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IBTEX No. 180 of 2023 **October 13, 2023**

Currency Watch			
USD	EUR	GBP	JPY
83.22	87.79	101.56	0.56

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SAYING NO TO CHILD LABOUR

INTERNATIONAL NEWS

IMF expects slow global growth at 3% in '23 amid inflationary concerns

Global growth is expected to slow from 3.5 per cent in 2022 to 3 per cent in 2023, further dwindling to 2.9 per cent in 2024, according to the International Monetary Fund's (IMF) World Economic Outlook for October 2023. This is a stark deviation from the historical average of 3.8 per cent recorded between 2000 and 2019.

For advanced economies, growth rates are set to decelerate from 2.6 per cent in 2022 to 1.5 per cent in 2023, tapering to 1.4 per cent in 2024, as the onset of policy tightening takes effect.

On the inflation front, global figures are predicted to show a decline, moving from 8.7 per cent in 2022 to 6.9 per cent in 2023, reaching 5.8 per cent by 2024. These changes are attributed to stricter monetary policies coupled with reduced international commodity prices. However, core inflation is set to decrease more slowly, with most targets only expected to be achieved by 2025, as per the IMF.

The risks, though more balanced compared to six months prior due to resolutions such as the US debt ceiling tensions and actions by Swiss and US authorities, still persist. A significant concern remains the potential deepening of China's property sector crisis and its consequent global implications.

Additionally, mounting near-term inflation expectations, coupled with tight labour markets, could perpetuate core inflation pressures, demanding even higher policy rates than projected. External factors such as climate changes, geopolitical shocks, and intensified geoeconomic fragmentation could further jeopardise the situation by causing additional price spikes and hampering the green transition.

The IMF's report also highlighted concerns for low-income developing countries, with over half either in or at high risk of debt distress.

Source: fibre2fashion.com– Oct 12, 2023

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US ports' cargo volume forecast to taper off ahead of holiday season

US' major container ports have already witnessed their anticipated peak import cargo volume for the year, with numbers expected to taper off as the holiday season approaches, according to the Global Port Tracker report by the National Retail Federation (NRF) and Hackett Associates. The report paints a clear picture of changing consumer dynamics and the impact on port activities.

Inflation and rising interest rates were the main factors behind the ebbing consumer confidence, leading to reduced discretionary spending. Notably, consumer spending only rose by 1.8 per cent YoY in Q2, falling short of the initial 2.3 per cent projection. The NRF also hinted that annual retail sales might lean towards the lower end of its 4-6 per cent YoY growth forecast.

While the Global Port Tracker had originally projected US port volumes to touch the 2 million twenty-foot equivalent units (TEU) between August and October, actual figures depict a different reality. August witnessed the handling of 1.96 million TEU, marking a 2.3 per cent increase from July, and becoming the most bustling month of the current year. However, this figure also represents a significant 13.5 per cent decline YoY. Predictions for September and October both stand at 1.94 million TEU, reflecting drops of 4.3 per cent and 3.1 per cent YoY, respectively, as per the report.

The upcoming months, however, offer a glimmer of positivity. November's forecast is set at 1.91 million TEU, suggesting a promising 7.5 per cent YoY increase—the first since June 2022. December is projected at 1.88 million TEU, an 8.9 per cent rise YoY. With these figures, 2023's cumulative imports could amount to 22.1 million TEU, a 13.5 per cent decline from the previous year. To offer perspective, 2022 experienced a cargo volume of 25.5 million TEU, only 1.2 per cent below the record 25.8 million TEU in 2021.

Looking ahead, January 2024 shares December's forecast of 1.88 million TEU, a 4.2 per cent YoY increase. Meanwhile, February, typically a quieter month due to Asia's Lunar New Year shutdowns, is anticipated to hit 1.74 million TEU, marking a significant 12.7 per cent surge YoY.

Source: fibre2fashion.com– Oct 12, 2023

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Cotton Highlights from October WASDE Report

USDA has released its October 2023 World Agricultural Supply and Demand Estimates (WASDE) report. Here's this month's summary for cotton:

The 2023/24 U.S. cotton supply and demand estimates show lower production, exports, and ending stocks compared with last month. Production is 315,000 bales lower at 12.8 million bales, down 2% from a month earlier as lower yields in Texas offset gains elsewhere. With production projected lower and exports down 100,000 bales to 12.2 million, ending stocks are reduced 200,000 bales. The 2023/24 season-average price for upland cotton is forecast unchanged from last month at 80.0 cents per pound, nearly 5 cents below the final 2022/23 price of 84.8 cents.

World 2023/24 beginning stocks of cotton are 10.3 million bales lower this month than in September, a decline to 82.8 million, entirely attributable to a permanent accounting change in the balance sheet for Brazil back to 2000/01. Ending stocks for the 2023/24 world balance sheet are also down by 10.0 million bales because of this change.

