 6.65 lh over 6.45 lh a year ago. The early rains brought about by Cyclone Biparjoy this year have helped farmers in Rajasthan to increase the acreages to 7.82 lakh ha, an increase of 21 per cent over 6.45 lh a year ago. As on August 11, overall cotton acreages stood marginally lower at 121.28 lh over 122.53 lh a year ago.

According to the ICAR-Central Institute for Cotton Research, in early sown areas such as Bhatinda and Faridkot in Punjab, the cotton crop is in flowering and boll formation stages and the incidence of PBW was near the ETL of 5-12 per cent.

Curtailing damage the key

The incidence of white fly and cotton leaf curl virus was observed in a few locations. In Haryana's Hisar and Sirsa, the pink bollworm infestation was

observed above the ETL levels in flowers and green bolls in several locations. In other cotton-growing regions, the crop is in vegetative stages.

SABC through its Project Bandhan has been regularly surveying the cotton fields in North and observed that pink bollworm was being seen more in green bolls. “It is a matter of great concern that this season’s incidence of pink bollworm has been observed in the whole of North Zone. We should take the necessary steps for the management of pink bollworm as soon as possible so that the damage caused by pink bollworm in cotton can be reduced,” he said.

Source: thehindubusinessline.com– Aug 11, 2023

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Farmers advised to sell summer-irrigated cotton immediately

Cotton farmers in Tamil Nadu have been advised to sell their summer irrigated crop in the rice fallows of the Cauvery dela immediately after harvest without waiting for any hike in prices.

A survey carried out by the Tamil Nadu Agricultural University (TNAU) , said buoyed by higher prices fetched last year, many farmers resorted to high yielding, short duration varieties to reap maximum profits immediately.

“There won’t be any scope for price increase during the current season. Hence, farmers are advised to dispose of the summer irrigated cotton immediately,” advised the Price Forecasting Scheme of the Centre for Agricultural and Rural Development Studies, TNAU.

The Price Forecasting Scheme is funded by World Bank supported Tamil Nadu Irrigated Agricultural Modernisation project.

According to the Ministry of Textiles, cotton is grown on 130.61 lakh hectares (lh) with a production of 343.47 lakh bales (of 170 kg each) during 2022-23. Gujarat, Maharashtra, Telangana, Haryana, Madhya Pradesh, Rajasthan, and Andhra Pradesh are the major cotton producing States. In Tamil Nadu, the fibre crop is grown on 1.62 lh with 3.56 lakh bales of production.

With the anticipation of better prices, the stocks held by the farmers were affected by the recent cyclone Biparjoy leading to poor quality and surplus arrivals dragging the prices down. Moreover, 10 lakh bales of cotton are being imported as a precaution to battle the price spike witnessed in 2022.

Per the result of the analysis and market survey, the farm-gate price of good quality cotton during harvest would be ₹6,500-6,800 per quintal. Hence, farmers are advised to take up sowing decisions of rain-fed cotton accordingly. In Tamil Nadu, cotton is grown both under irrigated and rain-fed situations. Sowing of the rain-fed crop in the Southern districts extends up to October.

Source: thehindubusinessline.com– Aug 11, 2023

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Non-tariff barriers emerging as potent tool to disrupt legitimate textiles trade: AEPC

Non-tariff barriers (NTBs) are gradually emerging as a potent tool to damage and even disrupt legitimate textiles trade, apparel export promotion council (AEPC) said on Thursday. As many as 131 NTB notifications are issued related to the textile sector since 2019 with Uganda at the top position with 71 notifications, it said.

It was followed by Ecuador (10), China (8), Taiwan (7), Israel (5), USA (4), and Peru (3).

These barriers include certifications, inspections, regulations, standards, SPS (sanitary and phyto-sanitary - related with plants and animals) measures, and technical barriers to trade (TBT).

These measures are by and large in conformity with the rules of the World Trade Organisation (WTO).

But when these measures are used unfairly, in violation of WTO agreements to discriminate against imports and restrict market access, then they become non-tariff barriers hampering legitimate trade.

The council has organized a webinar on emerging non-tariff barriers in the apparel export sector with an aim to sensitize the industry about the issue. Mithileshwar Thakur, Secretary General, AEPC, said: "NTBs have slowly but surely emerged as a potent tool to damage and even disrupt legitimate trade."

Of late, innovative ways were being explored by developed economies like the European Union to restrict imports from developing countries, he said.

Legislations like CBAM (Carbon Border Adjustment Mechanism) and EUDR (EU Deforestation Legislation) are violative of WTO agreements and bound to make Indian exports to the EU less competitive, he added.

"Ways and means need to be explored to handle the challenges arising out of these legislations," Thakur said.

