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IBTEX No. 218 of 2023 December 13, 2023

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USD	EUR	GBP	JPY
83.38	89.98	104.69	0.57

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INTERNATIONAL NEWS

UK economy to expand until 2025 end, but growth to be sluggish: BCC

The British Chambers of Commerce (BCC) recently marginally upgraded its 2023 and 2024 gross domestic product (GDP) forecast for the United Kingdom, but lowered the outlook for 2025, as economic growth for all three years remains static.

The BCC's quarterly economic forecast predicts the United Kingdom will remain in the slow lane.

The UK economy looks set to continue expanding until the end of 2025, but growth will remain quite sluggish.

A growth rate of 0.6 per cent is now expected for the whole of this year, dropping to 0.4 per cent in 2024, and nudging up only slightly to 0.6 per cent in 2025.

Prolonged high interest rates, trade barriers, particularly with the European Union (EU), and limits on consumer spending are all seen to feed into a low growth climate.

Trade is also likely to continue to suffer, with export growth of just 0.5 per cent and 1.2 per cent in the next two years, following a contraction of 0.5 per cent this year. Imports are similarly lacklusture, with further regulatory changes at the UK and EU borders weighing on trade flows.?

Despite core inflation now outpacing the headline consumer price inflation (CPI) rate, BCC research indicates the proportion of firms expecting their prices to rise is continuing to fall.

The forecast for the CPI rate is now 4.6 per cent in the fourth quarter (Q4) 2023, 3.1 per cent in Q4 2024 and 1.9 per cent in Q4 2025, when it finally slips below the Bank of England's 2-per cent target.?

While this year's beginning turned out better than expected, the second half has been lacklusture, leading to overall growth of 0.6 per cent for the year.

And with interest rates now predicted to fall only slightly in 2024 and business confidence failing to take off, BCC expects the economy to grow by just 0.4 per cent in 2024 and 0.6 per cent in 2025.???

This is a slight increase for 2024 and a similar decrease for 2025, from the BCC's previous Q3 forecast of 0.3 per cent and 0.7 per cent respectively.

Weak levels of growth in household consumption and a forecast of a reduction in overall real terms Government spending in 2023 and 2024, are also factors in this shaky performance, BCC said in a release.

BCC, therefore, expects business investment to contract by 0.8 per cent in 2024, before rebounding to 1.2 per cent in 2025.

While the number of vacancies continues to decline and demand remains subdued, the unemployment rate is also expected to stay higher for longer, hitting 4.8 per cent by the end of 2025.

Source: fibre2fashion.com– Dec 12, 2023

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Global cotton benchmarks flat or lower over past month: Cotton Inc

Over the past month, global cotton benchmarks have remained flat or have decreased slightly, according to Cotton Incorporated.

Prices for the NY/ICE March contract tested both sides of their shorter-term range between 78 and 82 cents/lb over the past month. With a limit-up move on December 7, prices breached the upper end of that range, but they dropped back into it the next trading day. Current values are near 81 cents/lb, Cotton Inc said in its Cotton Market Fundamentals & Price Outlook for December 2023.

The A Index was below 90 cents/lb most of the past month, but with the surge in NY/ICE futures on December 7, it climbed to 92 cents/lb the following day.

Chinese prices (China Cotton Index or CC 3128B) eased from 106 to 103 cents/lb. In domestic terms, values dropped from 17,000 to 16,200 RMB/ton. The RMB strengthened against the dollar, from 7.29 to 7.15 RMB/USD.

Indian spot prices (Shankar-6 quality) slipped from 87 to 85 cents/lb. In domestic terms, values fell from ₹56,700 to ₹55,200 per candy. The INR was steady near ₹83 per USD over the past month.

Pakistani spot prices decreased slightly from 75 to 73 cents/lb. In domestic terms, values fell from 17,500 to 17,000 PKR/maund. The Pakistani rupee held near 284 PKR/USD.

Source: fibre2fashion.com– Dec 12, 2023

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Uniqlo to double North American expansion in 2024

Global retailer Uniqlo will accelerate its rapid growth in North America with new stores across the US and Canada in 2024. With a focus on eastern and western regions, including new markets, the brand looks to achieve its next milestone in the new year, doubling the current year's store openings with over 20 new locations planned throughout North America in 2024.

Since opening its first North American location in the US in 2005, the brand has offered a unique guest experience with its innovative lineup of LifeWear for men, women, and kids. Through the lens of innovation, LifeWear clothing is designed to make everyone's life better. It is simple, high-quality, everyday clothing, thoughtfully crafted with life's needs in mind and is constantly evolving to modern life. The expansion builds upon the momentum the brand initiated in 2022 to reach 200 stores in North America by 2027.

"We couldn't be more excited to enter the next phase of our North American expansion plan and serve more customers in the US and Canada," said Daisuke Tsukagoshi, CEO of Uniqlo North America. "Stores are the heartbeat of our business, where we can engage with our local communities, hear directly from our customers, and best understand their needs to continue to improve and perfect our products. We're looking forward to a big year ahead."

Uniqlo in North America reported significant growth for the fiscal year ending on August 31, 2023, and expects the strong results to continue in 2024. While accelerating the pace of new store openings, the company expects to achieve double-digit sales growth in its existing stores, the company said in a press release.

