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USD	EUR	GBP	JPY
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INTERNATIONAL NEWS

Global manufacturing starts Q4 2023 on weak footing as output shrinks

Global manufacturing started the final quarter (Q4) of the year on a weak footing as output contracted for the fifth consecutive month in October, reflecting a further deterioration in new orders, according to S&P Global.

The lack of demand led to a less positive outlook among manufacturers, and optimism dipped to an 11-month low, leading to cut backs in employment, purchasing and inventories, it noted.

The J.P. Morgan global manufacturing purchasing managers' index (PMI) fell to a three-month low of 48.8 in October, down from 49.2 in September and below the neutral 50 mark for the fourteenth consecutive month.

This is the longest sequence of deterioration since the downturn registered between December 2000 to February 2002. Europe remained the principal drag on global factory output in October, harbouring the eight fastest contracting manufacturing nations—Germany, France, the Netherlands, Poland, Czechia, Austria, the United Kingdom and Italy.

There was also a slight dip in production volumes, on an average, in Asia, as strong growth in India and modest expansions in Indonesia and Thailand were more than offset by contractions in China, Japan and some other nations.

The United States eked out a second consecutive mild increase in output volumes, S&P Global said in a release.

The current downturn led to further caution among manufacturers, with October seeing cut backs in staffing, purchasing and inventory holdings. Employment fell for the second month running and to the greatest extent since August 2020.

Job losses were registered in 21 out of the 30 nations for which data were available. These includied China, the United States, Japan, Germany and the United Kingdom. All three of the product categories covered—consumer, intermediate and investment goods—registered lower employment.

Input cost inflation accelerated in October, taking the rate of increase to a seven-month high. Part of the rise in purchase prices was passed on to clients, as highlighted by a further increase in average output charges.

Source: fibre2fashion.com– Nov 05, 2023

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German exports fall by 7.5% YoY, imports drop by 16.6 % YoY during Sep

German exports were down by 2.4 per cent and imports dropped by 1.7 per cent on a calendar- and seasonally-adjusted basis in September this year compared with August.

Based on provisional data, the Federal Statistical Office (Destatis) reported that exports decreased by 7.5 per cent and imports fell by 16.6 per cent year on year (YoY) during the month.

The foreign trade balance showed a surplus of €16.5 billion in September. The calendar- and seasonally-adjusted surplus stood at €17.7 billion in August this year and €5 billion in September.

On a calendar- and seasonally-adjusted basis, Germany exported goods worth €69.8 billion to the member states of the European Union (EU) in September, while it imported goods worth €58.7 billion from these countries in that period.

Compared with August this year, calendar- and seasonally-adjusted exports to EU nations dropped by 2.1 per cent and imports from these countries fell by 2.6 per cent.

The value of the goods exported to euro area countries in September totalled €48.8 billion (minus 2.4 per cent), and the value of the goods imported from these countries was €38.9 billion euros (minus 3.8 per cent).

Exports of goods to countries outside the non-EU countries amounted to €56.7 billion in September, while imports from these countries totalled €51.3 billion on a calendar- and seasonally-adjusted basis. Compared with August this year, exports to non-EU countries declined by 2.8 € and imports from such countries fell by 0.6 per cent.

Most German exports in September were to the United States. After seasonal and calendar adjustment, exports of goods to the United States during the month were down by 4 per cent compared with August, with the value of exports dropping to €12.8 billion.

Exports to China fell by 7.3 per cent to €7.7 billion and exports to the United Kingdom rose by 2.3 per cent to €6.3 billion.

Most imports during the month were from China. Goods to the value of €13 billion were imported from there, representing a 0.9-per cent decrease month on month (MoM) after calendar and seasonal adjustment.

Imports from the United States rose by 0.5 per cent to €7.7 billion. Imports from the United Kingdom increased by 5.2 per cent to €3.2 billion during the month.

Exports to Russia in September this year declined by a calendar- and seasonally-adjusted 11.2 per cent MoM to €0.6 billion and by 41.7 per cent YoY. Imports from Russia rose by 7.5 per cent MoM to €0.2 billion, and were down by 89.4 per cent YoY.

Germany exported goods worth €129.2 billion and imported goods worth €110.2 billion on a nominal basis in September this year. The export figure was a 10.5 per cent YoY fall and the import figure was a 18.5 per cent YoY fall.

Source: fibre2fashion.com– Nov 05, 2023

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Yarn Expo Shenzhen to spotlight eco-friendly fibres in Nov 2023

Building on the momentum of Yarn Expo's business-friendly spring and autumn editions in Shanghai, Yarn Expo Shenzhen will be held from November 6–8, 2023, in Hall 9 at Shenzhen World Exhibition and Convention Center. Taking up 10,000 sqm of exhibition space, the fair will bring together nearly 100 exhibitors from four countries and regions, with a strong focus on eco-friendly and innovational yarn and fibre products.

One of Asia's largest year-end sourcing events for yarns and fibres, Yarn Expo Shenzhen will present industry players with the opportunity to penetrate the South China and wider Asia-Pacific markets. According to recent market research, the global textile yarn industry is projected to reach $18.5 billion by 2028, expanding at a CAGR of 5.1 per cent over the forecast period. Asia-Pacific will marginally stretch its lead as the major contributor, with a predicted CAGR of 5.2 per cent set to increase its value to $13.6 billion by 2028, organiser Messe Frankfurt said in a press release.

"As the Greater Bay Area's major yarn and fibre trading platform, the industry has been eagerly awaiting Yarn Expo Shenzhen's return. In the past few years, the market has grown, fuelled by consumer demand and advances in research and development, with buyers increasingly on the lookout for various innovations including recycled, biodegradable, and other high-performance, eco-friendly products," said Wilmet Shea, general manager of Messe Frankfurt (HK) Ltd.

In response to downstream enterprises moving towards this new normal, suppliers at Yarn Expo Shenzhen will showcase a wide array of related products to visitors from across the industry value chain. Highlighted exhibitors include Better International Holding, Hong Kong (booth 9E23), Consinee Group, China (booth 9E43), Jolly Agri Exim, India (booth 9E33), and Shanghai Mingmao Industrial, China (booth 9D32).

With a broad customer base across China, Europe, Japan, the US, and beyond, the leading fibre mill Better International Holding is committed to research and development. At the fair, Bettertex will showcase a series of sustainable and functional products, such as smart thermostat fibre, absorbent heating fibre, and recycled yarns.

One of China's leading suppliers of natural cashmere yarn to high-end fashion brands, Consinee will display multiple sustainable and traceable cashmere yarns, including its classic pure cashmere 12gg, antibacterial cashmere, and recycled yarn series. ISO 9001:2008 certified company Jolly Agri Exim produces a wide range of high-quality organic cotton yarn, including carded, combed, open-end, and blended, with yarn counts that range from 16 to 40.