To better account for the change in timing of Brazil's harvest, USDA has shifted ahead by one year its 2000/01-2022/23 production estimates. Until this change, USDA's estimated Brazilian and global ending stocks were significantly inflated because they reflected Brazil's entire year's production. See the Foreign Agricultural Service's October 2023 issue of Cotton: World Markets and Trade for further details.

In an additional production change, the estimate for what is now USDA's 2023/24 Brazil crop was increased 160,000 bales to 14.56 million, reflecting an Oct. 10 revision by Brazil's Companhia Nacional de Abastecimento (CONAB). Other changes in the world 2023/24 cotton balance sheet are small. Production is 210,000 bales higher than in September as larger crops in Brazil, Argentina, and Tanzania offset reductions in the United States, Australia, and Greece. World consumption and trade are virtually unchanged, down 89,000 bales and down 35,000 bales, respectively.

Source: cottongrower.com– Oct 12, 2023

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Better Cotton and Cotton Egypt Meet to Renew Their Strategic Partnership

Better Cotton and the Cotton Egypt Association (CEA) renewed their strategic partnership at a meeting last week in Cairo.

Hosted by Better Cotton, the world's largest sustainability initiative, and CEA, the event brought the two groups together with Better Cotton's Egyptian program partners, Alkan, El Ekhlas and Modern Nile, and a number of retailers and brand members in addition to some members' suppliers.

The two partners restated their commitment to enhancing the yields and sustainability credentials of Egyptian cotton, while discussing what is required to increase the uptake of more sustainable cotton sourced from within the country. They also pledged to ensure fair working conditions for farmers and laborers.

Rachel Beckett, Better Cotton senior program manager, said the event provided a moment to reflect on the progress Better Cotton and CEA have made through the partnership so far and what potential it has going forward.

"It provided the opportunity for direct dialogue between Better Cotton producers, supply chain actors and key stakeholders from the British retail industry," she said. "It is anticipated that it will result in increased demand for more sustainably produced Egyptian cotton."

Invited guests also saw a demonstration by farmers of sustainable agricultural practices at a Better Cotton licensed farm in Kafr El Saad, in the northern region of the country.

Better Cotton members and guests were able to engage with the farmers and workers, and discuss the challenges and opportunities in sustainable farming.

Khaled Schuman, CEA executive director, noted that the occasion was a fruitful event celebrating the years of dedication, collaboration and hard work that brought sustainable cotton to where it is today.

"The great interest shown by retailers—and the support we have from all stakeholders in attendance—will pave the way for more access, more production of Egyptian sustainable cotton with Better Cotton's standards, and more uptake from retailers," he said.

Better Cotton has 2.2 million licensed farmers in 26 countries around the world. Over the course of the 2020-2021 season, licensed farmers grew 4.7 million metric tons of cotton, accounting for 20 percent of global cotton production. In Egypt alone, the 3,589 licensed farmers there grew some 2,413 metric tons of the fiber under the organization's guidelines in the 2021-22 season.

Source: sourcingjournal.com– Oct 12, 2023

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Australian wool market struggles amid lack of European demand

Difficult trading conditions have plagued this week's Australian wool auctions, leading to an uncertain market climate. While Chinese business remains crucial, it is the unexpected dip in European buying that is causing concerns. A stronger Australian dollar further complicates matters, even as local traders keep the merino market afloat.

Chinese business continues to be the backbone of the Australian wool market. Though consistent, the Chinese demand is currently price-sensitive due to low appetite for risk.

This cautious approach means maintaining minimal inventory levels for fulfilling contracts and keeping factories operational, the Australian Wool Innovation Limited (AWI) said in its commentary for sale week 15 of the ongoing Australian wool marketing season.

Interestingly, demand from India is trickling in steadily, but it is the absence of European buyers at this time of year that is making headlines. This vacuum in European purchasing is leading to an unusual reallocation of wool clips, generally reserved for European manufacturing, to other buyers.

Financial indicators were largely stable with the Australian dollar gaining 0.8 per cent against the US dollar. However, this did not necessarily benefit local price levels. Fluctuating forex rates pose further challenges for exporters, requiring them to offer sharp prices initially to lure in international buyers.

Keeping the merino market stable are local traders, who have been leading in purchasing volumes. Despite this, many direct buyers or indenters are still not meeting their regular buying activity.

This comes at a time when the European sector, affected by two separate crises, is showing little momentum, especially affecting the superfine merino (16.5 to 18.5 micron) segment, the AWI commentary added.

After a few months of good percentage increases in price levels, the crossbred wool types experienced their first general losses for some time.

Albeit these losses were minor with just 10 to 15ac lower prices available. The past 3 months though has seen good gains with 28mic 24 per cent higher than July and 30mic adding 28.4 per cent value over the same period.

