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Currency Watch			
USD	EUR	GBP	JPY
83.26	89.11	102.23	0.55

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INTERNATIONAL NEWS

Sharp drop in US apparel imports worries Asian garment exporters

Asian garment exporters are in a tizzy because of sharp drop in US apparel imports almost 25.35 per cent on a year-on-year basis in the last eight months, after having remained almost constant for the last decade. Although the slight drop from 74.2 per cent in 2020 to 72.8 per cent in 2021 from the ASEAN countries was attributed to the pandemic but is worrying is that the figure is increasing and there is not much change.

Worrying trade stats

During the first 8-month of 2023 from January to August, the US imported apparel worth $15.98 billion, falling massively by around 25.35 per cent on a year-on-year, reveals US trade department Office of Textiles and Apparel (OTEXA) stats.

This translates to a value loss of around $5.43 billion in imports in just one year and greatly affects the post-Covid business momentum of 2022 that was picking up. In this $15.98 billion segment, the share of cotton apparels was $6.77 billion of total imported value which dropped 29.51 per cent, while man-made fiber (MMF) apparels saw a 23.41 per cent drop to $8.58 billion during this period.

In August, US textile and apparel imports were around 8.62 billion sq. mt. down 5.7 per cent year-on-year and 4.8 per cent month-on-month. Import value stood at $10.09 billion which is 23.4 per cent year-on-year but still up 0.6 when calculated month-on-month in this review period. However, the accumulated import value was 62.55 billion sq. mt. a cumulative decrease of 17.8 per cent, which was far more than the usual over the last decade.

Reasons for decline

A study on the patterns of US apparel imports by Sheng Lu, Associate Professor, Department of Fashion & Apparel Studies at the University of Delawar identifies, many reasons for the decline. First, is while US apparel imports has gradually recovered, the overall import demand remained weak, with trade volume still experiencing a decrease of approximately 17-

18 per cent as compared to 2022. Although the price of US apparel imports is more stabilized, inflation issues still rule the US economy.

Second, due to its seasonal pattern, the market share of some countries has been higher since June. China, ASEAN countries and Bangladesh have over 64 per cent of total US apparel imports in July 2023 which is a notable increase from earlier. The US fashion companies are currently concentrating on expanding their sourcing base to reduce supply chain risks and geopolitical tensions.

Sheng Lu in his analysis says, the third factor for the recent decline is that in spite of an apparent rebound in exports to the US, China has continued to experience a decline in market share mainly due to the adverse business environment which was 3 per cent lower at 24.1 per cent in July this year as compared to 27.2 per cent in July 2022.

Fourth reason is, the US apparel imports from CAFTA-DR members of the free trade agreement between the US and a group of smaller developing economies has remained stagnant or worsened with US apparel imports from CAFTA-DR in 2023 being about 20 per cent lower than that of 2022.

However with the Christmas and New Year festivities around the corner, ASEAN garment exporters remain hopeful the recent fall in US textile and apparel imports will smoothen out and the usual trade figures will be back on track again.

Source: fashionatingworld.com– Nov 08, 2023

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IMF upgrades China's 2023 growth forecast to 5.4%, sees 2024 slowdown

The International Monetary Fund (IMF) recently revised its 2023 growth forecast for China from 5 per cent to 5.4 per cent, attributing the revision to the country's strong post-pandemic rebound, policy amendments and stronger-than-expected results in the third quarter, which saw gross domestic product (GDP) grow by 4.9 per cent.

This growth figure supports predictions of full-year growth of 5 per cent or more. The revision followed a recent IMF staff visit to China for Article IV mission led by Sonali Jain-Chandra, IMF mission chief for China.

IMF, however, predicted a slowdown next year, with GDP growth potentially dropping to 4.6 per cent—an improvement over the October estimate of 4.2 per cent. That would be due to continuing weakness in the property market and subdued external demand. IMF also expects a consistent reduction in growth to around 3.5 per cent by 2028, due to low productivity and an aging population.

IMF first deputy managing director Gita Gopinath said the Chinese government's challenge is to minimise economic costs and contain risks to macrofinancial stability. Core inflation is projected to increase to 2.1 per cent by end-2024 as output gap continues to narrow, she said.

"Financial stability risks are elevated and still rising, as financial institutions have lower capital buffers and growing asset quality risks. To improve financial system resilience and mitigate risks, strict application of prudential policies and a strengthened framework for bank resolution are needed," she said.

"With headwinds such as aging population, diminishing returns on investment, and geoeconomic fragmentation likely to constrain medium-term growth prospects, broad-based and pro-market structural reforms aimed at boosting productivity, supporting rebalancing and decarbonization would help support new engines of growth and foster a more balanced, inclusive, and green growth," she added.

