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Currency Watch			
USD	EUR	GBP	JPY
83.12	88.13	101.18	0.55

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INTERNATIONAL NEWS

Ripple effects of Middle Eastern conflict on global textile and apparel orders

Global disruptions seem to have become the new norm. First, it was the pandemic followed by Russia-Ukraine war and now Israel-Hamas conflict. Israel's response to the terrorist attacks by Hamas has the potential to disrupt the global economy and tip it into recession if more countries are drawn in.

The war's immediate consequences are confined to Palestine and Israel but it may soon have a ripple effect on the entire Middle East. And as Douglas Hsu, Chairman of polyester and textile maker Far Eastern New Century Corp opines, the conflict would not have a significant impact on the textile industry because demand in the conflict region is relatively small in terms of population.

While this might be a point of view, it can't be denied that the collective Middle Eastern countries are importers of readymade garments and in certain ways a decent-sized market for luxury brands, particularly Israel and the Gulf countries.

Moreover, the conflict could lead to an oil price rise, which could affect global inflation rates and trade balances and promote further economic uncertainty. Additionally, the conflict could lead to speculative price hikes due to potential supply disruptions. This would definitely affect consumption patterns of large apparel markets.

Impact on Indian garment exports

First of all, Indian garment exporters weren't seeing the best of days as exports continue to lag for multiple reasons – the Indian garment sector has not been able to price itself competitively against the likes of Bangladesh and Vietnam, the 11 per cent import duty on cotton still plagues local manufacturers and orders from India's main Western destinations aren't what they used to be due to the West going through economic crises and now the Middle East conflict just adds fuel to the fire.

Kanika Pasricha, Economist, Standard Chartered Bank stated in an interview that a major channel of impact on the global economy would be via oil prices which have already risen to $90 level. Further escalation of the conflict towards other Middle Eastern nations which are key oil producers poses a bigger threat and needs a close watch given that the global economy is currently facing a 'higher for longer' interest rate scenario which hits medium and small domestic manufacturers really hard.

Shipping to the Gulf areas as well as distribution to Central Asia and Eastern Europe might get jeopardized as Iran might close off the channel by blocking the Hormuz. However, this is not really a worry as these are tiny markets for Indian garment exporters as their exports to the UAE get further exported from Jebel Ali and other ports.

V K Vijayakumar, Chief Investment Strategist at Geojit Financial Services points out for Western buyers this is a time to be cautious. They may refrain from taking big risks while waiting for the developments to unfold – now that the conflict has carried on for over a week, there are speculations of the US and its allies, Russia, China and Iran to jump in and escalate the situation.

The West's festive season may not be a sleigh ride

It may be too early to gauge the overall economic impact, continuing conflict has put a spanner in the fashion and beauty sector in Western countries. Frequent and often violent street protests are marring big fall season activities that include promotional events and pre-Christmas as well as winter collection shopping.

Many fashion and beauty brands have not only cancelled their autumn season events but are also worried as Gen Z's cancel culture could have severe repercussion on seasonal sales based on the political stand these brands take or need to take as both supporters and detractors of Israel are significantly large in numbers, enough to hurt brands.

Source: fashionatingworld.com– Oct 24, 2023

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US' fiscal deficit increases to 6.3% of GDP in FY23

US' deficit for the financial year 2023 (FY23) stood at a staggering $1.7 trillion, according to the September 2023 Monthly Treasury Statement by the US Department of the Treasury. When considered as a percentage of the gross domestic product (GDP), the FY23 deficit amounts to 6.3 per cent of the GDP, up from 5.4 per cent in FY 2022. This figure marks a $320 billion increase from last year's deficit of $1.38 trillion.

When measured against estimates, the FY23 deficit turned out to be $31 billion lower than the baseline estimate of $1.73 trillion published in the 2024 Budget in March. It is also $26 billion higher than the $1.67 trillion estimated in the Mid-Session Review (MSR), a supplemental budget update published in July. The differences were more pronounced when compared to estimates incorporating the enactment of the president's proposed policies—$126 billion and $152 billion, respectively, US' treasury department said in a press release.

A deficit occurs when the federal government's spending exceeds its revenues. The federal government has spent $1.70 trillion more than it has collected in FY23, resulting in a national deficit.

Source: fibre2fashion.com– Oct 24, 2023

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Germany's Heimtextil 2024 to launch Econogy for sustainable textiles

The upcoming global trade fair for home and contract textiles in Germany, Heimtextil 2024, also forms the launch of Econogy, a realignment of sustainable formats in the global Texpertise Network. Econogy standardises the evaluation criteria of all Messe Frankfurt textile events and creates cross-fair transparency for resource-saving products and exhibitors.

New international contacts, inspiring business encounters, and intensive networking—Heimtextil 2024, which is set to take place in Frankfurt am Main from January 9–12, 2024, records strong registration figures across all product segments. With over 2,600 exhibitors participating, demand exceeds the number of exhibitors at the previous event, organiser Messe Frankfurt said in a press release.

“Heimtextil provides a bundled and therefore efficient market overview of all global trends in the home and contract textiles industry on a central platform over four days. In 2024, we are pleased to be able to intensify this experience with the launch of the new Carpets & Rugs product segment and an increased number of exhibitors,” said Olaf Schmidt, vice president, textiles and textile technologies.

Heimtextil 2024 will be expanded by two new halls—Hall 5.1 for the new Carpets & Rugs product segment and Hall 10.4 for Asian Selection exhibitors in the home textiles segment. Hall 3, which will serve as a creative hub for the Heimtextil Trends 24/25 and exhibitors from the wall decoration, textile design, and textile technology segments will also be reopened. In addition, the new Carpets & Rugs product segment, the realignment of the sustainable event formats under the title Econogy and the expanded range in the Fibers & Yarns section will provide fresh business impulses.

Heimtextil 2024 is expanding its portfolio with the new Carpets & Rugs product segment. Located exclusively in the new Hall 5.1, it showcases fitted, handmade, and custom-made carpets, machine-made woven carpets, mats and dirt-absorbing carpets, as well as rugs and runners. Carpets are traditionally an integral part of Heimtextil, presented in various halls. Starting in 2024, this offering will be permanently bundled at the request of the industry. The segment is aimed at international wholesalers, furniture and home furnishing stores, consumer markets, DIY and home improvement stores, specialist retailers, and garden centres. More than 90 exhibitors will participate in Carpets & Rugs, including many first-time exhibitors. The positive resonance comes from a variety of nations. Commitments have been received among others from Bangladesh, Belgium, China, Egypt, Greece, India, Italy, and Turkiye. Exhibitors include Carpet Export Promotion Council, Fini Coop, Heritage Overseas, Merinos Hali San, Nikotex, Oriental Weavers Group, Ragolle, Royaltex, Rug Republic, and Rugs in Style.

For the Asian Excellence and Asian Selection, both the house textiles (10.0-10.4) and home textiles (6.0, 5.0, 6.1) segments have a strong presence at Heimtextil 2024. Quality in all quantities meets private label excellence here. To exhibit in the Asian Excellence halls on levels 6.1 and 10.2, an independent panel of experts selects high-quality producers. The evaluation includes questions about workmanship, colour concept, stand construction, quality and materials.

The top four exhibiting nations of Asian Excellence and Asian Selection are China/Hong Kong, Pakistan, India, and Bangladesh. Among others, D Decor, GM Fabrics, GM Syntex, Grasim Jana Seva Trust from India, and Karupannya Rangpur from Bangladesh will be present in Hall 6. In addition, key market players such as Adamjee Textile Mills, AlKaram Textile Mills, Export Promotion Council of Handicrafts, Gul Ahmed Textile Mills, Handloom Export Promotion Council, Indo Count Industries, Kamal, Kanodia Global, Mittal International, Premiere Fine Linens, Sadaqat, Towellers Limited, Trade Development Authority of Pakistan, and Trident and Union Fabrics are also participating.

At Heimtextil 2024, a realignment of all sustainable formats of the worldwide Texpertise Network will be launched with Econogy. Econogy standardises the evaluation criteria of all Messe Frankfurt textile events for sustainability and clarifies the holistic connection between economy and ecology.

The Econogy offering at Heimtextil includes the Econogy Finder. The directory helps visitors find certified suppliers. Since many years, Heimtextil exhibitors have the opportunity to have sustainability checks carried out in order to be listed in special directories. In the future, these checks will be harmonised across all textile fairs of Messe Frankfurt. Econogy thus creates transparency and comparability across trade fairs with regard to criteria used to select resource-saving products and exhibitors. In cooperation with independent external sustainability experts, the current status of recognised seals and certificates are included and the SDGs are also integrated into the checks.

Other components of the Econogy offering are the Econogy Hub—the platform for seal providers and certifiers—and the one-hour Econogy Tours. The tours are led by an independent consultant and offer an intensive exchange between visitors, exhibitors, and experts. And the Econogy Talks enable advanced training and knowledge transfer in numerous conference and lecture formats on the latest green textile innovations.

