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Currency Watch			
USD	EUR	GBP	JPY
83.37	89.79	104.90	0.57

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INTERNATIONAL NEWS

Global trade to contract 5% this year

Trade growth remained subdued in the fourth quarter, indicating persisting challenges. The outlook for 2024 remains uncertain, but overall pessimistic, Unctad adds.

Global trade has experienced negative growth since mid-2022, primarily driven by a substantial decline in goods trade, which continued to contract in the first three quarters of this year.

However, trade in services has displayed more resilience and its growth remained positive throughout the same period.

"Global trade has experienced a decline throughout 2023, primarily influenced by diminished demand in developed nations, underperformance in East Asia economies, and a decrease in commodity prices. These factors collectively contributed to a notable contraction in the trade of goods.

"In contrast, trade in services witnessed growth for the majority of 2023, a surge attributed to its delayed recovery from the Covid-19 downturn. However, the rebound of the services sectors slowed down considerably during the second half of 2023.

"Unctad now foresees a shift in the fourth quarter, with an anticipated small increase in goods trade and a decline in services trade," the organisation said.

Overall, the 'Global Trade Update' projects that global trade will amount to about $30.7-trillion this year, representing a contraction of about 5%, or $1.5-trillion, compared with the record high reached in 2022.

Specifically, trade in goods is expected to contract by nearly $2-trillion, or 8%, while services trade should gain about $500-billion, or 7%.

Further, even though the value of traded goods decreased this year, the slightly positive trend in the volume of international trade suggests a resilient global demand for imported products, the update shows.

Meanwhile, trade downturn has been more marked for developing countries with South-South trade underperforming throughout the majority of this year. These trends can be attributed not only to the downturn in the East Asia regions, but also to diminished trade between Asian economies.

"Looking ahead to 2024, while certain economic indicators hint at potential improvements, persistent geopolitical tensions, high levels of debt and widespread economic fragility are anticipated to exert negative influences on global trade patterns," Unctad noted.

Merchandise trade across major economies experienced a consistent downturn over the past four quarters. Russia recorded an annual positive growth in imports, while Brazil and the European Union have shown positive trends in exports.

Quarter-on-quarter statistics indicate a persisting negative trend, with all major economies, except the US, reporting declines in either imports or exports, or both.

While the comparison of yearly and quarterly growth suggests some improvement in trends for several economies, the overall baseline remained negative in the third quarter of this year.

"Trade has decreased across major economies, yet the third quarter of 2023 indicates a milder downturn," Unctad said.

Further, while service-related data is reported with a one-quarter lag compared to merchandise data, on an annual basis services trade increased in most economies between the second quarter of 2022 and that of 2023.

However, quarterly growth in the second quarter of 2023 has been lower compared to the annual averages, signalling that the increasing trend for the service sector may be reaching a plateau.

REGIONAL TRADE

Meanwhile, the decline in global trade is driven by developing countries and South-South trade, and, while there has been resilient trade in North America, there has been an underperformance in East Asia and Africa.

On average, the recent decline in global trade has been more marked for developing countries. On an annual basis, developing countries' imports declined by an average of 6% and exports declined by an average of 7%.

When East Asian economies are excluded, yearly trade declines for developing countries were lower, Unctad said in the report.

"However, figures on a quarter-on-quarter basis indicate more similar patterns across developing and developed countries averages. On a yearly basis, South-South trade demonstrates a notable decrease, yet preliminary data for the third quarter of this year indicate a milder decline," the organisation said.

Further, most regions have undergone negative trade growth, both on annual and quarterly basis. Notably, the North American region has experienced better performance, particularly in intra-regional trade.

In contrast, East Asian trade exhibited notable weakness throughout 2023, with some signs of recovery observed in the third quarter of the year.

Russia, Central Asia and the African region show a strong decline in exports, especially on an annual basis. During the past quarter, intra-regional trade was particularly weak in Africa, Europe, and in Russia and the Central Asian economies, Unctad noted.

Similarly, global sectoral trade trends over the past four quarters were negative for most sectors. Annual statistics indicate that the decline in global trade was driven by lower trade in the office and communication equipment, as well as textiles and apparel, sectors.

"Conversely, global trade was supported by a positive trend in the road vehicles and transport equipment sectors," the update states.

"On a quarterly basis, most sectors experienced a decline in trade, although apparel, communication, and office equipment sectors rebounded from previous low. In contrast, trade trends remained negative in agri-food, textiles, metals and minerals.

"Notably, the positive trajectory observed in the trade of transport equipment and motor vehicles sectors observed in the annual statistics reversed during the third quarter of 2023," the report highlighted.

Further, since 2022, the geographical proximity of international trade has stayed relatively consistent, showing minimal nearshoring or far-shoring trends.

However, there has been a noticeable rise in the political proximity of trade since the latter part of 2022. This suggests a shift in bilateral trade preferences toward countries with similar geopolitical stances, or friend-shoring.

Concurrently, there has been an overall decrease in the diversification of trade partners, indicating a concentration of global trade within major trade relationships, Unctad pointed out.

Global trade is becoming more concentrated and geopolitically close. The war in Ukraine, the sanctions on Russia, and the de-risking in the US-China trade relationship are playing a significant role in shaping key bilateral trade trends.

These factors not only impact the economies directly involved, but also indirectly influence trade dynamics of other economies, the update states.

GLOBAL TRADE INFLUENCES

There is positive economic growth, but with significant disparities, and global economic forecasts remain steady, but fall below historical averages.

Substantial disparities persist among countries and regions in terms of anticipated economic outlooks for 2024. Such disparities will influence patterns of trade, Unctad said.

Economic activity is also being hindered by persistently high interest rates in several economies. The latest Purchasing Managers' Index readings for China and the US suggest a subdued outlook for industrial output in the coming months.