Source: fibre2fashion.com– Nov 09, 2023

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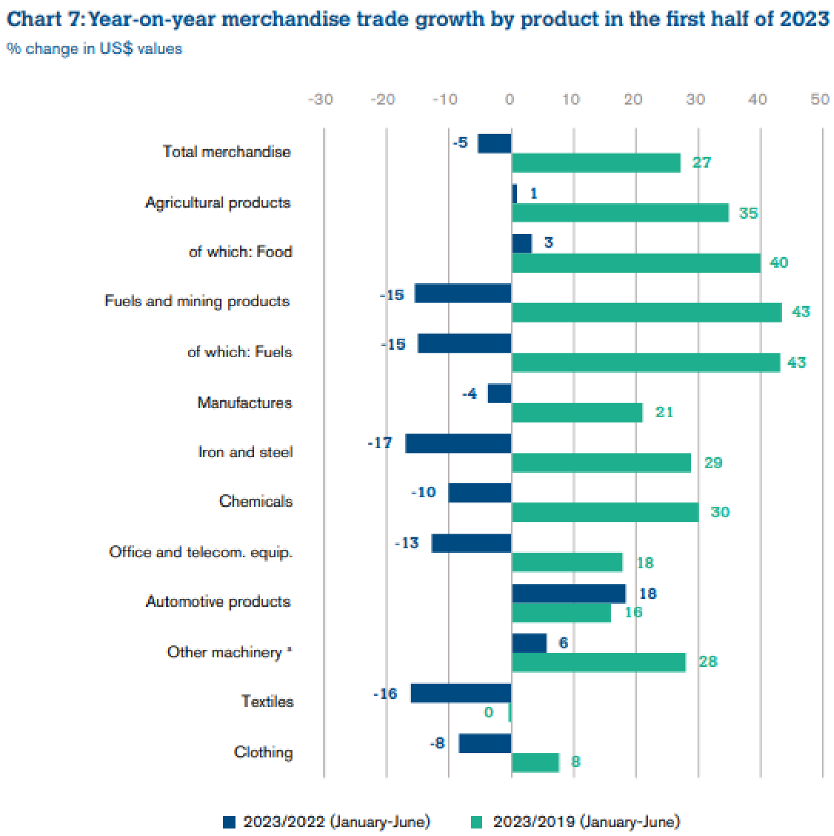
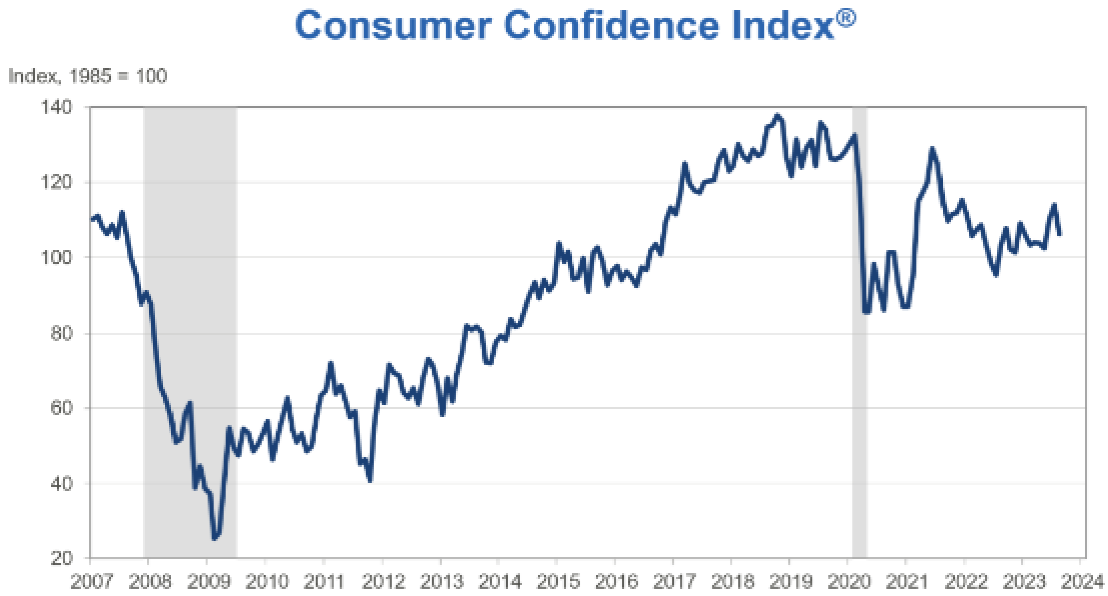
China: Insufficient confidence in ICE cotton not groundless

Currently, ICE cotton futures market has continued to fall to around 75-77cent/lb, and there is no doubt that the biggest driving factor remains the pessimistic expectations for market demand. According to the WTO Oct report, the trade slowdown has involved many countries and commodities, especially steel, office and telecom equipment, textiles and clothing on the manufacturing side. The exact reasons for the economic slowdown are not clear yet, but inflation, high interest rates, the appreciation of the US dollar and geopolitical tensions are all contributing factors.

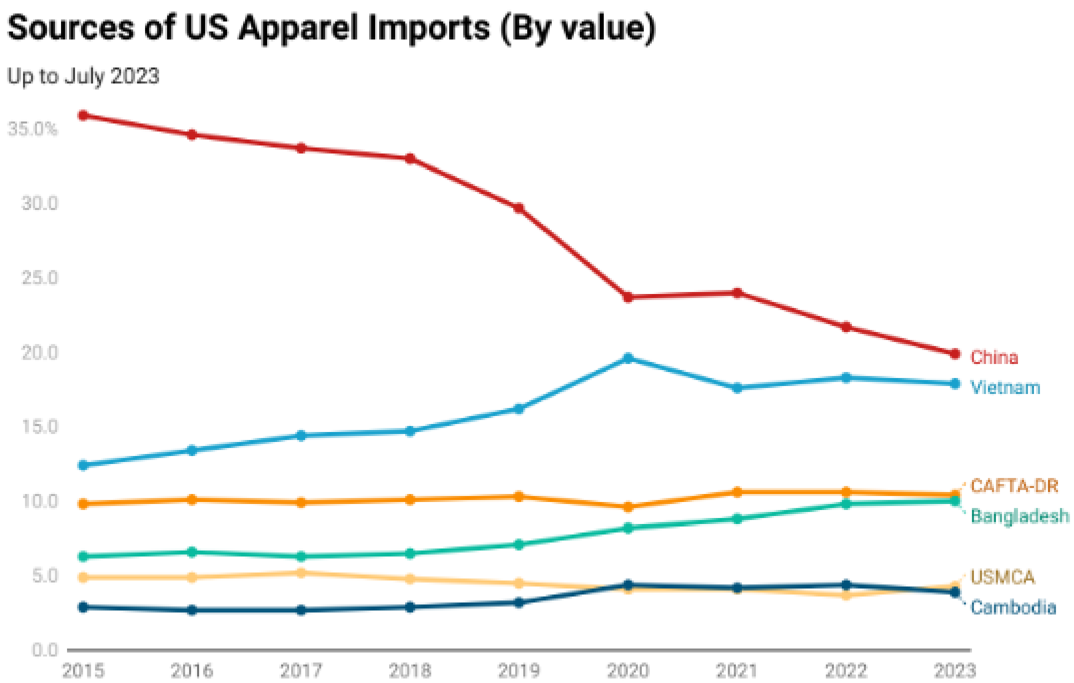


Globally, the appreciation of the US dollar has caused significant value declines for some commodities. Of particular concern are fuel and mineral products, which have declined by 15%, textiles, which have declined by 16%, and steel, which has declined by 17%. At the same time, clothing products have also declined by 8%.

In the US, although clothing imports are gradually recovering, overall import demand remains weak. For example, although the total value of US clothing imports increased by 0.9% in Jul 2023 compared to Jun, the trade value still declined by about 17% compared to the same period last year.



The US consumer confidence index also fell again in Aug 2023, indicating that the economic outlook is still filled with worrying shadows. In addition, US clothing imports in Jan-Jul 2023 declined by 22.3% year on year in terms of value and 28% in terms of quantity, the worst performance since the outbreak of the pandemic.



In terms of the market share of U.S. apparel imports, China, the largest exporter of apparel, saw its market share by trade value decrease from 27.2% in 2022 to 24.1% in Jan-Jul 2023, a decrease of about 3.1%. By trade volume, China's market share decreased from 43.1% in 2022 to 40.6% in

Jan-Jul 2023, a decrease of about 2.5%. Looking at the past seven years, the share of Chinese apparel exports to the US has been declining year by year, with further possibility of decline.

In Oct, China's textile and clothing exports amounted to US$22.97 billion, a year-on-year decrease of 8.2%. Among them, the export value of yarn/fabric and products was US$10.71 billion, a year-on-year decrease of 5.8%, and a month-on-month decrease of 8%. As the largest demander of US cotton, the performance of downstream demand in China's clothing industry has always been a focus of attention.

However, both export and domestic sales performances in the fourth quarter of this year have been far below the expectations for the "golden September and silver October", coupled with gradually weakening US economic data, which further undermines confidence in the US cotton market.