In close cooperation with the UN Conscious Fashion and Lifestyle Network, Messe Frankfurt's Texpertise Network has been promoting the visibility of the Sustainable Development Goals at all Messe Frankfurt textile fairs worldwide since 2019. The very first Texpertise SDG Report, published this summer, summarises all milestones of the SDG actions so far.

The Heimtextil Trends have been forming the heart of Heimtextil for many years. They translate megatrends into textile visions. A visit to the Heimtextil Trends is a must for all textile professionals who are constantly expanding their knowledge of textile materials.

Under the overarching theme of New Sensitivity, textile transformation is the focus of the Heimtextil Trends 24/25, with three approaches showing ways to a more sensitive world of textiles—plant-based production of textiles, supporting textile circularity through technology, and the bio-engineered use of natural ingredients. In addition, the Future Materials curate regenerative materials and designs.

Building on the Materials Manifesto, the Heimtextil Trends are carefully designed to be low-waste and environmentally conscious. Only local, eco-friendly, or borrowed materials are used in each stand design.

Under the title Interior.Architecture.Hospitality, Heimtextil covers the global range of functional contract textiles. International manufacturers and suppliers of special furnishing solutions meet interior designers, architects, planners, and interior decorators from all over the world.

The offering extends over the entire trade fair. The centerpiece is Hall 4.0, where the Interior.Architecture.Hospitality Library presents functional textiles curated and selected by a jury. In addition, interested visitors will gain deeper insights during the Library tours offered by the Library curators.

Back in Hall 3, Heimtextil offers the largest and most international range of wallpaper manufacturers, from decorative over paintable and technical wallpapers to fiberglass and digital print wallpapers. Together with the Textile Design product area, the hall forms a hub for textile creativity with renowned international exhibitors such as AS Création, ICH, Kinland Décor, Komar Products, Marburger Tapetenfabrik, Masureel, Muraspec, Parato, Taubert/Hohenberger, KT Exclusive, and Ugépa.

A large number of top brands and companies have also confirmed their participation in the Smart Bedding product area in Hall 11.0, including Advansa Marketing, Badenia Bettcomfort, Brinkhaus, Heinrich Häussling & Centa Star & Frankenstolz Schlafkomfort, John Cotton, Lenzing, Sasa Polyester, Sanders-Kauffmann, Traumina, Velamen, and Wendre.

In addition to order and inspiration, the focus is as well on valuable knowledge content for the bedding trade at the Heimtextil Conference Sleep & More in Hall 11.0. Renowned international sleep experts will provide insights and best practices—from sleep myths to tracking technologies and sustainable materials to bedding that improves sleep quality at home and in hotels.

In the Bed & Bath area in Hall 12, visitors find the latest bedding designs from suppliers such as Felpinter, Lameirinho, and Nile Linen Group, as well as premium terry products among others from Mundotextil Industrias Texteis or Ozanteks on hall level 12.1. These companies for quality international private label services—with strong participation from Portugal, Turkiye, and Egypt—emphasise short supply chains as well as flexibility in quantities and serve the European market in particular. Hall 12.0 will also feature well-known brands such as Bedding House, Corn. van Dijk, Klaus Herding, Sorema, Veritas, Welspun, Wülfing, and Zorlu.

In the Decorative & Furniture Fabrics segment, Heimtextil will showcase the largest range of the world’s upholstery fabric suppliers and weavers on three hall levels. These include renowned suppliers such as Francisco Jover, Gebr. Munzert, Global Textile Alliance (Symphony Mills), Luilor, Manuel Revert, Martinelli Ginetto, Para, and Vanelli Tekstil. More than 300 weavers of decorative and upholstery fabrics have registered for Heimtextil 2024.

Following its successful launch in 2023, the separate Fibres & Yarns area for decorative and upholstery fabrics is returning to Hall 4.0 this time on a larger scale. There, fabric and curtain manufacturers, weavers, product developers, and designers can expect a bundled offering with companies such as Antex (Angles Textil), Indorama Ventures Fibers Germany GmbH (Trevira), Korteks or Reliance.

Source: fibre2fashion.com– Oct 24, 2023

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Act against surge in import of slave-labour Chinese apparel: US NCTO

The US National Council of Textile Organisations (NCTO) recently said that unless Congress and the administration take immediate and aggressive action to step up enforcement against China's 'predatory' trade practices, the massive surge in imports arriving daily containing apparel made with slave labour, dangerous narcotics and counterfeits will continue to imperil consumers and devastate US manufacturing.

NCTO president and chief executive officer Kimberly T Glas recently testified at a congressional hearing on 'Exploitation and Enforcement: Evaluating the Department of Homeland Security's Efforts to Counter Uyghur Forced Labour'.

"Chinese cotton products made with forced labour in Xinjiang, in the most abhorrent conditions, are flooding the global marketplace, making their way both directly and indirectly to the US," Glas said in her written testimony to the Homeland Security Committee's subcommittee on oversight, investigations and accountability hearing.

Around 72 per cent of all Chinese cotton products contain Xinjiang cotton, leading to forced labour textiles and apparel leaking into supply chains in the US and our free trade agreement regions, she said.

"As a result, American textile plants have been forced to idle equipment and lay off workers, while some companies have been put out of business entirely," she said.

"Not only are we failing to stop forced labor trade that Congress explicitly acted to address through the Uyghur Forced Labor Prevention Act (UFLPA), but we are rewarding China with duty-free access under the de minimis provision of our trade law. The de minimis loophole has become a superhighway for illicit goods as a result of ineffective rulemaking and a lack of adequate congressional action and it's a threat to us all," Glas said.

Glas urged Congress to get aggressive on oversight of customs enforcement of UFLPA and require customs officials to testify regularly, offer Congress and the public a detailed and robust forward-leaning enforcement plan to crack down on this illegal trade, raise penalties and other deterrent mechanisms, and include measurable benchmarks for enforcement for this sector and beyond.

She also called for closing the de minimis loophole for e-commerce with a legislative fix to address the flood of fentanyl, forced labour goods, and counterfeits, and utilising and expanding the UFLPA Entity List more robustly as a deterrent.

Source: fibre2fashion.com– Oct 22, 2023

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Cotton Made in Africa Launches Satellite Surveillance

Cotton Made in Africa (CmiA) has launched a program in Tanzania to monitor cotton fields using satellite-supported remote sensing. It follows India, which launched a similar program in the spring.

With partner Geoclidian Gmbh providing the technology, the sensing catalogues growth, location and soil quality to help get farmers on an efficient planting schedule in order to maximize yield. A third partner is Alliance Ginneries Ltd. of Tanzania.

The system uses GPS data which locates and identifies the cotton fields, with the data analyzed field by field. The system then uses machine learning in tandem with computer algorithms to create a time series for the surveyed fields.

The data is sourced from the observation satellites of the European Space Agency's Sentinel-2 Earth observation mission. It provides optical imagery at high spatial resolution that essentially maps the highs and lows of each cotton field.

The data also provides the cotton plants' phenological status, a record of where they are in their growth phase, i.e. between seed sowing and lint harvesting. This allows observers to identify anomalies in enough time to put the crop on a correction course and improve the harvest for the next season. This also helps farmers comply with CmiA sustainability criteria and will aid in compliance with new traceability legislation on the horizon.

According to Tina Stridde, managing director of the Hamburg-based Aid by Trade Foundation, the remote sensing project will be critical to crop health particularly in the face of climate change that all farmers, not just smallholders, are confronting on the African continent as well as in India and Pakistan.

"Future-proofing is crucial, as is being prepared to take advantage of any technological opportunities that arise to help support the smallholder farmers," she said. "The CmiA standards' work in the coming years will focus on making major progress in advancing the cotton sector in Africa South of the Sahara and in making it more sustainable through sensible and feasible innovations."

India's satellite program got off the ground earlier this year in response to charges of fraud surrounding cotton grown in India that was described as organic, prompting new efforts to deter deceptive cotton claims. That initiative was spearheaded by the Global Organic Textiles Standard (GOTS), the European Space Agency and the German data fusion agency Marple.

CmiA, part of the Hamburg-based Aid by Trade Foundation, is internationally known for its standards for sustainably produced cotton from Africa. It also links African smallholders with trading companies and fashion brands throughout the entire global textile value chain. Some 900,000 farmers profit from its efforts to improve their living and working conditions.

Source: sourcingjournal.com– Oct 23, 2023

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Shein's Latin American Ambitions Extend Far Beyond Brazil

Shein's growing presence in Brazil could open the door for the ultra-fast-fashion giant to bring more local products to other markets in Latin America.

At a media day event Wednesday, Fabiana Magalhaes, director of local production at Shein Brazil, told reporters that the Gen Z-loved fashion firm will start shipping the products it manufactures in Brazil to other local markets by 2026.

Shein has massive plans for apparel production in South America's biggest economy. In April, Shein announced investments of 750 million reais ($150 million) over three years to establish a manufacturing network in the nation of nearly 215 million.

To date, the Temu rival has partnered with 336 suppliers across 12 Brazilian states, with 213 factories now operating under Shein's quick-turn, small-batch business model, Magalhaes said. But TikTok's most-talked about brand wants to scale this number to 2,000 manufacturing partners over three years to make Brazil an export hub to the rest of Latin America.

