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IBTEX No. 208 of 2023 — November 28, 2023

Currency Watch			
USD	EUR	GBP	JPY
83.38	91.30	105.30	0.56

INTERNATIONAL NEWS

SAYING NO TO CHILD LABOUR

INTERNATIONAL NEWS

Biden's Supply Chain Resilience Council 'Long Overdue'

President Joe Biden is convening the first meeting of his supply chain resilience council on Monday, using the event to announce 30 steps to strengthen national supply chain operations. These include enabling faster, reliable deliveries, shoring up the America's agricultural and food systems, and improving access to medicine and critical economic data.

Alongside creating the council itself, the Biden administration developed several cross-government partnerships to bolster supply chain monitoring and strategy, and expanded the Department of Transportation's (DOT) digital information sharing system, the Freight Logistics Optimization Works (FLOW) program.

According to the DOT, participants are beginning to use FLOW data to inform their logistics decision making, helping to avoid bottlenecks, shorten lead times for customers, and enable a more resilient and globally competitive freight network through earlier warnings of supply chain disruption.

Dr. Chris Caplice, executive director at the MIT Center for Transportation & Logistics, said there is a role that the government can play to assist companies in improving the efficiency and effectiveness of their supply chains, as long as it's in the right doses.

"The government is generally not great at running supply chains—I am NOT arguing for centralized control of supply chains from Washington. That would be a disaster," said Caplice. "However, government agencies can assist the private sector by collecting, harmonizing and disseminating data from multiple stakeholders. As a trusted source, the government can provide an end-to-end snapshot of global supply chains. The FLOW initiative is an excellent example of where the government can develop tools and methods to support the private sector."

The public-private partnership, developed in March 2022 when the Ports of Los Angeles and Long Beach experienced expensive weeks-long backlogs, aims to create a shared, common picture of supply chain networks and facilitate a more reliable flow of goods across the major points of trade: ports, terminal operators, truckers, railroads, warehouses and beneficial cargo owners (BCOs, or shippers).

Retailers participating in FLOW include Walmart, Target, Albertsons, Best Buy, Costco, Dollar General, Gap Inc., The Home Depot, Lowe's, Nike, Ralph Lauren, Tractor Supply Co. and Ulta Beauty. UPS, FedEx, DHL, C.H. Robinson, seven major ocean carriers, and rail giants BNSF and Union Pacific also joined the network.

The DOT is also launching an Office of Multimodal Freight Infrastructure and Policy, responsible for maintaining and improving the condition and performance of the nation's multimodal freight network.

"I view these efforts as a long overdue recognition by the federal government that the dramatic increase in reliance on foreign inputs and contract manufacturing, especially from countries that are not necessarily aligned with the U.S. geopolitically, poses serious national security implications that require careful assessment," said Jason Miller, interim chairperson, department of supply chain management at Michigan State University's Eli Broad College of Business. "The government is in the best position to bring together the relevant stakeholders to address these issues."

The Department of Commerce took the step of creating a new Supply Chain Center to develop supply chain risk assessment tools, collaborating with Department of Energy to examine clean energy supply and the Department of Health and Human Services to assess industry and import data that can help address foreign dependency vulnerabilities and points of failure for critical drugs.

The White House Council on Supply Chain Resilience will be co-chaired by National Security Advisor Jake Sullivan and National Economic Advisor Lael Brainard. Additional members will include heads of other White House cabinet departments, as well as U.S. Trade Representative Katherine Tai and Attorney General Merrick Garland.

By establishing the council, Biden broadens the Department of Health and Human Services' authority under the Defense Production Act, to enable domestic manufacturing of essential medicines and their inputs.

The new council will also launch a quadrennial supply chain review. During the inaugural review on Dec. 31, 2024, the council will update criteria on industries, sectors, and products defined as critical to national and economic security.

The White House highlighted prior investments by the Biden administration to strengthen supply chains and prevent future disruptions, attributing the normalization of flow of goods, and lower inflation rates to bills such as the CHIPS and Science Act, the Inflation Reduction Act and the Bipartisan Infrastructure Law.

In the two years from October 2021 to October 2023, supply chain pressures as measured by the Federal Reserve Bank of New York declined from near-record highs in December 2021 to a record low, which the administration said helped lower inflation, which has fallen by 65 percent from its peak of 9.1 percent in June 2022.

Miller told Sourcing Journal that he was “far less convinced” of what the government describes as a link between supply chain improvements and falling inflation.

“Much of the inflation was due to excessive stimulus, which caused incredible demand, which put strains on various supply chain nodes,” said Miller. “The February 2021 polar vortex didn’t help as well.”

That month, newly elected Biden signed his first executive order aimed at strengthening the resilience of U.S. supply chains, requiring several government agencies to deliver reports identifying supply chain risks. Four months later, the Biden administration established a Supply Chain Disruptions Task Force that worked with states, tribes, local governments, businesses, family farms, labor and allies and partners to address the acute supply chain crises caused by the pandemic.

Source: sourcingjournal.com– Nov 27, 2023

HOME

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Global trade volumes recover amid high uncertainty: WTO

The volume of global merchandise trade is recovering after its recent slump, according to the latest quarterly goods trade barometer issued by the World Trade Organisation (WTO), which noted that mixed economic results coupled with increasing geopolitical tensions make the near-term outlook highly uncertain.

The current reading of 100.7 for the barometer index is above the previous reading of 99.1 from last August and close to the baseline value of 100. This suggests that merchandise trade volume will gradually revert towards its medium-term trend in the second half this year, although uncertainty remains high due to mixed economic data and rising geopolitical tensions.

The indices for air freight (100.3), export orders (99.4) and container shipping (98.0) finished on or slightly below trend, while the raw materials index (95.6) sank below trend.

World merchandise trade volume was flat in the second quarter (Q2) this year, up by 0.2 per cent compared to the previous quarter but still down by 0.5 per cent year on year (YoY).

Trade statistics for Q3 should come in slightly stronger thanks to accelerating GDP growth in the United States and China, even as a stagnant European Union economy continued to weigh on global demand, a WTO release said.

YoY trade growth is likely to be strong in Q4 in any case due to the reduced amount of trade in the same period last year as high energy prices, rising interest rates and pandemic-related disruptions weighed on economic growth in leading economies.