Commodity price volatility is also having an impact. Regional conflicts and persistent geopolitical tensions are likely to add further uncertainty to commodity markets.

Additionally, the increasing importance of securing critical minerals for the energy transition is expected to affect prices and further contribute to market volatility in these commodities, the organisation noted.

Another factor influencing global trade is the lengthening of supply chains. Global trade is being influenced by the way supply chains respond to shifts in trade policy and geopolitical tensions, with notable impacts observed in supply linkages between China and the US.

Companies from other regions, particularly in East Asian economies and Mexico, have had opportunities to become more integrated into the supply chains affected by geopolitical concerns, the update shows.

Further, there has been an increase in subsidies and trade restrictive measures. The resurgence in the use of industrial policy and the urgency of meeting climate commitments are driving changes in trade policies, both in the form of tariffs and non-tariff measures.

Use of trade restrictive measures has risen this year. These inward-looking policies are anticipated to impede the growth of international trade, the report highlighted.

Meanwhile, there is currently low demand for container shipping, as reflected by the lagging performance of the Shanghai Containerised Freight Rate Index. Conversely, the Baltic Dry Index has exhibited a positive trend in the second half of this year, indicating a rise in global demand for raw materials, Unctad said.

Source: engineeringnews.co.za– Dec 11, 2023

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China's GDP growth projected to be 5.4% in 2023, 4.6% in 2023: IMF

China's economy is projected to grow at 5.4 per cent this year, reflecting a strong post-COVID rebound, according to the International Monetary Fund (IMF), whose staff recently concluded the 2023 Article IV Consultation during a visit to China. But growth in the Asian giant is expected to slow to 4.6 per cent next year amid continuing weakness in the property market and subdued external demand.

A strategy to contain the risks from the ongoing property sector adjustment and manage local government debt is needed to lift sentiment and boost near-term prospects, IMF suggests. Supportive macroeconomic policies should complement these efforts. Broad-based and pro-market structural reforms aimed at boosting productivity, supporting rebalancing and decarbonisation would support new engines of growth, and mitigate the negative effects of aging, diminishing returns on investment, and geoeconomic fragmentation, it noted.

“The Chinese economy is on track to meet the government’s 2023 growth target, reflecting a strong post-COVID recovery….Core inflation is projected to increase to 2.1 per cent by end-2024 as output gap continues to narrow. Over the medium term, growth is projected to gradually decline to about 3.5 per cent by 2028 amid headwinds from weak productivity and population aging,” IMF's first deputy managing director Gita Gopinath said in a press statement.

“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 noted.

“China could demonstrate its commitment to an open and rules-based trading system and help reduce fragmentation pressures [at the World Trade Organisation] by scaling back distortions to trade and investment from domestic industrial policies and trade restrictions, which create domestic challenges and global spillovers,” Gopinath added.

Source: fibre2fashion.com– Dec 12, 2023

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US economy sees vigorous growth in 2023 despite recent slowdown: NRF

After a year of challenges, the US economy has proven to be healthy in 2023 even as it continues to slow, National Retail Federation (NRF) chief economist Jack Kleinhenz has said. The gross domestic product (GDP) growth for the year is now expected to come in at 2.5 per cent adjusted for inflation over 2022.

“The US economy is on track to end 2023 with vigorous growth for the year. A strong labour market, rising wages and access to excess savings have helped spending continue despite inflation and higher interest rates,” Kleinhenz said in the December issue of NRF’s Monthly Economic Review.

GDP grew at an annualised pace of 3.2 per cent over the first three quarters and shot up 5.2 per cent in the third quarter but is expected to slow to 1.2 per cent in the fourth, according to the Federal Reserve Bank of Atlanta’s GDPNow model.

Gross domestic income (GDI)—which goes beyond the value of products produced to include wages, rent, interest, and corporate profits earned during production—was up only 1.5 per cent in the third quarter, also adjusted for inflation, following 0.5 per cent in the second quarter. It was the fourth consecutive quarter in which GDI grew less than GDP, which Kleinhenz said “adds to the argument that the economy is slowing” even though neither indicates that growth has halted.

Slower GDP and GDI growth is in line with consumer spending, which rose only 0.2 per cent month over month in October, down from 0.7 per cent in September for the slowest pace since May.

Similarly, retail sales reported by the Census Bureau were down 0.1 per cent month-over-month seasonally adjusted in October after a 0.9 per cent increase in September and year-over-year retail sales growth fell from 4.1 per cent unadjusted to 2.5 per cent. Households have reduced spending on automobiles, furniture and clothing but are spending more on travel, health care and housing.

Kleinhenz said the “resiliency of the consumer is being tested” by a number of factors beyond inflation and interest rates. Excess liquidity built up during the pandemic is shrinking and access to credit has become more expensive as banks have become more cautious, with both curbing the purchasing power fuelled by job and wage gains. Hiring held steady in October, but job openings were at their lowest level since March 2021 and unemployment was at its highest level since March 2021.

On the positive side, the Personal Consumption Expenditures Index—the measurement of inflation followed by the Federal Reserve—was at 3 per cent year over year in October, the lowest level in two-and-a-half years. Overall finances are in “good shape” and personal spending rose 5.3 per cent year over year in October while disposable personal income grew a “healthy” 7 per cent.

Consequently, “continued consumer resilience” is expected during the holiday season, which began November 1 and continues through the end of December. NRF expects record spending and has forecast holiday retail sales to increase between 3 per cent and 4 per cent over 2022, consistent with pre-pandemic growth rates.

Source: fibre2fashion.com– Dec 11, 2023

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US Ports See First Cargo Imports Increase in 16 Months

Inbound U.S. cargo volume this year likely peaked in October, when ports tallied a higher-than-expected 2.05 million 20-foot equivalent units (TEUs) during the month, a 2.5 percent jump from the year prior.

This marks the first year-over-year inbound volume increase since June 2022, according to data covered by the Global Port Tracker report from the National Retail Federation (NRF) and maritime consultancy Hackett Associates.

