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Currency Watch			
USD	EUR	GBP	JPY
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INTERNATIONAL NEWS	
No	Topics
1	EU Ready for 'Final Negotiations' on Forced Labor Legislation
2	UN Trade Body Has 'Profound Concerns' Over Panama Canal, Red Sea Disruptions
3	China, Bangladesh Battle for UK Import Supremacy
4	Why Apparel, Footwear Brands Can't Ignore AI in Sourcing
5	Eurozone prices rise at higher rate as 2024 starts: S&P GMI
6	UNCTAD vexed over trade disruptions due to geopolitics, climate change
7	Vietnam: Garment sector eyes 44 billion USD in export this year
8	Vietnam attracts FDI worth over $2.36 bn in Jan 2023
9	Bangladesh: Govt eyes $2b export earnings from jute products in 2-3 yrs
10	Bangladesh: BGMEA launches study for Bangladesh RMG sector's virtual marketplace
11	Bangladesh: Textile millers demand gas at previous rates

NATIONAL NEWS	
No	**Topics**
1	Textiles ministry may get marginal budget increase of 2.5%
2	FinMin sees GDP growth at 7% in FY25; $7-trillion economy by 2030
3	India's cotton spinning sector to grow 12-14% in FY24: ICRA
4	Persistent global tensions to make it difficult for exports to spur growth: DEA review
5	Commerce department mulls strategy to help industry leverage FTAs better
6	ASEAN delegation to visit India on 17 Feb for FTA review
7	Textiles industry in Andhra Pradesh urged to actively participate in BHARAT TEX 2024
8	Red Sea crisis may not immediately hit Indian textile bizs: CRISIL

INTERNATIONAL NEWS

EU Ready for 'Final Negotiations' on Forced Labor Legislation

The European Council is ready to begin negotiations with the European Parliament on a regulation barring products made with forced labor from the European Union.

The political branch, which comprises heads of state or government of the bloc's 28 member countries, revealed Friday that it has agreed on a common mandate, one that "reinforces" the role of the European Commission, a.k.a. the EU's executive arm, in investigating the use of forced labor and "aligns" the proposed measures with international standards and European legislation.

"It is appalling that in the 21st century, slavery and forced labor still exist in the world," said Pierre-Yves Dermagne, deputy prime minister and minister for the economy and employment of Belgium, which will hold the European Council's presidency until the end of June. "This hideous crime must be eradicated and the first step to achieve this [consists of] breaking the business model of companies that exploit workers."

More than 27 million were engaged in forced labor in 2021, according to the International Labour Organization, which uses the term to describe any work or service that is performed involuntarily and under the threat of penalty.

The European Commission's proposal, which it put forward in 2022, seeks to prevent any goods involving forced labor from being placed or made available in the EU market or exported from the EU to countries outside the region.

Competent authorities, it said, should ascertain forced labor risks based on a raft of sources, including submissions from civil society, a database of modern slavery risk areas and products, and intelligence on whether companies are carrying out their due diligence obligations concerning forced labor.

In the event of “reasonable indications” that a product has been made with coerced labor, authorities can launch an investigation involving requests for information from companies or inspections in the EU or in third countries. If forced labor was indeed a factor, authorities can order the withdrawal of the offending product and ban both its placement on the market and its export. The businesses in question may be required to dispose of the goods concerned, the European Commission said, and customs agencies will be responsible for keeping the banned products from entering EU borders.

“With this regulation, we want to make sure that there is no place for their products in our single market, whether they are manufactured in Europe or abroad,” Dermagne said. “The [European Council] presidency [intends] to finish the interinstitutional negotiations before the end of this legislative term.”

While small and medium-sized corporations are not exempt from the regulation, their size and economic resources, along with the scale of forced labor, will be taken into consideration before an investigation is initiated. They’ll also receive specific support tools.

The European Commission calls for the establishment of a so-called Union Network against Forced Labour Products, which will coordinate measures adopted by it and its members. The European Council’s mandate, it said, “formalizes” the administrative cooperation within the network to ensure its “active participation in all phases of the process leading to the banning of a product.”

The negotiating position also supports the formation of a forced labor portal that provides “easily accessible and relevant” guidelines and tools, including a single information submission point and information on decisions taken, such as the outlawing of a particular product.

The European Parliament adopted its own negotiating position in October. In it, the legislative body amended the European Commission’s proposal to require its administrators to create a list of geographical areas and economic sectors at high risk of using forced labor. In the case of goods produced in these high-risk areas, authorities won’t have to prove that people have been coerced into work, since the burden of proof will fall on companies, similar to the Uyghur Forced Labor Prevention Act in the United States.

The European Parliament's internal market and international trade committees also want products that have been removed from the market to be allowed back on only after the relevant company demonstrates it has removed forced labor from its operations or supply chain and provided the necessary remedy.

"Forced labor is a grave human rights violation," said Dutch politician and co-rapporteur Samira Rafaela. "The ban…will be essential in blocking products made using modern slavery and taking away the economic incentive for companies to engage in forced labor. It will protect whistleblowers, provide remedy to victims and defend our businesses and SMEs from unethical competition."

A "substantial volume" of apparel tainted by Uyghur forced labor from China is "flooding" into the European Union, warned a coalition of organizations, including Sheffield Hallam University's Helena Kennedy Centre for International Justice and the Uyghur Center for Democracy and Human Rights, in December.

A study that they published named dozens of high-street, high-fashion and mid-market brands, including Adidas, H&M Group, Hugo Boss, Levi Strauss & Co., Ralph Lauren and Zara owner Inditex, as being at risk of sourcing products made by persecuted Muslim minorities in state-imposed labor transfer programs that are part of a larger cultural and religious crackdown.

The previous month, Anti-Slavery International, the Clean Clothes Campaign, Fashion Revolution, IndustriALL Global Union, Human Rights Watch, the International Federation for Human Rights and other human rights groups wrote to the European Council pressing it to "speed up negotiations" on its common position, which was holding back movement on the legislation.

They also asked that other considerations be included, such as lowering the proof required to initiate an investigation, shifting the evidentiary burden in geographies and sectors where there is a high risk of state-imposed forced labor, providing a "one-stop shop" complaints mechanism and providing remediation for forced labor victims.

"We're pleased that the Council has reached its General Approach on the proposed #ForcedLabour regulation today," Anti-Slavery International posted on X, formerly known as Twitter, on Friday. "This law can improve the working conditions of millions worldwide. We will be analysing the text in advance of the final negotiations which are now set to start."