These developments are consistent with the WTO's October 5 forecast, which foresaw an 0.8 per cent rise in global trade volume this year. While the forecast remains unchanged, risks to the trade outlook have shifted towards the downside in light of recent developments in the Middle East, the WTO release added.

Source: fibre2fashion.com– Nov 28, 2023

HOME

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China's industrial profits declined 7.8% YoY in Jan-Oct 2023

Post the pandemic period, China's recovery remains uneven and less certain than initially anticipated as deflationary and consumer demand pressures continue to cause concern.

For January to October 2023, profits earned by China's industrial firms fell by 7.8% YoY, improving from the 9.0% decline in the January through September data.

In absolute terms, industrial profits were recorded at CNY 6.11542 billion (£690 million; £1 = CNY 8.92) in the first ten months of the year, higher than the CNY 5.411 billion registered in the previous report.

As per TradingEconomics.com, China's year-to-date industrial profits although declining, outperformed forecasts of (-)8.0% YoY.

For the month of October, profits of industrial enterprises were up 2.7% YoY.

State-controlled enterprises witnessed a 9.9% YoY decline in their industrial profits, while joint-stock enterprises; foreign, Hong Kong, Macao, and Taiwan-invested enterprises; and private enterprises each declined by 7.0%, 10.2%, and 1.9%, respectively.

In reference to the 41 industries surveyed, healthy profitability was achieved in electric power and heat production and supply (50.1% YoY), ferrous metal smelting and rolling processing industry (37.0% YoY), electrical machinery and equipment manufacturing (20.8% YoY).

Other industries that saw profit growth included general equipment manufacturing, special equipment manufacturing, automobile manufacturing, non-ferrous metal smelting and rolling processing, textile industry, oil and natural gas extraction, and agricultural and sideline food processing.

In terms of declining profits, this included the manufacturing of computers, communications and other electronic equipment(-18.2% YoY), non-metallic mineral products (-26.5% YoY), the coal mining and washing (-26.6% YoY), coal and other fuel processing (-27.0%), chemical raw materials (- 16.5% YoY), and chemicals manufacturing (- 42.8% YoY).

Operating income during the first ten months of the year increased 0.3% YoY while operating profit margins were squeezed marginally lower to 5.7% YoY.

Operating costs for surveyed industries were 0.6% YoY higher.

Accounts receivables increased by 8.4% YoY, while inventories of finished products edged higher by 2.0% YoY.

Inventory turnover days for the first ten months of the year also climbed by 1.1 days on an annualized basis to 20.0 days.

At the time of writing, the CNY improved by 0.2% in trading today versus the Australian dollar.

The US dollar held steady ahead of the home sales data to be released both later today and tomorrow.

Outlook

With China's property sector in all sorts of trouble, as well as overarching macroeconomic factors such as elevated local public debt and weaker growth trajectories, government officials have been forced to deploy significant stimulus measures in the face of relatively lackluster demand.

Later this week, China will also release official November factory data on Thursday, November 30 th , and the Caixin survey for the same on Friday, December 1 st .

As per analysts at TradingEconomics.com, corporate profits are expected to improve to CNY 8000.00 billion by the end of this quarter.

Source: investorsobserver.com– Nov 26, 2023

HOME

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Sri Lankan apparel exporters want strategic ties with India, E Asia

Strategic partnerships with India, Japan and other East Asian nations are needed to boost and diversify markets and face challenges posed by economic downturns in traditional export destinations, Sri Lanka Apparel Exporters Association (SLAEA) chairman Indika Liyanahewage recently said.

"Japan, in particular, presents a significant opportunity, with an annual import of $26 billion worth of apparel of which only $35 million comes from Sri Lanka. There is great potential for growth in the Japanese market," he told the 41st annual general meeting of the SLAEA.

While 30 per cent of Sri Lanka's garments are shipped to Europe and 40 per cent to the United States, these markets have witnessed a shrink due to economic challenges, he noted.

India's middle-class market segment is a decent opportunity for Sri Lanka to tap into which accounts for over 300 million people, who are now getting into a high-spending mode, he was quoted as saying by a top Sri Lankan newspaper.

The free trade agreement between India and Sri Lanka has set the annual export quota to the former at 8 million garment pieces and the annual imported raw material quota from the former at a value of $1 billion. Sri Lanka's apparel export revenue to India is about $40-50 million.

"We hope the cap could be lifted or extended as much as possible," Liyanahewage said.

He also urged the government to address issues like high electricity costs and tariff duties that affect export competitiveness.

The country's apparel exports in September this year were sharply down by 26 per cent to $332 million, while performance in the first nine months was down by 20.5 per cent to $3.4 billion.

Source: fibre2fashion.com– Nov 27, 2023

HOME

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Turkish Nov manufacturing capacity utilisation rate up 0.6 points MoM

The seasonally-adjusted capacity utilisation rate in the Turkish manufacturing industry increased by 0.6 points to 78 per cent in November this year from the October figure.

Domestic manufacturing industry units operated at 77.5 per cent of their capacity this month, rising by 0.7 points from last month, Turkish central bank data showed.

The highest capacity utilisation in September was 78.9 per cent in investment goods, while the lowest was in non-durable consumer goods at 73.3 per cent.

The figures are based on responses to a survey of domestic manufacturing units.

Source: fibre2fashion.com– Nov 26, 2023

HOME

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HKRITA introduces groundbreaking recycling system revolutionizing textile waste management

The Hong Kong Research Institute of Textiles and Apparel (HKRITA) is set to revolutionize clothing recycling through its new Garment to Garment (G2G) recycling system.

Climate activist and sustainability content creator Sam Bentley, highlights this innovative system, initiated in 2018 as a mini-scale production line within a retail setting, facilitates an eco-friendly, closed-loop recycling process that avoids the use of water or chemicals.

Bentley elaborates on the process, detailing how old garments are cleaned and transformed into a fibrous web. The machine then converts this web into robust twisted yarns, which are subsequently knitted into brand new clothes. Notably, the system incorporates a 3-D body scanner, allowing for the creation of tailor-fit garments on the spot.

Given the staggering production of 100 billion garments annually, the fashion industry bears responsibility for contributing 2per cent-8per cent of carbon air pollution and 20per cent of global wastewater.