October well exceeded the forecast set last month, when the Global Port Tracker projected 1.92 million TEU, down 4.2 percent year over year.

"We originally thought peak season would come in August but imports kept growing in September and again in October," said Jonathan Gold, vice president for supply chain and customs policy, NRF, in a statement. "Whether it was merchandise for retailers or cargo for other businesses, that's a good sign for the economy and for the holiday shopping season. NRF expects record-setting holiday sales this year and retailers are well-stocked to meet consumer demand."

The annual increase mirrors data from the Office of Textiles and Apparel of the U.S. Department of Commerce (OTEXA), which indicated earlier this month that apparel and textile imports to the U.S. increased by 2.8 percent to 8 billion square meters equivalent (SME) in October.

By topping September's 2.03 million TEU, a 1.3 percent month-over-month jump, October should generate the most TEU into U.S. ports. The Global Port Tracker indicated that while October was the traditional peak for imported goods, this shifted to August or sooner for seven of the past 10 years.

According to the report, the shift occurred after port labor disputes prompted retailers to bring merchandise into the country early to avoid potential disruptions near the holidays.

Ports haven't yet reported official November numbers, but Global Port Tracker projected the month at 1.96 million TEU, or a 10.5 percent year over year increase. December is forecast at 1.93 million TEU, up 11.5 percent year over year.

Those numbers would bring the year's container imports to 22.4 million TEU, down 12.4 percent from 2022's 25.5 million TEU, which was less than 2021's record of 25.8 million TEU.

Volume is expected to grow each month in the early part of next year. January is forecast at 1.93 million TEU, up 6.6 percent year over year. February—historically the slowest month because of Lunar New Year factory shutdowns in Asia—is anticipated to bring in 1.77 million TEU, up 14.5 percent year over year. March is forecast at 1.75 million TEU, up 7.7 percent year over year, and April at 1.8 million TEU, up 1 percent.

October's outperformance comes as the NRF and CNBC said early Monday that core retail sales, excluding restaurants, automobiles and gas, increased 4.2 percent year over year in November—a strong number given that NRF expects total core holiday sales to grow 3 percent to 4 percent over 2023.

"The U.S. economy appears to be on a sustainable growth path as consumer demand remains buoyant," said Hackett Associates founder Ben Hackett, who referred to "solid" Black Friday weekend sales, strong corporate profits and continued growth of gross domestic product. "It would be natural to assume that any thought of a recession is behind us, but a significant number of economists and politicians remain skeptical. As always, time will tell."

While October numbers beat projections, much of it was buoyed by the major West Coast ports, which have seen business shift back in their direction with concerns of congestion at the Panama Canal and ahead of a possible strike at the East Coast ports. At the Port of Los Angeles, October 2023 loaded imports reached 372,455 TEUs, an increase of 11 percent compared to the previous year. Imports at the Port of Long Beach increased 24 percent to 363,300 TEUs.

Major ports elsewhere in the U.S. didn't follow that trend. At the Port of New York and New Jersey, imported loads totaled 381,756 TEUs, down 0.2 percent from October 2022. In Port Houston, loaded import volumes fell 4 percent to 174,929 TEUs, while they plummeted 16 percent to 220,298 TEUs in the Port of Savannah.

Source: sourcingjournal.com– Dec 11, 2023

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Bangladeshi textile millers seek loan concession, increased LC limit

Bangladeshi textile millers, grappling with the combined challenges of the current economic downturn and the devaluation of taka, have sought policy support from the central bank, including concessions on loan instalments, extensions on repayment periods, and an increase in the Letter of Credit (LC) limit.

In a letter sent to the Bangladesh Bank on 6 December, the Bangladesh Textile Mills Association (BTMA) pressed for a two-year extension on loan repayment periods, which the central bank had previously extended during the pandemic.

In light of the local currency devaluation, textile millers requested an increase in their Letter of Credit (LC) limit. They also asked for permission to exceed their single Borrower Exposure limit if it occurred after the requested extension.

In the letter, textile sector entrepreneurs requested a temporary reduction in loan instalments, proposing to pay only 20% of term loan instalments. They argue that the remaining payments should be deferred for four years, citing significant contractions in production and overall business due to the current economic downturn.

In addition, the textile sector urged the central bank to implement one of two options: either establish a consistent exchange rate for US dollars applicable to both export and remittance transactions or entirely deregulate the exchange rate and allow it to fluctuate freely on the market.

"It would not be possible for the local textile mills to sustain in such a situation if the mills do not get proper incentives and policy supports," BTMA President Mohammad Ali Khokon said in the letter.

"While the government's stimulus package helped us initially overcome the impact of the pandemic, our operations have been plagued by uncertainty for the past several months due to the combined challenges of the Russia-Ukraine war, the global economic crisis, the dollar crisis, and local political instability," he said.

The recent surges in the prices of gas, electricity, transportation, and other raw materials have significantly hampered our competitiveness and export capacity, making it increasingly difficult to compete in the global market, Khokon said.

The 150% increase in gas prices coupled with a 50% rise in workers' wages has significantly inflated the overhead costs of textile mills, making it difficult to maintain profitability," the BTMA president explained. In many cases, mills are operating at break-even, with some even incurring losses.

BTMA President Khokon also told TBS that the textile industry is not in good shape due to global inflation.

Single borrower exposure limit tightened

In January last year, the Bangladesh Bank reduced the limit of loans provided by any bank to a single person or organisation to 25% of its total regulatory capital from the previous 35%.

Under the rules, no bank will be allowed to provide more than 15% funded and more than 10% non-funded loans to a person or an organisation.

The central bank circular further said that the banks which have defaulted loans below 3% will be able to provide large loans up to a maximum of 50% of total capital. Those with less than 5% defaulted loans will be able to provide up to 46% large loans, those with less than 10% will be able to provide 42%, and those with less than 15% defaulted loans will be able to provide 38% large loans.