Notably, wool volumes are expected to rise to 43,000 Australian bales next week, following a Tuesday/Wednesday sale schedule.

Source: fibre2fashion.com– Oct 12, 2023

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Monthly UK production output falls by estimated 0.7% in Aug: ONS

Monthly UK production output is estimated to have fallen by 0.7 per cent in August this year, following a revised fall of 1.1 per cent (down from a 0.7-per cent fall) in July.

The fall in output is a result of a decline in three of the four production sectors, with manufacturing being the main contributor, with a decrease of 0.8 per cent. Nine of the 13 sub-sectors of manufacturing saw a decline during August.

Production output for the three months to August rose by 1.2 per cent compared with the three months to May. This was because of a large monthly growth in June (2.5 per cent), following a fall in May (0.5 per cent), the Office of National Statistics (ONS) said in a release.

Source: fibre2fashion.com– Oct 13, 2023

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Philippines' FDI soars 35.7% to $753 mn in July 2023

The Philippines' foreign direct investment (FDI) net inflows amounted to $753 million in July 2023, higher by 35.7 per cent than the $555 million recorded net inflows in the same month last year. The growth in FDI was mainly on account of the 108.4 per cent increase in non-residents' net investments in debt instruments—to $575 million from $276 million.

By country of source, equity capital placements during the month came mostly from Japan, the US, and Singapore. Said investments were channelled primarily to industries including manufacturing, the Philippines' central bank (BSP) said in a press release.

Despite the expansion in the monthly FDI net inflows, cumulative net inflows for the period January-July 2023 settled at $4.7 billion, a decline of 14.7 per cent from the $5.5 billion net inflows posted in the same period last year. FDI declined amid concerns over slowing global growth.

Source: fibre2fashion.com– Oct 13, 2023

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Uncertainty about euro area 12-month inflation expectations falls

While the median rate of perceived inflation in the euro area over the previous 12 months edged down to 7.9 per cent in August this year from 8 per cent in July, the same for inflation over the next 12 months edged up to 3.5 per cent in the month from 3.4 per cent in July, according to the European Central Bank (ECB).

The figure three years ahead edged up for the second consecutive month to 2.5 per cent in August from 2.4 per cent in July. Inflation expectations remained well below the perceived past inflation rate, particularly at the three-year horizon.

Uncertainty about inflation expectations over the next 12 months declined to the lowest level observed since March 2022.

The development of inflation perceptions and expectations remained closely aligned across income groups, although younger respondents (aged 18-34) continued to report lower inflation perceptions and expectations than older respondents (aged 55-70), an ECB said in a release.

Consumers expected their nominal income over the next 12 months to increase by 1.2 per cent, slightly more than July's 1.1 per cent. This increase was primarily driven by respondents from the lowest income quintile, whereas consumers' expectations in the highest income quintile decreased slightly on average.

Perceptions of nominal spending growth over the previous 12 months decreased to 6.4 per cent in August from 6.7 per cent in July. The drop in perceived nominal spending growth was mainly concentrated among younger (aged 18-34) and older (aged 55-70) respondents.

Expectations for nominal spending growth over the next 12 months decreased somewhat to 3.3 per cent in August from 3.4 per cent in July. This decrease was observed solely among younger respondents.

Economic growth expectations for the next 12 months were slightly more negative, standing at minus 0.8 per cent in August compared with minus 0.7 per cent in July.

Expectations for the unemployment rate 12 months ahead increased to 11.1 per cent in August compared with 11 per cent in the previous three months.

Consumers continued to expect the future unemployment rate to be only slightly higher than the perceived current unemployment rate (10.8 per cent), implying a broadly stable labour market.

Source: fibre2fashion.com– Oct 12, 2023

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Vietnam: Garment export turnover sees increase again

Despite a continued decrease in export turnover in the first eight months compared to the same period last year, the textile and garment industry has shown numerous signs of recovery and opportunities for stronger growth in the remaining months of 2023.

Textile and garment exports totalled 3.4 billion USD in August, up 5.5% month on month, marking the fourth consecutive month the turnover has increased compared to the previous month. Customs data showed that in the Jan – August period, the country's textile export turnover reached only 22.5 billion USD, down 3.8 billion USD or 14.4% year-on-year.

The export values to the US, the European Union (EU), and the Republic of Korea (RoK) - the key importers of Vietnam, recorded decreases of 22.4%, 11.9%, and 3% in the period, reaching only 10 billion USD, 2.66 billion USD and 2.08 billion USD, respectively.

According to Director of the Vietnam Chamber of Commerce and Industry (VCCI)'s Branch in Ho Chi Minh City Tran Ngoc Liem, textile exports to the US have witnessed remarkable recovery in recent months. The recent visit to Vietnam by US President Joe Biden, and the upgrade of bilateral relations to a comprehensive strategic partnership between the two countries offer good opportunities for Vietnam's exports in general and its textile and garment exports in particular, he said.