Source: ccfgroup.com– Nov 09, 2023

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Cotton Demand Issue Dominates the Textile Ecosystem

(Lubbock, USA, November 7, 2023)—Demand for textiles is weak which dominates the cotton ecosystem.

"Global demand for textiles has come down leading to cascading effects such as unit closures in South India," stated Gandhiraj Krishnasamy, General Manager-Sales at Coimbatore-based Lakshmi Card Clothing.

India being the second largest producer of cotton is expected to produce 20 lakhs (2 million) bales (170 Kgs each) less in the 2023-24 season beginning this October as against last season.

On November 6, India's Committee on Cotton Production and Consumption (COCPC), under the Ministry of Textiles held its meeting in Mumbai. Based on the official data released after the meeting, the crop estimates for the new season beginning on October 1 will be lower than the 2022-23 season.

While production is projected to be less, due to higher opening stock of 64.08 lakh bales (6.4 million), supply will be marginally higher than last year. Total demand will be slightly higher for 2023-24 at 33.5 million bales (170 Kgs each).
Above projections show that the cotton situation in India is as the last season with a tight supply and not a sufficient increase in demand.

Demand enhancement is needed is the general sentiment I got by discussing with cotton and textile mills executives. Agreeing that the demand is the issue, "spinners are not building inventory," opined Gnanasekar Thiagarajan, Director of Mumbai-based Commtrendz Research.

"Being the Diwali festive season, we hoped that the demand for domestic textile goods will pick up, but that is not the case," stated Velmurugan Shanmugam, General manager of Aruppukkottai-based cotton spinning mill, which has 72,000 spindles. "Normally at peak season, we process 3,500 bales/month but our consumption has been reduced to 2,800 bales/month," added Velmurugan Shanmugam.

"Given the expected reduced cotton production in states like Telangana, prices should have climbed up, but that is not the situation," stated Gnanasekar Thiagarajan.

Trade imbalances, power cost in India, reduced global demand are affecting the textile situation in India, which is having a global effect.

Interestingly with the lowering of cotton prices, spinning margins have also come down. It should be the other way, provided there was demand for textiles, observed Gandhiraj Krishnasamy.

Interactions with spinning mill executives reveal that mills are selling yarns at a loss of about Rupees five per Kg.

Trade imbalances such as the availability of imported fabrics from China and garments from low-wage countries have made Indian products uncompetitive leading to demand slump.

"There is no uptake of garments from Tiruppur region, which is a knitted garment hub," stated Gandhiraj Krishnasamy. Many garment units and open-end spinning units have announced closures from today till November 25th, added Gandhiraj Krishnasamy.

I have been insisting that textile mills pay close attention to geo-political situation, global economy, demand, and supply situation before making any decision with expansion and inventory buildup. In a major event hosted by the Textile Association (India)-South India Unit, in Coimbatore during the summer of 2022, when the price of cotton in India was in the upwards of Rs. 80,000 per candy (356 Kgs), my opinion was that such a high price will not help with the demand, and the market must cool down.

Today, when Sankar-6 variety is at Rs. 57,000 per candy, demand is weak due to the above factors. This price in India is close to the minimum support price (MSP), and the industry is hoping that if that situation happens, it will support the entire cotton ecosystem.

Demand is the catch word. "Let us hope that the Christmas spirit is good so that global demand picks up," stated Gnanasekar Thiagarajan.

Source: textilevaluechain.in– Nov 08, 2023

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TTU Professor's Invention is Part of Decontamination Advancements by the U.S. Army

In a groundbreaking partnership between the United States Army and First Line Technology, recent research findings are poised to usher in a revolutionary shift in decontamination processes. The research, now available to the public, highlights the potential of non-aqueous decontamination technologies, with a particular focus on FiberTect.

"FiberTect has been a powerful decontamination tool that is used globally as the 'first' item that a responder would grab to start the decontamination process," notes Amit Kapoor, President of First Line Technology. "The result from continuous testing only reinforces the technical superiority of FiberTect over other common decontamination tools."

FiberTect, the patented invention of Dr. Seshadri Ramkumar, a professor in the Department of Environmental Toxicology at Texas Tech University, was introduced in 2008. It is a three-layer, nonwoven wipe that boasts an activated carbon core sandwiched between absorbent top and bottom layers.

These wipes are on the brink of transforming casualty decontamination, offering a safer and more efficient alternative to the prevailing water-based systems. FiberTect has been commercialized by First Line Technology in collaboration with Waco-based Hobbs Bonded Fibers.

Corey Collings, Director of R&D at First Line Technology, underlined the innovation, stating, "Decontamination of dry powders is a new use for FiberTect as it was originally designed for older Cold War-era liquid chemical warfare agents, but new research has shown that on powders its decontamination efficacy exceeds other technologies that have been traditionally used such as HEPA vacuums and adhesive tape."

In today's dynamic threat landscape, the continued evaluation of decontamination technologies has become imperative. While World War I primarily saw chemical warfare agents in gaseous or volatile liquid forms, they have evolved over time into persistent, adherent surface liquids. Traditional decontamination methods have proven inadequate for these modern-day challenges. Until the early 2010s, decontamination equipment was largely tailored to counter Cold War-era agents.

In contemporary scenarios, threats often manifest as dry powders, including synthetic opioids like Fentanyl, powdery toxic chemicals such as Russian Fourth-Generation Agents, and weaponized bio-toxins like ricin. These substances primarily pose inhalation hazards, but the use of improper decontamination techniques, such as isopropyl alcohol or high-pH soaps, can expedite skin permeation.

Unlike liquid chemicals, these powders maintain their efficacy and persistence across various climates, from cold to hot. Water is effective for removal but poses challenges in cold weather and austere environments, and the runoff associated leads to cross-contamination and secondary hazards.

Click here for more details

Source: depts.ttu.edu– Nov 08, 2023

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UK's M&S' sales ascend 10.8% to £6,164.4 mn in H1 FY24

British retail giant Marks and Spencer (M&S) Group Plc has reported a robust first half for fiscal 2024 (H1 FY24), with group sales reaching £6,164.4 million, marking a substantial increase of 10.8 per cent from the previous year. The statutory revenue for the period also saw a similar uplift, climbing to £6,134 million.

The company announced that its profit before tax and adjusting items soared to £360.2 million, a significant improvement from £205.5 million reported in FY23.

Likewise, the statutory profit before tax was up to £325.6 million from £208.5 million. This financial growth translated into a rise in basic earnings per share, up to 10.6p from 8.5p in the prior year, and adjusted basic earnings per share increased to 12.7p from 7.8p, reflecting the higher adjusted profit year-on-year, M&S said in a press release

In the clothing and home segment, sales grew by 5.7 per cent with like-for-like (LFL) sales increasing by 5.5 per cent. This growth has been attributed to confident buying and improved style perceptions, particularly highlighted in holiday and denim categories. The company also saw an uptick in customer numbers and experienced growth across both physical stores and digital platforms, with the former outpacing online sales.