In addition, banks with less than 20% defaulted loans will be able to provide large loans worth 34% of the capital, and banks with 20% or more defaulted loans will be able to provide 30%.

Source: tbsnews.net– Dec 11, 2023

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Fitch upgrades Vietnam's credit rating to BB+ amid economic growth

Fitch Ratings recently upgraded Vietnam's long-term foreign-currency issuer default rating (IDR) to 'BB+', from 'BB', with a 'stable' outlook.

It expects foreign direct investment (FDI) inflows into the country to continue to drive sustained improvements in its structural credit metrics.

The rating agency is increasingly confident that near-term economic headwinds from property-sector stresses, weak external demand and delays in policy implementation owing to a corruption crackdown are unlikely to affect medium-term macroeconomic prospects. Policy buffers are sufficient to manage near-term risks, it feels.

The country is projected to achieve a medium-term growth of around 7 per cent due to its cost competitiveness, educated workforce relative to peers, entry into regional and global free-trade agreements and strong FDI inflows amid global supply chain diversification.

Foreign exchange reserves in the country improved modestly to $89 billion by September end this year, after a sharp drop in 2022. Reserves are expected to improve further in 2024-2025 with coverage of current external payments averaging about three months, under Fitch Ratings' baseline.

The country's external debt composition stays favourable, as most of the debt is owed to bilateral and multilaterals. This leads to a lower external debt service burden and supports its high external liquidity ratio.

Fitch Ratings believes that as the government continues to implement policies to support growth and stabilise the macroeconomy, the country's economy will regain growth momentum soon.

Source: fibre2fashion.com– Dec 11, 2023

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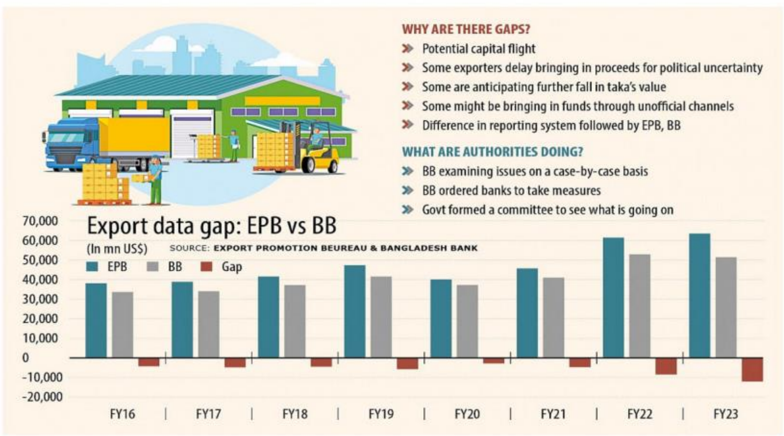
Bangladesh: A $12 billion question hangs over export data mismatch

Bangladesh is no stranger to data mismatches, but a $12 billion gap between export shipments and actual receipts from abroad points to potential capital flight just before the January election.



In 2022-23, the mismatch between the actual realisation reported by the Bangladesh Bank and the Export Promotion Bureau's (EPB) shipment figure was $12.08 billion, the highest in at least eight years.

EPB data showed that goods and services exports stood at $63.05 billion in FY23 whereas the central bank reported that Bangladesh received $50.97 billion in the same year.

Traditionally, the gap between the EPB and BB figures hovers around $4-5 billion, but it jumped in 2021-22 to $8.51 billion from $4.73 billion in 2020-21. The difference is rising in the current fiscal year of 2023-24.

The deficit in trade credit in the balance of payments (BoP) was $3.7 billion in the first four months of FY24, up from $1.3 billion a year prior. Trade credit appears on a buyer's balance sheet as accounts payable.

"Owing to many traditional reasons, the gap exists in the data produced by the two government bodies. But the huge gap is not supported logically by traditional reasons," said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

He said some people may not bring their export proceeds for the lingering political uncertainty in the election year. The instability in the foreign exchange market is handing another blow: since the rate is falling frequently, exporters are delaying the transfers to cash in on further depreciation of the taka against the US dollar.

Since exporters are not getting the real rate at present, some might be bringing in their sales proceeds through unofficial channels. As a result, the foreign currency is not coming to Bangladesh, putting the already strained foreign exchange reserve under pressure.

"The trend still continues. That is why there is a huge deficit in the trade credit of the BoP," Hussain said.

A top official of the BB also said many exporters are not transferring sales proceeds due to expectations of a further depreciation of the local currency and the deepening political uncertainty ahead of the election slated for January 7.

The taka has lost its value by about 30 percent against the US dollar since January last year amid sharp depletion of the foreign currency reserves caused by higher import bills against lower export and remittance earnings, BB data showed.

The central bank is examining the issue of export proceeds on a case-by-case basis and ordered banks to take measures as well, he added.

BB and EPB data showed the major difference was shown in the export of goods instead of services. In FY23, the gap in the actual receipts was $11.98 billion in the goods segment and $0.1 billion in the services segment.

The same trend was noticed in the previous year as well. In FY22, the gap in the receipts was $8.48 billion in the goods exports and $0.02 billion in the services exports.

"Concealing data in the services sector is easy because there is no scope to know who is exporting what. So, the discrepancy is not being traced in the sector. On the other hand, it is easier to spot gaps in merchandise exports," said Mohammad Abdur Razzaque, research director at the Policy Research Institute of Bangladesh, a think-tank.

He said Bangladesh is not placing adequate importance on data governance, so the difference has been there year after year.

"Once Bangladesh used to report the country's trade data to the UN Comtrade, which was a way to ensure the export data scrutiny at the international level."

The UN Comtrade details import and export statistics in goods and services reported by the statistical authorities of close to 200 countries or territories since 1962.