Shanghai Mingmao Industrial, manufacturer of functional polyester yarns, has been collaborating with the Lycra Company for nearly 20 years. In addition to offering products derived from Coolmax Core, Thermolite Core, T400, and many more, the Chinese company also provides testing and hang tag services. Across the yarn and fibre industry, in the era of digitalisation, innovation has been widely discussed and implemented. Strategically located in Shenzhen, the fair leverages the city's dual position as a technology and fashion hub to maximise value for visitors.

Together with multiple industry leaders, this edition will facilitate over 30 product launches and fringe events, such as the Textile Materials Innovation Forum and the Tongkun China Fibre Fashion Trends Display Zone. The Yarn Expo Shenzhen 2023 will be held concurrently with Intertextile Shenzhen Apparel Fabrics, DPARK (Fashion Design), and PH Value, together providing a comprehensive trading platform for the entire textile value chain.

Yarn Expo Shenzhen is organised by Messe Frankfurt (HK) Ltd; the Sub-Council of Textile Industry, CCPIT; China Cotton Textile Association; and China Chemical Fibers Association.

Several other prominent trade fairs are scheduled for 2024. The Vietnam International Trade Fair for Apparel, Textiles, and Textile Technologies is set to take place from February 28–March 1 in Ho Chi Minh City. This event will be closely followed by the Intertextile Shanghai Apparel Fabrics – Spring Edition / Yarn Expo Spring, happening from March 6–8 in Shanghai. Later in the year, the Intertextile Shanghai Apparel Fabrics – Autumn Edition / Yarn Expo Autumn will also be hosted in Shanghai, with the event scheduled for August 2024.

Source: fibre2fashion.com– Nov 03, 2023

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New Cotton Price Lows, More Demand Woes

The prior week's price rally was met with failure in this week's trading as the nearby December futures contract fell below the important 80-82 cent support level and settled the week at 79.62 cents. This opened the possibility of another test of the lows in the 74.50 to 75.50 cents range.

It must be said, point blank – I fully expected the 80-82 cent support to hold. Thus, I missed the market!

Demand remains the principal culprit, but world military activity has pressured all financial markets lower. I have been a bit dogged for trashing the subject of demand as much as I have. Few believed me. Yet, the market is now screaming loud and clear that I should have talked louder and longer about just how bad demand is. It turns out demand is even worse than I imagined.

Too, cotton demand is echoing just how poor both the U.S. and now the world economies have become. Yet, we have commented that the improvement in demand we expected by March 2023 was now as far away as the later quarter of 2024. Simply, that implies prices await the July 2024 time frame to find any significant move above 80 cents. Yet, demand was uncovered on the week, just below 80 cents.

Certainly, this is not the time to be a buyer of cotton. Yet, the trading activity does heavily dictate our major theme that growers should sell physical cotton at harvest and buy call options. Do not, no matter the region of the country, store physical cotton and expect to cover storage costs...again, no matter the region of the country. The market is set for such a strategy.

Expect the high 70s trading to continue with the dominant range between 76 and 80 cents. There will likely be trading above 80 cents, but the support at that level has been broken, and the market will spend most of its time in the high 70s.

The market is also facing the uncertainty associated with the significant unrest around the globe. Such activity slows business development and investment and adds to the challenges associated with demand for not only apparel but also most goods and services.

As noted last week, the Dow, S&P, and NASDAQ remain under pressure. As is typical, most commodities remain undervalued during such times. The cotton market will continue to be influenced by military activities, and the general effect will be bearish.

USDA will give us its November supply demand report on Nov. 9 at 11:00 am Central time. Expectations are that world trade will be decreased, as will be U.S. export sales and the forecast of the size of the U.S. crop. The Ag Market Network Cotton Roundtable teleconference will be that same day at 1:30 pm Central Time. Details for that session can be found here.

China was a major buyer of cotton during the prior week. U.S. net sales of upland were 457,100 bales – a marketing year high as China bought 324,000 bales and Mexico another 108,200 bales. However, only 10 countries made purchases. China will continue as a buyer of U.S., Australian, Brazilian, and West African cotton as those are needed to supply China's export market for apparel goods. Recall the Trump Administration and the West European countries banned products containing Xinjiang cotton because of China's use of forced labor. Thus, China needs imported cotton for its massive textile industry, the world's largest.

However, weekly shipments were only 132,200 bales. The U.S. continues to fall woefully behind the pace needed to meet USDA's current 12.2 million bale export projection for cotton. U.S. exports could slip another 400,000 to 500,000 bales, or possibly as low as an unimaginable 11.7 million bales. Export sales this low only tend to increase 2023-24 carryover supplies, increasing the bearish pressure on the market.

As world economies continue to struggle, cotton demand has not been able to gain a foothold. Consequently, the market has fallen into a new trading range and will likely spend most of its activity in the mid-70s to low 80s price range. Demand will continue to be the major detriment to any price advance.

Source: cottongrower.com– Nov 04, 2023

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Bangladesh: Buyers less inclined to BD, more to China

Global apparel sourcing landscape this year has been changing due to the sluggish demand as global brands and retailers are pushing for higher sourcing from China and lower from Bangladesh.

The inspection-and audit-demands by western apparel buyers in Bangladesh have witnessed a 10-percent decline year-on-year (YoY) during January to September period of 2023 while it increased by 14 per cent in case of China, first of its kind since 2019, according to a latest report.

"Bangladesh exports have been struggling this year, including its flagship textile and apparel sector, where QIMA data shows a 10-percent year-on-year dip in demand for inspections and audits during the first nine months of 2023."

The US-based buyers in particular appear to be scaling back textile and clothing sourcing from Bangladesh, adds the report by QIMA, a quality control and supply chain audit company that operates in over 100 countries.

Export Promotion Bureau (EPB) data also revealed that Bangladesh garment exports in October witnessed about 14 per cent YoY decline to US$ 3.16 billion, monthly lowest since August 2021 when the sector earned only $2.73 billion.

Agreeing with the findings, Bangladesh Garment Manufacturers and Exporters Association (BGMEA) President Faruque Hassan said that work orders were lower for the last several months due to slow global demand fuelled by high rate of inflation and interest on bank loans in the importing countries caused by the Russian-Ukraine war.

Echoing Mr Hassan, Fazlul Hoque, former president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), said: "We are not in a good situation and there is less possibility of improving it in next few months."

He, however, said QIMA's stake in Bangladesh is not much as there are many other inspection organizations working here.

Regarding China, he said he is not sure about the findings but China is behaving desperately to grab orders.

During the past few years, in the wake of tariffs wars, Covid-induced lockdowns and geopolitical uncertainty, the Western buyers have shifted significant volumes of orders from China to other supplier markets, including China's competitors in South- East and South Asia as well as near-shoring regions.

Interest in China sourcing may be picking up again among the US- and EU-based buyers - in the first nine months of 2023 - the relative share of China in their supplier portfolios has increased for the first time since 2019, according to the report.