A Europe-wide forced labor law will impose additional due diligence requirements on businesses already grappling with the advent of the EU's corporate sustainability due diligence directive, or CSDDD, which takes a more general risk-based look at companies' global value chains and doesn't require member states to prohibit the availability of any product. Currently, no EU legislation empowers member states' authorities to ban goods made with forced labor from the market.

Source: sourcingjournal.com– Jan 29, 2024

HOME

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UN Trade Body Has 'Profound Concerns' Over Panama Canal, Red Sea Disruptions

Global supply chain disruptions throughout the Red Sea, the Panama Canal and the Black Sea have drawn the attention of the United Nations' trade and development body.

On Friday, the United Nations Conference on Trade and Development (UNCTAD) said it expressed "profound concerns" over the escalating disruptions, estimating that weekly transits through the Suez Canal decreased by 42 percent over the previous two months as of Jan. 23.

And while fewer ships are traversing the Suez due to ongoing Iran-backed Houthi missile attacks on commercial vessels sailing through the Red Sea's chokepoint, the Bab el-Mandeb Strait, the Panama Canal is enduring historically low water levels. The months-long drought has forced the Panama Canal Authority (ACP) to restrict the amount of ships that can book a reservation through the waterway from a typical 36 in normal conditions, down to a current 24 per day.

However, the Suez and Panama Canal disruptions have had vastly different impacts on the container shipping industry, which is the prime ocean transportation mode of soft goods including apparel and footwear.

The Suez Canal has seen the majority of container shipping firms including MSC and Maersk divert their vessels away from the gateway and around Africa, with Project44 estimating Friday that container vessel volume in the canal has fallen 71 percent to an average of 4.25 vessels per day compared to 15 vessels per day prior to the start of the Houthi attacks in mid-November.

The Panama Canal backlog has been kinder to container ships despite the wider concerns, with the ACP saying that per-day transit totals for container ships averaged 7.4 ships in November and December. But considering that these vessels get priority in the canal's booking system, the daily average isn't far from the prior-year numbers of 7.7 ships in 2022 and 7.6 in 2023.

Both bottlenecks have contributed to higher ocean freight rates as carriers increase prices amid the lengthier transit times. As of Thursday, ocean spot rates jumped 5 percent week-over-week to $3,964 per 40-foot container, according to the Drewry World Container Index (WCI), which measures rates across eight major global trade lanes.

The escalation in the wake of the attacks from the Yemen-based Houthi rebels, who claim they have been engaging in strikes in protest of the Israel-Hamas war, thrust the rates up rapidly in a two-month span. Costs per container are estimated to have skyrocketed 187 percent since Nov. 30, Drewry data says.

“The cumulative effect of these disruptions translates into extended cargo travel distances, escalating trade costs and a surge in greenhouse gas emissions from shipping having to travel greater distances and at greater speed,” the organization said. “Avoiding the Suez and Panama Canal necessitates more days of shipping, resulting in increased expenses. The price per day of shipping and insurance premiums have surged, compounding the overall cost of transit. Additionally, ships are compelled to travel faster to compensate for detours, burning more fuel per mile and emitting more CO2, further exacerbating environmental concerns.”

A tangible sign of the impact of longer shipping times can be seen in manufacturers’ observations of supplier delivery times impacted by the Red Sea skirmishes. S&P Global PMI data for January shows delivery times in the U.K. and Eurozone increased to their longest since 2022, while those of the U.K., Eurozone and U.S. all dropped below 50, indicating delays.

The UNCTAD, which supports developing countries in its goal to help them access benefits of a globalized economy more fairly and effectively, said that these countries are “particularly vulnerable” to the ongoing supply chain disruptions. The trade body says it remains vigilant in monitoring the evolving situation.

“The organization emphasizes the urgent need for swift adaptations from the shipping industry and robust international cooperation to navigate the rapid reshaping of global trade dynamics,” the trade body said in a statement.

“The current challenges underscore trade’s vulnerability to geopolitical tensions and climate-related challenges, demanding collective efforts for sustainable solutions especially in support of countries more vulnerable to these shocks.”

While global apparel and footwear industries have been largely unaffected by the Ukraine-Russia war, the UNCTAD shared its concerns around how the conflict impacts shipping in the Black Sea, which borders both countries and lies between Eastern Europe and Asia.

The organization pointed out that the two-year confrontation has triggered shifts in oil and grain trades, reshaping established trade patterns. Additionally, disruptions in grain shipments from Europe, Russia and Ukraine pose risks to global food security, affecting consumers and lowering prices paid to producers.

Source: sourcingjournal.com– Jan 29, 2024

HOME

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China, Bangladesh Battle for UK Import Supremacy

China and Bangladesh are two of the top garment exporting countries in the world, ranking No. 1 and No. 3, respectively, per Statistica. For the past few months, the two heavyweights have been battling it out to be the top exporter of readymade garments (RMG) to the United Kingdom.

Bangladesh came out on top, beating out China and earning the top apparel exporter position in the UK market four times between January and November last year, per data compiled by the trade statistics of the UK government. In the January-November period of 2023, Bangladesh's apparel export earnings surpassed China in January, March, April and May.

According to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Bangladesh exported just over 178 million kilograms (392 million pounds) of garments to the UK during the January-October period last year, while China shipped roughly 159 million kilograms (350 million pounds) in the same time period.

Even though Bangladesh remained the second largest apparel exporter in the UK market in terms of value, the country's position remained "unchanged" as the top RMG exporter on the UK market in terms of volume since 2022, followed by China.

And despite overall apparel imports by the UK falling in the January-November 2023 period due to inflation stemming from the Russia-Ukraine war, the share of Bangladesh's exports increased due to the competitive prices of goods.

Per a UK government fact sheet, Bangladesh's apparel exports to the UK in January-November of last year fell by 11.5 percent to 2.63 billion pounds ($3.34 billion), compared against $3.78 billion in the same period a year earlier.

On the other hand, the UK's apparel imports from China in the same 11 months dropped by almost 23 percent to roughly $3.6 billion compared against $4.67 billion in the same period of 2022.

According to Bangladeshi publication New Age, BGMEA associate president Faruque Hassan said that it was "expected" that Bangladesh's apparel exports would increase in 2023, but was thwarted by "global economic woes." Hassan further said that the retail sales in the UK in 2023 presented a "bleak picture" until holiday sales in late December.

It's worth noting that according to the official data, the total imports by the UK in January-November 2023 dropped from roughly $16.5 billion in the same period of 2022 to about $13.5 billion.