"But from 2012, Bangladesh became irregular and the country has not reported the data at all since 2015. So, the data is not being scrutinised and no one is monitoring exporters' activities effectively to see whether they are bringing their export receipts properly or not," Razzaque said.

He said the present macroeconomic management system is allowing people to speculate while exporters are hoping for a further currency depreciation.

"So, many of them may wait to fetch their export earnings."

Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association, thinks some difference always exists between the data reported by the BB and the EPB as payments face delays sometimes.

"But a gap of $12 billion seems abnormal. Actually, the central bank's data is correct and we don't agree with the EPB data."

Hatem said if proceeds don't arrive within 120 days, the name of the exporter is displayed on the dashboard of the central bank. Then, the exporter does not receive any service from banks.

The exporter needs to secure an extension from the central bank to keep availing banking services and if the exporter still thinks that he will not get the proceeds at all, he will have to inform the discount committee of the BB who analyses it before approving, he said.

BB Spokesperson Md Mezbaul Haque said there is a difference between the reporting system of the EPB and the BB.

He explains the central bank reports only when the export proceeds are realised whereas the EPB publishes the pre-shipment data of shipments.

"If the export is cancelled after goods leave ports or the fund does not arrive, the difference may exist."

On the higher gap, he said since the export volume is rising, the difference is also widening.

Tapan Kanti Ghosh, senior secretary of the commerce ministry, said the government is well aware of the gap between the shipments and the original receipts. A committee has been formed already to see what is going on here, he added.

The central bank official said after the election, the foreign exchange market will be stable on the back of an expected fund injection by development partners in the form of budget support.

Source: thedailystar.net– Dec 12, 2023

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Pakistan: Fluctuating prices of yarn affect operations of small spinning mills

The fluctuating prices of yarn – the lifeline of the textile sector – have particularly affected the operations of small spinning mills, causing them losses amid already escalating energy rates. The unit owners – small or big – are struggling to get their yarn share at affordable rates.

Scores of millers and small factory owners hailing from different localities of Faisalabad and other districts, including Lahore, Sheikhupura, Ferozwala and Karachi, purchase yarn from the Faisalabad's yarn market – also called 'Sootar Mandi'. The millers purchase yarn on daily, weekly, fortnightly or monthly basis.

The major victims of the surging prices are those who purchase yarn of different varieties daily, but in low quantities. Talking to WealthPK, Salamat Ali, former central chairman of Pakistan Hosiery Manufacturers and Exporters Association (PHMA), said the fluctuating prices of yarn had further stressed the purchasers amid already high costs of electricity, gas and other raw materials. He said as a textile exporter he had to first quote rates to his foreign buyers for their products a couple of months in advance.

"The textile sector, which is the mainstay of the national economy, should function smoothly. This sector is perhaps not under the radar of the government despite its importance," said yarn trader Asim Ali. He said the government should evolve a comprehensive monitoring mechanism to bridle the speculative buying of yarn, its fluctuating prices and ensure its availability for smooth functioning of spinning and other segments of the textile sector.

"When the textile supply chain works smoothly, it surely generates more jobs and fetches the much-needed foreign exchange," said Salamat Ali, former central chairman of PHMA. He said the government must focus on the textile sector to boost exports. Zahid Ali, a yarn broker, told WealthPK that speculative buying and selling of yarn was on the rise and both the sides –spinners and elements involved in speculative business – earned a lot. He said the majority of the people involved in speculative buying were youngsters, who brought hefty quantities in the yarn market, and manipulated its rates.

“People involved in the speculative buying and selling are playing havoc with the market mechanism,” he said. He said scores of spinning mills had either been closed or scaled down their operations due to high prices of electricity. He added that millers were unable to meet their expenses in the absence of government subsidies.

Ali said rates of cotton, polyester cotton and viscous had doubled over the last two years. Yarn trader Asim Ali said the government had launched an operation in the past against the elements involved in the fake invoices. “The same spirit is needed this time around to arrest the unbridled trend of speculative yarn business,” he said.

Source: nation.com.pk– Dec 12, 2023

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'Make in Pakistan'

The 'Make in Pakistan' initiative is a smart move by the government to attract leading international brands to do their sourcing in collaboration with Pakistan's local enterprises. This is a catch for the brands in terms of sourcing not far away from the market where they intend to sell. A major chunk of the US's top brands moved their sourcing from China because of the infamous US-China trade wars. Now one country, China, was a sourcing hub for a greater chunk of these brands. They would manufacture in China and supply to the giant Asian consumer market.

Their departure from China means these brands and retailers will prefer other countries that can host them. Pakistan's initiative is an invitation to these big manufacturers and sellers to set up their offices in the country. As an incentive, the brands that will source with local enterprises will get office space as well as finances from the Export Development Fund (EDF) in the initial six months. For Pakistan's local industry, this would mean more workforce engagement and hence employability, as well as a boost for the local industry.

To attract major brands to do this, Pakistan's textile and apparel industrialists will arrange roadshows in international exhibitions in various cities across the world. These roadshows will help introduce the local industry to global retailers. To bring the international brands to do sourcing from Pakistan will not be smooth sailing and in this preview, roadshows are the good way to go. Pakistan's textile and apparel human resource is an attractive capital. To capitalise on it, the initiative is a good way to start.

With only 48% of US apparel firms currently sourcing from Pakistan the initiative seeks to capitalise on the shifting dynamics in the global trade landscape. This initiative aligns with the evolving priorities of international fashion companies, emphasising risk mitigation in supply chain management and environmental sustainability.

The physical presence of leading fashion brands in Pakistan will also make the rather small ratio of local consumers happy. Consumers in urban centres are not only familiar with international fashionistas but also prefer to buy from them.

The initiative has been announced and incentivised. The first test for Pakistani enterprises is to attract global brands. Once that happens, the industry will evolve and modernise with time.