As consumer spending in the West is slowing down due to fears of economic downturn, brands and retailers may be prioritizing China as a supplier again, to leverage the benefits of its well-established manufacturing infrastructure, the report noted.

"This trend is particularly apparent in the textile and apparel sector. QIMA data for the first nine months of 2023 shows demand for textile inspections and audits in China growing by 14 per cent YoY globally and by 17 per cent YoY among Western buyers."

QIMA offers supplier audit, laboratory testing and product inspection services in Asia, Africa, Australia, Europe and North America and South America.

It helps more than 30,000 global brands, retailers, manufacturers, and food growers achieve quality excellence.

The QIMA report, however, suggested that Bangladesh should diversify its supplier offering to protect its exports from future shocks.

"The country's apparel industry, which is currently heavily cotton-oriented, can benefit from branching out into manmade textiles," it said.
Bangladesh holds 34.7 per cent share in the EU's cotton imports, whereas its share for non-cotton garments is only 12 per cent.

Outside of the RMG sector, there is a lot of export potential in other consumer goods, such as footwear, leather, and home textiles, among others, it said.

It added that the electrical and electronic goods also offer valuable export opportunities, but to compete on the global stage in this field, Bangladesh needs to strengthen local institutions responsible for internationally recognized certifications.

"Additionally, ensuring that manufacturers have access to the necessary testing facilities is vital for success."

Despite some challenges including infrastructure, power availability and security, Mexico, which has surpassed China as the US's largest trading partner in 2023, saw demand for inspections and audit growth by 17 per cent YoY in the third quarter.

It is because Mexico offers many benefits to US-based buyers, such as geographic proximity, zero tariff, low labour costs and a relatively mature manufacturing base, it added.

The country has been attracting new business at an impressive pace (by some estimates, Mexico's industrial space has grown 30 per cent since 2019).

Meanwhile, EU-based brands are still doing a lot of business with suppliers around the Mediterranean as QIMA data found double-digit expansion in demand for inspections and audits in Q3, 2023.

This YoY growth was observed in well-established supplier markets such as Turkey, as well as newer manufacturing partners that include Jordan, Tunisia and Egypt, according to the report.

Source: thefinancialexpress.com.bd– Nov 05, 2023

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Bangladesh: Instability in the RMG sector

The industry that alone accounts for 85 per cent of the country's total export receipts is again in turmoil as workers have taken to the streets demanding higher minimum wage. The Readymade Garment (RMG) industry workers' minimum wage, now at Tk 8,000, was fixed in December 2018. But in the current economic situation when the galloping prices of daily essentials have made life of the low-income people, including that of the garment workers, unbearable, they have naturally been pushing for a substantial increase in their wages.

The government earlier in April this year also constituted the 'minimum wage board', to recommend a new wage structure. The wage board is supposed to announce the new minimum wage for RMG workers by the end of November.

Meanwhile, in the face of the workers' unrest over the demand for wage hike, the garment industry's apex body, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), at the 4th and last meeting of the Board, came up with the suggestion that the RMG workers' new minimum wage would be Tk10,400, which for obvious reasons, the garment workers have rejected.

If the fall in the value of Bangladesh Taka (BDT) against US dollar is taken into consideration, this minimum wage now offered by the garment industry owners is actually lower than the minimum wage when it was fixed in 2018. For at that time, US$1.0 was equivalent to Tk83.90. So, in US$, then an RMG worker's minimum wage was US$95.35.

But now the minimum wage (at BDT 10,400) comes to US$94.11. In other words, the RMG owners are now offering US$1.24 or BDT137 less than that fixed in2018. Understandably, garment workers have rejected the offer and demanded that the new minimum wage should be BDT23,000 which is equivalent to US$208.14.

But the garment owners did not agree to it and hence the stalemate with accompanying strikes and protest demonstrations which have often turned violent triggering actions by law-enforcers. In some cases, outsiders were found involved in the melee. Many factories that were shut down amid the violence were trying to open.

In this situation, RMG owners who opened their factories following the past two weeks' violent unrest faced resistance from striking workers. RMG workers who were trying to join work came under attack from the striking ones. Some factory owners as a result are differentiating between what they would like to term 'good garment workers (who are willing to join work)' and 'the bad ones (the striking workers)'. But such tagging does not represent the facts on the ground, and neither is it helpful for resolving the crisis.

Many striking workers are reported to have told the media that they were protesting not exactly for a pay hike, but for their survival. One need not be a great mathematician to calculate why the present minimum wage of the garment workers is ludicrously low for a small garment workers' family to survive.

If compared with the average wage of garment workers in neighbouring India (at US$ 171) or another major apparel exporter in the Southeast Asia, Vietnam (at US$ 170), let alone in China (at US$ 303), Bangladesh garment workers are undeniably worse off.

It is indeed regrettable that, normally, they do not get a pay raise. Hence is the existential struggle of the garment works that erupts from time to time including the ongoing one. But the way the unrest of the garment workers is going out of control is an ominous sign for the mainstay of the economy, the RMG industry.

True, the garment owners also have their issues like falling consumer demands amid high inflation in Europe and the US where the majority orders for Bangladeshi RMG products come from. Last month, for instance, the country's overall exports were the lowest in the past 26 months, according the Export Promotion Bureau (EPB). The main reason was that fewer shipments of apparel products took place in the previous months.

According to the BGMEA, RMG exports last month (October, 2023) fell by 13.93 per cent to US$ 3.16 billion compared with US$3.68 billion in the same month in 2022.

The garment industry is also not an island seeing that not-so-comforting pieces of news are coming from most other sectors of the economy.

Those developments no doubt affect the garment industry. But these issues cannot be an argument for not ensuring a rational minimum wage structure for the workers on whose sweat and blood the present edifice of the country's impressive RMG industry stands. Moreover, despite the ups and downs in their business, the affluent lifestyle of the garment industry owners has not been affected in the least. In times of difficulty, cold calculations about profit and loss do not work.

The factory owners should also be ready for some amount of sacrifice for their workers. Such a move from the owners' side will only build trust in garment workers' mind about their employers. Because they will realise that factory owners have not abandoned their workers in time of crisis. A disgruntled workforce is a constant source of instability in any industry.

So, to resolve the dispute over a new minimum wage amicably, both sides, the garment industry leaders and workers, should find a middle ground and restore peace and stability in the garment sector.

Source: thefinancialexpress.com.bd– Nov 05, 2023

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Pakistan: Weekly Cotton Review: Spot rate rises; increase in production expected

The rate of cotton during previous week remained stable; however, the spot rate was increased by Rs 500 per maund. An increase of 30 lac bales in cotton production is expected with total expected production around 90 lac bales.

In the province of Punjab, cotton has been sown on only 3.5 million acres. However, Ministry of National Food Security and Research has yet to summon the meeting of Cotton Crop Assessment Committee.