Moreover, the industry discards over 100 million tonnes of textile waste into landfills each year. The introduction of this newly launched recycling machine is poised to significantly mitigate such environmental waste, marking a crucial step toward sustainability in the fashion sector.

Source: fashionatingworld.com– Nov 27, 2023

HOME

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Uzbekistan textile industry eyes UK with high-level trade delegation

The Uzbekistan Textile Association (UzTextile) delegation is scheduled to be in the UK from 28 November to 1 December to strengthen existing ties with the UK and raise awareness of the new opportunities available within Uzbekistan's textile sector.

Uzbekistan Textile Association explained it is already a supplier for a number of major international brands, and the delegation seeks to deepen its ties with the UK market.

Mirmukhsin Sultanov the first deputy chairman of the Uzbekistan Textile Association said: "It's a hugely exciting time to be bringing a delegation of Uzbekistan's leading clothing and textile manufacturers to the UK in order to build relationships and showcase our capabilities as the sector rapidly develops and modernises in line with global best practice."

The organisation claims Uzbekistan's textile industry has a number of structural competitive advantages, such as offering prices up to 3.5 times more economical than Türkiye, coupled with delivery times 2.5 times faster than Bangladesh. This is supported by a substantial 70% reimbursement of delivery costs to Europe and 0% import tax on Uzbek textiles entering the UK.

The upcoming visit is said to represent a "key milestone" in the progress of Uzbekistan's textile sector, which has undergone significant transformation since 2017 with investments in skills and technology while aligning with global best practices in labour markets.

Sultanov added: "Uzbekistan is in full compliance with international labour standards. In 2022, our country's textile industry was confirmed free of any form of unsustainable work practice."

Source: just-style.com– Nov 27, 2023

HOME

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Uzbekistan's GSP+ status extended by four years

Uzbekistan's Generalised System of Preferences Plus (GST+) status has been extended for four years by the European Union with the country's GSP+ status now ending on December 31, 2024.

The initiative encouraged around 628 enterprises in Uzbekistan to export local products worth $647 million. They exported textile industry products worth $177.4 million to the EU markets.

The extension also enabled Uzbek exporters to save €28 million in import duties and grow their private sector tenfold between 2019 and 202.

At a recent press conference, European Union Monitoring Commission GSP+, appreciated the progress made by Uzbekistan in implementing the UN conventions by introducing new laws on women's rights and gender equality, combating violence, improving economic and social rights.

The beneficiary status of the GSP+ also enables Uzbekistan to expand trade and economic relations with European business representatives besides creating new jobs in the country.

Source: fashionatingworld.com– Nov 25, 2023

HOME

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Vietnam businesses lose on home turf

Nguyen Cao Phuong, a garment industry executive working in HCMC's District 12, tried to replace Chinese suppliers with Vietnamese ones but was thwarted by buyers.

During his 30 years in the garment industry Phuong (name changed at his request), production manager at Viet An garment company, has never felt as helpless as he does now.

In 2020, when the Covid-19 pandemic broke out in China, the garment industry faced the consequences of its inherent flaw: focusing solely on processing and completely outsourcing material production to a foreign market.

He realized this was an Achilles heel years ago but could do nothing.

Viet An's importers would refuse to buy products if the materials used, down to the glue, lining, buttons, etc., were not from specific suppliers.

It also hit profits as there was no room for negotiating raw material prices.

The only cost they could control was of labor.

Viet An was established in 1994, taking advantage of the first big FDI wave in Vietnam.

With large orders from foreign businesses, Phuong harbored ambitions of one day leading the biggest company in the country, one that was like the successful Korean and Chinese behemoths.

One of Vietnam's objectives in attracting foreign investment at the time was to create a stepping stone for domestic firms to take off.

But after three decades, though the company's workforce has reached the 1,000 milestone, Viet An is still stuck at the bottom of the garment industry value chain.

Thirty five years after opening its economy to the world, exports have become increasingly important to Vietnam's economy.

In 2022, exports as a ratio of GDP topped 90%, a remarkable leap from 3% and 45% in 1986 and 2000 and putting the country just behind Singapore in ASEAN.

However, Vietnam has also become dependent on FDI, with foreign firms accounting for 74.4% of its exports in the first five months of this year.

Perpetually stuck

The three main models of garment manufacturing, in order of increasing profitability, are CMT (cut, make, trim), which involves simply processing inputs from supplier, FOB (free on board), in which manufacturers procure their own materials, process them based on clients' designs and deliver the products, and ODM (original design manufacturer), where manufacturers also design the products.

After 30 years Viet An has not moved past the CMT model and is confined to materials that its partners specify.

Securities firm FPTS's in-depth research in 2017 into the Vietnamese garment industry found that the CMT model only delivered profits of 1-3% of order value, the lowest rate in the whole industry's value chain.

But Viet An is hardly the only company in this situation: some 65% of Vietnam's garment exports are CMT orders, 30% are FOB and only 5% are ODM.

"We [Viet An] once decided that it was unreasonable to import lining fabric from China when Vietnam [companies] also sells these fabrics and at cheaper prices, and bought them locally."

This was 10 years ago when Phuong thought that importers were merely suggesting which suppliers to buy from and would accept products as long as they met quality criteria.

But they were extremely critical of the decision and returned the products without bothering about quality.

After that Phuong had little choice but to only use materials prescribed by importers.

Hoang Linh, a factory manager with five years of experience working for a Japanese fashion company, says international brands rarely if ever let manufacturers choose their raw material suppliers.

Besides quality and cost requirements, brands often ensure raw materials suppliers are environmentally and socially responsible to avoid scandals, she explains.

"If manufacturers are allowed to procure their own materials, then the brand would need to hire an independent audit firm to review their suppliers. This process can take at least a few months, while production schedules are tight and usually planned a year ahead."

Unable to break away from the CMT model, Viet An has been in a tough situation since mid-2022, with small order volumes and pressure to maintain low prices sinking its profits.

"The factory needs orders to continue providing jobs to thousands of workers even if it is operating at a loss," Phuong says.

Viet An has had to lower prices further and extend workers' hours without overtime pay.

Besides, low cash flows have made expansion or a move up the industry value chain impossible.