With the recent success of Uniqlo’s viral mini shoulder bag and exciting designer collaborations, the brand has gained global popularity and persists in building deeper connections with customers. Uniqlo continues to evolve its world-class retail experience as it opens in new markets and communities throughout North America.

Source: fibre2fashion.com– Dec 12, 2023

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Italy's Oct textile-RMG-leather production growth rate dips 11.3% YoY

Italy’s seasonally-adjusted industrial production index decreased by 0.2 per cent month on month (MoM) in October this year. The change of the average of the last three months with respect to the previous three months was minus 0.2 per cent.

The calendar-adjusted industrial production index fell by 1.1 per cent year on year (YoY). The unadjusted index rose by 2 per cent YoY, according to a release from the official statistical agency Istat.

The calendar-adjusted growth rate of manufacturing of textile, readymade garments (RMG), leather and accessories dropped by 11.3 per cent YoY during October.

The index measures the monthly evolution of the volume of industrial production, excluding construction.

From January 2022, the indices are calculated as annual chain-linked indices instead of fixed base indices. The weighting reference is now year 2022 while the reference base is still the year 2015.

Source: fibre2fashion.com– Dec 12, 2023

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China trade soars nearly 20% in '23, up slightly in Nov

Exports from Cambodia to China in the first 11 months of 2023 totalled more than $1.3 billion, marking a nearly 20% increase year-on-year. The total value of bilateral trade exceeded $11 billion, as reported by the General Department of Customs and Excise (GDCE).

Cambodian exports to China reached $1.31 billion during the period, an 18.5% rise from the previous year's $1.11 billion. Imports from China amounted to $9.76 billion, a 3.1% increase from $9.47 billion. This brought the bilateral trade value to $11.08 billion, a 4.7% expansion from $10.58 billion year-on-year.

China remains the country's largest trading partner, contributing 26.06% to Cambodia's total international trade volume, which amounted to $42.5 billion in the first 11 months of 2023.

For November, trade between the two countries amounted to $1.01 billion, up 5.94% from $954.97 million in November 2022. Cambodian exports to China were valued at $136.07 million, an 11.9% increase, while imports from China were worth $875.62 million, a 5.1% rise.

Hong Vanak, an economist at the Royal Academy of Cambodia's International Relations Institute, said on December 12 that the consistent growth in exports to China could be attributed to the increase in agricultural exports, which are now allowed to be shipped directly to China, whereas previously they were routed through neighbouring countries.

He noted that the country also exports textiles and related components to the Chinese market.

Vanak highlighted that the Cambodia-China Free Trade Agreement (CCFTA), which came into effect in early 2022, has also boosted exports.

"Although the export value to China has increased, the volume is still low compared to the size of China's economy and its large population. Cambodia needs to diversify its exports," he said, noting the significant presence of Chinese investors in Cambodia.

According to the GDCE, most of the country's exports to China consist of agricultural products and textiles. Chinese imports to Cambodia are varied, including raw materials for textiles, construction materials, pharmaceuticals, automobiles, machinery, electrical equipment, electronic components, food, agricultural fertilisers and agrochemicals.

The National Bank of Cambodia (NBC) reported that by the end of Q1 2023, China led in foreign direct investment (FDI) to the Kingdom, accounting for about 45% of the 185.7 trillion riel (about $45 billion) of total FDI. This was followed by capital inflows from South Korea, Singapore, Japan, Vietnam, Malaysia and Thailand.

Chea Vuthy, secretary-general of the Cambodian Investment Board (CIB) at the Council for the Development of Cambodia (CDC), met with Lin Shiqiang, chairman of the Chinese Chamber of Commerce, on October 24.

Vuthy said that under Cambodia's new investment law, the two main priority areas for Chinese investors are high-tech sectors and agriculture and processing industries.

"Under the new investment law, there are 19 priority areas. We are particularly focusing on investments in high-tech, innovative research and development sectors, as well as in agriculture, agro-industry, agro-processing and other food processing industries that serve either the domestic market or are intended for export," he said.

He noted that Chinese investors constitute the largest foreign investment group in Cambodia, with the CDC approving nearly $4 billion in investment projects in the first nine months of this year, 76% of which were from China.

To facilitate Chinese financing, the CDC has established a China Desk to provide advice to Chinese investors.

Bilateral trade reached $11.69 billion in 2022, a 4.4% increase from 2021. Cambodia exported $1.24 billion worth of goods to China, a decrease of 17.9%, while imports from the world's second-largest economy to the Kingdom grew by 7.9% to $10.45 billion, as per the GDCE.

Source: phnompenhpost.com– Dec 12, 2023

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Intertextile Shanghai announces dates for August 2024 expo

With global business travel in recovery, Intertextile Shanghai Home Textiles is expecting a good turnout for its late summer trade fair.

The 2024 “Autumn edition” event will take place Aug. 14-16 at the National Exhibition and Convention Center in Shanghai.

The 2023 event held four months ago attracting over 32,000 trade visitors, marking a nearly 60% increase compared to the previous edition. Participants included trade buyers from 101 nations and regions along with with 1,035 exhibitors from 13 counties and regions.

“At the next edition, we will continue to expand our reach to emerging markets, allowing more premium products to shine through at this international gathering point,” said Wilmet Shea, general manager of Messe Frankfurt (HK) Ltd.