The adjusted operating margin for this division improved to 12.1 per cent, up from 9.8 per cent the previous year, boosted by an increased full-price sales mix, which now stands at 82 per cent. Online sales witnessed a growth of 4.6 per cent, with the online adjusted operating profit margin improving to 9 per cent from 6.9 per cent.

Marks and Spencer's international sales rose by 3.9 per cent at constant currency, despite a slowdown in partner demand compared to last year's restocking.

Nevertheless, the adjusted operating profit for the international division increased by 11.3 per cent to £43.4 million, supported by structural cost reduction savings.

"Our strategy to reshape M&S for growth has delivered strong results in the first half. We have maintained our relentless focus on trusted value, giving our customers exceptional quality product at the best possible price.

In Food, we delivered over 500 quality upgrades and invested over £30 million in price, lowering the price of 200 products and locking prices on 150 customer favourites. In clothing and home, we backed lines with authority across core and seasonal product, maintaining our lead on quality and value perception and improving our style credentials, said Stuart Machin, chief executive.

Source: fibre2fashion.com– Nov 08, 2023

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African apparel industry ready to increase its global footprint

The African fashion industry is currently booming as demand increases from a rapidly expanding middle class in the urban domestic segment as well as from global consumers who are showing more interest in the high quality of craftsmanship in Africa's cultural tradition garments. Vibrant hues and colorful fabrics, such as wax and printed-dyed cotton are extremely popular around the world.

An inaugural report by UNESCO has estimated the annual African textile, clothing and footwear exports at around $15.5 billion. Although the textiles and garments segment may be the second largest sector with agriculture as the primary segment, Africa's full potential is yet to be realized. African designers are constrained by poor infrastructure, sparse investment, limited intellectual property protection as well as difficulties accessing new markets and sourcing quality materials.

UNESCO has estimated the deficit in Africa's textile, clothing, and footwear trade is around $7.6 billion which is a result of stifled local production that has led to the arrival of cheap or free second-hand clothing from abroad.

Re-authorization of AGOA will help garment segment

The earnings from the continent's fashion industry, currently valued at $15.5 billion in exports annually could triple over the next decade with suitable investments and infrastructure, says UNESCO.

To help Africa progress faster, US officials will be visiting South Africa in November to meet African trade ministers who will face calls to re-authorize the African Growth and Opportunity Act (AGOA) which expires in 2025.

Apparel trade has always been the story of AGOA, which was set up in 2000 to help develop African economies. African apparel exports have reached nearly $1.4 billion last year, which is double the amount pre-AGOA.

Analysts are optimistic as US companies reduce their dependence on China, there is more opportunity for African garment manufacturers to take that place. However, if the AGOA is not renewed soon with proper clarity, capturing a part of China market could be difficult for Africa, as the lack of renewal laws is hitting new investments from abroad. Many US companies are now planning to cut investments or bypass Africa by June 2024, if there is no clarity on the trade laws.

While deepening global polarization Moscow, Beijing and other Western countries are all leveraging trade and economic ties as they increase efforts to court African governments. Many US senators are now pushing for quick AGOA renewal to counter influences from these countries. Even the African governments are wanting a similar re-authorization of the 10-year AGOA extension that was approved by Congress in 2015 with bipartisan support, ideally before an expected US election year pause on new trade legislation, although that looks extremely unlikely..

Fashion weeks and social media propel segment growth

However, in the middle of this economic and political turbulence, Africa's fashion industry is growing rapidly to meet local and international demand, and fashion events such as the Lagos Fashion Week continue successfully. This annual event features a mix of designers of Nigerian and African fashion and provides a market for local brands to showcase their vast portfolio of apparel and footwear.

The fashion segment continues in social media as well as in movies, films, and fashion shows, in the form of trendy and traditional wearable garments, textiles, accessories and handicrafts in the international markets. With growth in e-commerce and Africa's young population of 1.3 billion people which is set to double by 2050, the fashion industry in local and global settings will soon be ready to take on the world.

Source: fashionatingworld.com– Nov 08, 2023

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46% of S Asia's $4.8-bn manufacturing export potential to China reaped

South Asia's manufacturing export potential to China is worth $4.8 billion, 1 per cent of the sub-region's total, according to a new report by Geneva-based International Trade Centre (ITC).

Forty-six per cent of it is currently realised ($2.2 billion); the unrealised potential of the sub-region to China comprises $1 billion attributed to existing frictions and $1.6 billion linked to growth projections for the coming years, the report, titled 'Exporting to China: Opportunities For Developing Countries In The Belt And Road Initiative'.

The six developing countries in South Asia under the initiative have some unrealised manufacturing export potential to China, ranging from $11,000 in the Maldives to $1.4 billion in Bangladesh. More than 93 per cent of the unrealised manufacturing export potential to China in the sub-region is from Bangladesh and Pakistan.

A large share of the unrealised potential of Bangladesh is in apparel products and footwear. Considering that these goods benefit from least developed country (LDC) preferences, which Bangladesh will forego upon graduation in 2026, it is likely that much of the unrealised export potential will be lost.
In contrast, Pakistan's opportunities for growth in manufacturing exports to China are more diversified, not only in apparel, but also in cotton fabric, leather products, medical instruments and others. If this potential were to be realized fully, the largest impact would be for Pakistani exports, which would increase by 4 per cent, the report noted.

For other countries in the region, the effect would be 1 per cent or less.

Exports from developing countries under the BRI could increase by up to $318 billion by 2027, if they move beyond primary goods to more manufactured products, the report noted.

Since the launch of the BRI a decade ago, exports from participating developing countries to China soared by 79 per cent. Yet almost half of the export potential from these countries to China remains unrealised.

At 65 per cent, or $206 billion, Asian countries account for the bulk of the unrealised export potential to China. All regions have substantial opportunities for growth: $111 billion for the Americas, $70 billion for Africa, $33 billion for Europe and $3 billion for the Pacific.

The ITC report was released during the China International Import Expo in Shanghai recently.

Source: fibre2fashion.com– Nov 08, 2023

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Bangladesh's cotton, yarn imports decline

Bangladesh's cotton and yarn imports witnessed a sharp decline in the first nine months of 2023, primarily due to reduced global and local demand, inconsistent gas supply, and the ongoing crisis related to the US dollar, which has collectively burdened textile mills.

According to data from the Bangladesh Textile Mills Association (BTMA), the country's cotton imports for yarn production fell by 28 per cent year-on-year to 9.87 lakh tonnes from January to September.

In the corresponding period the previous year, businesses had imported 13.66 lakh tonnes of cotton.

Similarly, yarn imports also decreased by 26 per cent, dropping to 6.29 lakh tonnes in the first nine months of the year compared to 8.51 lakh tonnes in the same period the previous year.

This decline in cotton and yarn imports by textile mills comes at a time when the export receipts of the readymade garment industry, responsible for more than 80 per cent of the country's external earnings, have slowed.

In October, garment shipments decreased by 14 per cent year-on-year. Despite this, the overall earnings from the apparel sector grew by nearly 6 per cent to US $ 38.7 billion from January to October.