"Labor costs in the region…are very attractive in countries like Brazil and Mexico compared to Asian standards," said Diego Rodriguez, logistics and industry director at market research firm Americas Market Intelligence. "Also, the sector is highly decentralized and comprises hundreds of thousands of satellite family-operated facilities that provide the flexibility to rapidly ramp up or scale down production for larger and established producers in the local industry."

The investment aims to create 100,000 direct and indirect manufacturing jobs in Brazil, according to Magalhaes. The manufacturing initiative accelerates Shein's goal of getting 85 percent of its Brazilian sales from locally produced by the end of 2026.

With this strategy, Shein is positioning Brazil one of its three major global production centers, alongside China and Turkey, where it began manufacturing apparel last year.

"With local production, we do not have the logistical costs of importing and we have good quality national raw materials, which strengthens our competitiveness and mission of delivering quality fashion at affordable prices," Magalhaes said during the event.

The move into Brazil also comes amid heavy criticism from national competitors for skirting tax loopholes related to the import of goods, similar to U.S. lawmakers who criticize Shein's use of the de minimis provision. Under the Section 321 de minimis trade law, a package of goods valued at $800 or less can enter the U.S. duty-free and usually without inspection by Customs and Border Protection.

"Shein's strategy to manufacture products locally in Brazil is primarily driven to circumvent the strict de minimis value threshold ($50 in Brazil) to import non-commercial products without paying VAT and duties," Rodriguez said. "As the company's sales continue to grow in Brazil, customs and the cumbersome clearing processes of a tsunami of packages hinder the firm's expansion in the largest e-commerce market in Latin America."

As of Aug. 1, the Brazilian government added a 17 percent tax on imported goods valued at up to $50 to level the playing field between smaller local businesses and cross-border merchants like Shein and rival Temu.

Regardless of where Shein starts shipping goods, Rodriguez told Sourcing Journal the e-commerce company will remain focused on Brazil, one of its top five global markets.

"I expect Shein's exports from Brazil to neighboring Argentina, Uruguay, Paraguay, Chile and Colombia will play a minor role in its strategy," Rodriguez said. "The main goal is to grow and better fulfill orders in Brazil first. The higher air freight rates for intra-regional trade and subpar connectivity [between countries] are two key obstacles to overcome."

The scaling of Shein's supply chain in Brazil comes as the company reportedly plans to build a factory in Mexico to further localize apparel production. The moves come as U.S. Congress is assessing potential changes in the de minimis law for companies with roots in China and Russia.

"This situation is definitely on Shein's radar, for which producing in Mexico becomes a natural second step in Latin America to safeguard its dominant position in the U.S. market," said Rodriguez.

In a post on LinkedIn, Magalhaes said she also discussed the processes involved in manufacturing locally for Shein at the event, and talked about new collections coming out for the holiday season, including products across plus-size, fitness and underwear. Shein will focus on manufacturing products that allow it to maintain competitive prices in the country, such as denim and knitwear, she said.

"That's only the beginning, but we're [on] the right track," Magalhaes said on LinkedIn. "We believe in change, we believe in revolutionizing the industry, we believe in a new way to do business and most importantly we believe in Brazil to make the beauty of fashion accessible to all."

Last month, Shein extended its EvoluShein by Design platform to six independent creatives in its Design Incubator Program. Critics attacked the "greener" design ethos when the e-tailer first announced it last year, with one expert at the time saying Shein's sustainability "claim would only be credible if at the same time the company stops fostering throw-away fashion."

Clothing that qualifies for EvoluShein by Design contains a minimum of 30 percent "preferred" materials, which for Shein could be recycled polyester, eco-friendly viscose or deadstock from a supplier like partner Queen of Raw. Manufacturers must comply with stringent environmental and social standards based on third-party audits.

Industry watchers say that inviting designers Alexandria Carroll, Anke Wonder, Farah Naz, Jacqueline City, Lauren Flagg, and Lillian Butterworth onto the platform does little to move the needle.

"Designers should think twice if they really want to have their name tagged to Shein," said David Hachfeld, textiles expert at Swiss watchdog group Public Eye. "A few collections painted in green do not outweigh an opaque business model overly relying on cheap labour and ultra short-lived fashion."

For Becca Coughlan, senior manager of advocacy for Remake, the nonprofit promoting labor rights in fashion, there "really [wasn't] much to say" about incorporating outside designers into EvoluShein by Design.

"This initiative, like others that have come before it, is truly meaningless unless the company is simultaneously (very significantly) reducing its overall annual production and paying its garment workers a living wage," she said.

"There is too much clothing being produced, particularly by Shein, and no amount of 'preferred materials' is going to nullify the company's overall impact. Its business model cannot and will never be 'sustainable'."

Source: sourcingjournal.com– Oct 24, 2023

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APAC growth expected to rise from 3.9% in 2022 to 4.6% in 2023: IMF

The Asia and the Pacific (APAC) region will remain the most dynamic region this year, with economic growth expected to rise from 3.9 per cent in 2022 to 4.6 per cent in 2023, according to the latest economic outlook report for the region released by the International Monetary Fund (IMF).

China and India are projected to jointly contribute about half of world growth in both 2023 and 2024.

IMF staff estimate that Asia's growth will slow to 4.2 per cent in 2024 and to 3.9 per cent in the medium term—the lowest in the past two decades except for 2020.

The emerging market economies of the Association of Southeast Asian Nations (ASEAN) are expected to see a growth of 4.2 per cent in 2023 and 4.6 per cent in 2024—a 0.3 percentage point downward revision relative to April.

The downgrade reflects not only weaker external demand, but also lacklusture domestic demand as a result of monetary policy tightening.

In India, however, growth has been revised up to 6.3 per cent in 2023, due to resilient domestic demand and strong investment inflows.

In Asia's advanced economies, tight financial conditions will hold back demand, while in the emerging markets, relatively accommodative financial conditions will support domestic demand despite monetary policy tightening, but external demand and lackluster investment will be headwinds to growth.

China's weaker near-term growth outlook will weigh on regional growth. The Chinese economy is expected to expand by 5 per cent in 2023 and by 4.2 per cent in 2024.

Compared to the April 2023 World Economic Outlook, this is a downward revision of 0.2 and 0.3 percentage points, respectively.

The latest medium-term growth paths projected for emerging Asia are below pre-pandemic growth trajectories. One reason is lower medium-term growth in China, which is expected to weigh on the outlook for the rest of Asia.

Strong global value chain links to China have translated into strong growth spillovers for the past two decades, which, absent wide-ranging reforms in China, are expected to be weaker.

Growth in Asia's advanced economies (excluding Japan) is slowing, as tight monetary conditions negatively affect interest-sensitive demand and as external demand remains subdued.

In Australia and New Zealand, where higher mortgage payments have lowered real disposable household income, domestic demand growth is expected to slow further.

Growth in South Korea is projected to slow to 1.4 per cent in 2023, while the same in Japan and Singapore has been revised on account of developments in the first half of 2023: up in Japan, to 2 per cent from 1.4 per cent, and down for Singapore to 1 per cent from 1.5 per cent earlier.

The near-term outlook remains favorable for many of Asia's frontier markets and small states, supported by lower commodity price pressure and increased tourist inflows.

In Sri Lanka, the economy is bouncing back from the economic crisis, on the back of reduced inflationary pressure and easing foreign exchange pressures.

Growth momentum remains robust in other South Asian frontier market economies (Bangladesh, Bhutan, Maldives, Nepal), with near-term growth exceeding 5 per cent in this region.

The growth outlook varies across Southeast Asia (Cambodia, Lao P.D.R., Myanmar), reflecting a diverse set of economic conditions and challenges.

Inflation is projected to continue the decline toward central bank targets. Except for Japan, inflation is expected to return to within target ranges by the end of 2024. This puts Asia ahead of the rest of the world, which, in general, will not see inflation returning to target until at least 2025.

Even in economies where output is still above potential (Australia, Malaysia, New Zealand), gaps will narrow until 2024, and core inflation is expected to moderate.

In China, where food and fuel prices are expected to increase, the baseline outlook is for a gradual increase in inflation as output gaps close.

In Japan, core inflation has reached a historically high level due to strong domestic demand and rising wages, and it is expected to stay above 2 per cent until early 2025.

Source: fibre2fashion.com– Oct 24, 2023

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The EU strategy for sustainable and circular textiles: What does it mean for Bangladesh?

Practicing sustainable and circular production is no more a choice rather an imperative for Bangladesh apparel industry to sustain its export

The European Commission has recently created a sustainable directive for textile industry by launching the EU Strategy for Sustainable and Circular Textiles. The proposed strategy will impact both consumers and companies within and outside the EU, and aims to increase transparency, sustainability, and circularity throughout the textile chain.

The Commission's strategy is formulated based on data that speaks to the environmental degradation caused by the textile industry. Currently, less than 1% of the world's textiles waste is recycled into new fibres for clothing.