The international home textiles expo is organized by Messe Frankfurt (HK) Ltd; the Sub-Council of Textile Industry, CCPIT; and the China Home Textile Association (CHTA).

Source: hometextilestoday.com– Dec 12, 2023

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Is China really ready to revise its FTA with Pakistan?

Caretaker Minister of Commerce and Industry Gohar Ejaz, who is currently in China, has claimed that the neighbouring country has agreed to revise the existing Free Trade Agreement (FTA) between the two countries, to balance the bilateral trade, which presently is largely in favour of China.

This could be very big news for all those associated with bilateral trade. However, it is not an easy job to "balance" trade with an economic giant like China. So are the claims made by Gohar Ejaz true? To understand the need to amend the FTA, let us first look at why this amendment is required.

What is an FTA?

FTAs are pacts between two or more countries to facilitate trade by reducing or eliminating tariffs, quotas, and other trade barriers between them.

Pakistan has FTAs with Sri Lanka, China, and Malaysia. Pakistan is also a part of the South Asian Association for Regional Cooperation (SAARC) and has preferential trade agreements with Iran, Indonesia, Turkey, and Mauritius.

The China-Pakistan Free Trade Agreement (CPFTA) was signed in 2006 and came into effect in 2007. It aimed to enhance bilateral trade by eliminating tariffs on a wide range of products over time. Under this agreement, both countries agreed to gradually reduce tariffs on various goods, promoting trade and economic cooperation amongst each other.

The first revised CPFTA, which is known as CPFTA-II was signed in April 2019 and implemented in January 2020. China and Pakistan aimed to reach $15–20 billion in bilateral trade by the completion of the second phase.

Pakistan-China Bilateral Trade Analysis

The total trade between the two countries in FY22 was $23.934 billion, of which $20.84 billion was imported by Pakistan, leaving Pakistan with a trade balance of -$17.74 billion.

Similarly, of the $14.31 billion traded between Pakistan and China in 2022-23, Pakistan imported $11.702 billion. And despite the danger of another balance of payments crisis, more than 80% of the bilateral trade between Pakistan and China in FY24 (Jul-Nov) has been imported by Pakistan.

Despite a decrease in total imports due to administrative controls, the trade deficit has largely been around 80% of the total trade in the past three years.

Amongst the products exported to China in the current fiscal year, cotton yarn, thread, refined copper and other ores like chromium take the lead. Meanwhile the top items that China has exported to Pakistan during the same period are smartphones, telephones and other semiconductor devices.

What is wrong with CPFTA?

In the existing bilateral trade agreement, China granted Pakistan the opportunity to export over 1,000 products with zero duties. China ranks as the second-largest destination for Pakistani goods, accounting for 8% of its total exports, following the United States with a 17% share. However, the concerning issue lies in the substantial growth of Pakistan's imports from China, leading to a ballooning trade deficit.

Pakistan is currently grappling with maintaining financial equilibrium due to an imbalance between imports and exports, significantly impacting the country's overall economic well-being. The pressing concern remains how to rectify this trade imbalance amidst existing Free Trade Agreements (FTAs) and how to maximise value from the country's trading partners.

Pakistani products face challenges competing against local Chinese items and those sourced from other regions sent to China. Changing the current course, with the market constantly flooded with cheaper Chinese alternatives, becomes much more difficult for local manufacturers.

Pakistani manufacturers and exporters would need to embrace modern techniques to enhance exports to partner countries and tackle the overarching trade imbalance in the longer-run.

Impact on Pakistan's Economy

The FTA, over the years, has led to a substantial trade deficit between the two countries. Following the FTA, Pakistan witnessed a surge in imports from China while experiencing only nominal growth in exports. The trade deficit skyrocketed, reaching alarming levels and significantly contributing to currency depreciation.

The resultant currency devaluation triggered various economic issues, including increased outflows, reduced foreign investor confidence, and escalated opportunities for local investors to seek safer investments abroad.

Pakistan struggled to capitalise on the Chinese market due to several reasons, including inadequate concessions for potential exports, a non-innovative export approach, and limited tariff exemptions on products with high export potential.

Local small and medium-sized enterprises (SMEs) faced challenges as they were unable to compete with Chinese products, leading to reduced market share. Industries like ceramics, electrical and medical equipment, chipboard, and plywood were particularly affected due to the influx of cheaper Chinese imports.

Subsequent favourable FTAs signed by China with ASEAN countries further eroded Pakistan's margin of preference in key export items like cotton and rice, particularly impacting East Asian markets like Vietnam. Pakistan's export potential was limited and Pakistan couldn't keep up, especially in textiles, where China already dominated.

Is there a revision?

While the caretaker minister claims that the Chinese government has already agreed to changing FTA's terms, an official source in the Ministry of Commerce, informed Profit that the only development on the issue is that a joint review committee of the CPFTA has agreed to meet soon to discuss and review the implementation status of FTA as well as any issue/suggestion from both countries. Interestingly, he categorically denied that the FTA was being revised. It may be revised but that depends entirely upon the outcome of the review committee.

It was claimed that since the revised FTA, also known as the CPFTA-II is also largely benefitting China in terms of trade, the ministry of commerce here is trying to convince the Chinese side to consider a few amendments in the FTA to ensure addressing concerns of domestic industry, which has faced damages due to the free trade pacts.