In the same period in 2022, it was US $ 36.6 billion, according to the Bangladesh Garment Manufacturers and Exporters Association.

A Matin Chowdhury, the Managing Director of New Asia Group, a vertically integrated apparel manufacturing entity, attributed the 25 to 30 per cent drop in demand to slowing global demand and disruptions in production caused by erratic gas supply.

He also noted that local demand has decreased due to the current economic conditions.

Source: apparelresources.com– Nov 08, 2023

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Pakistan's Soorty Wants Help Scaling Organic Cotton Initiative

Just 1.4 percent of the world's cotton production was organic in the 2020/21 season, according to the International Cotton Advisory Council. Soorty wants to change that—and it's calling on the industry to help.

At Sourcing Journal's Fall Summit on Nov. 2, Ebru Debbağ, executive director, global marketing and sales for the vertically integrated Karachi-based denim supplier, reflected on why vertical production is essential, its organic cotton initiative and issued a call to arms during a conversation with Sourcing Journal's features editor, Kate Nishimura.

"Every choice we make… elicits an environmental, economic and human response," Debbağ said. "So, I'd like to give the perspective of the manufacturer. Soorty has been in the denim and jeans manufacturing industry for over 40 years. The vertical infrastructure gives us the opportunity to maximize efficiency, optimize our costs, work with key unlock projects in denim manufacturing garments and pursue data in a very profound way."

And Soorty's model is structured on KPIs to maximize its sustainable impact, Debbağ said. The company's science-based targets aim for a 54.6 percent smaller carbon footprint by 2030.

"When you work with targets for impact, you have to define a very profound roadmap leading to that target," she said. "And we're now working with all the different projects to build into this target."

One of the projects is Soorty's organic cotton initiative.
"In 2021, we decided that we needed to really go down into the field and roll up our sleeves and so we started our Soorty Organic Cotton Initiative (SOCI), which actually is a social and environmental impact project," Debbağ said. "The whole goal for us is to lift the community and also create a carbon sink with this project."

SOCI was developed in partnership with WWF-Pakistan, the Department of Agriculture Extension and Balochistan, with support and input from the Laudes Foundation, which aims to bring organic farming practices and a better way of life to farmers in the Balochistan region of Pakistan.

"When we first launched this project, we had only 800 farmers enrolled. Currently, we have 13,000 farmers working in 10,000 acres," Debbağ said. "So, this is a great achievement, and we have close to 700 tons of organic cotton certified by the Control Union."

The AI enthusiast sees 700 tons as just the beginning and aims to scale the two-year-old project in Pakistan and elsewhere. Currently, the program has 52 Farmer Field Schools (FFS) training each farmer twice a month. The FFS model "embraces sustainable agriculture anchored in ecology and farmer empowerment," according to the United Nations Department of Economic and Social Affairs.

"The whole idea is to use the permaculture practices in producing the organic cotton so we're not using any chemicals; we're teaching the farmers how to produce using bio-fertilizers, nontoxic pest controls, so we don't really need to use chemicals," Debbağ said. "So, you kind of start innovating and finding different ways of approaching a problem when you start building up with your partners."

The project is generating substantial interest from the industry players such as Bestseller and Inditex. However, more partners are needed for Soorty to achieve its sustainability goals in the coming years.

"There's a gap in the market between what is demanded and what is required, and the whole commercial dynamics that we are going through," Debbağ said. "Projects, as such, require investment. But also, we need to have brand partners on this project. This is a huge callout—I'm telling all the brands and retailers, come on, we can do this together, and we need to do this together."

Source: sourcingjournal.com– Nov 08, 2023

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Pakistan: Why our exports still struggle to get meaningful boost?—I

Many of us wonder why the Pakistani rupee is trading at 284 against one USD. A number of reasons are presented for the fast eroded value of the Pakistani rupee. In this writer's view, however, there is effectively only one obvious reason.

Consider the following: Pakistan's exports were of USD 25 billion in 2013. These are around USD 30 billion in 2023. Imports were of USD 43 billion in 2013 against USD 70 billion in 2023.

If the exports and imports would have kept the same pacer then the trade deficit would have been around USD 13 to 15 billion per year.

Due to almost stagnant exports ranged between $ 18 and $ 25 billion. Thus if the exports would have kept pace with import's increase the foreign loans of Pakistan would have been $80 billion to $100 billion less with a foreign exchange rate around Rs. 100 to 120 per USD. We Pakistanis are not known for doing this simple arithmetic.

In comparison, Bangladesh exported $45 billion worth of clothing in 2022 as per "World Trade Statistical Review 2023" released on 31 July. This South Asian country's was around USD 25 billion in 2013. India's annual textile exports stood at USD 44.4 billion in FY 2022. In 2013, they were around USD 24 billion.

If we would have followed in the footsteps of our South Asian neighbours our exports would have been around USD 45 billion. In accounting and economic sense the matter is quite clear and there is nothing strange in having an exchange parity of above USD 250 per USD 1.

This is history, now the crucial question is whether or not we can arrest this slide? Three articles by this writer on the likely USD rate in 2024 carried by this newspaper only recently were well received; now this article by him concentrates on the major item of export being textiles business.

In Pakistan the problem is not new. Cotton production is forecast to rebound 36 percent to 5.3 million bales in 2023/24. Pakistan's highest cotton production was set in 2004/05 with 11.2 million bales.

On the other hand, India is ranked at 2nd place in the world with an estimated production of 34.5 million bales during cotton season 2022-23 i.e. 23.83% of world cotton production of 144.1 million bales (24.51 Million Metric Tonnes).

In 1947, Pakistan's production was 1.1 million bales whereas India was producing 2.3 million bales of short and medium staple cotton from 4.4 million hectares. Furthermore, in India, a bulk of raw cotton produced is capable of making good quality yarn.

The position is not the same in Pakistan, so to speak. India exports raw cotton to Bangladesh of over $ 4 billion to 5 billion.

Commercial and economic reasons are discussed in the following paragraphs.

Whether this mind-set will change without any positive outlook is an essential question about Pakistan's future.

The results are negative at the moment. This is the main reason why we come across so much advertisement for real estate projects and expensive watches in Pakistani newspapers. Not only is it a cultural and social issue, it is also related to economics.

Even with these dismal statistics of the last decades we, as a nation, are not concentrating on the core issue of economic sustenance. In his new series of articles, the author will seek to explain the economic and commercial science of Pakistani exports, especially the textile sector.

Click here for more details

Source: brecorder.com– Nov 09, 2023

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NATIONAL NEWS

6th Session of India-Ethiopia Joint Trade Committee held successfully in Addis Ababa, Ethiopia

The 6th Session of India-Ethiopia Joint Trade Committee (JTC) was conducted in Addis Ababa, Ethiopia from 6-7 November, 2023. The meeting was co chaired by the Economic Advisor, Department of Commerce, Ministry of Commerce and Industry, Government of India, Ms. Priya P. Nair and the Lead Executive of the International and Regional Trade Integration, Ministry of Trade & Regional Integration, Ethiopia, Mr. Tages Mulugeta. Ambassador of India to Ethiopia, Shri Robert Shetkintong and other senior officials from both sides also participated in the JTC.