Statistics from international organisations and market survey organisations showed that the US's stockpile has decreased sharply, so US companies are likely to import commodities from many countries, including Vietnam. The Latin American market is also seen as a potential market for Vietnamese strong exports such as textiles, footwear, processed farm produce, consumer goods, and electronics.

According to Vo Hong Anh, Deputy Director of the European-American Market Department under the Ministry of Industry and Trade (MoIT), there is ample room for Vietnam's textile and footwear industries to penetrate deeply into Peru, Chile and Mexico.

Source: en.vietnamplus.vn– Oct 12, 2023

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Vietnam's foreign investments rise to $416.8 mn in Q3 2023

Vietnam's aggregate investment in foreign markets reached $416.8 million in the third quarter (Q3) this year—a 4.6 per cent rise year on year (YoY).

Eighty four projects worth over $244.8 million were approved for new investment during the quarter—a YoY decrease of 29.5 per cent. Eighteen projects saw an adjustment in investment capital—a 3.38-fold surge—totalling nearly $172 million.

Canada attracted the most Vietnamese capital, exceeding $150 million, followed by Singapore and Laos, with $115 million and $114 million respectively, according to domestic media reports.

Vietnam boasted 1,667 active overseas investment projects spanning 24 nations and territories as of September 20, with a cumulative investment capital of almost $22.1 billion, according to the Foreign Investment Agency under the ministry of planning and investment.

State-owned enterprises initiated 141 projects valued at nearly $11.7 billion, constituting 52.8 per cent of the country's total investments abroad.

Source: fibre2fashion.com– Oct 11, 2023

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Bangladesh: RMG exports to EU grow by 11.47% in July-September

During the July-September period of the FY2023-24, readymade garment exports to the European Union reached $5.51 billion, registering an 11.47% growth compared to the same period of the previous fiscal year, according to the Export Promotion Bureau (EPB).

Exports to Spain, France, Netherlands and Italy showed 23.26%, 8.67%, 18.97% and 23.22% growth respectively.

On the other hand, exports to Germany, the largest export market in the EU, declined by 4.41% compared to July-September of FY2022-23.

According to the latest statistics of the EPB, RMG exports to the US stood at $ 2.07 billion in the first three months of FY2023-24 with 2.77 % year-on-year growth.

At the same time, exports to the UK and Canada reached $1.45 billion and $352.86 million, with 21.35 % and 5.44% growth respectively.

During July-September, of FY2023-24, the apparel export to non-traditional markets grew by 24.93% to $2.24 billion from $1.80 billion in the corresponding period of previous year.

Among the major non-traditional markets, exports to Japan, Australia and South Korea increased by 39.44%, 54.11% and 37.01% respectively. However, the apparel export to India declined by 7.69%.

Source: tbsnews.net– Oct 12, 2023

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NATIONAL NEWS

Shri Piyush Goyal chairs a Chintan Shivir with industrialists on "Unleashing the power of India's Manufacturing Industry"

Union Minister of Commerce & Industry, Consumer Affairs, Food & Public Distribution and Textiles, Shri Piyush Goyal highlighted various reforms and schemes undertaken by the government to support the manufacturing ecosystem and welcomed the suggestions to catalyse the process for achieving economies of scale. While chairing the "Chintan Shivir - Unleashing the power of India's Manufacturing Industry" at Bharat Mandapam, New Delhi today, the Minister commended the attendees, recognizing their spirited engagement and unwavering dedication to propelling India's manufacturing sector to scale greater heights and to become globally competitive.

Shri Goyal also asked the industry to accelerate production activity and contribute in making India a global hub for manufacturing. The Minister emphasized the Government's steadfast commitment to providing consistent policies while acknowledging the pivotal role and the support from industry leaders. The presence of Union Minister of State for Commerce and Industry, Shri Som Prakash, further underscored the significance of the occasion, emphasizing the collaborative spirit driving India's industrial growth.

The Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry in association with SCALE Committee and Invest India organized a "Chintan Shivir - Unleashing the power of India's manufacturing industry". The event brought together industry leaders from across CII, FICCI, ASSOCHAM, ACMA, SIAM along with knowledge partners BCG and McKinsey.

The event was successfully hosted at Bharat Mandapam, Pragati Maidan, New Delhi today. The conclave served as a crucial platform for discussing the challenges and opportunities within India's manufacturing sector. The major focus was to understand and deliberate on increasing manufacturing capacities across various sectors and enhance contribution to GDP by 2030.