But that too is a long way to go as any amendment and changes in the FTA go through a detailed review and analysis in both countries. This can be assessed by the fact that the first revision of the FTA became possible after almost 14 years of the signing of the agreement.

As per Dr Vaqar Ahmad of Sustainable Development Policy Institute (SDPI), revising an FTA is not an easy job.

The amount of homework that has been done to convince the Chinese side for the revision of the FTA is still not clear but it would still be a shot in the dark to say that amendments that will be significantly in the favour of Pakistan have been agreed upon.

Since the major reason for lower exports is the shutdown of the manufacturing industry in the country, even if the FTA is revised the situation will not be improved.

According to media reports, Gohar Ejaz claims that Pakistan has formally requested China to invest the Chinese Yuan equivalent of $5 billion to relocate a portion of its manufacturing companies to Pakistan.

He also said that Pakistan has proposed to shift bilateral trade to Chinese Yuan, decreasing the reliance upon US dollars.

Source: pakistantoday.com.pk– Dec 12, 2023

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H&M Group and BGMEA forge sustainable partnership in Bangladesh

In a pivotal meeting held in Hong Kong on December 11, Faruque Hassan, the president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), engaged with H&M Group's Karin Lind and Fredrik KraghMyllenberg. This strategic gathering centered on fortifying a enduring partnership, expanding H&M's presence in Bangladesh, and jointly spearheading sustainability initiatives in the garment industry.

Amid the discussions, both parties emphasized their ongoing collaboration towards shared sustainability objectives, particularly the pivotal shift towards a circular and climate-neutral garment sector in Bangladesh.

Hassan expressed gratitude to H&M Group for backing Bangladeshi suppliers in adhering to the recently announced minimum wage, adjusting prices on orders. Additionally, he commended H&M Group for its commitment to invest in renewable energy in Bangladesh, aligning with global emission reduction efforts.

Notably, at COP28, H&M Group and Bestseller made a groundbreaking announcement, pledging to invest in a 500MW offshore wind power project in Bangladesh. Developed by Copenhagen Infrastructure Partners, the project is projected to slash emissions by around 725,000 tons annually.

Faruque Hassan, underscoring Bangladesh's commitment to innovation, environmental sustainability, and skill development in the apparel sector, urged H&M Group to deepen its collaboration with Bangladeshi suppliers for expanded business.

As Bangladesh aims for higher-value products and technological upgrades, he appealed to H&M Group to engage in the development of premium apparel and increase sourcing, particularly of high-value and man-made fiber garments, from Bangladesh.

Source: fashionatingworld.com– Dec 12, 2023

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NATIONAL NEWS

Industrial production grows to 16-month high of 11.7% in October

India's industrial production growth increased to a 16-month high of 11.7 per cent in October, due mainly to a good show by the manufacturing, mining and electricity sectors, according to official data released on Tuesday.

"India's IIP growth rate rises to a 16-month high of 11.7 per cent in October 2023," an official statement said.

Factory output measured in terms of the Index of Industrial Production (IIP) had contracted by 4.1 per cent in October 2022.

The data released by the National Statistical Office (NSO) showed that the manufacturing sector's output grew by 10.4 per cent in October 2023.

Mining production rose 13.1 per cent during the month under review.

Power output rose 20.4 per cent.

IIP grew by 6.9 per cent in April-October 2023, compared to 5.3 per cent growth a year ago.

Source: thehindubusinessline.com – Dec 12, 2023

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Commerce Ministry is taking inputs from stakeholders to strengthen negotiating stance

The Commerce & Industry Ministry is taking inputs from various stakeholders to strengthen its negotiating stance for the India-Oman Comprehensive Economic Partnership Agreement (CEPA) that could significantly boost exports to the country annually valued at $4.3 billion, a source tracking the matter told businessline.

"The Commerce Department has begun negotiations with Oman on a bilateral CEPA and is simultaneously continuing its consultations with line-Ministries and other stakeholders to ensure that it gets the most out of the pact," the source said.

Reduction/elimination in import duties under the CEPA will benefit a vast majority of Indian exports to Oman, as over 83.5 per cent of India's goods exports, totalling about $3.7 billion, currently face a five per cent import duty in Oman, the GTRI analysis noted. GTRI is founded by Ajay Srivastava, trade expert and former Indian Trade Service officer.

"With the new FTA (with Oman), these products, including major exports like motor gasoline ($1.7 billion), Iron, Steel and products ($235 million), Electronics ($135 million), Machinery ($125 million), aluminium oxide ($126 million), textiles and garment ($110 million), alumina calcined ($105 million), plastics ($64 million), boneless meat ($50 million), essential oils ($47 million), ferro silico manganese ($43 million), paper, board ($30 million), motor cars ($28 million), will benefit from duty elimination," per the report.

India's merchandise imports from Oman, at $7.9 billion in 2022-23, also stand to benefit from the free trade pact. Key imports from the country include petroleum products ($4.6 billion) and urea ($1.2 billion), which account for 73 per cent of imports, while other significant imports comprise propylene and ethylene polymers ($383 million), pet coke ($265 million), gypsum ($115 million), organic and inorganic chemicals ($417 million), iron and steel ($62 million) and unwrought aluminium ($95 million), it pointed out.