The 'Make in Pakistan' initiative, though, should not turn us away from the 'Made in Pakistan.' While the former is essential to boost the economy, the latter is a journey of ownership and reputability.

Source: nation.com.pk– Dec 12, 2023

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NATIONAL NEWS

'Import duty on cotton affects opportunities in textile sector'

The import duty on cotton in India has had an impact on shipment of Supima cotton to India, said Marc Lewkowitz, President and Chief Executive Officer of Supima. Mr. Lewkowitz, who was in Coimbatore on Monday to take part in the Cotton Day 2023 programme organised by Cotton USA, told The Hindu that the duty was a disincentive for brands that wanted to source products made of Supima cotton in India.

The production of Suvin (Indian extra long staple cotton) is very less and there is nothing (in India) to protect by imposing duty on Supima, the extra long staple U.S. cotton. The duty is taking away opportunities for Indian textile mills, he said.

Globally, there is a shortage in availability of extra long staple cotton this year, he added.

The U.S. Cotton Trust Protocol and Supima have collaborated to deliver supply chain traceability and to provide access to farm-level, science-based data. In the first four months of its launch, the project has 17,000 tonnes of fibre details uploaded, which is positive and encouraging, he said.

Source: thehindu.com – Dec 11, 2023

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Union minister Piyush Goyal to chair Board of Trade meeting on Dec 17

Commerce and Industry Minister Piyush Goyal will chair a meeting of the Board of Trade on December 17 to discuss ways to boost exports, an official said.

Headed by the minister, the board includes participants from various states, union territories, and senior officials from public and private sectors.

The official said that representatives of export promotion councils will present their views on the exports, besides the team of Government e-marketplace (GeM) will give a detailed presentation about the public procurement portal.

The procurement of goods and services from the government portal has crossed Rs 2 lakh crore in November due to higher buying activities by different ministries and departments.

The board provides an opportunity to have regular discussions and consultations with trade and industry and advise the government on policy measures related to FTP to achieve the objective of boosting India's trade.

It also provides a platform for state governments and union territories to articulate their perspective on trade policy, and also to the government of India for apprising them about international developments affecting India's trade potential and opportunities.

The meeting assumes significance as India's exports are being impacted due to global economic uncertainties.

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

Imports increased by 12.3 per cent to $ 65.03 billion in the month under consideration due to a jump in gold imports.

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

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

Source: business-standard.com – Dec 11, 2023

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India's textile minister Piyush Goyal advocates for domestic sourcing

India's textile minister Piyush Goyal has urged apparel exporters to source raw materials from Indian suppliers rather than relying on 'opaque' foreign sources. While addressing industry leaders at an event in New Delhi organised by the Apparel Export Promotion Council, he advised against succumbing to 'predatory pricing'. He awarded the 'AEPC Excellence Honours' for 2021-22 and 2022-23 during the event.

As the chief guest, Goyal emphasised the importance of building domestic supply chain capacities to sustain the health of India's entire textile ecosystem. He highlighted the significance of every industry element and cautioned against choosing low-cost, substandard goods over domestic products. He clarified that the concept of Aatmanirbhar Bharat (self-reliant India) is about opening India's doors wider, not closing them, by supporting domestic suppliers and developing a domestic ecosystem.

Goyal mentioned the '40 by 30' goal, aligning it with Prime Minister Narendra Modi's vision to make India a developed nation by 2047. He proposed expanding textile exports to $100 billion through collective efforts, noting that increasing readymade garment (RMG) exports from $16 billion to $40 billion by 2030 would significantly benefit the industry. He mentioned the government's initiatives to boost exports, including free trade agreements and promoting brand India.

Applauding the industry, Goyal said, "The encouragement we received from the industry led to 55 per cent exports growth from $500 billion to $776 billion in both merchandise and services exports in the last two years between 2021-23."

The event began with the '40 by 30' themed Focus Group Discussion (FDG) covering various topics such as Making Indian apparel more competitive; Strengthening Industry Academia Linkage; Exploring new frontiers with MMF; and Compliance and Sustainability - How to make it India's edge?

Rohit Kansal, additional secretary, ministry of textiles, Deepak Seth, founder and chairman, Pearl global industries Ltd, Nitin Prasad, managing director, PVH supply Indian sub-continent and GOC, Dr Ajay

Sahai, director general and CEO, FIEO and Naren Goenka, chairman, AEPC discussed the topics with industry experts.

Speaking at the power group during the event, Naren Goenka, chairman of AEPC, said, "The Indian apparel industry has been able to withstand the hard and testing times during the pandemic. Despite global demand being stagnant, Indian apparel exports grew at a rate of 30.35 per cent in 2021-22 over 2020-21, and 1.10 per cent in 2022-23 over 2021-22. While we commemorate this success today, we are also vigilant of the fact that India's apparel exports have remained constant at around 3-4 per cent of the global export share over the past 3-4 years."

One of the major issues affecting the poor export competitiveness of Indian Apparel is the lack of economies of scale. The apparel industry comprises 80 per cent of exporters with a turnover of around ₹10 crore. The average number of machines in Indian apparel manufacturing units ranges from 250 to 400, while competing countries have an average of 800 to 1000 machines. Additionally, there are hardly any vertically integrated units in India, unlike in Vietnam and other competing countries. Both factors limit the industry's capacity to invest in productivity enhancement technologies.

Responding to industry queries about scale and infrastructure, Rohit Kansal said, "The global market is a trillion-dollar industry and so even when we reach $100 billion of textile exports, we will only be 10 per cent of total textiles trade. From that perspective, the target $40 billion seems eminently achievable. Our PM MITRA initiative seeks to address the issues flagged by the industry such as scale, investment, and infrastructure. The size of the PM MITRA Park is at least 1,000 acres which is supposed to be vertically integrated. It addresses the issue of land acquisitions as it is acquired. It addresses issues of clearances because all clearances have been provided. It also addresses the issue of state support as special purpose vehicle (SPV) is being headed by state as they run the park."