The crisis in textile sector is deepening due to sharp increase in gas tariffs. There are no signs as yet of buying cotton through Trading Corporation of Pakistan (TCP).

As per details, the domestic cotton market was overall stable during the last week. Textiles and spinners are interested in buying quality cotton while cotton growers and ginners are selling it cautiously. Business volume also remained relatively low.

Pakistan Cotton Ginners Association has released the statistics of cotton production in the country till October 31; according to which the production of cotton in the country was sixty seven lac and ninety four thousand bales during this period, which was thirty lac and sixty one thousand more, around 82 percent more, as compared to last year's production of thirty seven lac and thirty three thousand bales.

The market was not affected by the crisis of quality cotton and the reduction in the rate of Future Trading of New York Cotton, as the prices remained stable.

The government has tremendously increased the price of gas due to which commercial and industrial organisations and federations have decried that the cost of their production will increase, and in this situation it would be difficult to run the industry. The difficulties of the textile sector have also increased due to this sharp increase in gas tariffs. Textile sector has already been in crisis due to recession in the local and international markets.

Separately, a meeting was held on Friday in Islamabad by NFSR regarding the price of cotton, production and intervention price of cotton.

According to the sources, in the meeting, the inability to purchase cotton through TCP was pointed out. The issues of cotton production and price were discussed but no formal press release was issued.

Sources say that it would cause no harm if the meeting of Cotton Crop Assessment Committee was called and accurate cotton production was assessed. Surprisingly, the month of November has already started but the meeting of CCAC has yet to be convened. According to the sources, the people concerned may want to hide something.

The rate of cotton in Sindh as per quality is in between Rs 15,000 to Rs 18,000 per maund. The rare of Phutti is in between Rs 5,500 to Rs 7,200 per 49 kg.

The rate of cotton in Punjab is in between Rs 16,000 to Rs 18,000 per maund while the rate of Phutti is in between Rs 6,500 to Rs 7,800 per 40 kg. The rate of cotton in Balochistan is in between Rs 15,500 to Rs 16,000 per maund and the rate of Phutti is in between Rs 7,000 to Rs 8,700 per 40 kg.

The Spot Rate Committee of the Karachi Cotton Association increased the spot rate by Rs 5,00 per maund and closed it at Rs 17,500 per maund.

Chairman Karachi Cotton Brokers Forum Naseem Usman has said that a bearish trend prevails in the rate of cotton in international market. The rate of Future Trading of New York Cotton remained 80 cents.

According to the USDA's weekly export and sales report, four lac and fifty seven thousand and one hundred bales were sold for the year 2023-24. China was at the top by buying three lac and twenty thousand bales. Mexico was second by purchasing 18,200 bales. Peru bought 11,200 bales and was in third place.

Seed cotton (Phutti) equivalent to over 6.7 million or exactly 67,94,006 bales have reached ginning factories across the country till October 31, with increase in 81.99 percent as compared to previous year.

According to a fortnightly report of Pakistan Cotton Ginners Association (PCGA) released on Friday, over 6.4 million or 64,08,087 bales have undergone the ginning process, i.e., converted into bales. Cotton arrivals in Punjab were recorded at over 2.9 million or 29,96,921 bales registering increase of 42.86 percent as compared to corresponding period of last year when arrivals were recorded 20,97,788 bales.

Sindh generated over 3.7 million or 37, 97,085 bales registering increase of 132.18 pc as compared to corresponding period of last year when arrivals were recorded 16,35,400 bales.

Textile sector bought 58,01,830 bales while exporters purchased 2,79,026 bales, but the Trading Corporation of Pakistan (TCP) didn't buy during the cotton season 2023-24.

Sanghar district of Sindh topped with cotton arrival figure of 16,32,330 bales followed by Bahawalnagar district of Punjab with 6,88,760 bales. Total 594 ginning factories were operational in the country. Exactly 7,13,150 cotton bales 'unsold stock' was available in the ginning factories.

Naseem Usman, Chairman, Karachi Cotton Brokers Forum said that the total production of cotton in the country is expected to be around 90 lac bales. Last year, despite of the devastating floods thirteen lac bales were produced. This year it is expected that more than eighteen to twenty lac bales will be produced.

However, Zahid Mazhar, Chairman All Pakistan Textile Mills Association (APTMA) Southern Zone has strongly rejected the recent extraordinary increase in gas tariff for the export-oriented industries and feared it would be detrimental for the textile industry which is already suffering due to high cost of doing business.

Zahid Mazhar said the current increase in gas prices of export-oriented industries by an unprecedented 118 percent, i.e., from Rs1,100/ MMBTU to Rs2,400/MMBTU would lead to further decline in exports of Pakistan especially textile exports. He pointed out that the impact/ ratio of the recent gas price increase is much larger on the textile industry located in Sindh and Balochistan, as compared to Punjab.

However, Ehsanul Haq, chairman of the Cotton Ginners Forum, attributes the trend of good quality cotton to exporters this year due to low rainfall. However, they are upset with the federal government's promise to ensure a minimum price of Rs 8,500 per 40 kg of cotton in the open market throughout the season.

Although the price of cotton has come down to Rs 7,000 per 40 kg, the federal government is yet to start procuring cotton from ginners through the Trading Corporation of Pakistan (TCP) as promised.

He blamed textile millers for the government's inaction, alleging that representatives of major textile groups in both the federal and Punjab cabinets were influencing the decision to purchase cotton.

Haque further said that on the occasion of World Cotton Day on October 7, at a PCGA seminar in Multan, Punjab Agriculture Minister S M Tanveer had announced the good news that TCP would start buying cotton from ginners in a few days.

The statement was later linked to the subject to the approval of the Economic Coordination Committee, Haque lamented, adding that two meetings of the ECC have been held since then but without making the matter even part of the agenda. This is causing serious concern among farmers and may affect the cotton crop next year.

Moreover, extraordinary hike in gas prices for the textile export sector by 193 per cent will lead to a sharp rise in production costs, affecting textile exports and the price of cotton will further decrease in the local cotton market.

According to the sources, most of the cotton production takes place in the Punjab province, so sometimes the market is bullish or sometimes bearish. Ginners bought cotton at Rs 10,000 rupees per 40 kg cotton and the farmers sold the cotton at Rs 7,000 per 40 kg.

The instruction of the Punjab government is that we will buy Phutti from you at Rs 8,500 per 40 kg, which is the intervention price, but the cotton farmers are disappointed and will refrain from sowing cotton next season.

Source: brecorder.com– Nov 05, 2023

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Pakistan: Cotton production jumps by 83%

The recent increase in gas prices, up to 193%, has added to the challenges faced by textile manufacturers and exporters, making the country less competitive among regional textile exporters and jeopardising textile exports.

Pakistan Cotton Ginners' Forum, Chairman, Ahsanul Haq, pointed out that favourable weather conditions, unlike the previous year when excessive rain and flooding caused low cotton production, have enabled healthy cotton flower growth during the current production season, which began on July 1, 2023.