The event evoked enriching discussions on 12 sectors (Textiles, Capital Goods, Auto and EV, Defence, Aerospace & Space, Metals & Mining, Leather & Footwear, Energy, Food Processing, Chemicals, Medical Devices, ESDM Value Chains, Drones) from manufacturing industry on key topics such as creating manufacturing ecosystem, maintaining quality standards, promoting domestic value addition, government policies and support, fostering industry agility These discussions laid the foundation for innovative strategies, trade enhancement, integration with global supply chains and increased investments in the Indian Manufacturing Industry.

The presentations made by each sector encompassed a comprehensive industry snapshot, detailing the current and projected industry potential and export potential. The presentations delved into the critical enablers necessary for achieving these goals spanning the ecosystem, policy landscape, technological advancements, and skill development initiatives. Moreover, attendees experienced a detailed overview of the proposed collaborative plans between the government and the industry to drive these initiatives forward.

The discussions were the culmination to the sector-based brainstorming session of the working groups held with Industry Members and the SCALE Committee.

Source: pib.gov.in– Oct 12, 2023

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India-UK FTA: Negotiators preparing the ground for Modi-Sunak talks

"Both sides are hopeful that Sunak and Prime Minister Narendra Modi will be able to take some final hard decisions related to the tricky areas of work visas, tariffs on key items, intellectual property rights (IPRs), digital trade, professional services and rules of origin, but the ground has to be ready for it.

The lesser the remaining differences the better the chances of the FTA being finalised during Sunak's visit," a source tracking the matter told businessline.

Need to put in more efforts

While Commerce Secretary Sunil Barthwal recently led his team to London for a round of consultations on the FTA where "some progress" was made on certain issues, including rules of origin and tariffs, more effort needs to be put in as both sides are playing tough and don't want to cede too much ground, the source added.

"The UK side is not willing to offer much in the area of work visas, a primary demand from India, as there is pressure within the ruling party against relaxations. India, on the other hand, has its own redlines in the areas of IPR and digital trade.

It also has to carefully weigh what it finally offers in terms of market access for Scotch whisky and automobiles in order to continue protecting domestic industry," the source said.

Both sides are hopeful that the proposed FTA, if implemented soon, would double bilateral trade to $100 billion by 2030.

Sunak and Modi will be under pressure to deliver the FTA during the British PM's visit, or soon after, as a failure to do so may delay the pact indefinitely as the BJP-led government may then get busy preparing for the general elections tentatively scheduled in April-May 2024.

Progress so far

Of the 26 chapters in the proposed India-UK FTA, as many as 19 are agreed upon, per officials.

The areas covered in the negotiations include, goods, services, investments, government procurement, accounting and auditing, legal, digital trade, sustainability, and intellectual property.

Source: thehindubusinessline.com– Oct 12, 2023

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India Needs Stronger Exports to Hold the Line

India's current account deficit (CAD) for the first quarter of FY2024 has expanded to $9.2 billion, a significant increase from the previous quarter's $1.3 billion (Jan-March, 2023) according to RBI. Several factors contribute to this widening deficit, particularly a pronounced trade imbalance, reduced surplus in net services and a decrease in private transfer receipts.

The trade deficit has notably expanded due to a sharp reduction in India's merchandise exports, due to sluggish demand from the Western nations and China. While services exports have grown 22.8% in January-March, concerns have arisen about future global demand for software and banking services.

Historically, India has been a net importer, primarily due to substantial energy imports. Additionally, gold imports have surged 38.75% to $4.93 billion in August, due to festival demand and the wedding season.

Table 1: India's Current Account Deficit (US$ billion)

	April-June 2023-P			April-June 2022		
	Export	**Import**	**Balance**	**Export**	**Import**	**Balance**
Merchandised Trade	105.03	161.63	-56.60	122.80	185.85	-63.05
Invisible Trade Account	116.39	69.01	47.38	108.24	63.15	45.09
Current Account Balance	221.42	230.63	-9.21	231.04	249.00	-17.96

(Source: Reserve Bank of India)

Despite the current challenges, the CAD is improving from quarter to quarter due to a reduced trade deficit of $ -9.21billion compared to the previous year's $ -17.96 billion (table 1). The decline in global commodity prices in this financial year has played a crucial role in this positive development.

One of India's key challenges is the surge in petroleum prices, exacerbated by the OPEC+ group's decision to cut oil supplies until December, coinciding with the high-demand winter season. India's crude import basket reached a staggering US$93 for September supplies. The Brent crude oil price skyrocketed to an annual high of US$100 per barrel, further fuelling concerns.

The implication for the import-dependent Indian economy is inflation. The increased cost of energy trickles down to higher transportation costs, which, in turn, result in elevated prices for essential goods and services. This inflationary pressure affects the common Indian citizen, putting a strain on household budgets. Moreover, they have contributed to the rising trade and current account deficit, which is now a stark reality.