"We are looking at $10 billion investment in the park and $500 million has already been given either by infrastructure support or development support to the businesses in the park," Kansal added.

Source: fibre2fashion.com– Dec 11, 2023

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More than 3 crore MSMEs registered on Udyam portal

As on 04.12.2023, as per Udyam Registration Portal, the total number of MSMEs registered since 01.07.2020 to 04.12.2023 in the country are 3,16,05,581 (including informal micro enterprises registered on Udyam Assist Platform). State wise and year wise details are attached as annexure I.

As on 04.12.2023, as per Udyam Registration Portal, the total number of women owned MSMEs registered since 01.07.2020 to 04.12.2023 in the country was 1,17,36,406 (including informal micro enterprises registered on Udyam Assist Platform). State wise details are attached as annexure II.

The steps taken by the ministry in ensuring growth of the MSME sector and the expenditure incurred thereto are as follows:-

- "Udyam Registration" for MSMEs, for Ease of Doing Business w.e.f. 01.07.2020.
- Inclusion of Retail and Wholesale traders as MSMEs w.e.f. 02.07.2021 for priority sector lending.
- Non-tax benefits extended for 3 years in case of an upward change in status of MSMEs w.e.f. 18.10.2022.
- Launch of Udyam Assist Platform on 11.01.2023 to bring Informal Micro Enterprises under the formal ambit for availing the benefits under Priority Sector Lending.

The steps taken by Government for resolution of the issue of pending payments faced by the MSME sector are as follows:-

- Under the provisions of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, MSEFCs have been set up in the States/UTs to deal with the cases of delayed payments of the MSEs.
- The Ministry of MSME launched a portal viz. Samadhaan Portal for filing of grievances and for monitoring of the outstanding dues to the MSEs from the buyers of goods and services on 30.10.2017.
- The Ministry of MSME has requested States/UTs to set up more MSEFCs for quicker disposal of cases related to delayed payments. So far, 157 MSEFCs have been set up with more than one MSEFC set up in States like Delhi, Gujarat, Jammu & Kashmir, Karnataka, Kerala, Maharashtra, Punjab, Rajasthan, Tamil Nadu, Telangana, U.P. & West Bengal.

- The Ministry of MSME has created a special sub-portal within Samadhaan Portal on 14.06.2020, after the AatmaNirbhar Bharat announcements, for reporting the dues and monthly payments by Central Ministries/Department/Public Sector Enterprises to MSMEs.
- Government of India has also instructed CPSEs and all companies with the turnover of Rs. 500 crore or more to get themselves on-boarded on the Trade Receivables Discounting System (TReDS), an electronic platform for facilitating the discounting of trade receivables of MSMEs through multiple financiers.
- Companies which get supplies of goods or services from MSEs and whose payment to MSEs exceeds 45 days from the date of acceptance or the date of deemed acceptance of the goods or services, also need to submit a half yearly return to the Ministry of Corporate Affairs stating the amount of payments due and the reasons of the delay.
- Under Section 43B of Income Tax Act: Deduction has been allowed for expenditure incurred on payments only when payment is actually made to MSMEs.

Click here for more details

Source: pib.gov.in– Dec 11, 2023

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Ahead of India-Asean FTA review: Industry flags spike in import of 38 items

India is gearing up for a review of the 13-year-old trade pact with the Association of Southeast Asian Nations (Asean) against the backdrop of a surge in the import of as many as 38 items, including laptops, IT hardware, telecom equipment, and stainless steel products, during the first six months of the current financial year.

The spike in imports was witnessed mainly from countries such as Singapore, Thailand, Indonesia, Malaysia, Vietnam, and the Philippines, people aware of the matter told Business Standard.

WORRYING SURGE

Commodity/ Major Asean member exporting to India	India's imports during Apr-Sep FY24 (in $ mn)	Y-o-Y growth (%)
PV cells not made into panels/**Malaysia**	264.19	**4,841.56**
Lithium-ion/**Vietnam**	41.46	**294.19**
Aluminium ingots/**Malaysia**	80.15	**270.08**
Semi-finished stainless steel/**Indonesia**	624.71	**188.34**
Plastics/**Malaysia**	41.42	**174.56**
Non-monetary unwrought gold/**Philippines**	39.69	**99.3**
Telecom equipment (machines for conversion of audio, visual data)/**Singapore**	329.37	**59.21**
AC parts/**Thailand**	81.86	**52.93**
Electronic equipment (monolithic integrated circuit)/**Singapore**	601.11	**15.59**
Laptop, PCs/**Singapore**	445.41	**7.15**

Source: Government data

The 10-member Asean grouping also includes Brunei Darussalam, Cambodia, Laos, and Myanmar. The India-Asean free trade agreement (FTA) was signed in August 2009, and the deal came into force 2010 onwards.

While the department of commerce has begun the exercise of compiling and analysing trade data, it has sought inputs from industry executives and asked them to share their concerns with respect to the deal, which till now has resulted in a trade balance in favour of Asean.

The industry has raised an alarm regarding the jump in imports during the April-September period, one of the persons cited above said.

There has been a substantial increase in imports of items such as laptops, electronic equipment such as amplifiers, monolithic integrated circuits and gear boxes, metals such as nickel, lead and steel scrap, and p-Xylene, which is used in the production of polyester, from Singapore.

Similarly, there has been a surge in the import of solar PV cells, telecom equipment, steel bars and rods, jewellery and AC parts from Thailand; plastics, aluminium ingots and solar PV cells from Malaysia; and lithium-ion, telecom and electronic equipment, and flat steel products from Vietnam.