Speaking during the webinar, Seetharaman Sampath, Co-founder, Sarvada Legal, said that these NTBs arise from different measures taken by governments and authorities in the form of laws, regulations, policies, conditions, restrictions or specific requirements, or prohibitions that protect the domestic industries from foreign competition.

"EU, US and UK are our top markets for the apparel sector and so we should be extra careful about their moves to bring any legislation/regulation in the nature of TBTs affecting the apparel sector," Sampath said.

Most countries follow a consultation process before a new TBT is introduced or an existing TBT is modified.

Indian industry must participate in the consultation process and report its apprehension and objections to the government at the initial stage of the law-making process itself rather than complaining after its entry into force, he added.

These barriers to trade can arise due to unreasonable/unjustified packaging, labelling, product standards, complex regulatory environment, additional trade documents like certificate of authenticity, occupational safety and health regulation, employment law.

Source: economictimes.com– Aug 10, 2023

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Textile manufacturers in Ludhiana seek to shift to Bihar as it offers attractive benefits to investors

LUDHIANA: Expensive electricity, harsh regulations, and rising production cost are driving the local textile and garments industry away to Bihar, where it has pledged to invest more than Rs 150 crore. This has the potential to reverse the tide of migration.

The industrialists took this decision over a dinner on Friday with Bihar's director of industries Pankaj Dixit at a city hotel and will now send their teams to that state.

A senior IAS officer from Bihar confirmed it, saying that: "At Friday's 'Invest Bihar' event in Ludhiana, we received investment proposals worth Rs 150 crore, majorly from the textile and garments sector. This is just the initial stage. Once more industry delegations visit Bihar, we hope to double this figure."

Asked why Bihar's industrial policy was so attractive, he said that: "The state has more than 60 large textile and garments factories, besides a plug-and-play model, where the investors don't need to purchase land but can work out of readymade factory sheds by paying a nominal fee of Rs 4 to 8 per square feet. Our net power tariff is below Rs 8 a unit, and it comes with a subsidy of Rs 2 for the textile sector."

Apparel Technology and Common Facilitation Centre (ATCF) chairman

Vinod Thapar said: "The Bihar government's bonanza of incentives to new industry is irresistible. It offers us a 150% return on investment for half the power rate of Punjab, fractional cost of land, and capital investment subsidy. It will be 40% cheaper to setup a factory in Bihar. The daily compliance requirements of Punjab are becoming hard to meet."

The ATCF, Knitwear Club, and Federation of Industrial and Commercial Organisations (Fico) have pledged this investment via their member units. Thapar said: "We were in talks with the Bihar government already, but its Friday presentation convinced us to propose more than 50 units, covering the main verticals of dyeing, textiles, garments, and knitting. A further incentive came from interest subvention up to 12%, 80 to 100% reimbursement of state GST (goods and services tax), 100%

reimbursement of electricity duty and stamp duty. But the biggest benefit will be the cost of labour."

Knitwear and Textile Club general secretary Charanjiv Singh said: "Since the industry gets its skilled and unskilled manpower from Bihar and Uttar Pradesh majorly, we will have to pay it 30% lesser if we move to Bihar. This will lower our cost of production also."

Source: timesofindia.com– Aug 13, 2023

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Over half of all trade barriers against textiles from Uganda

One would assume that developed economies of the world like the US or the European Union would put up the maximum technical barriers to trade. But it is Uganda that has initiated the maximum number of measures since 2019.

Of the 131 notifications (since WTO has to be informed about each such move), 71 have come from Uganda, which makes it 54% of the non-tariff barriers that have been notified, data collated by the Apparel Export Promotion Council showed. With 10, Ecuador is next, followed by China at eight. From Burundi to Brazil, 69% of non-tariff barriers that have come about in the last four years are related to garments or apparel.

"Non-tariff measures like certifications, inspections, regulations, standards, sanitary and phytosanitary standards, and technical barriers to trade are by and large in conformity with WTO laws and agreements and it is only when these measures are used unfairly - in violation of WTO agreements to discriminate against imports and restrict market access - that these become non-tariff barriers hampering legitimate trade," said Mithileshwar Thakur, secretary general at AEPC.

Thakur said some recent measures such as EU's carbon border adjustment mechanism or deforestation legislation are non-compliant with the WTO regime.

While the government has been seeking to get trade partners to reduce import duties or tariffs, Indian exporters are increasingly facing non-tariff barriers, which negate the impact of duty cuts. These range from indicating the country of origin, as was the case with the EU in 2015, to this year's move by Senegal to mandate "quality control" for fabrics and finished products.

A few months ago, the US asked all imports for clothing, gloves and mittens to comply with flammability norms, which required adherence with new testing rules and compliance. In Egypt, new regulations provide for registration of all factories exporting products to the Arab nation. For exporters, the headache is only increasing.

Source: timesofindia.com– Aug 14, 2023

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