Worldwide, a truckload of textiles is sent to landfills or incinerated every single second, while in Europe specifically, textile consumption has the fourth highest environmental impact after climate change, food, housing and mobility.

The textile sector is also worldwide the third highest user of water and land, and fifth highest user of primary raw materials and greenhouse gas emissions, according to the data provided in the Commission's Strategy.

So, the EU Commission's proposed strategy intends to make textiles more durable, repairable, reusable and recyclable. There are some specific measures and regulations the EU plans on implementing with the strategy, which Bangladesh as a major apparel exporter to the EU, must be aware of.

One of the measures is mandatory minimums for the inclusion of recycled fibres in textiles. By revising the Waste Framework Directive review in 2023, the EU encourages the reuse and recycling of textile waste.

The Commission also plans on introducing a Digital Product Passport for textiles; based on mandatory information requirements on circularity and other key environmental aspects.

The passport will give clearer information on apparel products to ensure consumers know the environmental impacts of their purchases (energy use, recycled content, presence of substances of concern, durability, reparability, repair score, recyclability). The EU also announced a clear and concrete pathway for the textiles industry to achieve the 2030 goals set by the Textiles Strategy.

So, apparel brands and retailers based in Europe are already making changes to be more pragmatic in sustainability and waste management strategies. Because the proposed EU Strategies also put emphasis on empowering consumers by setting up tight controls on greenwashing.

In this backdrop, practicing sustainable and circular production is no more a choice rather an imperative for Bangladesh apparel industry to sustain its export.

The EU accounts for about 60 percent of Bangladesh's total apparel export. In recent years, Bangladesh apparel industry has made commendable strides in safety and sustainability.

However, adhering to the new EU Strategies means much more to install and implement in Bangladesh's apparel industry, as far as sustainability is concerned. An explanation of these sustainability requirements will require a whole different write-up, which I would like to highlight in my next piece.

In this write-up, I intend to limit the discussion to the circularity concern. The EU strategies underscore that Bangladesh apparel industry should make the shift from linear to circular production. The pertinent question is – are we ready?

According to a research conducted by Reverse Resources, the export-oriented garment factories in Bangladesh produce an estimated 400,000 tons of textile cutting waste (known as 'jhut').

The major portion of this pre-consumer waste is currently exported to India or downcycled to low value use cases. There are only a few recycling plants in Bangladesh so far, which are insufficient to recycle the annual 400,000 tons of pre-consumer waste generated by the industry.

For promoting circularity in Bangladesh apparel industry, closing the textile loop within the country is really crucial; so, the importance of establishing more recycling centres in the country cannot be overstated.

However, the local waste collection and distribution is till now highly informal and fragmented in the country. Therefore, for smooth supply of raw materials/textile waste to the recycling plants, formalisation of this informal market is needed.

The government intervention along with the industry's willingness can ensure the formalisation of the 'jhut' market. Moreover, incentive to the apparel manufacturers provided by the government for the practice of reusing and recycling of textile waste can accelerate the momentum of circularity in Bangladesh apparel industry.

There is no doubt that adopting a circular business model is vital for our apparel sector for continuing our export to the EU and also to prepare ourselves for the upcoming changes due to LDC graduation.

Source: tbsnews.net– Oct 24, 2023

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Going green critical for the fashion industry to tap opportunities from trade deals

Transitioning to eco-friendly and sustainable practices has become essential for Việt Nam's fashion sector if it wishes to benefit from free trade agreements (FTAs), including the trade agreement with the UK, and increase its presence in the global market.

Following the COVID-19 pandemic, worldwide consumers have become more attentive to environmental and health concerns. Many brands are now opting for the incorporation of green and sustainable materials in their products.

Vũ Đức Giang, Chairman of the Việt Nam Textile and Apparel Association (VITAS), said that participation in new-generation FTAs was opening significant opportunities for the garment and textile industry with commitments in the trade liberalisation roadmap.

However, the FTAs also required Việt Nam's products to meet more stringent standards in terms of green and sustainable production, recycling, emissions, working conditions, and garment durability and safety to be able to maintain and expand global market shares, he said.

The association's updates showed that the export of garment and textile products was estimated at $30 billion in January - September, a drop of 12 per cent over the same period last year, due to falling global demand resulting from the impacts of high inflationary risk and rising global economic uncertainties which forced consumers to tighten their spending. Besides the impacts of the global economic slowdown, Việt Nam's exports of garment and textile products were affected by commitments in FTAs related to rules of origin, environmental protection, and low emissions, he said.

Vũ Kim Hạnh, President of the Business Association of High-Quality Vietnamese Products, said that the green and sustainable fashion industry was a global trend with the green factor integrated into every process from production, design, distribution, and consumption to gradually form sustainable value chains.

Still, the concept of green fashion was new in Việt Nam where fast fashion remained dominant, she said.

Meanwhile, green and sustainable fashion was becoming mainstream in the European markets, she said, adding that green fashion helped protect the environment, save resources, and reduce waste.

Trần Ngọc Liêm, Director of the Việt Nam Chamber of Commerce and Industry's HCM City chapter, said that with a vision for 2050, digitalisation and greening had become vital trends for the garment and textile industry of Việt Nam.

If Việt Nam failed to keep up with the global trend, the world's third-largest garment exporter could gradually lose its competitive advantage, he stressed.

Increase share in the UK

Going green is becoming vital for Việt Nam to tap opportunities arising from the UK–Việt Nam Free Trade Agreement (UKVFTA) to expand exports to the UK, a market which is aiming to develop a more circular fashion industry.

In early September, the UK Fashion and Textile Association (UKFTA), the British Fashion Council (BFC), and UK Research and Innovation (UKRI) launched the Circular Fashion Innovation Network with a two-year ambition to create an industrial-scale change programme for the UK fashion and textile industry towards circularity and innovation.

Statistics from the General Department of Customs showed that Việt Nam's export of garment and textile products to the UK reached $765 million in 2022, or 12 per cent of the UK's total import from Việt Nam, an increase from the export value of $462 million in 2021.

A report by the Import–Export Department under the Ministry of Industry and Trade showed that Việt Nam was the 12th largest supplier of garment products to the UK in the 2017-21 period with a market share of around 2.2-2.8 per cent. During this period, the UK imported, on average, more than $20 billion worth of garment products each year, mainly from China and Bangladesh – the world's two largest garment exporters.

According to the report, Việt Nam had competitiveness from the UKVFTA, but garment products from China were more competitively priced in the UK market, and Bangladesh still enjoyed preferential tariffs, being a developing country exporting to the UK.

There were significant opportunities to increase the export of garment products to the UK because this country was reducing imports from the EU and increasing imports from countries outside the bloc after Brexit, including Việt Nam.

It was essential for Vietnamese enterprises to meet requirements and standards for garment products to expand exports to the UK, the report said. One of the latest requirements was the UKCA marking, which came into force at the beginning of this year.

Under the UKVFTA, the UK removed 42.5 per cent of tariff lines on garment products from Việt Nam from January 1, 2021, and the rest are being eliminated within six years. By that time, competitors such as Bangladesh, Cambodia, and Pakistan would no longer have a competitive advantage in terms of tariffs.

The report pointed out that commitments to the rule of origin under the UKVFTA remain a significant challenge for Việt Nam's textile and garment industry, which still heavily relies on imported fabrics and raw materials, around 70 per cent, and undertakes outsourcing contracts.

Thus, in the short term, the UKVFTA would not create a strong push for the garment and textile industry of Việt Nam like what was seen in the period of joining the World Trade Organisation or signing the Bilateral Trade Agreement with the US.

However, in the long term, the UKVFTA's "fabric onwards" rules of origin, combined with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership's "yarn onwards", would encourage the formation of a closed production chain from upstream to finished products, which would help increase added value.

"The UKVFTA is expected to bring long-term benefits to Việt Nam's textile and garment industry in increasing exports to the UK, diversifying markets, and limiting risks from global fluctuations," the report wrote.

The solution to the fabric shortage and to benefit from the UKVFTA lies in the accumulation principle regarding the origin of fabric materials from the Republic of Korea, Japan, and the EU. Việt Nam could also use fabric imported from countries that have or will sign FTAs with the UK for production in Việt Nam. Thus, Vietnamese enterprises must enhance production capacity and seek trans-regional raw material supplies or develop domestic sources.

Furthermore, to expand exports to the UK, products must meet requirements concerning safety, environmental protection, and consumer health protection, the department stated in the report.

The department also encouraged Vietnamese garment firms to focus on human rights and climate change adaptation in production.

All the UKVFTA's requirements prompted Vietnamese firms to enhance product quality to ensure sustainable export. This would be achieved by improving production capacity, establishing closed and sustainable value chains, innovating technology, diversifying products, building brands, and strengthening environmental, social, and corporate governance (ESG) along with accelerating digitalisation and green production.

According to Giang, the garment industry recognised that sustainable development was a crucial trend when targeting markets globally, especially those with new-generation FTAs.

Vietnamese enterprises should invest in green production, augment recycling, and set up closed value chains to create momentum for growth from 2023 onwards.