Source: sourcingjournal.com– Jan 29, 2024

HOME

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Why Apparel, Footwear Brands Can't Ignore AI in Sourcing

As artificial intelligence (AI) expertise becomes more of a demand in the hiring process for supply chain companies, one research firm believes the key to boosting overall business performance is infusing more AI-savvy talent into their sourcing departments.

According to an analysis of LinkedIn jobs across 66,000 supply chain posts by membership-based research and insights company Zero100, the five companies recruiting the most for digital skills are seeing revenue growth nearly double (1.7 times more) compared to the almost 170 other companies studied.

On top of that, the top performers' margins are 13.5 times higher than the rest of the pack, illustrating that AI's value in sourcing can drive profitability as well, according to Lauren Acoba, principal researcher at Zero100.

"We have a hypothesis that improved use of AI in sourcing drives performance metrics for companies, and we are seeing that is true in spades," Acoba told Sourcing Journal. "If you think about sourcing's role, in a lot of ways securing supply through partnerships is being enabled by AI now in a new way and driving value for the company.'

The hypothesis stems from a company that focuses on leveraging data-driven insights to help chief supply chain officers and their teams decarbonize the supply chain. Zero100 collaborates with companies like Nike, Puma and Unilever in an effort to bolster digital supply chain transformation across their business—all while aiming to eliminate carbon entirely.

Two of Acoba's predictions for 2024 expect an increase in the number of employees who can bring AI expertise into a business.

She said that 10 percent of supply chain professionals will list generative AI as a skill in their LinkedIn profile, while another one-third of all supply chain job postings will require creative problem-solving alongside AI and machine learning (ML) experience.

"We're seeing that leaders on digital recruiting are also recruiting for soft skills at a higher rate," Acoba said. "There are more translatable skills across IT and supply chain then I think we've realized in the past. That is new with generative AI, where you don't necessarily have to have the foundational machine learning, software engineering skills, and required in many cases for supply chain professionals. From a generative AI standpoint, it's really about: do you understand enough about what the tool can do, and do you have the skills to be able to prompt the tool to give the right output that you need?"

According to Acoba, a good practice for companies would include taking a traditional IT product manager role, and adding in the specific supply chain capabilities to that role. This way, companies can mesh baseline IT skills with supply chain problem-solving skills.

Apparel and footwear still fall behind in AI adoption

Apparel and footwear companies lag others when it comes to bringing AI-related skills into their supply chain, particularly when it comes to sourcing. According to the LinkedIn analysis, just 2 percent of these firms have listed AI/ML-related digital skills in sourcing job posts, below food and drug (3.4 percent), pharmaceuticals (3 percent), CPGs (3 percent) and technology (3 percent) among others.

The analysis observed that 25 percent of 174 companies across all industries mentioned AI/ML-related purchasing skills within their job posts, while 24 percent mentioned master data management and 18 percent cited risk management.

But for the apparel and footwear companies tracked, none mention purchasing skills, while 5 percent put master data management and risk management in their job posting.

"They're a little bit behind in terms of adoption of AI/ML, or investment, if we think about hiring as a proxy for investment or focus on digital strategy," Acoba said. "There's a big opportunity for apparel and footwear companies to start adopting AI in relation to these other functional activities of sourcing teams."

Apparel and footwear brands are surpassing other sectors in contract lifecycle management, where 5 percent post job skills with those responsibilities, compared to just 2 percent of everyone else.

Acoba called contract lifecycle management “a really good use case” for many apparel and footwear brands to start with.

“A lot of companies are using AI tools in contract lifecycle management to generate new contracts, where they can train models on the different commercial clauses they have in contracts, payment terms and regulatory requirements,” Acoba said.

She noted that existing deals can be amended more easily as well.

“Do 10 percent of your suppliers have payment terms that haven’t been updated?” Acoba asked. “There’s a lot of low-hanging fruit and value to be claimed not just in the efficiency for sourcing professionals in writing contracts and getting them out more quickly, but also in the back end of being able to manage supplier performance compliance and savings opportunities.”

Source: sourcingjournal.com– Jan 29, 2024

HOME

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Eurozone prices rise at higher rate as 2024 starts: S&P GMI

Business activity in the euro area fell at the slowest rate for six months in January this year, provisional purchasing managers' index (PMI) survey data showed, albeit with downturns persisting in both manufacturing and service sectors amid further falls in new business, according to S&P Global Market Intelligence.

The overall contraction of new orders in the zone was nevertheless the smallest recorded since last June, helping stabilise employment levels and lift business optimism about the year ahead to an eight-month high, Chris Williamson, chief business economist at the company, wrote on its website.

Manufacturing input costs continued to fall on an average.

The survey data, and in particular the price trends, are likely to encourage policymakers at the European Central Bank (ECB) to not rush into cutting interest rates, leaving S&P Global Market Intelligence to consider the prospects of the first cuts appearing only towards the middle or second half of the year.

With the latest available gross domestic product (GDP) data having estimated a 0.10-per cent contraction in the third quarter of 2023, the PMI points to a prolonging of this downturn into the new year.

The PMI, in fact, suggests that the eurozone's is enduring its deepest contraction since 2013 (if early pandemic months are excluded), albeit with recent months hinting at a bottoming out of the downturn, Williamson noted.

Although goods producers continued to lead the downturn, with manufacturing output falling for a tenth consecutive month in January, the fall in factory production was the smallest witnessed since last April. New orders for goods likewise showed the smallest decline for nine months.

January also saw the region's export decline easing, with overall new export orders dropping at the slowest rate for nine months thanks to reduced losses for both goods and services.

Eurozone manufacturers also cut their purchasing activity for a nineteenth successive month in response to lower production needs in the months ahead, resulting in a twelfth consecutive monthly fall in inventories of inputs. Inventories were also affected by delays in the supply of inputs, widely linked to shipping delays caused by disruptions in the Red Sea.

Business optimism in the zone about the next 12 months improved for a fourth successive month in January, rising to the highest since last May. Confidence struck a nine-month high in manufacturing.

Source: fibre2fashion.com– Jan 29, 2024

HOME

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UNCTAD vexed over trade disruptions due to geopolitics, climate change

The United Nations Conference on Trade and Development (UNCTAD) recently raised profound concerns over escalating disruptions to global trade arising out of the conflict in the Red Sea zone, geopolitical tensions hitting shipping in the Black Sea and the impact of climate change on the Panama Canal.

All these have given rise to a complex crisis affecting key trade routes, UNCTAD said in a release.

The Suez Canal, connecting the Mediterranean Sea to the Red Sea, handled nearly 12-15 per cent of global trade last year. UNCTAD estimates that the trade volume going through the Suez Canal decreased by 42 per cent over the last two months.