In the past decade Vietnamese garment businesses have barely grown though the industry's exports have risen steadily.

Foreign firms account for upwards of 60% of garment exports despite accounting for only 24% of market share.

Similarly, they account for 80% of footwear exports.

Click here for more details

Source: e.vnexpress.net– Nov 26, 2023

HOME

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Vietnam targets 44 billion USD in textile, apparel export turnover in 2024: VITAS

Vietnam Textile and Apparel Association (VITAS) has set a target of earning 44 billion USD from textile and apparel exports in 2024 as positive changes have seen from the last quarter of this year.

Speaking at a recent press conference, VITAS Chairman Vu Duc Giang said that this year, the export revenue is estimated to top 40 billion USD, about 9.2% less than that of last year.

“Amid the gloomy landscape as a result of the global impact of the COVID-19 pandemic and large inventory due to falling demand, the achievement is considered a breakthrough demonstrating great efforts of the business community,” Giang said, adding that in 2023, Vietnamese textile and garment products entered 104 countries and territories – a record number.

According to VITAS, the US remained the biggest importer of Vietnamese textile and apparel products with a turnover of over 11 billion USD by the end of September. It was followed by Japan with about 3 billion USD, the Republic of Korea 2.43 billion USD, and the EU 2.9 billion USD.

Among key markets, Vietnam’s exports to the EU failed to meet expectations with nine-month revenue dropping 13%. Vietnamese producers have been making efforts to diversify products for export with 36 types of products. Diversifying markets, products, customers, and partners is a way for Vietnam's textile and garment industry to reduce its reliance on large markets, Giang said, adding it is also an important measure for Vietnam to realise next year’s target.

According to VITAS, the garment industry will continue implementing measures for sustainable development with green production and greenhouse gas emission reduction. Vietnam will need to focus on developing the fashion industry, building domestic brands and then making them globally known, he said.

Source: en.vietnamplus.vn– Nov 28, 2023

HOME

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Pakistan, Thailand have immense potential for bilateral trade: ICCI

A delegation of Islamabad Chamber of Commerce and Industry (ICCI) led by its president Ahsan Zafar Bakhtawari visited Thailand and held meetings with the office bearers of Thai Chamber of Commerce and Thai-Pakistan Business Council to explore the business opportunities between the two countries.

The delegation was representing various sectors including pharmaceuticals, textiles, construction, edible oil, marble, light engineering, hospitality, retail sector, importers and exporters.

Speaking on the occasion, Ahsan Zafar Bakhtawari, president of Islamabad Chamber of Commerce and Industry, said that Pakistan and Thailand have immense potential for bilateral trade, which should be exploited to achieve beneficial results for both economies.

He said that the current trade volume between the two countries is relatively low, however, there are numerous opportunities for growth and expansion that remain untapped. He said that both countries can complement each other in many areas as Thailand is a significant exporter of electronics, automobiles, and machinery while Pakistan is a huge market of over 240 million consumers with abundant natural resources like cotton, rice, and textiles.

He said that agriculture, textiles, and energy sectors hold great potential for trade between Pakistan and Thailand, which should be taken benefit of. He said that Thailand has expertise in the renewable energy sector and it should cooperate with Pakistan in this sector to meet our growing energy needs.

He said that the purpose of the visit of ICCI delegation to Thailand is to interact with Thai counterparts and explore new areas of mutual cooperation to unlock new business opportunities for a more prosperous future for their citizens. He also briefed the Thai counterparts about the investment potential in various sectors of Pakistan's economy and invited them to visit Pakistan to explore possibilities of joint ventures and investment.

The office bearers of Thai Chamber of Commerce and Thai-Pakistan Business Council welcomed the ICCI delegation and assured their full cooperation to promote business linkages between the private sectors of Thailand and Pakistan to explore all untapped areas of mutual cooperation between the two countries. They said that Thailand and Pakistan can benefit from increased trade and investment, therefore, it is important for both countries to work together to encourage frequent exchange of trade delegations in order to identify new areas of improving business and investment relations.

They said that with supportive policies and incentives from both sides, the business relationship between Pakistan and Thailand could flourish in the years ahead. They hoped that the visit of ICCI delegation to Thailand would lead to good business partnerships between the two countries. Ameer Hamza, Ch. Javed Iqbal, Ch. Muhammad Ali, Shahbaz Majeed Sheikh, Raja Muhammad Imtiaz, Faizan Shehzad, Akhtar Hussain, Saif ur Rehman Khan, Nasir Mehmood Chaudhry and Malik Mohsin Khalid were part of the ICCI delegation.

Source: nation.com.pk– Nov 26, 2023

HOME

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Pakistan, China forge textile ties

During the meeting, Haider introduced the trade and investment environment of Pakistan and China, with a particular focus on the preferential policies available to Chinese investors in Pakistan. “Currently, Pakistan’s textile exports to China mainly consist of cotton yarn, apparel, cotton fabrics, and home textiles, with cotton yarn accounting for 73% of the total,” he stated.

Expressing a strong desire for deep cooperation with Shengze’s silk and textile industry cluster, he extended an invitation to Shengze’s enterprises to visit Pakistan and gain first-hand knowledge of the trade and investment policies.

Shengze is renowned for its robust silk and textile industry with a rich history. To gain insights into the dynamics of the textile sector and explore potential collaborations, the delegation toured several textile enterprises in Shengze Oriental Textile City and reached preliminary cooperation intentions. Haider said, “We hope to further communicate and connect with Shengze Oriental Textile City. We sincerely invite Shengze’s enterprises to invest and establish factories in Pakistan, aiming to achieve mutual benefits and contribute to the deepening of China-Pakistan cooperation.”

Agro-forestry Economy

The third Science and Technology Exchange Conference on China-Pakistan Tropical Arid Non-wood Forest is being held both online and offline from November 26 to 28 in Zhengzhou, China, and Gwadar, Pakistan, simultaneously.

The exchange conference aims to showcase achievements and research progress of both nations in the field of economic forestry. It also seeks to facilitate academic exchanges of woody medicinal herbs and active substances between China and Pakistan.

The event, co-hosted by the Chinese Society of Forestry (CSF) and Central South University of Forestry and Technology (CSUFT), drew over 220 officials, scholars, students, and business representatives from both countries.