Both sides agreed to expeditiously address all issues impeding bilateral trade and facilitate trade promotion between the two countries. The Indian side invited the Ethiopian side to collaborate on the Unified Payment Interface (UPI) of India with Ethswitch of Ethiopia. Further, the Indian side also urged Ethiopia to explore the possibility of settlement of trade transactions in local currency which will help boost bilateral trade and conserve foreign exchange. The deliberations of the 6th Sessions of India-Ethiopia JTC were cordial and forward-looking, reflecting the traditionally friendly and special relations between the two countries.

Both sides undertook a detailed review of recent developments in bilateral trade and investment ties and noted that the relationship has a huge potential to be scaled up even further. To this effect, both sides identified several areas of focus for enhancing both bilateral trade as well as mutually beneficial investments.

These include health and pharmaceuticals, automobiles, textiles, infrastructure projects, food and agro processing and so on. Both sides also reviewed the progress of ongoing discussions for Memorandum of Understanding (MoUs) in the field of Standardization & Quality assurance and Customs procedure and agreed to conclude them expeditiously. The Indian side also requested the Ethiopian side to expedite the early finalization of the Bilateral Investment Treaty.

The Federal Democratic Republic of Ethiopia is one of the fastest growing economies in the African region, with an estimated growth of 6.4% in the year 2021-22. Bilateral trade between India and Ethiopia stood at USD 642.59 million in 2022-23.

India is the second largest exporter to Ethiopia. Indian companies are among the top three foreign investors in Ethiopia with existing Indian investment of USD 5 billion of which, about USD 3-4 billion is estimated to be on the ground. Indian companies have invested in various sectors like agriculture and floriculture, engineering, plastics, manufacturing, cotton and textiles, water management, pharmaceuticals and healthcare.

Source: pib.gov.in– Nov 08, 2023

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Govt may lift some restrictions for SEZ units but no input tax remission benefits on exports for now

The government is examining the possibility of lifting some restrictions for SEZ units to boost growth but benefits of input duty remission schemes for exports can be extended to the sector only after its WTO compatibility is ascertained, Commerce Minister Piyush Goyal has said.

“We are looking at ways and means to liberalise some of these restrictions on SEZ units. It’s under consideration…We are discussing it with all the stakeholders and hopefully that itself will give a significant boost to the SEZ units,” Goyal said at a conference on ‘Ease of Doing Business’ jointly organised by the Department for Promotion of Industry and Internal Trade and industry body CII on Wednesday.

Responding to the industry’s query on whether the government was considering extending benefits under the Remission of Duties or Taxes on Export Products (RoDTEP) Scheme and the Rebate of State and Central Taxes and Levies (RoSCTL) for garments and textiles to SEZs, Goyal said that the matter would need to be examined cautiously to ensure that WTO rules are adhered to.

“At some point in time, we will consider it once we are very confident that it will not lead to WTO non-compliance,” he said. The Minister added that both RoDTEP and RoSCTL, at the moment, were absolutely WTO compliant, which helped India resolve its outstanding disputes with the US at the multilateral forum.

In SEZs, the largest areas of exports are petroleum products and software, which anyway are not covered under RoDTEP, he said.

What it means to SEZs

The proposed liberalisation of restrictions for SEZs could include permission to units in the zone to sell their products in the domestic market outside (domestic tariff area) without paying import duties, although the Minister did not specify this. It is a long-pending demand from the industry which the Commerce Ministry has been pushing for with the Finance Ministry. The industry argues that it needs this flexibility to be at par with industry in India’s FTA partner countries that are allowed to export their items duty free to India. Goods exports from India's SEZs in 2022-23 were valued at $ 61.6 billion

The Minister pointed out that the national initiative of ease of doing business was well supported by the industry and the government was now working to take it to the next level, see and monitor its impact on the ground and come up with a roadmap which is continuously evolving.

He said inputs from industry were required on a continuous basis. Businesses must make use of the National Single Window System and suggest gaps and measures to improve it, Goyal said.

Source: thehindubusinessline.com– Nov 08, 2023

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GST exemptions disrupt input tax credit chain, will complex GST: CBIC chief

Exemptions or lower rate of taxation sought by industry on some items breaks the input tax credit (ITC) chain, leading to complexity in the goods and services tax (GST) structure, Central Board of Indirect Taxes and Customs (CBIC) Chairman Sanjay Agarwal said on Wednesday.

Agarwal also said that indirect tax authorities would soon start sending intimation to businesses that do not comply with rules on e-invoicing, a mandatory requirement for availing of input tax credit (ITC).

"Industry should introspect if it wants a simpler GST structure. Complications arise when they seek exemption on two out of five five items because ITC in such cases would not be allowed on the exempted items. That would disrupt the whole ITC chain," he said at a Confederation of Indian Industry (CII) conference on ease of doing business.

"If one of their items falls in a certain category (GST slab), they should not demand an exemption or lower slab for that particular item, as that might lead to classification disputes. To avoid litigation, carving out exemption should be avoided if items in those chapters generally fall in particular tax slabs," he underlined.

On e-invoicing, the CBIC chief said: "We will send advisory to such taxpayers to issue e-invoices. We do not want to adopt an approach that is intimidating, so we will nudge them for electronic billing. The details furnished in e-invoice are auto populated in monthly and quarterly GST returns."

CBIC has widened the ambit of e-invoicing for businesses by lowering over the years the mandatory turnover threshold to Rs 5 crore from Rs 500 crore under the GST regime. Taxpayers must generate invoices on their internal system or billing software and then report these to the invoice registration portal (IRP). Without this, ITC cannot be claimed.

On the proposed Development of Enterprise and Service Hubs (DESH) Bill and SEZ rules, he said that call was yet to be taken.

On Customs, he said that work was in progress to integrate SEZ and the Indian Customs Electronic Gateway (ICEGATE) for duty payment. That will ensure all documents are available in the same system.

The department was also working to reduce the time taken for Customs clearances, he said. The average time taken for Customs clearance of imports has reduced 11 per cent at air cargo complexes and 9 per cent across seaports, he added.

The National Time Release Study (NTRS), 2023, presents the average cargo release time for seaports, air cargo complexes (ACCs), inland container depots (ICDs), and integrated check posts (ICPs), which account for about 80 per cent of bills of entry and 70 per cent of shipping bills filed in the country.

Source: business-standard.com– Nov 08, 2023

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India's economy showed strong growth, retained 6% forecast in FY24: S&P

S&P Global Ratings on Wednesday said India's economy has a track record of strong growth and retained its 6 per cent growth forecast for current fiscal year.

In Asia-Pacific Credit Outlook 2024 titled 'Slowing Dragons, Roaring Tigers', S&P said gradual capital deepening, favourable demographics, and improving productivity are essential growth factors.