He estimated that the cumulative production may reach around 9 million to 9.5 million bales in the current season, a significant improvement from the less than 5 million bales produced in the previous season. However, this production level still falls short of the government's target of 11.5 million bales for the year.

Haq urged the government to activate the state-owned Trading Corporation of Pakistan to begin purchasing cotton from farmers and ginners immediately to stabilise the market price at or near the support price of Rs8,500 per 40kg.

He highlighted that the caretaker government had initially announced the intention to purchase cotton from the market, but later, the buying process was linked to approval from the Economic Coordination Committee (ECC) of the Cabinet, which has not yet occurred. Ginners mentioned that the increase in cotton production will save the country approximately $1 billion in imports.

Source: tribune.com.pk– Nov 04, 2023

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NATIONAL NEWS

CII outlines nine-track plan to transform south India by 2047

The Confederation of Indian Industries (CII) southern region will focus on nine tracks to transform South India by 2047, CII southern region chairman Kamal Bali has said.

Inaugurating a new office of the CII here on Saturday, Bali said the southern region will focus on key enablers of growth that would propel the economic growth of the southern states, with the theme 'Transformation through Competitiveness, Growth, Sustainability, Trust and Globalisation' for 2023-24, a CII release said.

The nine-track plan of the CII includes 'people and culture rejuvenation,' 'holistic sustainability and environmental, social and governance (ESG),' 'tech adoption and digital transformation,' 'embracing energy transition, innovation and startup ecosystems,' 'manufacturing excellence,' 'partnerships and collaborations,' 'MSMEs', 'brand building' and 'sectoral promotion,' he said.

Bali said the CII will work closely with the state governments in bringing state-level policies on manufacturing and Industry.

CII will set up state-level task forces on digital transformation to support industries in their digitalisation initiatives. The CII will hand-hold 2,000 MSMEs, which will be serviced and sensitised on various elements of competitiveness in collaboration with CII centres of excellence, he said.

With the opening of a new office in Mangaluru, he said the CII's office network in south India has now increased to 17. CII will extend its services to members and other stakeholders with specific interventions for development of MSMEs in Mangaluru region, he said. CII Karnataka Chairman Vijaykrishnan Venkatesan said CII could service its members at the grassroots level with the network expansion in Karnataka.

Source: economictimes.com– Nov 05, 2023

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Govt could discard proposed DESH Bill, amend SEZ Act: Details here

As it examines the need for new legislation to refurbish the country's special economic zones (SEZ), the Centre could discard the proposed Development of Enterprise and Service Hubs (DESH) Bill, according to a report by The Economic Times (ET).

Officials were quoted as saying that instead of putting in place new legislation, discussions are on to make changes to the existing SEZ Act. The government could decide on the matter before the winter session of the Parliament.

ET reported that the Ministry of Commerce and Industry is eager to permit units in these zones to sell in areas outside SEZs, called domestic tariff areas (DTA), without the payment of customs duties.

An official told ET that discussions are taking place on whether the DESH bill will be passed or the SEZ Act will be amended. Another source said that the commerce department is preparing a cabinet note on the suggested changes.

The proposed amendment would deal with the demand for SEZs to be allowed to sell in the domestic market and that all duties relinquished on raw materials should be paid back. Business Standard had earlier reported that the finance ministry had objected to offering any tax concessions, fearing it could kick-start a debate about extending the incentive for companies outside SEZs.

The finance ministry was also against the clause allowing units to sell in the domestic market with duties to be paid only on imported raw materials and inputs instead of final products. Finance Minister Nirmala Sitharaman made the announcement of the DESH Bill in the Union Budget in February 2022.

What is the DESH Bill?

The draft DESH Bill seeks to set up "development hubs" for promoting economic activity, generating employment, integrating with global supply and value chains, maintaining manufacturing and export competitiveness, developing infrastructure facilities, and promoting investments, including in research and development (R&D). Such hubs will also include existing SEZs.

Business Standard had reported in October that the legislation might reintroduce the 'positive net foreign exchange (NFE)' criterion, a primary requirement for SEZ units, and remove the proposal of a 'freezing concessional corporation tax rate until 2032'.

Source: business-standard.com– Nov 06, 2023

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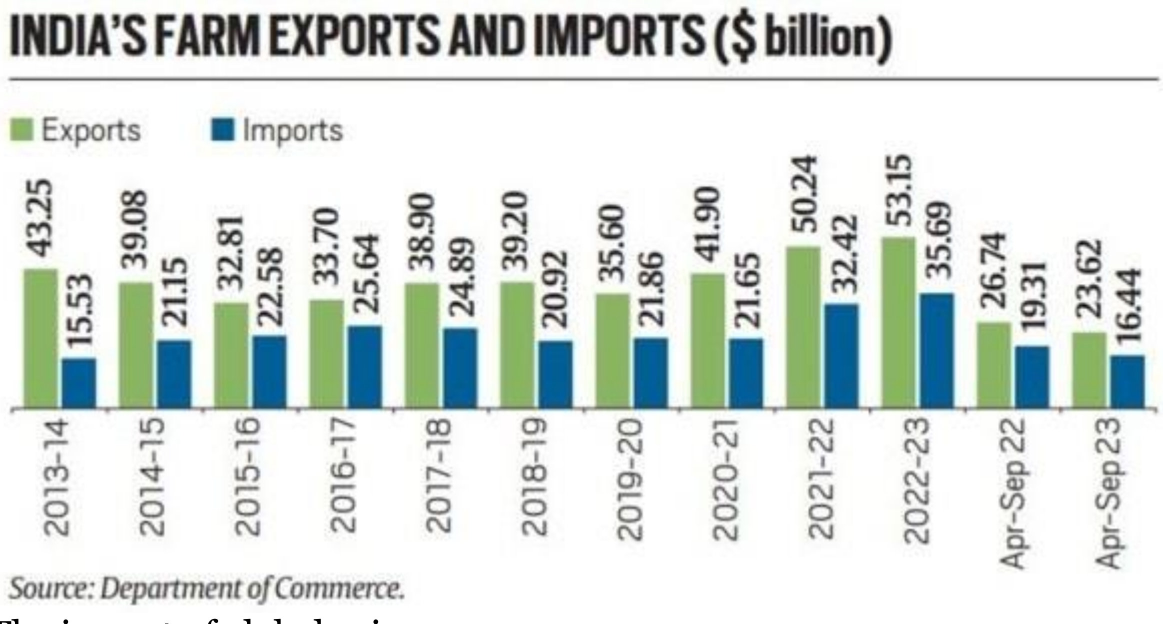
The double-whammy from India's falling farm exports

India's agricultural exports have fallen 11.6% year-on-year in April-September. This comes on the back of the Narendra Modi government imposing bans/restrictions on the shipments of various commodities – from wheat and rice to sugar – and global prices easing from their peaks scaled immediately after Russia's invasion of Ukraine.