In 2021, CSUFT, China Overseas Port Holding Company, and Yulin Holdings collaborated to establish an Engineering Research Centre for Tropical Arid Non-wood Forest.

Source: tribune.com.pk– Nov 28, 2023

HOME

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Bangladesh: Textile makers seek central bank support for modernisation drive

Local textile entrepreneurs are seeking a refinancing facility from the central bank to modernise the industry, sources said.

Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association (BTMA), recently urged the commerce ministry to address this issue.

He pointed out that while denim, man-made fibre (MMF), home textiles, décor, terry towels and recycled products are prioritised in the Export Policy-2021-24, essential sectors such as spinning, fabric manufacturing, dyeing, printing and finishing within the textile industry are not included.

He further said that mills under the primary sector have been instrumental in achieving export earnings by supplying yarns and fabrics to the country's apparel sector.

Besides, the sector has been catering to the demand for local clothing.

The BTMA said that the textile industry, including ready-made garments, has been facing new challenges regularly due to globalisation. In response, textile owners are aligning their mills with modern and new technologies to remain competitive in the globalised era.

In 2021, the Bangladesh Bank (BB) introduced a refinancing scheme amounting to Tk 10 billion for the modernisation and technological development of export-oriented sectors.

The tenure of the loans under the refinancing scheme ranges from three to ten years at a 5 per cent to 6 per cent interest rate with a one-year grace period, according to a source.
The BTMA has requested that the textile sector be included in the new export policy 2023-26, which is currently being prepared by the commerce ministry.

Industry insiders estimate that the primary textile sector (PTS) currently meets 85 per cent to 90 per cent of yarn demand for knit RMG and 35 per cent to 40 per cent of yarn demand for woven RMG.

Around $16.00 billion has been invested in the primary textile sector, which contributes around 13 per cent to the country's GDP. Over 84 per cent of export earnings come from textiles and textile-related products, according to BTMA data.

The association has 1,780 member mills, including 519 yarn manufacturers, 938 fabric makers and 323 dyeing-printing-finishing mills.

The sector earned $21.9 billion, $18 billion, $20.9 billion, $28.8 billion and $31.03 billion in the fiscal years 2018-19, 2019-20, 2020-21, 2021-22, and 2022-23, respectively.

Source: thefinancialexpress.com.bd– Nov 27, 2023

HOME

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H&M to increase apparel prices sourced from Bangladesh

Swedish brand Hennes & Mauritz AB (H&M) is set to adjust the prices of its clothing manufactured in Bangladesh to counterbalance the rise in worker wages in the country. Following weeks of protests from garment workers advocating for a more substantial increase in their monthly wages, the Bangladesh government announced a 56 per cent hike in minimum wages for workers to 12,500 taka, effective from December 2024.

Initially, garment manufacturers in Bangladesh expressed concerns that such a wage increase could impact their profit margins for orders. H&M's decision to adjust prices is seen as a proactive measure to ensure fair wages for workers, according to Mostafiz Uddin, Managing Director of Denim Expert. He anticipates other brands may follow suit in implementing similar measures.

As the world's second-largest exporter of ready-made garments after China, Bangladesh currently employs 4 million garment workers, and the industry contributed one-tenth of the country's GDP in 2022. The move by H&M reflects the broader challenges and adjustments faced by the garment industry in response to evolving labor conditions and demands for fair wages.

Source: fashionatingworld.com– Nov 27, 2023

HOME

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NATIONAL NEWS

Tariff tussle: UK delegation reaches out to Siam to quell FTA doubts

A government delegation from London has reached out to India's key auto lobby group to assuage its fears of India allowing greater market access to United Kingdom-based (UK-based) carmakers under the proposed free trade agreement (FTA) between the two nations. The agreement is at an advanced stage.

The delegation has held meetings with various industry representatives, among them being those of the Society of Indian Automobile Manufacturers (Siam), Business Standard has learnt.

The UK's demand for significant cuts in duty on automobiles, especially electric vehicles (EVs), has been one of the thorny issues in the talks on free trade.

The two sides have not been able to meet halfway because the Indian auto industry is resisting deep duty cuts.

India imposes 100 per cent import tax on electric cars that cost more than $40,000 and 70 per cent on the rest.

Import tariffs for EVs have been steep because the government has been protecting its domestic EV industry, which is a sunrise sector. Besides, another factor is that the government is keen on establishing India as a manufacturing hub, and reducing tariffs could impede progress on this.

The UK is trying to convince the Indian automobile industry to grant it greater market access, emphasising that manufacturers there deal primarily in luxury cars, which constitute less than 10 per cent of EV sales in India, according to people aware of the matter.

"The delegation is engaging with stakeholders in the Indian automotive industry to seek their assistance in convincing the Indian side to accede to its requests in the agreements," a source familiar with the matter revealed. "It has held discussions with representatives of Siam," the source added.

A consensus on the extent of market access for the UK's automobile industry in India, along with reaching common ground on a few more issues, is critical in concluding the trade deal both countries have been negotiating for close to two years. When the agreement concludes is crucial because both countries are headed for elections next year.

As previously reported by this newspaper, the UK government had sought India's permission to export a limited number of fully assembled EVs to the country without any customs duty. Additionally, it has urged India to reduce the duty from 100 per cent on electric vehicles priced above $40,000 by at least 10 per cent, with the possibility of further reduction in the future.

The UK has been asking for complete market access on lines pertaining to the entire sector of automobiles. The situation is particularly tricky in the case of import duty reduction for automobiles (completely built units) segment. While there has been broader agreement on automobile tariff reduction for passenger cars with internal combustion engines, EVs continue to remain a contentious issue. A Business Standard query sent to Siam remained unanswered till press time.

A British High Commission spokesperson said the UK and India continued to work towards an ambitious trade deal that worked for both countries.

"We have always been clear we will only sign a deal that is fair, balanced and ultimately in the best interests of the British people and the economy," the spokesperson said.

Source: business-standard.com– Nov 26, 2023

HOME

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S&P Global revises growth forecast up for FY24 but cuts for FY25

Strong domestic factors prompted S&P Global Ratings to up India's growth forecast by 40 basis points for the current fiscal (2023-24) while cutting the projection by 50 basis points for the next fiscal (2024-25). It does not expect the rate cycle to turn for some time.