While India grapples with import-related challenges, it is not immune to export difficulties. India has imposed export restrictions, particularly on agricultural products, which have led to lower exports realisation. On top of it, India has a rising agricultural import bill primarily due to ever-burgeoning edible oil and pulses imports.

The possible import of wheat from Russia could further stress our forex reserves and pressure the rupee. Additionally, there is subdued demand for India’s labour-intensive manufactured products like gems and jewellery, textiles and apparel, marine products, handicrafts, handlooms and leather products, in international markets resulting in lower inflow of foreign exchange.

Supply chain disruptions have added to India’s economic woes, causing a record rise in the import cost of essential goods including fuel, food, fertilisers, coal and critical minerals. Increased import of edible oil and pulses is driven by low domestic production and global supply chain disruptions caused by alternative uses of edible oil as biofuels, the Russia-Ukraine conflict, and deteriorating diplomatic relations with Canada.

High-interest rates across leading economies, economic recessions and wavering consumer sentiment in countries like China and the US have lowered demand for India’s merchandised exports. India’s gems and jewellery sector has halted the import of rough diamonds for cutting and polishing due to weak demand from major markets like the US, China and the EU. India’s textiles exports are challenged on price by Bangladesh and Vietnam, and pharmaceutical exports are impacted by enhanced regulatory compliance.

The prevailing uncertainty in global financial markets has further complicated India’s economic challenges. The possibility of a US government shutdown, rising bond yields and the flight of foreign capital to the US amid increasing Federal Reserve rates have created a complex economic landscape for India.

With a rising CAD, it is crucial for India to prioritise boosting exports, particularly of merchandise. The CAD in India is often a result of a trade deficit, where imports exceed exports. By focusing on increasing merchandise exports, especially of areas where it has supply side capabilities i.e. textiles, leather, pharma, processed food, marine, handicrafts and handlooms etc., India can work towards narrowing this trade gap, which is a significant contributor to the CAD.

Moreover, merchandised exports generate not only forex earnings, but also helps enhance production and employment opportunities. Accordingly, we should focus on diversifying export destinations which can reduce dependence on specific regions or countries like the EU, North America and China. This can make India's exports more resilient to global economic fluctuations.

India's economy is navigating a labyrinth of interconnected challenges, including rising petroleum prices, export restrictions, global economic uncertainties and supply chain disruptions. These factors have led to low exports, a higher import bill, a stressed current account and pressures on the Indian rupee. Addressing these challenges requires a multifaceted approach encompassing domestic policy reforms, diversification of export markets and enhancing economic resilience to global shocks. India's ability to overcome these hurdles will be critical in ensuring continued economic growth and stability in an ever-evolving global landscape.

Source: thewire.in– Oct 12, 2023

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Industrial policy issues

The Government has introduced the production-linked incentive (PLI) scheme in select sectors such as automobiles, pharma, advanced battery cells, telecom equipment and specialty steel among others. The PLI scheme is an integral part of the India's broader industrial policy that focuses on augmenting the capacity, competence and capabilities of the domestic manufacturing sector.

The key question for a country embarking on a path of industrialisation is whether it should use policies that conform to or defy its comparative advantage. Conforming strategies eschew government interventions and limit the role of state to a facilitator, while defying strategies advocate government interventions and support infant industry protection.

Industrial policy practice in India, by and large, supports strategies that defy its comparative advantage, given the usage of policy instruments such as import tariffs, licensing requirements, quality standards, import restrictions and subsidies to protect and support the domestic manufacturing industry.
Capital-intensive thrust

The PLI scheme is biased towards capital-intensive industries such as automobiles, pharma, advanced battery cells, telecom equipment and specialty steel. Despite having comparative advantage in labour-intensive manufacturing activities, India's policy priorities have resulted in the commodity composition of exports becoming biased towards capital- and skill-intensive products. This is particularly true in the case of semiconductor manufacturing.

India needs to identify specific areas in the semiconductor value chain where it has comparative cost advantage. This requires making the industrial policy in accordance with the country's endowment in terms of the relative abundance of labour, skills, and capital.

There is a need to develop a coherent industrial policy that aims at increasing the domestic value-addition, creating links between the foreign firms and domestic suppliers and facilitating technological upgrading and spillovers from FDI.

It is important policymakers expand the scope of the PLI scheme and include labour-intensive sectors such as leather, garment, light engineering goods, toys, and footwear. This is critical to scale up domestic manufacturing, generate employment and build industrial capabilities.

The role of government is to foster an enabling environment, so that firms and sectors are able to leverage the country's comparative advantage.

This allows firms to expand and advance organically. As firms become more competitive, they make efforts to capture market share, generate maximum economic surplus through profits and earnings, and reinvest to earn the highest possible return — if the industrial structure is consistent with the endowment structure.