Giang predicted that garment exports would reach around $40 billion this year.

The garment export value was $44.5 billion in 2022, an increase of about 11 per cent compared to 2021, positioning Việt Nam as the third-largest exporter of garment products, following China and Bangladesh.

Source: vietnamnews.vn– Oct 25, 2023

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Vietnam's Jan-Sep 2023 exports to US $70.23 bn, garments worth $11 bn

Vietnam's exports to the United States were worth an estimated $8.11 billion in September, taking the total exports to that country in the first nine months this year to $70.23 billion. Garments exports to the latter were worth $11 billion in the nine months.

This makes the United States the biggest importer of commodities from Vietnam during that period, while the latter's imports from the former were worth $10.26 billion.

Bilateral trade increased from $25 billion in 2012 to $123 billion in 2022.

Vietnam wants to import raw materials like cotton, animal feed, maize, soybean, chemicals from the United States, the advantage being cleaning up the supply chain, with input materials for production having clear and certified origin, Vietnamese media reports said quoting minister of industry and trade Nguyen Hong Dien.

Source: fibre2fashion.com– Oct 20, 2023

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Pakistan: Spinning a yarn

Spinners are demanding various concessions claiming that the increase in power and energy tariffs have made them non-competitive, yet the 33.5 percent increase in yarn exports in the first quarter of this fiscal speaks otherwise.

This is the period when power and energy rates were jacked up. Pakistan exported 114,818 metric tonnes of cotton yarn worth $315.40 million during the July-Sept 2023 quarter compared with exports of 73,209 metric tonnes of yarn worth $236.26 million.

Energy and power is a major input for the spinning sector. During the month of September, yarn exports increased by 49.8 percent to 41,563 metric tonnes compared with the yarn exports of 22,545 tonnes achieved during September 2022.

Yarn exports in fact were the highest among all manufactured textile items during the first quarter of this fiscal. Textile exports declined to $4.12 billion in Q1 from $4.58 billion achieved during the corresponding period of last fiscal. This depicts a decline of 9.95 percent.

In September, the textile and clothing exports declined by 10.88 percent to $1.36 billion from $1.52 billion in the same month last year. Caretaker Commerce Minister Gohar Ejaz last month announced to offer regionally competitive energy prices to textile exporters and resolve their cash flow issues by releasing pending sales tax refunds. Nothing has been done in this regard.

The most disturbing aspect of decline in exports is the decline in value-added exports.

The fact that there was an increase in volumes of both Knitwear and readymade garments showed that our exporters did get higher orders, but were forced to lower the rates due to global recession. With the global situation improving the value-added sector might recover per unit value.

The Pakistan Bureau of Statistics data showed the exports of readymade garments shrank 11.21 percent in value in July-September, but grew by 8.24 percent in quantity; while knitwear dipped 15.83 percent in value, but grew 34.14 percent in quantity; and similarly, bedwear posted a negative growth of 10.02 percent in value, growing 1.39 percent in quantity.

The exports of textile and clothing contracted by 14.63 percent to $16.50 billion in FY23. However, the total merchandise exports dipped 12.71 percent to $27.54 billion from $31.78 billion in the preceding year.

Towel exports slightly increased by 2.89 percent in value and 16.24 percent in quantity, whereas those of cotton cloth dipped by 18.15 percent in value and 7.50 percent in quantity.

Textile millers are demanding regionally competitive power and gas tariff, as well as return to zero-rating regime to compete globally.

The increase in exports in volume of cotton yarn, cotton cloth, knitwear and readymade garments depicts that that export volume has increased meaning that the exporters obtained higher orders, but the value in dollars declined in line with the rates quoted by our competitors.

Another depressing news was the decline in the import of textile machinery by 75.38 percent in July-September. Pakistan lags behind its competing economies in technology and quality of textile machinery.

But it looks like expansion or modernisation projects are not the priority of our textile players. Most of the spinning industry is operating on outdated spindles that consume more power and more man power.

Source: thenews.com.pk– Oct 24, 2023

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NATIONAL NEWS

Union Minister of Commerce and Industry Sh. Piyush Goyal to attend 7th 'Future Investment Initiative' in Riyadh, Saudi Arabia

Union Minister of Commerce and Industry, Consumer Affairs, Food & Public Distribution, and Textiles, Sh. Piyush Goyal will be attending the 7th Edition of Future Investment Initiative (FII) in Riyadh, Saudi Arabia from 24th to 25th October 2023. During the course of the event, the Minister would meet Kingdom of Saudi Arabia (KSA) dignitaries including the Energy Minister of KSA, His Royal Highness (HRH) Prince Abdul Aziz Bin Salman Al-Saud; Commerce Minister, His Excellency (H.E.) Majid bin Abdullah AlKassabi; Investment Minister, H.E. Khalid A. Al Falih; Industry and Mineral Resources Minister, H.E. Bandar bin Ibrahim AlKhorayef; and Governor Public Investment Fund (PIF), H.E. Yassir Rummayyan among others.

Shri Piyush Goyal will co-chair a conclave session on the theme "From Risk to Opportunity: Strategies for Emerging Economies in the New Industrial Policy Era" along with the KSA Investment Minister. He will interact with the Indian community that forms an influential part of the Saudi economy. He is also expected to meet business leaders and leading CEOs from across the world.

FII Institute is a global nonprofit foundation, launched by KSA. It aims to gather Government and business leaders from around the world to discuss new pathways for investment with the goal to create a global "Impact On Humanity". Its four areas of focus are Artificial Intelligence (AI) & Robotics, Education, Healthcare, and Sustainability.

Theme for the 7th Edition of FII is "The New Compass" that focuses on the New Global Order. The event is expected to witness participation from world's leading investors, business leaders, policymakers, inventors, and explorers.

In subsequent meetings, the attendees will come together to deliberate and discover the new markets and navigate new frontiers of economic growth and prosperity.

KSA is one of India's most important strategic partners. The trade between both countries reached an all-time high of USD 52.75 billion in FY 2022-23. Cooperation between the two countries can also be witnessed with the establishment of India-Saudi Arabia Strategic Partnership Council (SPC). Established in 2019, it aims to enhance the relationship between the two countries and has two main pillars: the 'Committee on Political, Security, Social, and Cultural Cooperation' and the 'Committee on Economy and Investments'. India is the fourth country with which Riyadh has formed such a partnership, after the UK, France, and China.

In September 2023, the Prime Minister of India, Shri Narendra Modi and KSA Crown Prince, HRH Mohammed Bin Salman Al Saud co-chaired the first summit-level meeting of SPC.

The meeting focused on critical areas such as energy security, trade and investment, defence and security, healthcare and food security. The Prime Minister envisions cooperation between the two large and fast-growing economies of the world as this mutual cooperation is important for peace and stability in the entire region.

In this context, the presence of Union Minister of Commerce and Industry, Shri Piyush Goyal in the 7th FII is expected to further enhance the strategic partnership and joint cooperation between the two countries in various fields.

Source: pib.gov.in – Oct 24, 2023

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India-UK FTA: Efforts on to also finalise dispute settlement in investment pact

India and the UK are progressing towards a common ground on dispute settlement, the most controversial part of the Bilateral Investment Treaty (BIT) being negotiated, in a bid to ensure that the investment pact gets simultaneously concluded with the Free Trade Agreement (FTA) in goods and services which is at an advanced stage of discussion, sources have said.

“Most of the issues in BIT have been settled. There are some areas left like Investor-State Dispute Settlement (ISDS) that need more work. But both sides have changed their stance during the current negotiations and become more flexible.

The UK is attempting to be more accommodative in its demand for international arbitration and may allow local remedies to be tried first with certain caveats. The concern around the `exhaustion of local remedies’ clause in ISDS is related to the time it takes to settle disputes in India and needs to be addressed. You cannot make investors to wait for ten years,” a source close to the development said.

Deal Ambiguity

Although negotiators of the India-UK FTA have been trying their best to close some remaining gaps in areas related to market access for goods and services and rules of origin in time for the proposed India visit of British Prime Minister Rishi Sunak this month-end, things are still not quite final.

“There has been no official announcement yet of the British PM’s proposed visit to India although unofficially both sides have been talking about it. Moreover, all issues related to the India-UK FTA have not yet been ironed out though efforts are on continuously. So, it is wait and watch for all,” the official said.

Ambitious Target

The FTA, when implemented, is likely to help the two countries double bilateral trade to $100 billion by 2030.

In the area of investments, India had first proposed a pact based on the Model Bilateral Investment Treaty (BIT) drafted by the Finance Ministry. However, the UK showed less inclination towards this proposed pact as it allowed investors to go for international arbitration only after exhausting local remedies. The UK wanted that international arbitration should be allowed without going to local courts first.

“A middle-ground is likely to be arrived at on the issue of local remedies by meeting UK’s concern on the time taken to arrive at judgements on disputes locally,” the source said.

While there was a strong buzz about the India-UK FTA being concluded first independently of the BIT, all efforts are still being made to ensure that both are finalised simultaneously, the source added.