According to Department of Commerce data, exports of farm commodities, at $ 23.6 billion in April-September 2023, were below the $26.7 billion for April-September 2022. There has been a drop in imports as well, from $19.3 billion to $16.2 billion, resulting in a marginal dip in the agricultural trade surplus (exports minus imports) from $7.4 billion in April-September 2022 to $7.2 billion in April-September 2023.

The country's farm exports touched all-time highs of $50.2 billion in 2021-22 (April-March) and $53.2 billion in 2022-23, reversing a declining trend from 2013-14 to 2020-21. 2021-22 and 2022-23 significantly also saw record imports of $32.4 billion and $35.7 billion respectively (chart). The current fiscal, in a sense, marks a return to normal with both exports and imports registering contraction.



The impact of global prices

India's farm trade, especially exports, is strongly correlated with world prices.

The UN Food and Agriculture Organization's (FAO) Food Price Index (FPI) rose from an average of 96.5 points in 2019-20 and 102.5 points in 2020-21 to 133 points in 2021-22 and 139.5 points in 2022-23. In the current fiscal (from April till October 2023), the FPI has averaged 123.2 points.

India's agricultural exports have tended to follow movements in the FPI, which is a weighted average of the international prices of a basket of food commodities over a base period value, taken at 100 for 2014-16. Thus, they fell from $43.3 billion in 2013-14 to $35.6 billion in 2019-20 along with the FPI (from 119.1 to 96.5 points), and rose thereafter with the index soaring to unprecedented levels in 2022-23.

With world prices since coming down, the value of both exports and imports of farm commodities from and into India are set to decline in 2023-24. This comes even as supply disruptions from the Russia-Ukraine war have eased. In its latest supply and demand brief, the FAO has projected global ending cereal stocks for 2023-24 at an all-time-high of 881.1 million tonnes (mt) and the stocks-to-use ratio at 30.7%, "a comfortable supply situation from a historical perspective". The FAO's vegetable oils price index, at 120 points for October 2023, is also down from a year-ago level of 151.3 points and the 251.8 points peak of March 2022.

The impact of export curbs

Easing global prices apart, a second reason for falling farm exports has to do with government bans or restrictions on shipments, in response to domestic availability and inflation concerns.

In May 2022, the Modi government banned exports of wheat from the country. In September 2022, exports of broken rice were prohibited and a 20% duty levied on all white (non-parboiled) non-basmati grain shipments. In July 2023, exports of white non-basmati rice were banned altogether. Henceforth, only exports of parboiled non-basmati and basmati rice were allowed.

In August 2023, a 20% duty was clamped on exports of parboiled non-basmati rice too, while basmati shipments were subjected to minimum export price (MEP) curbs. The MEP was fixed at $1,200 per tonne – below which no consignments would be granted registration-cum-allocation certificates for exports – before being reduced to $950 in late-October.

Besides wheat and rice, the Modi government, in May 2022, moved sugar exports from the "free" to "restricted" category and capped the total quantity of the sweetener that could go out during any year. Since May 2023, exports have stopped completely, with no fresh quotas for shipments being issued.

The effects of these measures can be seen in table 1. In 2021-22, India exported an all-time-high 7.24 mt of wheat valued at $2.1 billion. In 2022-23, exports of rice (non-basmati plus basmati) rose to a record 22.35 mt worth a whopping $11.1 billion. In the current fiscal (April-September), wheat exports have plunged to negligible levels, while also posting a 15.9% year-on-year decline for non-basmati rice. Sugar exports have similarly more than halved, after fetching $4.6 billion and $5.8 billion in 2021-22 and 2022-23 respectively.

INDIA'S TOP AGRI EXPORT ITEMS ($ million)

	2021-22	2022-23	Apr-Sep 22	Apr-Sep 23
Marine products	7772.36	8077.98	4119.63	3803.88
Non-basmati rice	6133.63	6356.71	3199.18	2706.58
Sugar	4602.65	5770.83	2636.25	1302.06
Basmati rice	3537.49	4787.65	2278.35	2589.98
Spices	3896.03	3785.36	1926.90	1949.78
Buffalo meat	3303.78	3193.69	1636.10	1734.40
Raw cotton	2816.24	781.43	435.87	393.82
TOTAL*	50240.21	53153.55	26736.48	23621.71

Double whammy

Declining international prices not only lower the cost competitiveness of the country's agricultural exports, but also make its farmers more vulnerable to imports. This is being witnessed in cotton and edible oils.

The benchmark global Cotlook 'A' Index price for cotton is currently quoting at 91.80 cents per pound, compared to a high of 173.45 cents attained on May 5, 2022. The price crash has led to India's cotton exports not only plummeting, from $2.8 billion in 2021-22 to $781.4 million in 2022-23, but also imports surging 2.5 times from $559.6 million to $1.4 billion (table 2). This transformation from a net exporter to net importer is reflected in the prices of kapas (raw un-ginned cotton): These are ruling at Rs 7,000-7,100 per quintal in Gujarat's Rajkot market now, as against Rs 9,000-9,100 a year ago and Rs 12,000-plus in May 2022.

INDIA'S TOP AGRI IMPORT ITEMS ($ million)

	2021-22	2022-23	Apr-Sep 22	Apr-Sep 23
Vegetable oils	18991.62	20837.70	11097.64	8508.76
Fresh fruits	2460.33	2483.95	1236.66	1131.58
Pulses	2228.95	1943.89	595.78	1265.23
Spices	1299.38	1336.65	755.20	774.55
Cashew	1255.46	1805.67	1412.52	968.79
Raw cotton	559.55	1438.69	1081.43	401.20
Natural rubber	1032.71	937.60	542.18	380.37
TOTAL*	32422.30	35686.20	19311.21	16444.83

*Includes other items. Source: Department of Commerce.

The value of India's edible oil imports more than doubled from $9.7 billion to $20.8 billion between 2019-20 and 2022-23. This was primarily due to skyrocketing global prices, particularly post the war in Ukraine. Prices have since collapsed, but imports of crude palm, soyabean and sunflower oil are still coming in at a low 5.5% duty.

Soyabean is trading at Rs 4,700-4,800 per quintal in the mandis of Madhya Pradesh, compared with Rs 5,300-5,400 at this time last year. However, the Modi government's focus on controlling food inflation ahead of national elections – and privileging the interests of consumers over producers – means that imports of edible oil and pulses will continue unhindered, alongside restrictions on exports of cereals, sugar and even onion.

For farmers, that would be a double whammy.
Source: indianexpress.com– Nov 06, 2023

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Scheme to tackle pollution by processing units in sectors on the cards

In the face of mounting pressure from developed nations to incorporate sustainability into free-trade agreements (FTAs) and broader trade practices, India has started discussions on the viability of a scheme aimed at addressing pollution from processing units in sectors, such as textiles and pharmaceuticals.