India's industrial strategy needs to ensure that that financial incentives are extended to sectors or firms that foster strong domestic inter-sectoral linkages and facilitate industrial upgradation. These sectors or firms will generate a real economic surplus for the broader economy which will also contribute to the effective utilisation of factors of production.

Such a strategy will ultimately deepen domestic manufacturing capabilities, thereby creating possible opportunities for plugging into global production networks.

If done strategically, PLIs could foster domestic champions, but it is important for Indian policymakers to make sure that the sunset clauses are clearly stipulated in the PLI scheme with a reasonable timeframe.

There is also a need to revisit industrial policy with respect to the use of policy instruments, making it more coherent with comparative cost advantage that lies in its factor endowments.

Source: thehindubusinessline.com– Oct 12, 2023

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Cotton prices to rule above MSP, says TNAU

Farmgate prices of good quality cotton during October-November this year will likely rule around ₹6,800-7,000 per quintal. Cotton sown during the current season will fetch ₹7,100 during January-February 2024, according to a survey carried out by the Domestic Export and Marketing Intelligence Cell (DEMIC) of Tamil Nadu Agricultural University (TNAU).

This is higher than the minimum support price of ₹6,620 a quintal fixed by the Centre for this season (October 2023-September 2024).

The varsity, in a note, advised farmers in Tamil Nadu to take their selling and sowing decisions depending on the onset of North-East monsoon and arrivals from other States. 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.

A survey carried out by the Domestic Export and Marketing Intelligence Cell (DEMIC) of Tamil Nadu Agricultural University (TNAU) said cotton production in the North has been affected by Pink Boll Worm (PBW) infestations though the area under the natural fibre crop has increased in Rajasthan, Punjab and Haryana. The Price Forecasting Scheme is funded by World Bank supported Tamil Nadu Irrigated Agricultural Modernisation project.

Quoting the Ministry of Textiles, a press release from TNAU said cotton was cultivated across 130.61 lakh hectares with a production of 343.47 lakh bales during the 2022-23 season — up six per cent compared with the preceding year. Cotton is largely grown in Gujarat followed by Maharashtra, Telangana, Rajasthan and Karnataka. In Tamil Nadu, cotton cultivation is expanded to 1.62 lakh hectares with a production of 3.56 lakh bales during the 2022-23 season, marking a 10 per cent increase in acreage.

The Price Forecasting Scheme has analysed the past 15 year historical cotton prices prevailed in Salem region and conducted market survey to facilitate farmers to take up selling and sowing decisions.

Source: thehindubusinessline.com– Oct 12, 2023

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Uniqlo announces second store in Mumbai; plans to enter southern market

Japanese apparel retailer Uniqlo now plans to enter the southern market to open its stores as part of the next phase of offline expansion in India.

Uniqlo India on Wednesday announced to launch its second store in Mumbai as part of the strategic expansion of its retail network in the country.

The retailer, which forayed into the Indian market in October 2019, has a substantial presence in North Indian cities like Delhi-NCR, where it operates 8 stores. It is also present in Lucknow and Chandigarh.

The company is also on track to achieve 30 per cent domestic sourcing, as per the current FDI policy, with the help of a local supplier.

It now works in India with 17 sewing factories and 6 fabric mills, Uniqlo India CEO Tomohiko Sei said.

Uniqlo had announced to enter Mumbai earlier this year.

Its first store in Mumbai at Phoenix Marketcity, Kurla, will open on October 6, and the second store at Goregaon East is scheduled to be launched on October 20, he said.

Besides, the company, which is expanding in the country in a phased manner, is very positive for Southern Markets from where it gets a good demand on its e-commerce website.

When asked about entering in Southern markets, Tomohiko Sei told PTI: "Yes, the southern market is an important market and is on our radar. We also see a very positive and good demand from this region through our e-commerce website".

However, at the moment, the aim now is to establish our presence in Mumbai to provide quality services to our customers here, he added.

As part of its strategy, Uniqlo is focussing on the northern markets, and after establishing itself in the region, it will move to the western part, which will take its total store count to 12 by the end of 2023.

When asked about expansion plans, Sei said: "Right now, we are focused on two stores in Mumbai, but of course, we are looking for the opportunity for better cities, maybe like Bangalore, Hyderabad, Kolkata, Chennai. There are so many Metro cities in India".

Besides, Uniqlo India is also scaling its online presence, which currently contributes around 15 per cent of its total sales. With the expansion of its brick-and-mortar stores, it expects to maintain the current ratio, going forward, Sei said.

"We set and achieved our target of 15 per cent when launched our e-commerce platform in 2021. With the expansion of our brick-and-mortar stores, we still aim to maintain the online store portion at the same level. This, of course, differs from month-on-month basis seasonality and store opening," he added.

Besides, Uniqlo is on track to achieve 30 per cent domestic sourcing from India as mandated by the government under the FDI policy for single-brand retailing. "We are actively growing local suppliers to deliver quality products for our customers. For example, now there are a total of 17 sewing factories and 6 fabric mills we work within India.