"We have revised up our projection for India's GDP growth for fiscal 2024 (ending in March 2024) to 6.4 per cent, from 6 per cent, as robust domestic momentum seems to have offset headwinds from high food inflation and weak exports," said S&P Global Ratings chief economist for Asia-Pacific Louis Kuijs.

This projection is in line with many agencies, though lower than the government and RBI projection of 6.5 per cent. The agency also noted that GDP exceeded the 2019 level by 15.5 per cent in India in the first half of the current fiscal. Also, fixed investment has recovered considerably more than private consumer spending.

Meanwhile, the agency has cut the projection for next fiscal. "We expect growth to slow in the second half of the fiscal year amid subdued global growth, a higher base, and the lagged impact of rate hikes. As a result, we have lowered our outlook for growth in fiscal 2025 to 6.4 per cent, from 6.9 per cent," added Kuijs. This is also lower than RBI's projection of 6.6 per cent.

Talking about inflation, the agency noted the surge during the second quarter (July-September), but they are unlikely to have an impact on overall inflation. "In India, there was a transitory spike in food inflation in the July-September quarter, but it appears to have had little effect on underlying inflation dynamics. Still, headline inflation remains above the Reserve Bank of India's (RBI) target of 4 per cent, suggesting it will be a while before the rate cycle turns," Kuijs said.

Retail inflation based on the Consumer Price Index (CPI) after touching a high of 7.4 per cent in July, slipped to 4.9 per cent in October. In its October statement, the Monetary Policy Committee had said that the near-term inflation outlook is expected to improve on the back of vegetable price correction and the recent reduction in LPG prices. The future trajectory will be conditioned by a number of factors like lower area sown under pulses, dip in reservoir levels, El Niño conditions and volatile global energy and food prices.

Along with these, based on the performance of services and manufacturing, MPC projected CPI inflation at 5.4 per cent for 2023-24, with Q2 at 6.4 per cent, Q3 at 5.6 per cent, and Q4 at 5.2 per cent, with risks evenly balanced. CPI inflation for Q1 2024-25 is projected at 5.2 per cent. Now, the MPC is meeting next month, and considering the current trend in inflation, it is expected to keep the policy rate unchanged for the fifth successive time.

Growth in Asia-Pacific

S&P Global expects overall growth in the Asia-Pacific region to be on track. “Overall, growth this year and next is on track to be the strongest in emerging market economies with solid domestic demand: India, Indonesia, Malaysia, and the Philippines,” said Kuijs in the report published by S&P Global Ratings today, titled ‘Economic Outlook Asia-Pacific Q1 2024: Emerging Markets Lead The Way.’

On China, the report said that it is coping while its neighbors step up. A property downturn is still a pain point for the Chinese economy, but growth momentum has slightly improved because of policy support. Outside of China, economies have generally held up well. Asia-Pacific as a whole continues to grow despite meagre support from external sources.

Emerging market economies with solid domestic demand are posting the strongest growth. “China’s outlook has improved, but obstacles remain. With the property sector struggling and confidence subdued, the growth outlook remains moderate,” said S&P Global Ratings chief economist for Asia-Pacific Louis Kuijs.

Source: thehindubusinessline.com– Nov 27, 2023

HOME

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India, Indonesia top beneficiaries of EU's GSP scheme in 2022

India and Indonesia were the top two beneficiaries of the European Union's Generalised System of Preferences (GSP) schemes for exports in 2022, with clothing, machinery, and footwear accounting for nearly half of all standard GSP imports, per a joint report of the EU to the European Parliament and the Council. In 2023, however, the situation is expected to change significantly as some of the largest recipients of GSP benefits, including several sectors from India, graduated out of the scheme. The EU is hopeful that preferential tariffs could be extended through a transition to Free Trade Agreements.

"Some of the largest exporters among GSP beneficiaries have already left or are expected to leave the scheme as they have or will have negotiated preferential trade agreements with the EU (Vietnam) or are in the process of negotiating such agreements (India and Indonesia)," the report noted.
GSP scheme

Under the GSP scheme, the EU allows identified products originating in certain developing countries preferential access to its markets in the form of reduced or zero rates of customs duties. As the items become more competitive and reach a particular threshold, the GSP is withdrawn.

The EU has already withdrawn the GSP benefit from about 1,800 items from India in 2023, and the present policy will now continue for another four years until 2027, according to the latest decision endorsed by the EC. The items include electrical machinery, plastics, articles of stone and articles of leather and could affect exports worth $7.9 billion, per industry estimates.

"The government is assessing the effect of the EU GSP withdrawal on Indian exports. When the US withdrew GSP benefits for India, it did not hit exports much. The same may hold true for the EU as well," a source tracking the matter told businessline. Moreover, as indicated in the EU report, a successful conclusion of the proposed India-EU FTA may lead to the replacement of GSP benefits with preferential tariffs offered under the FTA, the source added.

Source: thehindubusinessline.com– Nov 27, 2023

HOME

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'Work in progress to remove trade barriers in sub-Saharan African nations'

The commerce ministry is working to address issues related to non-tariff barriers and market access for domestic products in sub-Saharan African countries like Nigeria, Ethiopia, Ghana and Gulf nations to boost India's exports, an official said.

The official said meetings have been held with Indian missions of the sub-Saharan African countries with which India has significant bilateral trade.

The major trading partners of India in that region in 2022-23 were South Africa (total trade USD 18.9 billion, exports USD 8.5 billion); Nigeria (USD 11.85 billion, exports USD 5.15 billion); Togo (USD 6.6 billion, exports USD 6 billion), and Tanzania (USD 6.5 billion, exports USD 3.93 billion).

The other countries were Mozambique (USD 5 billion, exports USD 2.5 billion); Angola (USD 4.22 billion, exports USD 621 million); and Kenya (USD 3.4 billion, exports USD 3.2 billion).

"A virtual meeting with Indian Mission of top 10 countries (bilateral trade-wise) in sub-Saharan African region was held in September to discuss the overall economic and commercial relations with those countries, export performance and non-tariff barriers which are acting as impediments to bilateral trade and enhance exports," the official said.