The Department for Promotion of Industry and Internal Trade (DPIIT) and the textiles ministry have already convened a few meetings on this issue.

The current debate centres on whether to push industry to make investments towards clean solutions and explore the possibility of an interest subvention scheme or rollout of a production-linked incentive (PLI)-kind of a model to encourage companies to set up effluent treatment plants, government officials said.

A senior government official emphasised that shutting down industries due to the developed world's increased focus on sustainability is not the solution.
"We did that in the leather industry and we lost it. That's why discussions are on to come up with a solution on this," the official told Business Standard.

"The talk about sustainability and pollution boils down to the processing part of the production."

In the textiles sector, for example, not only are large amounts of water used in processing units, but the entire conversion of rough, thick fabric into the finished product — a process that involves heating, bleaching, and colouring — also negatively impacts the environment.

"There are conversations happening in the DPIIT and the textile ministry that there is a need to bring in a scheme to deal with the processing, which is the troublesome part. We need processing in every sector, whether it's textile, leather, pharma, etc. The challenge for the government is to come up with an innovative solution to deal with the issue," the official said.

Given that processing is capital-intensive, small businesses are often unable to bear the substantial costs associated with setting up effluent treatment plants to recycle waste.

Consequently, the responsibility falls on larger players to invest in this area.

These discussions are taking place against the backdrop of wealthier nations, such as the United States, the United Kingdom, and European Union members, placing a greater emphasis on ensuring that sustainability and trade are intertwined.

For instance, under Germany's Supply Chain Due Diligence Act, its companies are required to ensure that their supply chains adhere to environmental and social standards.

While India views such regulations as potential non-tariff trade barriers that primarily affect small businesses, there is also a recognition that a failure to take appropriate measures could hinder trade with its key partners.

K M Subramanian, president of the Tiruppur Exporters Association (TEA), stated that the government has begun the process of scaling up the sustainable efforts of the Indian textile industry and has engaged a consultant to prepare a project report, which will involve travel across the country's textile clusters.

"Tiruppur being the main knitwear hub of India and the leader in sustainable activities, (the government) wanted to start with the Tiruppur cluster. In this connection, we will have continuous meetings in the forthcoming weeks and we will be discussing the above point too in the forthcoming meetings," Subramanian said.

Tiruppur, India's largest textile cluster, accounts for 90 per cent of the country's cotton knitwear exports and 55 per cent of all its knitwear exports.

The city is known for having a micro, small, and medium enterprise (MSME) unit in nearly every household, with more than 28,000 manufacturing units in the area forming part of the textile value chain.

The Madras High Court had even ordered the closure of all dyeing and bleaching units in Tiruppur in 2011, citing non-compliance with zero liquid discharge norms of the state and pollution of the Noyyal river.

Almost 12 years since, the place is all set to be a carbon-neutral textile cluster.

Sustainable trade solution

- DPIIT, textiles ministry have already had meetings on the issue
- Discussions on introducing interest subvention scheme to push industry towards clean solutions
- Another option is to roll out a PLI-kind of scheme to set up effluent treatment plants
- Developed nations emphasising interwining of sustainability and trade
- India recognises that a failure to take appropriate measures could hinder foreign trade

Source: business-standard.com– Nov 05, 2023

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Home furnishing exports on road to recovery!

Thanks to an expected recovery in demand conditions and restocking by big retailers from the US market to realign their inventory levels, Icra, the rating agency, expects its sample of 4 leading home furnishing companies to report a 7 to 8 per cent Y-o-Y increase in revenues to Rs. 215 billion for FY 2024.

The operating margins also are set to improve by 250 to 350 bps in FY 2024 with expected improvement in revenues from Q2 FY 2024 onwards with the festive season.

The four listed home textile companies Welspun, Trident, Himatsingka, and Indo Count, account for about 35 to 40 per cent of India's home textile.

"We expect home textile exporters to be on a road to recovery, as restocking by big retailers from the US markets has started since Q1 FY 2024. Further, as our channel checks indicated, with the festive orders coming in from Q2 FY 2024, the order book position is estimated to have improved for home textile exporters," said Kaushik Das, VP and Co-group Head, Corporate Sector Ratings said.

India's home textile exports reported a double-digit decline of 18 per cent and 12 per cent in FY 2023 and 4M FY 2024, respectively, amid high raw material expenses and energy inflation, coupled with a muted demand scenario in the US and the EU markets.

The US remains the largest market for Indian home textile exports, with a 56 per cent share in FY 2023 and a 58 per cent share in 4M FY 2024.

Source: apparelresources.com– Nov 04, 2023

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Indian Railways earns freight revenue of ₹96,000 cr in Apr-Oct 2023

Indian Railways hauled 887.25 metric tonnes (MT) of freight between April and October this year, an increase of 31.61 MT over the same period last year.

The national transporter earned ₹95,929.30 crore as freight revenue during the period as against ₹92,345.27 crore in the same period last year—an improvement of nearly ₹3,584.03 crore, the department said in an official statement.

During October, an originating freight loading of 129.03 MT was achieved as against 118.95 MT in October 2022—a rise of nearly 8.47 per cent.

Freight revenue worth ₹14,231.05 crore was earned in October this year as against ₹13,353.81 crore in the same month last year—an increase of about 6.57 per cent.

The overall gross revenue of the Indian Railways in fiscal 2022-23 was ₹2,39,803 crore, a substantial increase from ₹1,91,278 crore in the previous fiscal.

Source: fibre2fashion.com– Nov 06, 2023

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Industry body report identifies challenges for India's textile sector

A recent report by the Confederation of Indian Industry (CII) and Primus Partners identified fragmentation, insufficient availability of short-term training courses for workers, infrastructure gaps arising from overreliance on labour-intensive technologies and lesser awareness about sunrise sectors like technical textiles as some of the challenges faced by the Indian textile sector.

Other challenges identified by the report, titled 'Decadal Outlook for Textile Industry', are insufficient focus on technological advancements and research and development, and insufficient emphasis on quality testing throughout the entire value chain.

India's textile industry holds immense potential and its contribution to the country's gross domestic product (GDP) is expected to more than double from 2.3 per cent to nearly 5 per cent by 2030, the report noted.

The textile sector is dominated by micro, small and medium enterprises, whose fragmentation results in a lack of coordination and cohesion throughout the supply chain, making it difficult to optimise processes and resources.

About 5 per cent of the country's textile sector constitutes the organised apparel industry. Almost 70 per cent of the workers in the unorganised sector have little to no education and only the skills passed on to them through the generations.

As more than 90 per cent of the weaving industry operates within the unorganised sector, various infrastructure challenges have emerged. There is an urgent requirement for a technological overhaul in the sector to optimise production and fully unlock the export potential of this industry, it noted.