The ongoing conflict in Ukraine has also triggered substantial shifts in oil and grain trades, reshaping established trade patterns, UNCTAD noted.

Meanwhile, the Panama Canal is grappling with a severe drought that has diminished water levels, resulting in a staggering 36 per cent reduction in total transits over the past month compared to a year ago.

The long-term implications of climate change on the canal's capacity are raising concerns about enduring impacts on global supply chains, UNCTAD noted. The crisis in the Red Sea, marked by Houthi rebel-led attacks disrupting shipping routes, has added another layer of complexity, it said.

Weekly container ship transits through the Suez Canal have plummeted by 67 per cent. Tanker transits and gas carriers are also experiencing significant declines. Shipping prices are increasing as well. The $500 surge in the average container spot freight rates during the last week of December was the highest ever weekly increase.

Average container shipping spot rates from Shanghai have more than doubled (plus 122 per cent) since early December. More specifically, the rates from Shanghai to Europe have more than tripled (plus 256 per cent), while rates to the west coast of the United States increased by 162 per cent, although ships on this route do not go through the Suez Canal.

Insurance premiums have also surged, compounding the overall cost of transit.

Additionally, ships rerouted from the Suez and Panama Canal routes are compelled to travel faster to compensate for detours, burning more fuel per mile and emitting more carbon dioxide, further exacerbating environmental concerns.

UNCTAD underscored the far-reaching economic implications of these disruptions. Prolonged interruptions, particularly in container shipping, pose a direct threat to global supply chains, raising the risk of delayed deliveries and higher costs.

While current container rates are approximately half of the peak seen during the COVID-19 crisis, it will take time for the higher prices to hit consumers, with the full impact expected within a year.

Energy prices are witnessing a surge as gas transits are discontinued, directly impacting energy supplies, especially in Europe.

The crisis is also affecting global food prices, with longer distances and higher freight rates potentially cascading into increased costs.

Developing countries are particularly vulnerable to these disruptions, UNCTAD added.

Source: fibre2fashion.com– Jan 29, 2024

HOME

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Vietnam: Garment sector eyes 44 billion USD in export this year

The garment and textile sector has set a target of 44 billion USD in export turnover this year, up 10% year-on-year.

According to the Vietnam Textile & Apparel Association (VITAS), garment and textile exports last year reached 39.5 billion USD, down 10% year-on-year.

VITAS Chairman Vu Duc Giang said that in 2023, Vietnam's textile and garment products were exported to 104 countries and territories – a record number.

Businesses underwent significant changes but they made efforts to diversify their exports with 36 items.

The main markets of Vietnamese garment and textile exports were the US, Japan, the European Union (EU), the Republic of Korea, China, and Southeast Asia, together with some new markets such as Africa and Russia.

VITAS Vice Chairman Truong Van Cam said that 2024 will still see many challenges for the industry, pointing to the extended producer responsibility (EPR) and the EU's carbon border adjustment mechanism (CBAM), as well as the strategy of "sustainable fashion" instead of "fast fashion".

To achieve its set goal, the industry is implementing various solutions, with a focus on diversifying customers, markets, and products; speeding up digital transformation; and greening production, said Cam

Source: vietnamnet.vn– Jan 30, 2024

HOME

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Vietnam attracts FDI worth over $2.36 bn in Jan 2023

Foreign direct investment (FDI) inflows into Vietnam hit over $2.36 billion in January this year—an increase of 40.2 per cent year on year (YoY), according to data from the Foreign Investment Agency (FIA).

The figure includes over $2 billion that flowed into 190 newly-licensed projects, up by 66.9 per cent YoY and 24.2 per cent YoY in terms of investment value and number of projects respectively.

Foreign investors committed to invest in 15 out of 21 economic sectors. The manufacturing and processing sector attracted the second-highest investment—39.2 per cent of the total FDI inflows—after real estate.

Singapore invested the maximum $1.4 billion, followed by Japan's $297 million, according to domestic media reports.

Thirty-five localities received FDI in the month, with Hanoi topping with over $867 million, followed by the southern province of Ba Ria-Vung Tau with $282 million.

The disbursed FDI volume rose by 9.6 per cent YoY to $1.48 billion during the month.

The General Statistics Office reported that FDI inflows into the country were an estimated $23.18 billion last year, while the disbursed volume reached an all-time high of $23.2 billion.

Source: fibre2fashion.com– Jan 30, 2024

HOME

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Bangladesh: Govt eyes $2b export earnings from jute products in 2-3 yrs

"Every year, Bangladesh exports on an average jute and jute goods worth $1.0 billion. We want to double the export earnings within the next 2-3 years. We will formulate and implement work-plans as per the goal," he told a press conference at the EPB Booth in Ambiente Fair in Frankfurt, Germany on Saturday.

Nanak is currently on an official visit to the prestigious Ambiente Fair-2024 as the visit underscores Bangladesh's commitment to fostering international partnerships and promoting its vibrant textile and jute industries on the global stage, said a press release received in Dhaka on Sunday. The minister emphasised the potential of Bangladesh's textile and jute sector in the global market and highlighted the significance of events like Ambiente Fair in promoting Bangladesh's exports and attracting international investments.

Nanak underscored Bangladesh's commitment to enhancing its global presence in the consumer goods industry and strengthening international partnerships. Bangladesh Ambassador to Germany Mosharraf Hossain Bhuiyan and Minister (Commercial) of Bangladesh Embassy in Berlin Saiful Islam also attended the press conference.

Ambiente Fair, held annually in Frankfurt Main, Germany, has earned worldwide recognition as the premier international trade fair for consumer goods since its inception in 1967. With its rich history and global reach, Ambiente serves as a vital platform for showcasing the latest trends, innovations, and emerging brands in the consumer goods sector, spanning dining, living, and giving segments.

Ambiente 2024, taking place from January 26 to 30, 2024, has attracted over 150,000 visitors from around the globe, making it a hub for networking and business opportunities. This year, more than 4,500 exhibitors are presenting their products, with nearly 50 companies from Bangladesh participating under various schemes, including Export Promotion Bureau (EPB) and CBI.

Source: thefinancialexpress.com.bd – Jan 29, 2024

HOME

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Bangladesh: BGMEA launches study for Bangladesh RMG sector's virtual marketplace

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA), in collaboration with LightCastle Partners, has initiated a comprehensive feasibility study on establishing a virtual marketplace platform for Bangladesh's ready-made garment (RMG) sector, which is the second-largest apparel exporter in the world. This initiative aims to address the challenges faced by the sector, amidst global geopolitical tensions, exchange rate fluctuations, and intense competition from low-cost nations.