"India's economy has a track record of strong growth. We expect this momentum to continue and forecast growth of 6 per cent for FY 2024, then 6.9 per cent for FY 2025 and FY 2026," S&P said.

It said India's economic growth shines brightly. However, its yields remain higher, as they have been historically, which puts additional pressure on the cost of funding India's large debt stock.

While growth supports market confidence and revenue generation, rates dynamics will be an additional determinant of India's debt trajectory over the next few years, the US-based rating agency said.
Gradual capital deepening, favourable demographics, and improving productivity are essential growth factors.

"Challenges for unlocking the next phase of growth include labour force participation, climate resilience, and further improvements in business environment," S&P said.

It said the Indian economy is reliant on strong growth performance in services industries.

The influence of services in the economy has grown over time, while agriculture and other primary industries have reduced economic shares.
"We expect share of services in the economy to rise further as comparative advantages are still in that space," it added.

Source: business-standard.com – Nov 08, 2023

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India-UK trade deal: Prospects & challenges

In December 2021, India surpassed the UK to become the fifth-largest global economy. In January 2022, both countries initiated negotiations for a comprehensive free trade agreement (FTA) in fast-track mode. Currently, negotiations are nearing completion, with teams from both countries working to resolve the last few remaining issues. The FTA may be signed by the end of the year.

India and the UK have a modest trade relationship, with the total bilateral trade in financial year 2022-23 exceeding $44.3 billion. India, with exports of $25.8 billion in goods and services, has a trade surplus of $8 billion. This data is from the Department of Business and Trade of the UK government. The Reserve Bank of India does not release bilateral services trade data for the public.

What outcomes can we expect from the FTA between two large economies with modest levels of bilateral trade?

The FTA involves negotiations in 26 subjects, including trade in goods and services, sustainability, intellectual property rights, and labour issues. Through these subjects, the negotiators aim to capitalise on India's burgeoning digital and consumer markets and the UK's advanced technology and financial sectors, potentially benefiting both nations.

Essentially, the FTA must leverage trade and economic complementarities between India and the UK. To what extent will they succeed? Let us examine the focus, hurdles, and possible outcomes in the major negotiating subjects.

Merchandise trade: Indian smartphones, petroleum products, medicines, diamonds, machine parts, aeroplanes, and wooden furniture currently enter the UK market duty-free. These products totalled $6 billion — half of India's goods exports to the UK in FY23. The FTA will not help these already zero-tariff exports.

In contrast, Indian exports, such as textiles, apparel, footwear, carpets, cars, marine products, and certain types of fruit worth $5 billion, are subjected to UK tariffs ranging from 4 to 16 per cent. The FTA will benefit these sectors through tariff removal.

However, achieving significant growth would require improvements in product quality, as the target market is a developed country with affluent consumers with a high per capita income of $47,400.

Currently, over 90 per cent of UK products face average to high tariffs in India. For example, silver, the UK's largest export to India at $2.7 billion in FY23, currently faces a 12.5 per cent tariff (basic Customs duty). Other significant Indian tariffs are on cars (100-125 per cent) and Scotch whisky (150 per cent), with an average Indian tariff of 14.6 per cent on UK imports.

India may offer concessions similar to those given to Australia for certain products, such as lamb meat, and reduce but not eliminate tariffs on UK automobiles and Scotch whisky. The FTA-led tariff cuts by India will give UK products an immediate cost advantage. UK supplied aluminium, ferrous, copper, and paper scrap valued at over $1.56 billion to India in FY23. Indian firms will gain from cheaper access.

The rules of origin ensure that products from third countries receive FTA benefits only if they undergo significant processing in the FTA partner exporting country. For silver, the UK's top export, the challenge arises for India because the UK primarily refines and re-exports the imported metal with very low-value addition.

However, beyond such low-value-added products, India might show flexibility in product-specific rules of origin. Indian industries like chemicals, electronics, and synthetic textiles that rely on imported inputs could benefit from relaxed rules.

In the services sector, the UK is a significant consumer of Indian information technology (IT) services, second only to the US. Indian IT companies cater to a variety of sectors in the UK, given the demand for digital transformation there.

India needs a more efficient visa process from the UK to facilitate the rapid deployment of its large number of professionals for short-term projects. However, the UK probably associates even short-term visas for professionals with immigration, a topic that has become particularly sensitive since Brexit.

Indian professionals working in the UK must contribute to the UK's social security system, even though they often do not stay long enough to benefit from it. A potential solution within the FTA is a totalisation agreement, which would allow these professionals to be exempt from UK social security taxes, acknowledging that they do not reap the long-term benefits of these contributions.

The UK seeks India to treat the UK firms on a par with Indian firms for business in all sectors. India might agree to open up sectors of particular interest to the UK, but is unlikely to extend this equal treatment across the board.

Government procurement: The UK seeks access to India's government procurement market to level the playing field with Indian firms. However, Indian companies find the UK's equivalent market highly competitive and restrictive, offering limited opportunities. Therefore, India may approach this cautiously.

India should also exercise caution when negotiating terms related to non-trade issues such as the environment, digital trade, and intellectual property rights. For instance, agreeing to strict sustainability criteria might allow the UK to impose non-tariff barriers that negate the benefits India seeks from market access.

Similarly, while India has committed to labour standards through the International Labour Organization (ILO), it should avoid making these commitments binding within an FTA, as it could lead to enforceable obligations.

The same caution is advised for chapters on the environment and sustainability. Regarding digital trade, India may resist endorsing free cross-border data flows, a stance that even the US has adopted in recent World Trade Organization (WTO) e-commerce talks.

Both countries are negotiating a bilateral investment treaty (BIT) alongside the FTA and hope to sign them together, as the FTA and BIT complement each other.

The UK Government has launched a consultation on a carbon border adjustment mechanism (CBAM). Once CBAM is launched, UK products will continue to enter India duty-free, while Indian products may pay a

20-35 per cent tariff equivalent to CBAM charges. A suitable text may be inserted in the FTA chapters dealing with this possibility.

In sum, while being mindful of the potential hurdles such as non-tariff barriers and regulatory issues, the successful conclusion of the FTA negotiations could herald a new era of Indo-UK economic partnership, bolstering both economies and setting a precedent for future trade agreements.

Source: business-standard..com– Nov 08, 2023

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On American shelves, Made-in-India is slowly replacing Made-in-China

India is slowly gaining from the recent global shifts in manufacturing, sourcing and supply chains at the expense of China.

A half-decade of disruption that has included trade wars, the pandemic, natural disasters, severe supply bottlenecks, Brexit, the war in Ukraine, and increasingly assertive industrial policies is profoundly redrawing the map of global manufacturing for export. While US goods imports from China declined by 10% from 2018 through 2022 in inflation-adjusted terms, they rose by 44% from India, 18% from Mexico and 65% from the 10 countries of the Association of Southeast Asian Nations (ASEAN), a recent study by Boston Consulting Group has pointed out.