However, most of these imports are raw materials and input to industries, and India has opened most such imports from other FTA partner countries, the analysis further noted.

"The India-Oman CEPA, while offering direct economic benefits through import duty reductions, also serves a larger strategic role in India's foreign policy. While acknowledging the limitations set by Oman's smaller economic size and population, the agreement's true value lies in its potential to open doors for India in the Middle East, fostering economic and strategic ties in a region of critical importance," it stated.

Source: thehindubusinessline.com – Dec 13, 2023

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India's e-retail segment to reach over $160 billion by 2028, growth rates expected to bounce back

India's e-retail market is expected to reach over $160 billion by 2028 as more Indian households join the upper middle and upper income consumer cohorts. According to a report released by Bain & Company and Flipkart, the e-retail market is estimated to scale up to $57-$60 billion in 2023, up 17-20 per cent from 2022.

The report noted that this was slower than earlier growth rates due to inflationary pressures that impacted consumer sentiment and reduction in discretionary spending. Stating that overall online spending is still 5-6 per cent of the total retail market, the report titled, 'How India Shops Online 2023' noted that there is still massive headroom for growth especially as more Indian households join the upper middle and upper income cohorts. "India's e-retail market is expected to bounce back to 23-25 per cent growth levels and reach over $160 billion by 2028," the report added.

Factors such as increased digital access through cheaper data plans and affordability driven by lower logistics costs are also enabling the sector grow. Government initiatives such as the Open Network for Digital Commerce (ONDC) will further propel the growth of e-retail in India, the report noted.

Diverse markets

Meanwhile, India's annual transacting e-retail shopper base is estimated to scale to 240–260 million people in 2023. The growing base of transacting shoppers has also led to the emergence of diverse consumer micro-segments."Now 7 out of 10 online shoppers reside in Tier 2+ cities, and a third of online shoppers are part of Gen Z/Alpha (born in or after 1997). About a third of online shoppers come from low-income or low-middle-income cohorts," the report added.

There is also a growing base of mature shoppers spending bigger bucks on online shopping. Shoppers that came onboard e-retail in 2019 have doubled their engagement, frequency of purchases and spending on digital platforms over the past three years, it added.

In the coming decade, the e-retail sector's growth will be fuelled by the addition of new shoppers and higher online spends per shopper. The report added that e-retail platforms are investing as much in retention as they are in new shopper acquisition.

"India will need multiple models to build, scale and serve the needs of this diverse shopper base, which has varying price sensitivities, service and speed expectations and language requirements," the report noted.

Source: thehindubusinessline.com– Dec 13, 2023

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Poll-year cloud over FTA

Negotiations over a free trade agreement between India and the UK are still ongoing, with a UK team recently flying into New Delhi to resolve the outstanding issues. Reports are that they are in the final stretch, which is usually reserved for the toughest unresolved issues before both nations face elections next year. There is therefore a short window to clinch an agreement. The FTA is no doubt a top priority at the highest political levels of both nations.

India wants an agreement that is “balanced and comprehensive”. UK PM Rishi Sunak has indicated that he is not in a hurry to secure a deal and would not “sacrifice quality for speed”. Trade deals entail a complicated process of give and take for greater access to each other’s markets. If India seeks greater market access, it must also allow the UK to sell more of its goods and services to expand bilateral trade worth 38 billion pounds in the four quarters to the end of Q2 2023.

“It’s the Pareto principle, that the few bits left are always the toughest bits,” stated the UK’s business and trade secretary, Kemi Badenoch, in response to queries from the Parliament’s Business and Trade Committee in September. The Pareto principle, also known as the 80/20 principle, is named after Italian economist Vilfredo Pareto that states that 80% of outcomes come from 20% of causes.

There are 26 chapters in the FTA, which include goods, services, investments and intellectual property rights. Around 80% of them are closed with the remainder in advanced stages of negotiation. An investment treaty is also being negotiated along with the FTA. Among the 20% tough chapters to resolve include rules of origin, tariff duty concessions on electric vehicles, Scotch whisky and liberalisation of financial services. On IPRs, the UK wants India to go beyond the WTO TRIPS agreement while India wants to protect its generics industry.

A critical area of interest for India is free visa movement for its professionals, which the UK is resisting. To curb legal migration, the UK recently raised the minimum salary thresholds for skilled worker visas and has put the student graduate visa route “under review”, both of which are not good news for India.

Badenoch indicated in interviews that while concessions on business mobility are possible, Indians will not receive the same kind of deal as Australia—with which the UK signed an FTA—permitting under-35s to live and work in the UK for three years. The UK, for its part, is frustrated with the lack of movement towards the opening up of the

Indian market for professional services in law and accountancy, according to the Financial Times.

For such reasons, India-UK FTA negotiations are bound to be tough with an additional complication that national elections are due in both nations in 2024. This would indeed make talks "difficult" if a deal is not finalised before then. The big challenge for both nations is to revive the economic component of the bilateral relationship that is somewhat underwhelming considering the long historical association.

While the FTA negotiations will take their own course, beyond unrealistic deadlines like Diwali, both partners can still follow the roadmap 2030 on trade and step up investments in each other's economies, besides boosting cooperation in defence and security, health, climate change and people-to-people contacts to bolster a comprehensive India-UK strategic partnership.