The primary objective of this virtual marketplace is to integrate the local textile industry into global value chains, capitalising on the shift towards online purchasing.

The study suggests two strategic approaches: expansion of business-to-business (B2B) activities into emerging markets like Asia and the Middle East, and creation of direct connections between Bangladeshi manufacturers and end customers (B2C), to achieve higher profit margins and business volume, BGMEA said in a press release.

Commissioned by BGMEA and funded by the International Finance Corporation's (IFC) Partnership for Cleaner Textile (PaCT II) programme, supported by the Danish International Development Agency (DANIDA), the study was conducted by LightCastle Partners. The findings, unveiled at the BGMEA headquarters in Dhaka on January 25, highlighted market potential, sector readiness, sustainable business models, policy gaps, and strategies essential for the successful implementation of the virtual marketplace.

The proposed platforms will operate as independent private entities, offering features such as logistical assistance, design consultation services, secure payment systems, and spare capacity matching.

However, the study points out the lack of a specific policy framework addressing international e-commerce, highlighting challenges like the absence of global payment gateways, difficulties in securing working capital financing, and cumbersome export processing for small orders.

The virtual marketplace also has the potential to serve as a central hub for stock lots, enhancing connections among local producers, traders, and international buyers in emerging markets. The study emphasises the need for a robust digital marketplace and suggests policy recommendations to overcome the existing challenges.Top of Form

“If we want to maintain our position in the global competition ahead, we need to develop a comprehensive business model. This report, I believe, will not only facilitate the expansion of our presence in the digital realm but also serve as a guiding framework for our future business expansion endeavours,” said Faruque Hassan, president of BGMEA.

Shahidullah Azim, vice president of BGMEA, and several BGMEA directors including Abdullah Hil Rakib, Navidul Huq, and Md Imranur Rahman, along with other key BGMEA committee chairs, attended the launch event for the feasibility study. Representatives from IFC-Pact and LightCastle Partners, including Nishat Shahid Chowdhury, Zahedul Amin, Dipa Sultana, Priyo Pranto, and Naziba Ali, were also present.

Source: fibre2fashion.com– Jan 29, 2024

HOME

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Bangladesh: Textile millers demand gas at previous rates

Textile millers yesterday demanded that the government re-fix gas prices at the previous rate as they have been unable to run their industrial units due to low pressure of gas despite the rates being doubled since February 2022.

The government increased gas prices after providing assurances that it would ensure adequate supply of gas to industrial units, but mills could only run at 40 percent capacity in January because of low pressure of gas. The state-owned oil and gas supplier, Petrobangla, should either re-fix gas prices or ensure adequate supply of gas to industrial units, said Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association (BTMA), during a press conference at the Pan Pacific Sonargaon Dhaka.

There has been virtually no supply of gas in areas across Naraynaganj over the past 15 days while mills are struggling to run at even minimum capacity in Chattogram, Savar, Ashulia, Araihazar and Gazipur due to the pressure of gas standing between 0 to 2 PSI.

Annoyed by the low pressure of gas, five millers informed Khokon in one day that they may be forced to sell their textile units as they are fearing big losses due to the non-operation of mills, the BTMA chief added.

The home textile sector is also losing its shine because of the gas crisis.

Bangladesh used to export $1.6 billion worth of home textiles, but the amount declined to $600 million in the last fiscal year as many mills could not operate at full capacity.

Due to the gas crisis, mills which used to produce 50 tonnes of yarn a day are now producing 20 tonnes.

The crisis is also affecting foreign currency earnings. For instance, if the government can supply $1 lakh worth of gas to textile millers, they are able to export goods worth $40 lakh.

Many international retailers and brands are also concerned about whether local millers can supply goods timely given that mills cannot run at full capacity.

If garments are made from imported fabrics and exported, the value addition amounts to 25 percent. If local fabrics are used, the percentage varies between 55 to 60 percent. However, if any shipment faces discount for any reason, 25 percent of the value addition is lost.

In 2023, no new capital machinery was imported while fresh investment in the sector was almost dry. However, there were significant imports of capital machinery in 2021 and 2022.

Currently, of the total orders in the textile sector, around 35 percent are for recycled yarn. But in Bangladesh some 15 billion kilogrammes of cotton waste is ruined, which is why the BTMA is working to utilise the resource.

Local spinning mills are producing 4,000 million kilogrammes of yarn a year and 20,000 textile mills are producing 9 billion metres of fabrics a year, Khokon said.

Khokon also spoke about the 18th edition of the Dhaka International Textile and Garment Machinery Exhibition, which is going to take place in the capital from February 1-4.

He said they were holding the exhibition as they are installing machineries that consumes less gas and electricity, such as hydrogen-run mills.

The Bangladesh Textile Mills Association (BTMA), Chan Chao International Company Ltd, and Yorkers Trade & Marketing Services Co Ltd are jointly organising the exhibition.

The five-day event will take place at the International Convention City Bashundhara in Dhaka.

Source: thedailystar.net– Jan 30, 2024

HOME

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NATIONAL NEWS

Textiles ministry may get marginal budget increase of 2.5%

New Delhi: The textile ministry is expected to get a marginal budget increase of 2.5% for the fiscal year 2025, taking its allocation to ₹4,500 crore, two persons aware of the matter said.

The proposed budget for the upcoming fiscal year shows an increase of ₹110 crore compared with the current fiscal year's allocation of ₹4,389 crore.

While the government aims to position India as a global player in textiles, the marginal uptick in allocation may pose a challenge to the ministry in utilizing its budget effectively.

However, the continued budget boost, even though marginal, shows the government's commitment towards developing and promoting the textile sector to enhance India's global standing in this industry.

Queries sent to the ministries of finance and textiles remained unanswered till press time.

In fiscal year 2021-22, the ministry received a budgetary allocation of ₹11,059.81 crore, which was further increased by over 10% to ₹12,382 crore in 2022-23. However, the ministry faced a massive 71% cut in its revised budget estimate, plunging the outlay to ₹3,579 crore in 2022-23.

The marginal rise in the budgetary allocation will not impact the progress of the Pradhan Mantri Mega Integrated Textile Region and Apparel (PM MITRA) scheme as its outlay of ₹4,445 crore is sanctioned for five years till 2027, one of the persons cited above said.

The government is aiming to position itself as a textile sourcing and investment destination through seven PM MITRA parts and plans to seek an investment of ₹70,000 crore in the next five years, this person said.

The government is also looking to attract foreign direct investment (FDI) through the PM MITRA and several other schemes.