A similar meeting was also held with Indian Missions in GCC countries. GCC is a union of six countries in the Gulf region -- Saudi Arabia, the UAE, Qatar, Kuwait, Oman, and Bahrain. The council is the largest trading bloc of India.

The bilateral trade in 2022-23 with these countries stood at USD 52.76 billion with Saudi Arabia; USD 84.8 billion with the UAE; USD 18.77 billion with Qatar; USD 13.8 billion with Kuwait; and USD 12.4 billion with Oman.

The ministry has asked exporters to focus on potential key sectors such as food, electronics and engineering, and major markets to boost exports.
It has suggested focus on organising fairs and exhibitions at global scale.

India's merchandise exports rose 6.21 per cent to USD 33.57 billion in October this year, even as the trade deficit touched a record high of USD 31.46 billion during the month.

Imports increased 12.3 per cent to USD 65.03 billion during the month due to a jump in gold imports.

Cumulatively, exports during the April-October period this fiscal contracted 7 per cent to USD 244.89 billion, while imports fell 8.95 per cent to USD 391.96 billion.

The trade deficit during the seven-month period was USD 147.07 billion against USD 167.14 billion in the corresponding period last year.

Think-tank Global Trade Research Initiative (GTRI) in its report, released in August, has said India needs to act in a fast-track manner for removal of Non-Tariff Barriers (NTBs) being faced by domestic exporters in different countries to achieve one trillion dollar outbound shipment target for goods by 2030.

Key Indian exports that face high barriers include ceramic tiles in Egypt; and microbiological regents in Saudi Arabia, the report added.

Most Non-Tariff Measures (NTMs) are domestic rules created by countries with an aim to protect human, animal or plant health and environment.

NTM may be technical measures like regulations, standards, testing, certification, pre-shipment inspection or non-technical measures like quotas, import licensing, subsidies, government procurement restrictions. When NTMs become arbitrary, beyond scientific justification, they create hurdles for trade and are called NTBs.

Source: business-standard.com– Nov 27, 2023

HOME

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India needs to position itself as global mfg hub as China witnessing repeated outbreaks: GTRI

With China witnessing repeated outbreaks of respiratory ailments, India can position itself as a global manufacturing hub by enhancing its supply chain capabilities and investing in healthcare infrastructure, think tank GTRI said in a report.India can leverage its workforce and manufacturing potential in sectors like mobile phones and laptops, the Global Trade Research Initiative (GTRI) said.

According to the report, China has experienced several outbreaks due to close human-animal contact, including COVID-19 (2019), H7N9 bird flu (2013), H5N6 bird flu (2014), and H10N3 bird flu (2021).

While these outbreaks had varying impacts, COVID-19 notably escalated into a global pandemic.

These outbreaks, especially COVID-19, have prompted a reevaluation of global supply chains and reliance on China for manufacturing. Businesses are considering alternatives like reshoring or diversifying supply sources to mitigate risks.

"India is positioned to benefit from this trend by enhancing its supply chain capabilities and investing in healthcare infrastructure," GTRI Co-Founder Ajay Srivastava.

He also said that in response to criticisms of the WHO and China's handling of COVID-19, India is advised to establish its independent monitoring centres for better preparedness and response to future health crises.

Since mid-October 2023, there has been an increase in respiratory illnesses among children in northern China, linked to the lifting of COVID-19 restrictions and the onset of the cold season, the report said.

A health ministry statement on November 26 said that the Government of India is closely monitoring the situation and indicated that there is no need for any alarm.

The report said that China supplies more than 90 per cent of laptops and produces most components in-house. The same applies to washing machines, solar PV cells and EV batteries.

"The world will suffer if supply lines get disrupted due to any reason. COVID has demonstrated this amply for medicines...In this context, India's efforts to make mobile phones, laptops locally for supply to the world must be welcomed," it said adding India can capitalize on the diversification trend by enhancing its supply chain capabilities.

The government can further incentivize manufacturing in sectors where India has a competitive advantage or can quickly scale up, it suggested.

"Establishing a strong framework for crisis management, including pandemic preparedness, can reassure international stakeholders of India's resilience in the face of global challenges," it said.

Source: economictimes.com– Nov 27, 2023

HOME

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Cotton Australia discusses ties with Indian textile delegation

A high-level delegation representing the Indian government's textile industry engaged in discussions with Cotton Australia, ACSA, and Austrade earlier this week to explore potential collaborations. The talks aimed to identify areas of mutual interest and foster cooperation between the two nations.

With the activation of the Economic Cooperation and Trade Agreement (ECTA), 50,000 tonnes of Australian cotton can now enter India without tariffs, marking a substantial reduction from the usual 11 per cent tariff, Cotton Australia said in a press release.

Cotton Australia is actively advocating for an increase in this tariff-free quota, working with officials such as Mr Kansal, the additional secretary from India's textile ministry, to grant Australian cotton greater access. This move is intended to facilitate Australian brands wishing to manufacture in India using Australian cotton.

During the discussions, the delegation showed keen interest in understanding Australia's sustainability credentials, particularly in relation to myBMP, as well as traceability and ongoing efforts regarding textile circularity.

To foster relations and collaboration, Cotton Australia also recently supported a webinar for Indian Cotton Growers run by the All India Cotton Farmer Producer Organization Association in conjunction with the Australian High Commission (Agriculture).

The webinar, which featured Dr Oliver Knox, aimed to assist Indian growers to improve soil health.

Source: fibre2fashion.com– Nov 24, 2023

HOME

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RBI circular on SCA for exporters unclear on many aspects

The Reserve Bank of India (RBI) has allowed AD Category-I banks maintaining special vostro accounts (SVA) in Indian rupees (INR) to open an additional special current account (SCA) for their exporter constituents exclusively for settlement of their export transactions. The RBI says that the idea is to provide greater operational flexibility to exporters but few exporters are clear on how that will come about. Indeed, they have many questions.

In July 2022, the RBI introduced an arrangement for invoicing, payment, and settlement of export/import transactions in INR through SVA, mainly with a view to facilitate trade with Russia following fears that the United States and its allies will make trade with Russia in convertible currencies near impossible. Those instructions were not Russia specific and so, some banks from Russia and some other countries have since opened SVAs with Indian banks.