Source: thehindubusinessline.com– Oct 24, 2023

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Union Textiles Minister Shri Piyush Goyal Launches Website of "Kasturi Cotton Bharat"

Shri Piyush Goyal, Hon'ble Union Minister of Textile, Commerce & Industry, Consumer Affairs and Food & Public Distribution, today launched website https://kasturicotton.com of Kasturi Cotton Bharat. This website provide a digital platform for necessary information and updates on this initiatives and highlights the registration process for ginners to produce Kasturi Cotton Bharat Brand and its processes that make the branded Indian cotton unique.

The Kasturi Cotton Bharat is a joint initiative by the Ministry of Textiles, the Cotton Corporation of India, Trade Bodies & Industry to work on the principle of self-regulation by owning complete responsibility of Branding, Traceability and Certification of Indian Cotton to enhance its' competitiveness in the global market and create a sustainable ecosystem for all stakeholders involved.

Earlier, on the eve of World Cotton Day on 7th October, Ministry of Textiles announced the "Kasturi Cotton Bharat" brand of cotton by which Indian cotton has been endowed with a brand and a logo that represents Whiteness, Softness, Purity, Lustre and Indianness. Thereafter, an MoU has been signed between CCI on behalf of Govt. of India and TEXPROCIL on behalf of the Textile Industry on 15th December 2022 for a mission-mode approach in positioning of Kasturi Cotton Bharat brand.

All the ginners in the country have been empowered to produce Kasturi Cotton Bharat brand as per stipulated protocol. Besides this, to provide complete traceability of Kasturi Cotton Bharat across the supply chain, QR based certification technology will be used at each stage of the processing and a blockchain based software platform will provide end to end traceability and transaction certificate.

Speaking on the occasion, Textile Minister remarked that "with the Kasturi Cotton Bharat Initiative, we are not just launching a brand, we are sharing India's rich heritage with the world. Let's weave a future that echoes our past." In an era of global competition, this initiative will strategically position Indian cotton on the world map for its quality standards and commitment to best practices, said the Shri Piyush Goyal.

Source: pib.gov.in – Oct 21, 2023

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"Bharat Tex 2024" to be organised from February 26-29, 2024 in New Delhi

Union Minister of Textiles, Commerce & Industry, Consumer Affairs and Food & Public Distribution Shri Piyush Goyal lauded industry bodies of the textile sector for their initiative in organising Bharat Tex 2024- the world's biggest ever textiles event in the world. He was presiding over the curtain raiser event for the show at Vanijya Bhavan, New Delhi today.

Speaking at the event Shri Goyal emphasized that Bharat Tex 2024 Expo is not just an event but a testament to India's commitment to becoming a global textile powerhouse.

With innovation, collaboration, and the Make in India spirit at its core, this expo is the embodiment of India's 5F vision - Farm to Fibre to Factory to Fashion to Foreign, making products not just for India but for the entire world, he said adding that India is not afraid of global competition now. He exhorted the industry to build their brands that are globally recognised and simultaneously build India is a brand.

Shri Goyal expressed the hope that the marquee event, Bharat Tex 2024 Expo, would propel the industry's growth and showcase India's potential as a mature, competitive global sourcing destination in the global textile industry. He asked the organizers to make the fair compelling and engaging for the visitors.

Textile Minister also launched the fair logo, website and video at the event. He urged the industry to use this event to highlight India's global strengths, its sustainability initiatives as well as its strengths across the value chain.

"Bharat Tex 2024" is scheduled to be held from 26-29 February 2024 at New Delhi. It is envisaged to be the biggest textile event at the global level, with exhibitors and buyers from over 40 countries. Bharat Tex 2024 would be a comprehensive showcase of the entire textile industry value chain, from India's rich cultural heritage and textile traditions to the latest technological innovations.

With over 1,000 exhibitors and more than 30,000 visitors from 40 countries, this mega event would include knowledge sessions, seminars and conferences, CEO roundtables, B2B & G2G meetings, besides strategic investment announcements, product launches and collaborations that would redefine the textile industry on a global scale. Live demonstrations, cultural events, and fashion presentations will provide an exceptionally creative and engaging environment, providing insights into the realms of textile, fashion, sustainability, and style originating from the heart of India.

Designer as well as brand exhibitions, fashion shows, sustainability workshops and expert talks shall be the other highlights of the event. Bharat Tex 2024 is being planned as a consolidated and unique platform to position and showcase India's entire textile value chain and also highlight strengths in fashion, traditional crafts and sustainability initiatives.

Speaking on the occasion, Smt Rachna Shah, Secretary, Ministry of Textile said that there is a huge opportunity for Textile industry to increase its exports and hence Bharat Tex 2024 comes at the right time. It would not be just an exhibition, but an immersive experience, she added. The expo will be a unique platform to bring together leading players from the Indian and Global textiles sector, besides highlighting the numerous existing and emerging opportunities, robust infrastructure, attractive incentives, and other benefits available in India for global investors and buyers, Textile Secretary added. It would also represent a unique platform for global investors and buyers to explore India's strengths as a global manufacturer and consumer market, she said.

The event is an industry led initiative and is proposed to be organised jointly by the 11 Textile related Export Promotion Councils (EPCs) and other industry bodies. Shri Naren Goenka, Chairman Apparel Export Promotion Council (AEPC) and Shri Bhadresh Dodia, Chairman Manmade and Technical Textiles Export Promotion Council (MATEXIL) made detailed presentations on the activities proposed in the fair.

The curtain raiser event was attended by industry associations, textile sector industry leaders besides senor officers from ministries.

More information about Bharat Tex 2024 Expo available at www.bharat-tex.com

Source: pib.gov.in – Oct 21, 2023

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India set to be world's third-largest economy by 2030, says S&P Global

India will become the world's third-largest economy, overtaking Germany and Japan, by 2030 on the strength of its youthful demographic profile and rapidly rising urban household incomes, S&P Global Market Intelligence has projected.

Now India is in fifth position.

That will result in India becoming the second-largest economy in the Asia-Pacific region, after China. Only the US is a bigger economy than China now.

"India's nominal GDP measured in USD ($) terms is forecast to rise from USD 3.5 trillion in 2022 to USD 7.3 trillion by 2030. This rapid pace of economic expansion would result in the size of (Indian GDP) exceeding Japanese GDP by 2030, making India the (second-largest) economy in the Asia-Pacific region," S&P Global Market Intelligence said in its latest issue of PMI.

By 2030, India's GDP is forecast to surpass Germany's too.

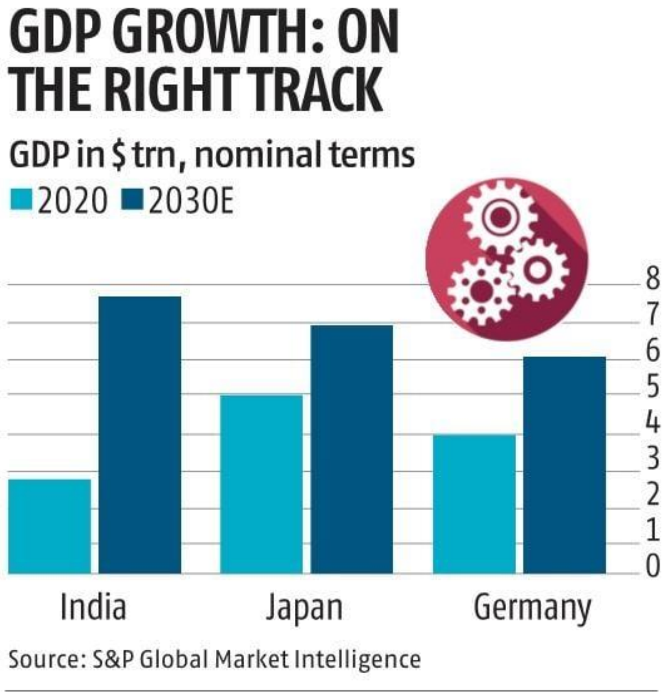
Though the data-information company did not use the description of India becoming the "third-largest economy", that was almost clear when it pointed out that by 2022, the size of India's GDP had become larger than the GDP of the UK and France.

By virtue of that, India had become the fifth-largest economy in 2022.

While various agencies have forecast India to become the third-largest economy in the foreseeable future, there is no consensus on when it will be.

According to the International Monetary Fund (IMF), India will become the third-largest economy before 2030. It is likely to achieve the status in 2027.

By then, India's economy would be $5.43 trillion against Germany's $5.33 trillion. Japan would be the fifth-economy by that time at $4.57 trillion. India would become larger than Japan by 2026.



India's economy would be $4.95 trillion that year against Japan's at $4.71 trillion, according to the IMF.

Unlike the IMF, the S&P Global Market Intelligence has shown Japan as a bigger economy than Germany currently as well as in 2030.

At home, Prime Minister Narendra Modi has often reiterated India's growth story to the electorate. Earlier this year, he had expressed confidence that India would be among the top three economies in the world during his "third term".

S&P Global said after two years of rapid economic growth in 2021 and 2022, the Indian economy continued to show sustained strong growth in 2023.