The domestic apparel and textile industry contributes approximately 2.3% to India's gross domestic product, constitutes 13% of its industrial production and plays a pivotal role by contributing 12% to the country's export revenue.

India commands a 4% share in the international trade of textiles and apparel.

To foster private equity investments and boost employment opportunities, the government has strategically introduced several initiatives, including the Scheme for Integrated Textile Parks and the Technology Upgradation Fund Scheme.

The government is doing several other things as well to help the textile sector.

The ministry has added 43 new partners under the Samarth scheme for capacity building in the textile sector, the second official said, adding that it has approved projects for research and development and is spending $7.4 million on it.

Some of the major schemes implemented by the textiles ministry are the national handloom development programme, the mill gate price scheme/yarn supply scheme and the handloom weavers' comprehensive welfare scheme, among others.

Source: livemint.com– Jan 29, 2024

HOME

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FinMin sees GDP growth at 7% in FY25; $7-trillion economy by 2030

Ahead of the Interim Budget, a Finance Ministry report on Monday placed FY25 GDP growth close to 7 per cent despite new geopolitical risks such as the Red Sea crisis that could impact global inflation and economic output. The report said India can aspire to become a $7-trillion economy by 2030.

In a normal year, the annual Economic Survey is presented a day before the Union Budget and gives real growth rate for the coming fiscal. This being an election year, the annual Survey will be tabled in July, but the interim report 'Indian Economy- A Review' prepared by the Economic Affairs Department of the Finance Ministry underlined that India's growth will outpace the global economy in the next fiscal year.

In the preface to the report, Chief Economic Advisor V Anantha Nageswaran said: "Some predict it will achieve another year of 7 per cent real growth in FY25 as well. If the prognosis for FY25 turns out to be right, that will mark the fourth year post-pandemic that the Indian economy will have grown at or over 7 per cent."

Growth forecast

Earlier, the National Statistical Office (NSO), in the first advance estimate for FY24, projected a growth rate of 7.3 per cent as against 7.2 per cent of FY23. Many domestic and global research agencies expect growth rate in the range of 6.3 to 6.5 per cent with upward bias.

The DEA report attributed the optimistic growth rate to recent and future structure reforms and the strength of the financial sector. "Only the elevated risk of geopolitical conflicts is an area of concern," it cautioned.

"Under a reasonable set of assumptions with respect to the inflation differentials and the exchange rate, India can aspire to become a $7-trillion economy in the next 6-7 years (by 2030)," the report said.

The report underlined that the government has, over the recent years, helped banks strengthen their balance sheets by recapitalising them and restructuring the industry. From the recapitalisation and merger of public sector banks (PSB) and amendment of the SARFAESI Act 2002 to enacting the Insolvency and Bankruptcy Code 2016 (IBC), these reforms have helped clean up the balance sheets of banks and corporates.

The government and RBI have ensured that the “twin balance sheet problem” of corporates and banks have converted into “twin balance sheet advantage”.

Rising capex

The report said the government’s move to focus on capex-led growth strategy has paid rich dividends for the economy. Effectively, the capital expenditure of the public sector (including Union government capex, grants to the States for capital asset creation, and investment resources of the Central PSEs) has increased from ₹5.6-lakh crore in FY15 to ₹18.6-lakh crore in FY24, it highlighted.

Meanwhile, on the Indian financial markets, which have gone from strength to strength over the last decade, the report highlighted. “The performance of Indian equity markets has enabled India to secure the second largest weightage in the MSCI Emerging Markets Index.

There is evidence of robust investor interest in India’s bond markets following the decision by JP Morgan to include India’s sovereign bonds in its widely tracked Emerging Markets Bond Index. Higher Participation will lead to inflows, which will further help reduce the government borrowing, it added.

Highlights of The Indian Economy-A Review

- Public sector capital investment surged in the last 10 years, the financial sector is healthy, and non-food credit growth is strong, enabling the Indian economy grow at a brisk rate

- Unwavering commitment to ensuring steady economic growth is generating resources for investment needed for climate change adaptation, building resilience, and mitigating emissions.

- Greater inclusive development, much lower unemployment rate, and moderate inflation, mark the journey from fragility to stability and strength during the last 10 years.

- Covid management, mature stimulus measures and the monumentally successful vaccination launched the return of the economy to a high-growth path

- Structural reforms implemented since 2014 have strengthened the macroeconomic fundamentals of the economy.

- Over the last decade, the Indian concept of welfare has been significantly transformed into a more long-term-oriented, efficient, and empowering avatar.

- Female LFPR rose from 23.3 per cent in 2017-18 to 37 per cent in 2022-23, reflecting a tectonic shift towards women-led development in India

- Female gross enrolment Ratio in senior secondary education more than doubled from 24.5 per cent in FY05 to 58.2 per cent in FY22 and in higher education quadrupled from 6.7 per cent in FY01 to 27.9 per cent in FY21.

Source: thehindubusinessline.com– Jan 29, 2024

HOME

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India's cotton spinning sector to grow 12-14% in FY24: ICRA

India's cotton spinning industry is forecast to grow by 12-14 per cent in financial year 2024 (FY24), according to ICRA. The country's yarn exports are likely to increase by a sharp 85 per cent to 90 per cent, on the back of a shift in sourcing preference away from China, and the expectations of demand improving for the spring summer season in the US and the European Union (EU) regions. These will drive domestic demand from apparel and home textile manufacturers.

A significant slowdown in cotton prices, which results in reduced yarn realisations, is probably going to cause a 9–10 per cent year-on-year (YoY) drop in revenues to around ₹33,465 crore in FY24.

Cotton yarn exports typically account for approximately 25-35 per cent of India's cotton yarn production, while the remaining is accounted for by the domestic market. While a steep decline (53 per cent) was witnessed in cotton yarn exports in FY23, there has been a trend reversal in the current fiscal. In the first seven months of FY24 (7M FY24), overall yarn export volumes grew by approximately 142 per cent (on a YoY basis) on a low base, and with increased exports to China, resulting in the share of exports in the overall production increasing from 19 per cent in FY23 to approximately 33 per cent in 7M FY24, ICRA said in a press release.

For FY24, ICRA estimates India's yarn exports to increase by approximately 85-90 per cent on a YoY basis. Bangladesh, China, and Vietnam account for approximately 60 per cent of these exports. With the share of Asia in Indian yarn exports being approximately 70 per cent, no immediate impact on Indian yarn exports is expected due to the ongoing Red Sea conflict; any sustained continuance of this face-off would have a direct impact on apparel export volumes and a consequent impact on both domestic and export demand for cotton yarn and its realisations.