The review of the FTA has been a long-standing demand of Indian businesses, especially because India hopes to diversify trade while addressing the "current asymmetry of bilateral trade". Both sides aim to conclude the review and negotiations of the existing agreement by 2025.
Apart from the widening trade deficit, India has been worried about the routing of goods from non-Asean countries through Asean countries by taking the duty advantages of the agreement. Towards this, government officials said India is pushing for the tightening of the 'rules of origin' norms under the existing FTA.

'Rules of origin' determine the criteria for which goods are eligible for free imports, with the larger idea to avoid routing of products manufactured in third countries to India.

In FY23, India's exports to Asean increased to $44 billion from $42.32 billion a year ago. However, imports grew at a faster pace and jumped to $87.57 billion in FY23 as against $68 billion in FY22. The trade deficit widened to $43.57 billion in FY23 from $25.76 billion the previous year. It was just $5 billion in FY11.

In August, Commerce and Industry Minister Piyush Goyal had said the trade agreement with Asean was an "ill-conceived" pact and unfair to Indian industry.

Source: business-standard.com– Dec 11, 2023

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Contribution of MSMES to the country's GDP

As per the latest information received from Ministry of Statistics & Programme Implementation, the share of MSME Gross Value Added (GVA) in all India Gross Domestic Product (GDP) and the share of MSME manufacturing GVA in all India Manufacturing GVA are as follows:

Year	Share of MSME Gross Value Added (GVA) in all India Gross Domestic Product (GDP)	Share of MSME manufacturing GVA in all India Manufacturing GVA
2019-20	30.48%	40.67%
2020-21	27.24%	40.30%
2021-22	29.15%	40.83%

As per the information culled out from the Data Dissemination Portal of Directorate General of Commercial Intelligence and Statistics (DGCIS), the share of export of MSME specified products in all India exports are as follows:

Year	% share of Export of MSME related products in All India Export
2019-20	49.77%
2020-21	49.35%
2021-22	45.03%
2022-23	43.59%
2023-24*	45.56%

As on 06.12.2023, the total employment recorded on the Udyam Registration Portal (since inception 01.07.2020 to 06.12.2023) is 15.50 crore.

The Expert Committee on Micro, Small and Medium Enterprises, constituted by Reserve Bank of India in December, 2018 has estimated the overall credit gap in the MSME sector to be in the range of Rs. 20 to Rs. 25 trillion.

The Government has taken various measures including ongoing schemes to ensure sufficient financial accessibility and seamless credit to Micro, Small and Medium Enterprises (MSMEs). Some of these include the following:

- Prime Minister’s Employment Generation Programme (PMEGP) which is a major credit-linked subsidy programme aimed at generating self-employment;

- Pradhan Mantri Mudra Yojna (PMMY) for providing loans up to Rs. 10 lakh, to non-corporate, non-farm micro/small enterprises;
- Strengthen credit delivery system and to facilitate the flow of credit to the Micro and Small Enterprise sector without the hassles of collateral and third party guarantee, up to a maximum of Rs. 5 crore through Credit Guarantee Scheme;
- Rs. 50,000 crore equity infusion through Self Reliant India (SRI) Fund;
- Launch of Udyam Assist Platform on 11.01.2023 to bring Informal Micro Enterprises (IMEs) under the formal ambit of MSME for availing the benefits under Priority Sector Lending;
- Inclusion of Retail and Wholesale traders as MSMEs for the purpose of availing Priority Sector Lending benefits, w.e.f. 02.07. 2021;
- Non-tax benefits extended for 3 years in case of an upward change in status of MSMEs;
- Trade Receivable Discounting System (TReDS) to facilitate the financing of trade receivables of MSMEs from corporate and other buyers including government departments and public-sector undertakings (PSUs) through multiple financiers electronically:
- Rs. 5 lakh crore Emergency Credit Line Guarantee Scheme (ECLGS), for businesses, including MSMEs was announced during the COVID-19 pandemic to fulfil the credit gap in MSMEs. The scheme was in operation till 31.03.2023.

This information was given by the Minister of State for Micro Small and Medium Enterprises, Shri Bhanu Pratap Singh Verma in a written reply to the Rajya Sabha today.

Source: pib.gov.in– Dec 11, 2023

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Chennai Manufacturing Limps Back After Cyclone Flooding

Floods in the Indian city of Chennai followed the torrential rain from Cyclone Michaung on Monday last week, sending many factories and apparel manufacturers in the capital of Tamil Nadu reeling, with only a partial recovery by Friday.

Electricity and Internet connectivity are mostly back to normal, but many factories are running at less than half capacity because transit disruptions make commuting near impossible for some workers.

“While many factories could not function for three to four days, they have begun in a low capacity on Thursday,” Rajasekar Dsk, executive secretary at the Apparel Handloom Exporters Association, told Sourcing Journal. “We have not yet been able to take full stock of the damage.”

Nearly 100 export-related apparel factories operate in the city and immediate surrounding areas, as well as 600 to 700 factories serving the domestic market.

Th main problem now is staffing. “It is difficult for workers to reach the factories,” Dsk said.

Chennai airport remained closed and more than 15 people lost their lives in incidents related to the flooding and rain as of Friday. A hub for industrial and automobile manufacturing, Chennai has taken flak for an inadequate drainage system which has contributed to the inundation.

While some manufacturers said they were able to get back to work within the first two days of the cyclone’s impact, others complained that facility damage and a lack of workers forced them to amend their production schedules.

Bharat Sarda, president Chennai Apparel Association, told Sourcing Journal that most factories suffered ground-floor damage, with higher floors mostly protected. “The loss of electricity and power made the situation far more difficult,” he said.

Rescue efforts included ferrying stranded citizens in rubber and fiber boats.

Schools and colleges are still closed as of Friday.

As climate change worsens, businesses are considering the possibility that these extreme weather events will occur more frequently. In 2015, torrential rain in Chennai drove an estimated $3.5 billion in business losses.

Source: sourcingjournal.com– Dec 11, 2023

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