Source: financialexpress.com– Dec 13, 2023

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Inflation rises to 5.6% in November, industrial growth at 16-month high of 11.7%

India's consumer inflation rose 5.6% in November compared with 4.9% in the previous month, but a festival surge and favourable base in October ensured that industrial production rose to a 16-month high of 11.7%, indicating positive momentum to mark the start of the third quarter.

Experts indicate that better-than-expected industrial growth hinting at rise in investments and declining core inflation will likely keep the Reserve Bank of India's monetary policy committee on the trajectory to hold rates for the year, and start cutting rates from next fiscal.

"With core inflation momentum in check, we expect the RBI to remain on hold for rest of FY24 and H1 FY25, but see risks of an earlier move if global commodity prices decline rapidly," said Rahul Bajoria, MD and head of EM Asia (ex-China) economics, Barclays.

Aditi Nayar, chief economist, Icra also pointed out that rates are likely to remain on hold in the near term with a "shallow rate cut cycle of around 50-75 bps commencing in the August 2024 meeting."

"Lower than expected inflation and better IIP growth will keep RBI task simpler," Nikhil Gupta, chief economist, Motilal Oswal Financial Securities Ltd.

The MPC held the policy rate at 6.5% for the fifth consecutive time in its last meeting but raised India's growth forecast for FY24 to 7% on the back of a strong showing in the second quarter.

India's GDP rose 7.6% in the second quarter, given the rise in the manufacturing sector and investments, pushing growth in the first half to 7.7%.

MPC expects growth to ease to 6.5% in the third quarter and further cool down to 6% in the last quarter of this fiscal.

While inflation, agricultural output concerns, and global slowdown are likely to weigh on industrial activity, a durable consumption recovery could help sustain growth.

"Given the weak global demand outlook, the trajectory of industrial activity hinges on a durable consumption recovery," said Rajani Sinha, chief economist, CareEdge.

Food concerns

While core inflation eased further to a 45-month low of 4.1% in November, food inflation rose to 8.7% in November, compared with 6.6% in the previous month. Cereals spices, and pulses inflation remained in double digits in November.

Cereal inflation has been in double digits for 15-months, whereas this is the sixth month of pulses recording over 10% inflation.

Vegetable inflation increased to 17.7% in November compared with a 2.8% rise in the previous month, as onions recorded an 86% increase and with tomato inflation also rising to 11.4%.

Tur, which accounts for significant weight in pulses inflation, was up 42.4% from last year.

"Food inflation continues to be a challenge with the basket of high inflation products widening: fruits, vegetables, cereals, pulses, and spices. There are clearly supply issues here and given lower level of kharif output will exert pressure on inflation," said Madan Sabnavis, chief economist, Bank of Baroda.

Experts indicated that inflation is likely to remain high in December, with some easing expected in January-February as a favourable base effect and fresh arrival helps cool prices.

"An unfavourable base is further expected to push CPI inflation higher to around 5.8-6% in December. However, with the arrival of fresh crops in the market during January-March, the headline inflation could ease to 5.1% by the fiscal year-end," Sinha from CareEdge said.

Industrial push

All three major sectors of industrial activity recorded double-digit growth in November, with manufacturing, which accounts for 77% weight in the index, rising 10.4% in November.

Electricity production doubled to 20.4% in October, whereas mining recorded a 13.1% rise in October from 11.5% in September.

The capital goods production also rose at the highest level in 16-months recording 22.6% growth.

"Growth in the infra & construction goods category (11.3%) remains supported by central and state government capex. The rise in capital goods IP by 22.6% also signals a pickup in capex and investment," said Bajoria.

The festival demand also pushed consumer durable growth to 15.9%, whereas non-durables recorded a 8.9% growth in October.

"The onset of the late festival seasons has contributed to this increase, which if sustained can take overall growth to a higher trajectory," Sabnavis said.

However, experts noted that Index of Industrial Production growth is likely to decline in November as fewer working days due to late onset of festive season and an unfavourable base drag down growth.

"ICRA expects the YoY IIP growth to slow down sharply to 2-4% in Nov 2023, driven by the fewer number of working days amid the late onset of the festive season in 2023 vis-à-vis 2022, as well as an unfavourable base (+7.6% in Nov 2022), as signalled by the sharp moderation in growth of several high frequency indicators," Nayar said.

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Source: economictimes.com– Dec 12, 2023

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Rajasthan garment units propose to invest in state

Indore: The regional office of Madhya Pradesh Industrial Development Corporation (MPIDC) at Indore, has received more than Rs 200 crore investment proposal for textile and garment industries at Jhanjharwada in Neemuch of which more than 20 per cent are from industries of Rajasthan.

The overwhelming response has prompted industry department to plan expansion of industrial belts located near border areas. Eyeing investments from neighbouring states, MPIDC has proposed expanding industrial areas at Mandsaur, Neemuch, Burhanpur, and Agar-Malwa.

Apart from textile and garment industries of Madhya Pradesh, southern India and Rajasthan, Jhanjharwada industrial belt has also attracted investments from engineering and glass industries in the last one year.

MPIDC, Indore executive director Rajesh Rathod said, “Recently we have received encouraging investment proposals from textile and garment units of Rajasthan. Many of them have expressed desire to either shift units or plan an expansion in MP. We have seen a rise in demand for land from industries in areas closer to borders. Considering this, we are building up land banks and expanding industrial areas.”