Domestic cotton prices witnessed a lifetime high in the first half of FY23 (H1 FY23) but declined steadily in H2 FY23. For 9M FY24, the prices declined further by approximately 25 per cent compared to average cotton prices in FY23, on account of a weak operating environment. As per the estimates of the office of the textile commissioner, domestic cotton production for calendar year 2024 (CY2024) is projected to decrease by 6 per cent due to a reduction in cotton sown area amid uneven rainfall.

Cotton prices are expected to marginally increase from the current levels because of lower expected production.

Cotton yarn prices too had remained on a declining trend since June 2022 following the softening in cotton fibre prices and slowing demand from the downstream apparel companies. ICRA expects the cotton yarn prices to remain soft for the remainder of FY24 and increase marginally in FY25 with demand from downstream companies picking up. The average gross contribution margins for the spinners declined sharply by 19 per cent in 9M FY24 in comparison with the same in FY23 on account of a weak domestic demand.

Gross contribution margins for the spinners reached a multi-year low in August 2023 and improved 9 per cent in November 2023. Despite a modest increase in gross contribution margins in Q4 FY24 with new crop arrivals, ICRA estimates cotton yarn gross contribution to contract in FY24 over FY23 levels.

While cash accruals of spinners are expected to decline in FY24, ICRA expects the spinners' borrowings too to come down in FY24. Lack of any major capital expenditure plans along with lower working capital requirements, given the softening in cotton prices, is likely to result in lower debt levels and, therefore, an improvement in capital structure for companies.

Capital structure, as reflected by the total outside liabilities/ tangible net worth ratio, is expected to improve marginally to approximately 0.5 times in FY24 (0.6 times in FY23). However, following a decline in OPBITDA in absolute terms, ICRA expects the debt coverage ratios for the sector to weaken in FY24 with the ratio of total debt to operating profit falling to approximately 3.4 times from 2.6 times in FY23.

Jayanta Roy, senior vice president and group head, corporate sector ratings, ICRA, said: "Despite the increase in cotton yarn volumes, ICRA expects the operating income of Indian cotton spinning companies to decline by 9-10 per cent and operating margins to shrink by 200-240 bps in FY24 amid a significant drop in realisation and lower gross contribution levels. Nevertheless, in-house power generation capacities recently added by select players are likely to alleviate margin pressures in the medium term.

"The industry had undertaken high debt-funded capex in FY22 and FY23, partly due to the deferment of major capital expenses in the COVID period (FY21). Consequently, with a drop in yarn demand in H2 FY23, the coverage metrics of the industry deteriorated in FY23.

Due to weak domestic demand and lower realisations in FY24, the spinners have halted major capex plans in the near term. ICRA, however, expects a marginal pick-up in capex announcements for FY25, driven by modernisation requirements of machinery, flow of demand from the China Plus One scheme, and improvement in domestic demand from downstream apparel companies."

Source: fibre2fashion.com– Jan 29, 2024

HOME

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Persistent global tensions to make it difficult for exports to spur growth: DEA review

Exporting its way to economic growth will not be easy in the current times for the country because of persisting geopolitical tensions, including recent events in the Red Sea, that further aggravated slower growth in global trade in 2023, per the Department of Economic Affairs' review of the Indian economy. "This reinforces the need to lower logistics costs and invest in product quality to hold on to and expand market share in areas where India has an advantage", the review proposed.

In the first advanced estimates of national income for financial year 2023-24, the share of exports in GDP is estimated to moderate from FY 2022-23 to FY 2023-24 24, as a slowdown in global demand has led to a decline in the demand for India's exports, the report cautioned.

"Potential risks are expected to emanate from ongoing geopolitical tensions and the recent surge in shipping costs due to rerouting to avoid security risks in international waters, which contains the potential for triggering inflation, especially in terms of energy costs," it noted.

The report was referring to the Iran-backed militant group Houthis' attack on shipments in the Red Sea that had forced many nations, including India, to divert their cargo away from the troubled routes to longer and costlier ones (through the Cape of Good Hope in South Africa). According to some estimates, India's exports could be lower by $30 billion in the ongoing fiscal due to the crisis in the Red Sea.

Russia's war on Ukraine and the more recent Israel-Hamas war in Gaza disrupted supply chains across the world affecting movement of goods, including food and inputs, affecting global economic growth. The recent events may have brought back concerns over reliance on global supply chains, further aggravating the slower growth in global trade in 2023, the review stated.

"In other words, exporting one's way to growth will not be easy," it said, adding that lowering logistics costs and improving quality of goods would be crucial to help Indian exporters retain their existing market and also expand in areas where they had an advantage over their competitors.

Positive side

On the positive side, the review pointed out that in FY 2022-23, the country achieved the highest-ever merchandise export of $451.1 billion while imports grew by 16.8 per cent, the report pointed out. However, the pace of growth moderated due to persisting geopolitical tensions. Moderation in merchandise exports continued during FY 2023-24 (till November 2023) mainly on account of weaker global demand, it added.

“Despite global shocks, India’s merchandise trade balance improved markedly from a deficit of $189.2 billion in April-November 2022 to $166.4 billion in April-November 2023 as a result of the decline in imports,” it said.

The review observed that the export mix, in terms of the principal commodity classification, had not changed much over the years. But there has been progressive diversification in India’s export basket, and there is scope for adding more quality and complexity to exports, given the existing capabilities, it added.

An alternative to the globalisation of supply chains will take much longer to emerge if it ever does, the review added. “However, that will not deter governments from pursuing onshoring and friend-shoring of production with a consequent impact on transportation, logistics costs, and, hence, the final prices of products,” it said.

Source: thehindubusinessline.com– Jan 29, 2024

HOME

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Commerce department mulls strategy to help industry leverage FTAs better

The commerce department is working towards setting up an 'export advisory panel', comprising senior industry officials, as part of India's strategy to promote the benefits of the free-trade agreements (FTAs) that have been signed and help exporters leverage them better, people aware of the matter said.

The government also plans to set up a digital architecture to help the industry overcome the challenges that are specific to FTAs.

This will also help exporters make the best use of the opportunities that are available because of the FTAs, one of the persons cited above told Business Standard.

The development comes in the backdrop of India's revamped foreign trade strategy to negotiate a spate of FTAs with its top trading partners.

To date, India has signed 13 FTAs with its trading partners, including three agreements signed since 2021 with Mauritius, United Arab Emirates (UAE) and Australia.

India is also gearing up to ink more such pacts. It is currently negotiating deals with the United Kingdom (UK), European Union (EU), Oman, Peru and the European Free Trade Association (EFTA) countries.