The near-term economic outlook is for continued rapid expansion during the rest of 2023 and 2024, underpinned by strong growth in domestic demand.

In real and rupee terms, India's economy grew 6.1 per cent and 7.8 per cent in the first and the second quarters of 2023, and that was the fastest among the large economies.

However, the size of the economy is measured in terms of nominal or current prices.

Pointing out that foreign direct investment in India has been strong despite moderation in 2022-23, S&P Global said the acceleration of such inflows over the past decade reflected the favourable long-term growth outlook for the Indian economy.

"Although FDI inflows moderated to USD 71 billion in the 2022-23 (from USD 85 billion in 2021-22), this compares with FDI inflows of just USD 4 billion in 2003-04," it rolled out statistics.

S&P Global expects India to continue to be one of the world's fastest-growing economies over the next decade.

It said an important positive factor for India was its large and fast-growing middle class, which was helping to drive consumer spending.

The rapidly growing Indian domestic consumer market, as well as its large industrial sector, has made India an increasingly important investment destination for a wide range of multinationals in many sectors, including manufacturing, infrastructure and services, the report said.

Source: business-standard.com– Oct 24, 2023

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Ascent of yuan in India's indirect trade with Russia

NEW DELHI : India's trade with Russia in yuan is gathering pace as Russian exporters prefer being paid in the Chinese currency, two people close to the matter said. The trades are routed through global financial centres like Singapore and Dubai.

Russia's trade with China hit a record after its invasion of Ukraine, and the Western sanctions that followed redirected much of its energy exports to Asia. While India is yet to set up a smooth payment mechanism with Russia, about 95% of Russia-China trade is settled in rubles and yuan, according to the Russian government.

Russian exporters trading with India through Singapore and Dubai prefer the Chinese currency with greater global acceptance, one of the two people said on condition of anonymity.

The move comes as a setback for India's attempts to boost the use of rupee in international trade. A payment mechanism India has planned with Russia has failed to take off, as the trade deficit between the two swelled sevenfold in the last fiscal year alone to cross $40 billion.

"Both India and Russia want to firm up rupee-ruble trade. However, much more needs to be done (on this front)," the second person added.

On 15 January, Mint first reported that Russian buyers are offering payments to Indian exporters in yuan, even as the Reserve Bank of India (RBI)-backed rupee settlement mechanism was off to a slow start.

Recently, Indian exporters told the Parliamentary Standing Committee on Commerce that the lack of understanding and awareness among banks is causing difficulties for exporters.

Banks often refuse to provide a Bank Realization Certificate (BRC) when the payment is received in rupees, they said. BRC is a document exporters require to claim benefits, including duty drawback.

"Business is still happening with Russia. It's not the case in Iran, where no other (currency) option was there, so large exports have happened through rupee payments. Here, other options are continuing. Also, the trade will take time to pick up using a new mechanism unless they are forced," said Ajay Sahai, director-general and chief executive of the Federation of Indian Export Organisations.

Spokespeople for the commerce and finance ministries didn’t respond to emailed queries.

Russian exporters, including state-backed entities, currently hold about $8 billion in Vostro accounts set up to facilitate trade in Indian rupees, Mint reported on 18 October. While some Russian money is invested in Indian securities, a big chunk remains in these accounts due to a lack of investment opportunities in India for Russians and the continued volatility in exchange rates.

Though Russian exporters want to repatriate their money, they are unable to do so under current circumstances, said the second person mentioned above.

Indian importers typically pay for Russian oil in currencies like dirhams (UAE currency) and dollars, but according to a recent Bloomberg report, India has rejected demands of Russian oil companies for payment in yuan amid tensions with China.

Source: livemint.com– Oct 24, 2023

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US emerges as India's biggest trading partner during April-September this fiscal; China at second

The US has emerged as India's biggest trading partner during the first half of the current financial year despite global economic uncertainties and declining exports and imports, according to government data.

According to the provisional data of the commerce ministry, the bilateral trade between India and the US has declined by 11.3 per cent to USD 59.67 billion during April-September 2023 against USD 67.28 billion in the same period last year.

Exports to the US have come down to USD 38.28 billion during April-September 2023 from USD 41.49 billion a year ago.

Imports also declined to USD 21.39 billion during the first six months of the current fiscal compared to USD 25.79 billion in the same period last year.

Similarly, the two-way trade between India and China also dipped by 3.56 per cent to USD 58.11 billion.
Exports to China contracted marginally to USD 7.74 billion during the first half of the current fiscal from USD 7.84 billion in the year-ago period. Imports fell to USD 50.47 billion from USD 52.42 billion a year earlier.

Trade experts believe that though exports and imports are declining between India and the US due to global demand slowdown, the growth rate will enter a positive zone soon.

Despite this, the trend of increasing bilateral trade with the US will continue in the coming years as New Delhi and Washington are engaged in further strengthening the economic ties, they said.

Chairman of the CII national committee on EXIM Sanjay Budhia has earlier stated that an early solution for restoration of GSP benefits by the US to Indian exporters is the need of the hour as it would help further boost the bilateral trade.

Mumbai-based exporter Khalid Khan said that going by the trend, the US will continue to be the biggest trading partner of India despite the global challenges.

Ludhiana-based exporter SC Ralhan said that the trade between New Delhi and Washington will continuously grow in the coming years.

"The US should seriously consider restoration of Generalized System of Preferences (GSP) benefits to domestic exporters as it would significantly help boost trade," Ralhan noted.

America is one of the few countries with which India has a trade surplus.

The US was India's biggest trading partner in 2022-23. The bilateral trade between India and the US rose 7.65 per cent to USD 128.55 in 2022-23 against USD 119.5 billion in 2021-22. It was USD 80.51 billion in 2020-21.

Earlier, China was India's top trading partner from 2013-14 till 2017-18 and also in 2020-21. Before China, the UAE was the country's largest trading partner.

In 2022-23, the UAE, with USD 76.16 billion bilateral trade, was the third largest trading partner of India, followed by Saudi Arabia (USD 52.72 billion) and Singapore (USD 35.55 billion).

During April-September 2023, the bilateral trade between India and the UAE stood at USD 36.16 billion.

Source: economictimes.com– Oct 22, 2023

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Niti Aayog explores ways to reduce trade gap with China

Government's economic policy think tank Niti Aayog has initiated a study on how to reduce dependence on Chinese imports and reduce trade gap with the northern neighbour while simultaneously rolling out the process of identifying at least 12 sectors which have the potential to transform the country into a manufacturing hub.

Study on China is part of the bigger process to align India's trading strategies with emerging geopolitical situations and political risks to safeguard supply chains. In certain industries China is central to certain supply chains that raises its vulnerability during crisis situations.

Apart from building local manufacturing capabilities to reduce Chinese dependence, the study will also examine the global trade flows to recommend how India may diversify its imports to other trading partners in specific product categories.

The Niti Aayog has invited bids from consultants to lead the two studies in areas of reducing trade gap with China and boosting local manufacturing. Last day of submission of the two bids is 7th November While the two studies will be conducted separately their areas overlap.

The group examining ways to reduce trade deficit with China will have to identify product categories where India has comparative advantage to scale up exports to China. The study will also examine tariff and nontariff barriers, regulatory ecosystem and market access concerns for Indian exports to China.

The China study group will also have to recommend key policies to boost domestic production and productivity in sectors not only to reduce the trade deficit with China but also to capitalise on global supply chain shifts. Analysis of the type and quantum of foreign investment which may bridge the technology gap and utilise the abundant domestic manpower for competitive products will alos be the part of the study.

India's trade deficit with China is increasing each passing year. In FY 23 it touched $83.1 billion from $53.5 billion in FY 19. Last year, of the total trade deficit of India, China accounted for $263 billion, China's share was 32%.

India largely imports capital goods from China, followed by intermediate goods, consumer goods and raw materials.

The objective of Research Study on sectors for India to be a global manufacturing hub is to identify the sectors with most significant opportunities by analysing future trends in manufacturing, industrial capabilities, infrastructure, policy framework, and market potential. The study will analyse at least 12 sectors and their future trends.

It will also assess the infrastructure requirements, including transportation, logistics, power supply, and digital connectivity, for each identified sector. Policy framework, including regulatory environment, tax structure, trade agreements, and ease of doing business, relevant to manufacturing in India will also be examined.

Manufacturing accounted for 14.7% of India's Gross Domestic Product in 2022-23 and has been languishing around this figure for the past decade despite many efforts made to increase it to 25%.

To boost manufacturing there have been numerous efforts and policy intervention in the past. Now the flagship scheme for the purpose in Production Linked Incentive scheme with an outlay of Rs 1.97 trillion for 14 manufacturing sectors.

Source: financialexpress.com– Oct 25, 2023

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Size of India's textile industry to double by 2030: Report

The market for Indian textiles and apparel manufacturers may touch $ 350 billion mark by 2030 on the back of long-term positive outlook for the Indian economy and a strong focus on emerging areas like technical textiles, home furnishing, specialised fabrics and fashion apparels, according to a report.