MPIDC is planning to develop phase 2 of Jaggakhedi industrial area in Mandsaur, Jhanjharwada and new ones in Agar-Malwa, Ratlam and Burhanpur. The department is also planning an extension in Jetapur in Dhar district and Maksi phase 2.

In Madhya Pradesh, 28 new industrial areas were sanctioned by the state government covering the entire sector gambit across the state in the span of last 4 years which includes developed and developing industrial areas. Major chunk of investment in the state in the last a few years came from chemical, mining & minerals, energy, textile, and iron & steel industries. Pharma, food processing, plastic, paper & packaging and engineering industries also put in facilities in the state.

Source: timesofindia.com– Dec 13, 2023

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Shoppers are choosing Reliance Trends, Zudio over Arrow, Allen Solly. Is it a blip or a new trend?

It's the end of the year and with festivities, holidays, and parties to look forward to, shopping malls are brimming with consumers getting ready for the season. But is the footfall helping legacy apparel brands?

Some of the listed apparel brands' quarterly performance tells a different story.

Every generation of shoppers has a unique sense of style. While fashion is cyclical — bell bottoms are back — brand loyalty is dwindling.

The listed legacy brands of the country have had a tough second quarter this year. Aditya Birla Fashion and Retail (ABFRL), Arvind, Page Industries, among others, have posted either flat or negative revenue sales in Q2 FY24 as compared to Q2 FY23.

While some believe this is market correction after the intense revenge shopping seen last year (the first year after pandemic), the drop in sales, however, is not applicable to all brands. In fact, department stores such as V2 Retail and Tata's Trent, which includes Zudio in its portfolio, did phenomenally well and grew at nearly 59%.

A closer look at the industry data shows that the apparel market is growing steadily over the year. According to market-research company Euromonitor International, India's apparel market is expected to grow at 18% on a year-on-year basis, to reach USD58.4 billion by the end of this calendar year.

So, if the industry and department stores are growing, why aren't legacy apparel companies?

"This happened in the US a while ago, and India is following the same trend. The power will eventually be with retailers, both offline and online, and not brands," says Anand Ramanathan, consumer, partner at consultancy Deloitte. "Apparel as an industry is growing and will continue to do so. However, how and what consumers are buying is changing. Brand loyalty is on a downward spiral."

Does this indicate the beginning of the end of an era in India's apparel market? ET Prime delves deeper.

Performance of listed apparel companies

Speaking on the Q2 FY24 performance during an earnings call, ABFRL CFO Jagdish Bajaj said, "The market has remained sluggish primarily due to the slowdown in discretionary spending. This was further impacted by the span of adhik maas, shift of the festive season, and fewer wedding dates vis-à-vis last year. The combined effect of the above factors led to sluggish demand in which fashion as a category suffered."

"Lifestyle brands, which have been growing steadily, were impacted this quarter primarily on account of a feeble wedding calendar as these occasions drive a large part of its suits and blazer business. Shift in festive and e-commerce slowdown were other factors responsible for the adverse impact," he added.

ABFRL is the parent company of brands such as Allen Solly, Louis Philippe, Peter England, Van Heusen, Pantaloons, American Eagle, and Forever21. The company over the last two years has been acquiring several couture brands as well, such as the House of Masaba, Tarun Tahiliani, and Sabyasachi. The company announced a joint venture with French luxury shoe brand Christian Louboutin on December 6. This new JV will bring the French shoemaker under a new subsidiary of ABFRL, with both the companies having equal stakes.

While it is true that the festive season did move to Q3 this year, and the wedding season is just about picking up, the drop in sales, however, was observed by companies such as Arvind as well. Arvind is the parent company of brands such as Arrow, US Polo, Flying Machine, Calvin Klein, Tommy Hilfiger, and Ed Hardy, most of which deal with western wear.

Jayesh Shah, director and CFO, Arvind, seems more positive about the year. During the Q2 FY24 earnings call he said, "The markets are slightly better than what they were, but they are not as good as one would have expected them to be."

Shah added, "But with festive demands kicking in and inventories and pipeline going down, especially as the marriage season is also coming in, we expect the retail environment to be better. That is what the commentary from most of the retail brand companies is — that H2 should be better than H1.”

While the legacy brands believe the drop in sales is purely because of market dynamics, and by extension more of a blip than the onset of a trend, industry sources point out that being relevant in fashion is key for continued success.

Dipanjan Basu, co-founder and partner of VC firm Fireside Ventures, says, “There is a clear demography change in India. A large part of the new consumer base in India is Gen Z. What it is looking for in terms of clothes includes whether they are socially connected, and its expectation from a fashion brand has gone up several notches in terms of fashion needs.”

Basu adds, “For example, global iconic brands such as Zara and Mango, are very relevant. Zara is doing well in India. It targets a price of INR2,500 or above. Two years ago, Zara was probably targeting consumers between 25 and 35 years, or even 35-plus. Now its range caters more to a 22–28-year age bracket.”

Basu also mentions that Fireside Ventures is in the process of investing in a New Age Gen Z brand that addresses the INR800-INR1,500 price band.