Despite signing more than a dozen trade agreements, the utilisation of most deals by Indian exporters has been low, especially the ones signed 10-15 years ago.

In the case of those agreements, the value of goods exported to most of the FTA partners, including Japan, South Korea and the Asean region, has been substantially lower than what India imported from those countries.

There are a number of reasons for running a high trade deficit with these countries. Some reasons why exporters didn't use the benefit of concessional tariffs under FTA include the cumbersome manual process of getting a certificate of origin and related verification, low awareness about FTAs and non-tariff barriers, such as adhering to certain standards.

As a result, the fresh strategy to leverage the FTAs better will include the launch of a new digital platform. It will help Indian exporters get information on various regulations to access markets, sectors, export trends, as well as easy access to benefits under FTAs, the person cited above said.

“The government also wants that there is proper dissemination of information with respect to FTAs. Towards this, social media platforms will be used to get feedback on proposed FTAs,” the person said.

Trade road map

> Export advisory panel will be set up
> Digital platform will help industry overcome FTA-related challenges
> Social media will be used to get feedback on proposed FTAs
> India has signed 13 FTAs to date

Source: business-standard.com– Jan 28, 2024

HOME

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ASEAN delegation to visit India on 17 Feb for FTA review

New Delhi: India and ASEAN member countries are set to revisit their free trade agreement (FTA). A delegation from Southeast Asia, comprising about 50 members, including high-ranking officials, will arrive in New Delhi for a three-day discussion starting 17 February, according to two people aware of the matter. –

The review will focus on the ASEAN Trade in Goods Agreement (ATIGA), which has been in place for over a decade, and will likely include more goods and services under non-tariff barriers, said one of the persons cited above.

"There is also a need to modernise the ATIGA, which has been signed over a decade ago," the person said, requesting anonymity.

Officials from India and ASEAN have established a quarterly negotiation schedule, aiming to conclude the review by 2025. A key aspect of this review will be updating the Rules of Origin (ROO), to enhance the efficiency of the agreement, the person added.

The Rules of Origin are crucial in international trade, as they determine the national origin of products for government and international trade treaty purposes.

India's commerce ministry and ASEAN secretariat had not responded to emailed queries sent on 25 January.

Signed in 2009, the AITIGA came into effect in 2010. The decision to review it came at the 16th ASEAN-India Economic Ministers Meeting in September 2019, following multiple requests from member nations. The scope of the review was finalized in September 2022, with the first meetings scheduled for February 2024.

India's trade deficit with ASEAN has grown significantly, from $7.5 billion annually when the agreement came into effect to approximately $44 billion in FY23. This fiscal year so far, India has exported goods worth $44 billion to the region, while imports stood at $87.57 billion.

The ASEAN comprises of Brunei Darussalam, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, and Vietnam. These countries represented about 11% of India's global trade in FY23.

India's trade with ASEAN has evolved from agricultural raw materials and food to manufactured goods. India imports items like palm oil, coal, and minerals from ASEAN countries, while exporting transport equipment, chemicals, textiles, and other manufactured and agricultural products.

The FTA review aligns with the Indian government's Look East policy. Experts suggest that restructuring trade and investment relations with ASEAN is crucial, as these economies are poised to significantly influence global trade flows.

Dattesh Parulekar, assistant professor of International Relations at Goa University, highlights the importance of equitably addressing market access issues in goods and services trade. “India and ASEAN need to address each other's concerns towards building a common supply chain product lines resilient framework, even whilst addressing concerns that RCEP (Regional Comprehensive Economic Partnership) provisions will override mutual trade accords."

Source: livemint.com– Jan 29, 2024

HOME

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Textiles industry in Andhra Pradesh urged to actively participate in BHARAT TEX 2024

The Ministry of Textiles organised one day National Conference on Technical Textiles with Government of Andhra Pradesh for Advancing Policy Pathways in Technical Textiles today in Vijayawada, Andhra Pradesh. The event was supported by Indian Technical Textile Association.

Shri Rajeev Saxena, Joint Secretary, Ministry of Textiles, Government of India,briefed about different applications of Technical Textiles and emphasized the prospective markets in Technical Textiles. He urged the industries present to participate in the upcoming mega event BHARAT TEX 2024 to showcase their ideas and innovativeness in Technical Textiles with increased participation.

The panel discussionscoveredvarious topics viz.Strategies for Circular Economy, Sustainability in Technical Textiles, Agrotextiles, Geotextiles in Engineering Applications for Infrastructure Development along with Trends of Technical Textiles in future. The event augments the presence of eminent speakers, scientists, industrialists from different parts of India including Andhra Pradesh.

Shri G Amarnath, Minister of Industries, Infrastructure, Investment & Commerce, Information Technology and Handlooms & Textiles, Government of Andhra Pradesh emphasized on the importance of Technical Textiles and welcomed prospective investors in Technical Textiles including FDI.

Smt. K Sunitha, Principal Secretary to the Government of Andhra Pradesh for Handlooms & Textiles, Industries & Commerce Department enlightened the details of initiatives taken by the State Government for development of MSME sector in Handlooms & Textiles and specifying the emerging opportunities lying with Technical Textiles.

Source: pib.gov.in – Jan 29, 2024

HOME

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Red Sea crisis may not immediately hit Indian textile bizs: CRISIL

Indian businesses in the textile and chemicals sectors may not be immediately affected due to the ongoing crisis around the Red Sea because of either better ability to pass on higher costs or a weaker trade cycle, according to Indian rating agency CRISIL Ratings.

As for home textiles (three-fourths of the production in India is exported, primarily to these regions), their mid-teen margins can absorb higher freight rates for some time, CRISIL observed in a credit alert.

Similarly, in chemicals (25-30 per cent of the revenue of agrochemicals and specialty chemicals makers comes from these regions), exports may be less affected given sufficient channel inventories and subdued near-term demand scenario. But a sustained disruption of trade channels could dent operating profits and crank up working capital needs in this sector, it noted.

Crude oil may also be less hit as only 10 per cent of the global oil trade is through the Red Sea route and the current disruptions have had a limited impact on prices. Also, India sources a major part of its requirement from the Middle East and Russia, largely shipped via the Persian Gulf.

A few sectors like shipping and freight forwarders could benefit from rising freight rates.

While the immediate impact of the crisis would be low for most of India Inc, a prolonged strife can affect the profitability and working capital cycle of export-oriented industries. Supply chain issues could also intensify, curbing trade volume and renewing inflationary pressures, it added.

Source: fibre2fashion.com– Jan 29, 2024

HOME

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