For example, US imports of mechanical machinery from China shrank by 28% from 2018 through 2022, but increased by 21% from Mexico, 61% from ASEAN, and 70% from India.

India has emerged as one of the winners in global manufacturing over the past five years, with its exports to the US surging by $23 billion, a 44% increase from 2018 to 2022, while China experienced a 10% decline in exports to the US during this period, the study reveals.

Indian products are also gaining favour on the American shelves which have high consumer visibility. Walmart, America's biggest retailer, is increasing its sourcing from India which means its stores in the US are selling more products with the Made-in-India tag.

Walmart aims to source across categories where India has expertise, including food, consumables, health and wellness, general merchandise, apparel, shoes, home textiles, and toys. It is on track to reach its target of sourcing $10-billion worth of goods from India each year by 2027, Andrea Albright, executive vice president, sourcing, at Walmart, has told ET. India is already one of the top sourcing markets for the world's largest retailer with annual exports worth about $3 billion, according to the company.

India-made apparel, homeware, jewellery, hardlines and other popular products reach customers in 14 markets, including the US, Canada, Mexico, Central America and the United Kingdom via Walmart's Global Sourcing office in Bengaluru, which opened in 2002.

Why is India more attractive?

India enjoys a strong advantage in direct manufacturing costs as an export platform. As per BCG's calculations, the average landed cost of Indian-made goods imported into the US, including factory wages adjusted for productivity, logistics, tariffs and energy, is 15% lower than if the goods are made in the US. By contrast, the average US landed cost from China is only 4% lower than US costs and 21% higher for goods subject to US tariffs related to the trade war.

Wage inflation has outpaced productivity gains in most regions, but India enjoys an edge on this count. Labor costs adjusted for productivity rose by 21% in the US from 2018 through 2022, for example, and by 24% in China. Similarly, productivity-adjusted labor costs rose by 22% in Mexico and by 18% in India, the BCG study calculates. Nevertheless, these two countries remain among the world’s most cost-competitive sources of manufacturing, and Mexico is the most competitive near-shore option for the US.

A growing preference for supplies from India

Another study on sourcing too finds a growing preference for sourcing from India among American businesses, 'QIMA Sourcing Survey 2023: Disruption, Diversification, Digitization' by QIMA, a quality control & supply chain audits company, says that after rising through the ranks of preferred procurement partners in the past few years, India maintains its high appeal as a supplier market.

South Asia has continued rising through the ranks of most important buying regions for the West, with 42% of US- and EU-based respondents naming one or more South Asian countries among their top three sourcing partners, as per the survey. By contrast, the respective value for Southeast Asia has dropped to 33% in Q1 2023.

Looking at individual countries, the two regions’ respective leaders, India and Vietnam, are viewed as equally important overseas sourcing partners for the West: both were named among the top three sourcing geographies by over a quarter of respondents headquartered in the US and the EU.

India’s appeal as a sourcing partner goes far beyond textiles, says the survey. Viewed by industry, India as a supplier market was the most popular among businesses working in the Accessories, Jewelry and

Eyewear sector (where 45% named it among their top three), followed by Promotional Products (44%). The Textile and Apparel sector, traditionally viewed as India's "bread and butter", came in third at 40%.

Looking at businesses that significantly changed their buying geography, India was the destination of choice for multiple industries, including Printing and Packaging, Homeware and Gardenware, Accessories and Promotional Products. Between half and one-third of respondents in these sectors reported significantly increasing their sourcing from India in the past 12 months.

Western buyers are carrying on the long-term trend of decreasing their reliance on China, as seen from the ever-shrinking percentage of respondents naming China among their top three sourcing partners: 73% of US-based buyers (a five-year low) and 85% of EU-based ones, as per the Qima survey. In terms of procurement volumes, 61% and 58% of US- and EU-based respondents, respectively, reporting buying less from China in Q1 2023 compared to 12 months ago.

Yet, China still remains a key piece in global supply chains even as they shift to other countries.

While the popularity of Made-in-China goods among Western buyers keeps inching downward (reaching a five-year low for US-based respondents), the reverse is true for businesses based in Asia (outside of China), where 85% of respondents named China among their top three sourcing partners in 2023, compared to 65% in 2019, as per the survey. The shift of Western supply chains away from China is likely a factor in this, as many of China's regional competitors rely on Chinese raw materials to fill the orders being redirected to them.

Source: economictimes.com– Nov 09, 2023

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India, Malaysia looking at reviewing 2011 trade pact, says Malaysian Foreign Minister Kadir

India and Malaysia are firming up a framework for conducting trade in national currencies and initiating a process to review the 12-year-old comprehensive economic cooperation agreement to include new domains and items, Malaysian Foreign Minister Zambry Abdul Kadir said. At the end of a three-day visit to India, Kadir told PTI that both sides are keen to expand trade engagement in new and emerging areas such as electronics, semiconductors, fintech, renewable energy, new technology and startups.

Ways to further boost the overall trajectory of ties were discussed extensively during talks between External Affairs Minister S Jaishankar and his Malaysian counterpart on Tuesday night.

Asked about India's long-pending demand to Malaysia to extradite fugitive evangelist Zakir Naik, Kadir did not give a direct reply and said Kuala Lumpur is keen on strengthening institutional mechanisms to boost security cooperation rather than focusing on any individual.

Naik is facing a multi-agency probe in India on a variety of charges, including terror-related activities and inciting extremism through hate speeches. He left India in 2016.

Kadir also expressed Malaysia's gratitude to India for providing 170,000 metric tonnes of non-basmati white rice recently when the country was reeling under shortage of rice.

India banned export of non-basmati white rice in July, but the restriction was lifted for a small number of countries last month.

To a question on escalating tensions in South China Sea in view of China's increasing assertiveness, Kadir said Malaysia and other member nations of the ASEAN do not want to allow this region to become a "flashpoint" and an area for "big power" competition.

Listing various measures to expand India-Malaysia bilateral trade, he said both sides are finalising the framework for conducting trade in national currencies.

"We want to use it and both the countries can benefit from it. We think such a move will strengthen the local currencies," he said late on Tuesday night.

India is in talks with a number of partner countries to develop alternative arrangements for trade settlements in national currencies in addition to the existing system of using freely convertible currencies like the US dollar.

The Malaysian foreign minister also said that he and Jaishankar discussed the need for having a re-look at the Comprehensive Economic Cooperation Agreement (CECA) that came into effect in July, 2011.

"We feel there is a need to have a re-look at it to include new areas of trade like the digital economy and other emerging areas," Kadir said.

The CECA covers trade in goods, services, investments and movement of people.

The Malaysian foreign minister also said that his country is interested in expanding defence cooperation with India, including procuring military platforms and hardware.

To a question on whether Malaysia is keen to procure BrahMos supersonic missiles from India, Kadir declined to comment but said ministries concerned of the two sides will look into all relevant issues for deepening defence ties.

Source: economictimes.com– Nov 08, 2023

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