Key to success: price and design

Consumer discretionary spending in the first two quarters has been lacklustre, according to many industry experts. To a certain extent, the volumes of FY23 were an anomaly, as consumers were getting back to their pre-pandemic lives and shopping behaviour. FY24 is struggling to keep up with the same volumes.

While staying relevant in the fashion and apparel industry is driven by design and fit, brands need to constantly make sure that they make these products available at an affordable price.

In that, private labels and New Age e-commerce brands are doing very well. Though the distribution heft lies with the bigwigs of the industry, private labels by department stores allow consumers to have the feel of a branded product while paying perhaps less.

Ramanathan believes that consumers are choosing retailer private labels over brands. “Why did people buy brands in the past? Because there was a certain level of trust in the brands. There was a certain level of reliability, and quality associated with a brand. Now, you get the same in a private label at a much lower cost because the retailer can pass on the margin — which a brand would have otherwise shared with retailers — to the consumer,” he says.

“In urban India, especially with the rise of private labels, there’s also been some shift of branding power from brands to retailers. As retailers have volume, they are able to push their private labels,” he adds.

In addition to pricing, design is a key deciding parameter. Gen Z and millennials are going to New Age e-commerce or Instagram brands, as the designs there are often trendier and, with the help of influencer marketing, get noticed.

Angshuman Bhattacharya, national leader, consumer product and retail sector, EY India, says, “What is happening in the industry is a K-shaped curve, where some premium brands and some value retail brands are doing well.

Zudio and Reliance Trends, among many others, are doing well and are in the affordable section of the K-shaped curve. The likes of Marks & Spencer, which are on the premium side, also had a very good year. Whereas many of the listed companies are generally in the mass segment, which lies in the middle.”

Bhattacharya adds that the middle of part of the pyramid, which is occupied by most of these brands, is witnessing its consumer base polarising towards the two ends of pricing. “The competition is increasing even more because of the rise of digital-first brands. There is a need to revisit the brand communication, design language, and the product portfolio. Look at the number of brands that have come up.”

While brand loyalty is dwindling, what might work in favour of the legacy brands, who are here to stay, is the speed at which design is being refreshed to stay relevant at an affordable price.

The final cut

Fashion goes through cycles. However, the speed at which these cycles change is much faster now. The rise and fall of a fashion statement is short-lived in the age of social media. The speed of churn, driven by the world of Instagram and influencers, is changing how design is viewed.

Most of the legacy brands can produce products cheaper than any brand in the country and use their distribution prowess to reach the right audience. However, they can be rigid about their back end and manufacturing process, as well.

In comparison, most digital and e-commerce companies are much smaller, flexible, and have outsourced their manufacturing on a contractual basis. A Gen Z consumer is not likely to follow the design or fit for years together, and lack of innovation in design will lead to muted growth for any fashion and apparel company.

“The need for freshness in design along with the correct price point is becoming more and more relevant. While inflation has impacted discretionary income, the long-term growth trajectory of most of these companies remains intact,” says Bhattacharya.

Source: economictimes.com– Dec 13, 2023

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India-U.S. Collaboration Can Aid Oil Spill Clean-up

An oil spill from a refinery in North Chennai, India, has turned cyclonic floods into a toxic mixture.

The Michaung tropical cyclone in the Bay of Bengal has battered the northern coast of Tamil Nadu and southern Andhra Pradesh, bringing life to a standstill since the weekend. As Chennai, the capital city of Tamil Nadu, is inundated with floods due to 15-16 inches of rain in some areas, a crude oil spill has been reported due to a leak in an oil refinery in North Chennai. Areas like Ennore are witnessing thick oil-contaminated polluted waters, creating panic and distress among the population who have been already suffering due to floods and lack of basic amenities.

Media reports and videos show hip deep water with oil in some densely populated North Chennai areas.

Crude oil spills are happening frequently around the world due to pipeline breaks, transportation accidents in pipelines through paddy fields, and high seas. The Chennai spill is a wake-up call for those involved in crude oil and disaster preparedness sectors. Long term planning by oil refineries, transportation groups, and national and local governments should involve development of technologies and stockpiling of contaminant and absorbent products.

Environmentally friendly technology developed at the Nonwovens and Advanced Materials Laboratory at Texas Tech University has shown in laboratory studies that one gram of a cotton-based absorbent can absorb 30 to 50 grams of oil. News of the results with crude oil attracted global attention.

A collaboration between Texas Tech University and Jayalakshmi Textiles in Aruppukkottai, India, has resulted in the translation of the oil absorbent technology from laboratory to market space. The product has been successful in field trials in Oil and Natural Gas Corporation's sites in the Godavari and Cauvery delta regions.

This collaboration fits with the mission of Government of India's "Make in India," initiatives. The Texas Tech-Jayalakshmi Textiles collaborative technology aligns with Prime Minister Narendra Modi's emphasis on "Thinking Global and Making Local."

The recent oil spill in Chennai amidst heavy floods warrants public sector oil refineries to engage with industry and research laboratories to develop sustainable oil and toxic chemical sorbents.

The technology developed at Texas Tech University is field ready, and support for scaling up by Jayalakshmi Textiles will result in the mass availability of a proven oil absorbent product. When scaled up, the cotton-based oil absorbent technology will be cost effective. Such products have a long shelf life and can serve as a countermeasure to oil pollution.

Source: cottongrower.com– Dec 12, 2023

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