However, as expected, that move is not a great success because of inherent limitations of such an arrangement. Now, the RBI is tweaking the scheme and its latest FED circular no. 08 dated November 17, 2023, looks like a feeble and tentative attempt in the hope of making the SVA arrangement work better.

The exporters, however, see no point in having a SCA exclusively for settlement of export transactions because the credits will simply keep accumulating in such accounts without earning any interest on the outstanding balances.

Perhaps, the RBI wanted to say that the permitted credits in such SCAs will be only from realisation of export proceeds through SVAs but has ended up saying something else. Anyway, the exporters will be better off using the export proceeds to liquidate their post-shipment credit liabilities or crediting the funds to their cash credit accounts thus reducing their interest liabilities.

The circular is silent on how the balances in the SCA can be utilised. However, even assuming that they can be utilised for making payment for imports, there is no clarity on how that will help exporters when they can very well make payments for imports through any other current account.

What special operational flexibility the SCA gives is unclear. Clarity is missing on whether export proceeds received through any SVA by any bank can be credited to the SCA maintained with any bank, and also whether SCA can be opened only at the branch where SVA is being maintained or any branch of the bank maintaining any SVA. Whether the RBI is giving the facility to pool all the export proceeds received through any SVA and use the credit balance so built up for import payments through any other SVA is also unclear.

As matters stand, most banks have not issued internal instructions regarding opening the SCA. It appears they also need answers to some questions from the RBI and will take some more time to finalise the mechanisms for transfer of funds from any SVA to any SCA and vice-versa.

So, the exporters should see the RBI circular as little more than a preliminary attempt to make imports and exports in INR through SVA work somehow or the other. More instructions should follow from the RBI regarding the permitted credits and permitted debits in such SCAs.

Hopefully, the RBI will take extra care to be clear-cut and comprehensive with its instructions avoiding loose wordings that characterise its circular referred above.

Source: business-standard.com– Nov 26, 2023

HOME

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Bihar eyes more Bangladeshi Textile Cos to set up units in State

Bihar is eyeing textile entrepreneurs from Bangladesh for significant investment in the State. Textile is one of four areas for 'Bihar Business Connect 2023'- A Global Investors' Summit to be held during December 13-14 in Patna.

"Situations are quite similar in Bangladesh and Bihar. Also, Bangladeshi companies are looking for place where production should not get disturbed on account of longer non-working hours say during month-long Ramadan," a senior State government official told businessline. Bangladesh is rapidly emerging as a big player in the textile sector at the global level.

However, the textile industry there is facing challenges such as labour and infrastructure, and hence looking for nearby locations. The distance between Bihar and Bangladesh is less than 1000 km and weather conditions are identical.

Apart from textiles, the investor meet will also highlight opportunities in leathers, IT/ITeS & ESDM, Food Processing and Hospitality & Tourism sectors. The state offers a land bank of 28 lakh square meters built-up area.

"We also have plug and play facility at 13 locations in 9 districts," the official said. It also has a provision for ₹25,000 grant per labour for skilling besides providing ₹3,000-5,000 employers' contribution in EPFO for new textile and leather units. There is also provision for capital subsidy and weaver of power charges.

Apart from Bangladesh, the State government is also expecting participation by investors from a dozen foreign countries such as Japan, Taiwan, UAE, and the US. Among the domestic investors, the hope is that all large companies will participate.

The State government has already organised roadshows in Delhi, Mumbai, Bengaluru, Tirupur, and Chandigarh in India, apart from the USA, UAE, Japan, and Bangladesh.

“The state government has transformed the industrial landscape of the state over the past few years and has emerged as one of the biggest consumer markets. The summit will see a transformed industrial landscape,” the official added. The event will witness business networking, knowledgeful discussions, and sessions for exploring synergies and partnership opportunities.

However, there is big issue over image of the State especially related with law & order. “We aim to remove this kind of misperception. Once you are here and visit the actual location of industrial activities, then only perception can change,” the official said. Earlier this month, while criticising the Nitish Government of Bihar, Union Home Minister Amit Shah said that he prayed to the local deity Chhathi Maiya to rid the state of “jungle raj”. Retorting to that, the Deputy Chief Minister Tejashwi Yadav said there is ‘Mangal Raj’ as lot of jobs have been created.

The Gross State Domestic Product (GSDP) of Bihar for 2023-24 (at current prices) is projected to be ₹8.59 lakh crore, amounting to growth of 8.9 per cent over 2022-23 (₹7.89 lakh crore). According to the Periodic Labour Force Survey (July 2021-June 2022), unemployment rate in Bihar was six per cent, higher than the unemployment rate at the national level (4.1 per cent). For the 15-29 years age group, unemployment rate in Bihar was 20.1 per cent, higher than the national level (12.4 per cent), necessitating the need for more and more manufacturing facilities in the State.

Source: thehindubusinessline.com– Nov 26, 2023

HOME

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Cotton prices drop in several markets

With the cotton prices remaining subdued due to lack of demand, the Cotton Corporation of India (CCI) has purchased nearly two lakh bales of cotton at Minimum Support Price since the beginning of the current cotton season (October 1, 2023 to September 30, 2024).

Lalit Kumar Gupta, Chairman and Managing Director of the CCI, said the organisation is buying cotton at MSP price in nine States. It is active in most of the growing States, except Gujarat and Odisha (The MSP for seed cotton is ₹6,620 a quintal for medium staple and for long staple cotton it is ₹7,020 a quintal).

The current daily arrivals are over 1.5 lakh bales. Since the beginning of the season, 47 lakh bales have arrived at the market compared with 35 lakh bales for the same period last year. “We buy 8 % - 10% of the arrivals at MSP. We will not permit the prices to fall below the MSP.

When we buy at MSP, the price is stimulated. Our presence in the market matters.” There are uncertainties now and if the demand picks up, the market will improve, he said.

A cotton farmer in Telangana, Jaipal, said, “For the last one year, there is no international demand for cotton. Farmers who want immediate cash are selling at less than MSP price too. Some are holding back cotton, and some others are selling to CCI at MSP,” he said.

The price of Gujarat Shankar - 6 variety on Saturday was ₹55, 800 a candy (356 kg of ginned cotton) as against ₹66,000 a candy an year ago.

Source: thehindubusinessline.com– Nov 25, 2023

HOME

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