"From 2023 Spring/Summer, we are pleased to see some Indian factories started to contribute to the production of our innovative product, with our strategic partner, TORAY Industries," he said. Under the current norms, 100 per cent FDI is permitted in the single-brand retail trade with a rider of 30 per cent mandatory local sourcing to promote micro, small & medium enterprises (MSMEs).

Uniqlo is a brand of Fast Retailing, a leading Japanese retail holding company with global headquarters in Tokyo, Japan.

It is the largest of eight brands in the Fast Retailing Group, which clocked global sales of approximately USD 16.6 billion in the 2022 fiscal, ending August 31, 2022.

UNIQLO has more than 2,400 stores, including in Japan, Asia, Europe and North America.

Source: business-standard.com– Oct 12, 2023

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ITME Africa to be held in Nairobi in November

The ITME Society will organise the second edition of ITME Africa in Nairobi from November 30 to December 2.

Ketan Sanghvi, chairman of ITME, said the event will have 120 to 130 exhibitors from 25 countries and at least 50% of them will be from India. There will be exhibitors from European and other Asian countries, too, and almost 10,000 visitors are expected.

Spinning will be the main segment of machinery and there will be machinery, processes and solutions related to weaving, processing, and garmenting too. “We are trying to look at products such as yarn and fabrics also,” he said.

Some Indian companies have made a foray into Kenya and East Africa and established facilities there. Kenya is also taking steps to revive the textile industry.

The ITME Society, which organises India ITME once in four years, launched ITME Africa in 2020 and the first event was held in Ethiopia. “The aim is to introduce textile engineering and textile components to the textile industry in Africa, which is going to be the next major destination for textile and apparel production,” he said.

The India ITME exhibition was held in Noida last year, he added.

Source: thehindu.com– Oct 11, 2023

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India asks mills to stop raw jute imports due to domestic oversupply

The Indian government recently asked mills to stop importing raw jute due to oversupply in the domestic market. Jute importers were instructed by the jute commissioner's office under the textile ministry to provide daily transaction reports in a prescribed format until December.

The office also asked mills not to import jute of TD 4 to TD 8 variants (as per the old classification used in the trade) as these are available in adequate amounts in the domestic market.

The variants comprise 75 per cent of the total jute production and trade, said Indian media reports quoting Sanjay Kajaria, former chairman of the Indian Jute Mills Association.

The current season's production stands at 91 lakh bales, with an opening stock of 23 lakh bales and 5 lakh bales of imported raw jute, resulting in a total estimated availability of 119 lakh bales.

The office had recently stopped raw jute transactions below the minimum support price (MSP) level to safeguard the interests of farmers. Raw jute prices have fallen as low as ₹4,100 per quintal compared to MSP's ₹5,050 for the median variety.

Though the Jute Corporation of India's duty is to procure raw jute from farmers at MSP, it has been observed that their operation is not adequate to cover every corner of the country, prompting the regulator to intervene in order to protect farmers.

Source: fibre2fashion.com– Oct 12, 2023

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Three-day knitwear exhibition takes off in Tiruppur

Innovation should bring not only skills and jobs but also increased incomes to people, said Peter McAllister, Executive Director of Ethical Trading Initiative, in Tiruppur on Thursday.

Inaugurating the three-day Indian Knit Fair Golden Jubilee edition, Mr. McAllister said the industry's deep roots in the region, its pride and history, and creativity and innovation were all to the advantage of the garment manufacturers. It was outward looking and customer focused and was already investing in measures such as renewable energy and effluent treatment that its customers and buyers wanted. On the social side, the role of the industry was important as it contributed to jobs, skill development, and local economy. Bringing all these together with a comprehensive vision was essential to sustain the growth. India had a natural advantage in Artificial Intelligence, one of the themes of the exhibition, because of the availability of young engineers. The skills and innovation should also maximise opportunities and increase incomes for the people, he said.

A. Sakthivel, chairman of the India Knit Fair Association, said the focus of the event this year was on active wear, sustainability, artificial intelligence, ESG, and digitisation. Products made of waste cotton, recycled fabric, PET bottle recycled fibre, etc were on display.

Later, Mr. McAllister participated in the relaunch of Tirupur Stakeholders Forum.

The forum would include Tiruppur Exporters' Association, Brands, NGOs, Trade Unions, Ethical Trading Initiative, Labour Department and Department of Industrial Safety and Health, Government of Tamil Nadu and UN Women Wing. It aimed to address issues related to labour and to ensure growth of the exports.

T. Christuraj, District Collector, Tiruppur, said bringing together all the stakeholders would be highly beneficial for the growth of Tiruppur.

Source: thehindu.com– Oct 12, 2023

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