The report released by FICCI-Wazir Advisors noted that Indian textile and apparel market size was around $ 165 bn in 2022, including the domestic market of $ 125 bn and exports of $ 40 bn. Given the long-term positive outlook, the market size is projected to grow at a 10% CAGR to reach $ 350 billion by 2030.

The global apparel market was at around $ 1.7 trillion in 2022 and it is expected to grow at a CAGR of around 8% to reach $ 2.37 trillion by 2030. Global Textile & Apparel trade was around $ 910 billion in 2021 and is expected to grow at a CAGR of 4% to reach $ 1.2 trillion by 2030.

According to Ashwin Thakkar, Vice President, Textile Association of India, "Despite this being an El-Nino year, India's cotton production is expected to be good though prospects for cotton production in the US are bleak. This can be a big opportunity for India to capture a greater share in the international market."

Bhavin Parikh, Managing Director, Globe Textile Limited, a leading textile player based out of Ahmedabad, said, "The sales for this ongoing festive season are very good. Demand may not be exceptionally good but it is expected to be steady."

The FICCI-Wazir Advisors report points out that export competitiveness, attaining manufacturing excellence, strengthening the textile value chain, embracing sustainable practices and circular economy, and leveraging government schemes are the key enablers to attain the target.

It also emphasises on automation and digitalization to improve processes and efficiency levels; bringing strong focus on people and skill development, starting leveraging FTAs to tap new markets; developing capabilities and building capacities in synthetic textiles and technical textiles and adopting global best practices for manufacturing excellence.

Commenting on the challenges being faced by the industry, Thakkar said, "We are too dependent on other countries for high performance and high speciality fibres. We need to start manufacturing them domestically so the import dependence can be reduced and we can export those products to other countries also"

Source: financialexpress.com– Oct 24, 2023

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Apparel and textile production witness steep declines following drop in export orders

Steep decline in exports and depressed demand both domestically and globally, have led to more than one-fifth decline (22.6%) in India's garment manufacturing between April and August this year when compared with the same period in 2022. Manufacturers said textiles also witnessed a decline of almost 2% in the same period compared to last year.

Data available with the Confederation of Indian Textile Industry (CITI) on the Index of Industrial Production for textiles and clothing shows that textile production improved slightly (1.6%) in August, though there was a decline in the cumulative index for April - August.

While "wearing apparel" (meaning garments), index dropped 17.1% in August and 22.6% during April-August 2023 as against the corresponding period last year.

However, textile exports grew 11.06% in September 2023 over the previous year while apparel exports registered a decline of 11.23% last month.

A textile exporter near Coimbatore, who did not wish to be identified, attributed several reasons for this decline in manufacturing and exports. He said the Quality Control Order recently introduced by the government, which mandates a Bureau of Indian Standards certification for man-made fibre, including those that are imported, has led to steep decline in exports as textile manufacturers are unable to source these raw materials as per the government's specifications in the international markets.

KM Subramanian, President of Tiruppur Exporters' Association, said most garment exporters have reduced workers' shifts, or, done away with overtime production.

"There is production loss but no job loss," he said. The recent announcement of a drawback in duty hikes is expected to help revive exports, said Mr. Subramanian

Clothing Manufacturers Association of India (CMAI) Chief Mentor Rahul Mehta said, "The domestic market is slow since mid-March". Mr. Mehta added, "sales during the festival season will be higher than August-

September. But compared with last year, the growth is expected to be flat". He said the wedding season after Deepavali might witness an uptick in sales. However, Mr. Mehta warned that "if the low production trend continues for another couple of months, there will be job losses".

Source: thehindu.com– Oct 25, 2023

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Israel-Hamas conflict: Impact on Indian farming and exports

The Israel-Hamas (Palestine) conflict, ongoing for over 17 years, has escalated in the past week, resulting in significant casualties on both sides. This escalation has disrupted the flow of goods, complicating the supply chain between the two nations, with a devastating impact on Israel's agriculture community and related industries. India, a major trading partner of Israel, primarily deals in non-agricultural products and its domestic agriculture and related exports are less likely to be impacted by the ongoing conflict.

The conflict

The Israel-Hamas conflict, which has been going on since 2006 when Hamas took control of the Gaza Strip, worsened in October 2023. It escalated when militants attempted to invade Israel on October 7th, prompting Israel to respond with a declaration of war and complete seizure of Gaza.

Effect on food security

Agricultural Sector's Minor Role in Israel's Economy (as of 2020): Israel's population has steadily grown by approximately two per annually over the past decade. However, the agricultural sector's contribution to GDP decreased from 1.1 per cent in 2020 to 0.9 per cent of total employment in 2021. The economy heavily relies on imports for major agricultural commodities like cereals and oilseeds.

Israel's Transition from an Agrarian Economy to an Agro-Tech Hub: Challenges such as depleting natural water resources and labor shortage led to the emergence of numerous technology firms.

Israel is renowned for its contributions to the world, particularly advanced irrigation and water management technologies such as water desalination, drip irrigation, hydroponics, and robotic farming.

Israel was slated to host Agritech 2023, a global summit in Tel-Aviv scheduled for October 17–18, but it has been indefinitely postponed.

Effect on global supply chain

Israel plays a moderate role in global trade: Israel ranked 50th in global merchandise exports and 43rd in imports, contributing only 0.3 per cent and 0.4 per cent to the world's exports and imports, respectively. Haifa, Ashdod, and Eilat seaports, managed by Israel Ports Development & Assets Company Ltd., handle over 99 per cent of the country's trade. In 2021, Israel was 42nd in container port traffic according to the World Bank. Although Haifa Port, operated by India's Adani Group, is globally low-ranked, it remains operational while the conflict affects southern ports near Gaza. Maritime experts continually monitor the situation until tensions ease.

Israel's vital role as Palestine's largest trading partner (2021 Data): Israel accounted for 86 per cent of Palestine's exports and 53 per cent of imports, with Palestine's 2021 exports at $1.4 billion and imports at $ 7.8 billion. The economy of Palestine depends largely on agriculture, especially for exports. In 2021, nearly 100 per cent of cereals and 76 per cent of vegetables (by value) exported by Palestine went to Israel. Other trade partners include Europe, the Middle East, and North Africa, all facing challenges as the maritime industry becomes cautious due to heightened risks at Gaza Port, Palestine's sole sea gateway.

Palestine is highly dependent on Israel for agri imports, with 45 per cent of cereals, 86 per cent of fruits, and 52 per cent of vegetables imported from Israel (by value). India, the largest rice exporter, accounted for 22 per cent of cereal imports. However, its contribution to fruit and vegetables imports in Palestine is less than 1 per cent.

Israel's trade balance and focus on non-agricultural products: In 2021, Israel's total exports reached $73.6 billion while imports amounted to $107.1 billion. The majority of exports, exceeding 90 per cent, consist of non-agricultural products like fuel, diamonds, and pharmaceuticals. Agricultural exports represent a minor portion, primarily comprising fruits (~54 per cent) and vegetables (~ 20 per cent).

Some of the key agricultural produce exported by Israel are potatoes, carrots, avocados, and citrus fruits. Key export destinations, such as European countries, are likely to experience the impact of the ongoing conflict, resulting in restricted food supply from Israel. This situation potentially creates opportunities for the Indian agricultural sector to prepare for increased demand from European countries.

Israel is a net importer of fresh produce and exports; India plays a minor role as cereal and oilseed supplier: To meet the needs of the growing population, imports have grown two per cent annually to make up over 50 per cent of the country's total agricultural produce supply. Key agricultural imports include cereals (~26 per cent) and oilseeds (~10 per cent).

Most agricultural products are imported from European countries and India plays a minor role in the supply. Additionally, considering exports from India, Israel ranks 36th for cereals and 21st for oilseeds. India primarily exports these products to Asia, Europe, and North America.

Deep Israel-India Agriculture Relationship

India's relationship with Israel in technology and trade: India's ties with Israel are deeply rooted in technology exchange and trade. Their diplomatic relationship, established in 1992, has led to extensive cooperation. Israel has established 30 Centers of Excellence throughout India to enhance agricultural yields and productivity. Several public and private partnerships exist between Indian agribusiness firms and their Israeli counterparts, resulting in pilot projects within the smart farming sector. Some notable collaborations are mentioned below:

- Garuda Aerospace's memorandum of understanding with Israel's Elbit Systems for development of drones for village geography mapping
- SMV Jaipuria Group's 50:50 joint venture with Israel's Watergen to manufacture and export atmospheric water generators from India

India's positive export relationship with Israel and agri sector resilience
India maintains a net positive export relationship with Israel. Major exports to Israel include petrochemical derivatives (such as diesel and chemicals), pharmaceuticals, and various industrial equipment.

While certain Indian sectors, like diamonds and aircraft technologies, are partially dependent on Israeli imports and may witness some impact due to the ongoing conflict, the agriculture sector is less likely to be affected. Anticipated sanctions from the conflict may have limited impact, given Israel's modest share in India's agricultural exports.

Source: thehindubusinessline.com– Oct 22, 2023

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