This challenge of outdated technology is particularly pronounced among small-scale enterprises, where access to cutting-edge technology remains limited.

There is a lack of awareness and understanding about the diverse applications of technical textiles among both industry players and consumers. Moreover, as the industry struggles with inadequate research and development infrastructure and investments, hindering innovation and the development of cutting-edge products, adequate research and skill development programmes are needed in this sector, the report recommended.

The sector also faces challenges in consistently maintaining quality standards from the sourcing of raw materials to the final product, it added.

Source: fibre2fashion.com– Nov 06, 2023

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There is an urgent need to inject vibrancy in cotton

The importance of cotton sector to the Indian economy in terms of farmers' welfare, employment and income generation, value-added multiple downstream products and export earnings is well recognised.

We have the world's largest area under cotton cultivation (125 lakh hectares). With production of 320-330 lakh bales, we rank either first or second in global production. Also, we are a significant exporter of raw cotton, cotton yarn and value-added textiles.

But the cotton sector is at a crossroads today. One side is the High Road that will lead to higher productivity and production, benefit primary producers (growers), provide sufficient raw material for our expanding consumption demand, and still leave a genuine export surplus.

The other side is a Low Road that may lead to stagnating production, supply-demand mismatch, volatile prices, falling export surplus, rising import dependence and all its consequential impacts on the economy and value chain participants. Stakeholders including policymakers have to choose the road they want to take.

Consider the following.

· Land available for cotton cultivation is stagnating; perhaps reaching a saturation point; don't expect dramatic expansion of planted area because of competition among crops for acreage

· Our yields are declining after peaking at ~ 500 kg/ha five years ago; they are down to ~440 kg/ha now

· Land constraints, water shortage and climate change are seen hurting Indian agriculture in general and cotton in particular

· It is critical to recognize the risks posed by climate change; it is wishful-thinking that in the coming years weather conditions will improve and prove beneficial; actually it can get worse.

· There is strong positive correlation between economic growth and cotton consumption. Cotton is known as 'growth commodity' like steel and copper.

· With the ambition of a $ 5 Trillion economy, demand for cotton is sure to expand robustly in the next several years. Income increases, demographic pressure and current low per capita usage will be the drivers
· I foresee cotton demand to gradually rise to about 380 lakh bales by 2030;

· But the big worry is – under 'business-as-usual' conditions - cotton production growth may be slower than demand growth.

· In the event, there will be demand-supply mismatch, price volatility and hardly any genuine export surplus of raw cotton.

· Fall in crude oil prices due to 'energy transition' efforts of countries will make synthetics cheaper and adversely impact the demand for cotton-based goods

· Same time, our import dependence for fine and extra-long staple varieties will increase.

As the area for cotton stagnates and possibly reaches a saturation point, the only way to boost production is by vertical growth that is raising yields. Intervention at multiple levels is necessary.

- Technological intervention
- Boosting genetic research
- Replicate high yield area experience in others
- Contract farming by large user units

Technology: Bt. Cottonseed is possibly facing technology fatigue; Pink Bollworm has acquired resistance as evidenced by repeated incidences of pest attack.

Agronomic practices are not followed as per prescribed protocol. Example: Planting non-Bt hybrids and allowing refuge area. In north India, planting takes place ahead of the normal time. Growers need guidance. Stewardship is missing.

A supportive policy environment for investment in tech seeds is needed. But denial of IPR and tech premium discourages research. Price controls on tech seeds are best avoided.

Sucking pests are also taking a toll. New seeds (stacked genes) are available. Weeds are a big issue. Cost of manual weeding is high. Herbicide Tolerant seeds should be encouraged. Tech seeds by themselves will not raise yields; but they will surely prevent / reduce yield losses. Crop saved is crop produced

Genetic research: There's need to fight climate change with climate-smart agriculture or climate-resilient crops. For the purpose, a supportive long-term policy to encourage firms to spend on R & D is the only alternative. Currently, many private seed firms have pared down their research expenditure because of non-supportive or uncertain policy environment. Seed research is a long-term play.

Replication: While all-India cotton yield averages around 450 kg/ha, a few districts enjoy twice the yield. There is something for stakeholders to learn from the experience of high-yield areas. Input management, agronomy and so on in high yield area can be replicated in other areas. Industry bodies can play a role in conducting awareness programs among growers.

Contract farming: Not the least is the moral duty of large user-industries to produce the required raw material through contract farming. FPOs can be good partners for contract farming. It will be a win-win for growers and industrial users. Proven models of contract farming are available. Also, available are scientific and transparent methodologies to price the output in advance.

Finally, India has to urgently impart a new vibrancy to its slowly degenerating cotton sector. All stakeholders including policymakers, research institutions, growers' organizations, input companies, industrial users, exporters, traders and service providers have to come together with unity of purpose to design a long-term policy for sustained growth in a sustainable manner.

Cotton is nature's gift to India; let us make cotton India's gift to the world.

Source: thehindubusinessline.com– Nov 05, 2023

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Why are e-comm models going brick and mortar?

Myntra, an online fashion store has set up Myntra Fashion Store along with its sports wear stores HRX, supposedly to give its customers an immersive shopping experience. Lenskart, set up an exclusive online eyewear business, has its Eye Studios now. Pepperfry, an online furniture and home decor store, has opened a chain of “Studio Pepperfry” experience centres. Even Makemytrip, the original disruptor of travel business, has started its physical store!

The natural process would have been for a brick-and-mortar business to migrate to online but this new trend is baffling. What reasons could possibly be behind this shifting business models? Our research heralds the convergence of online and offline strategies.

Enhanced customer experience: While online shopping offers convenience – and some cost advantages – some customers still prefer the tactile and immersive experience of shopping in a physical store, especially after the boredom created by the pandemic isolation.

By having a brick-and-mortar presence, e-commerce businesses can provide a hands-on experience, allowing customers to see, touch, feel, smell and try products before making a purchase.

Brand building and trust: A physical store normally serves as a tangible representation of a brand, helping to establish credibility and trust with customers. Having a physical presence makes the brand feel more authentic and reliable, especially for customers who are sceptical of online-only businesses.

Showcasing innovation: Some e-commerce enterprises use physical stores to showcase their technological innovations or unique products. For example, an online electronics retailer might use a physical store to let customers experience cutting-edge gadgets in person.

Returns and customer service: Physical stores can serve as return centres for online purchases. Having in-store customer service can address customer queries and concerns.

Behavioural data collection: Physical stores can provide valuable data on customer behaviour and preferences that might be challenging to capture online. This data is most helpful in refining the marketing and product strategies.

Competitive edge: In some cases, entering the brick-and-mortar space can help to differentiate itself from other online-only competitors.

Market saturation: In mature e-commerce markets, there might be a point of saturation where online growth slows down. In such cases, expanding into physical retail may provide new avenues for growth.

Source: thehindubusinessline.com– Nov 05, 2023

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