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INTERNATIONAL NEWS

Inside the EU's Corporate Sustainability Reporting Directive

After months of deliberation, Europe's new series of laws regarding due diligence and corporate sustainability for supply chains has finally passed. The EU's Corporate Sustainability Due Diligence Directive (CSDDD), currently in process, was preceded by France's Duty of Vigilance Law in 2017 and similar laws in Norway in 2021 and Germany in 2023. This shift from private voluntary regulation—a form of soft law—to hard law reflects widespread acceptance of the failure of the former. The shift heralds a new era of international regulation of labor and environment practices in the global supply chains of some of the world's largest firms.

Among other changes, due diligence requirements for these "lead firms"—including many of the world's largest fashion brands and retailers—could mean that companies are responsible for a share of the legal liability for harms to workers and the environment perpetrated by their suppliers.

How will European regulators, corporations and the rest of us know which firms are running the highest risks? The EU's new Corporate Sustainability Reporting Directive (CSRD) is a companion law to CSDDD. It is meant to provide regulators as well as "investors and other stakeholders with relevant, reliable and comparable information on the sustainability performance, risk and impact of companies." What's reported under the new rule will inform the choices that due diligence regulators make and, therefore, how firms, workers and their employers behave.

How is it designed?

The new reporting requirements build on the Non-Financial Reporting Directive (NFRD) adopted by the EU a decade ago for large, publicly-listed companies. CSRD expands the scope of the earlier rule in four significant ways.

It applies the new reporting requirements to all listed companies in the EU (except micro-enterprises) and to large non-listed companies that satisfy at least two of these three criteria: annual net turnover exceeding 50 million euros, a balance sheet exceeding 25 million euros, and a workforce of at least 250 employees.

Some non-EU companies are also included: those with securities listed in the EU, those with annual net turnover exceeding 150 million euros for two years, and those with a qualifying EU subsidiary or branch that generated an annual turnover exceeding 40 million euros.

This means that major U.S. public companies like Nike are covered, but so too are private firms like Patagonia as its revenues in Europe exceed the threshold.

Additionally, CSRD significantly expands the areas covered by sustainability reporting requirements. The new reporting requirements are found in the European Sustainability Reporting Standards (ESRS), drafted by a technical body called the European Financial Reporting Advisory Group (EFRAG) and adopted by the European commission. ESRS's 12 standards are organized into four groups: a cross-cutting category and three topical categories including environmental, social and governance.

CSRD also clarifies the meaning of "double materiality"—defined vaguely in NFRD. Firms covered by the new rule "shall include in the management report information necessary to understand the [firm's] impacts on sustainability matters, and information necessary to understand how sustainability matters affect the [firm's] development, performance and position."

For the first time, companies are to report on "financial materiality"—sustainability matters that create financial risks or opportunities for them—and on "impact materiality," which includes matters linked to their operations, including those along the value chain, expected to have positive or negative impacts on people or the planet.

Thus, if a buyer's final product makes use of an intermediate good which may be produced through child labor, the impact should be assessed as material by the company given its business relationship with the supplier, even if it is not directly responsible.

Finally, CSRD requires that firms' reports appear as a separate section in Corporate Annual reports, which should be verified by a third party. This is a new level of public disclosure for many of these firms.

Will it work?

For all its new scope and ambition, we see several gaps that indicate that the project is unfinished or incomplete. We believe the plan's holes will impact its ability to adequately inform CSDDD and advance the accountability of lead firms when due diligence failures contribute to harm to workers or the environment.

First, reporting on the cross-cutting standards (ESR1 and ESR2) is compulsory but not for the five environmental, four social and two governance standards. Firms are only expected to report on these issues if they deem their risks to be material, and they have wide latitude to determine what is material and what is not.

In all sustainability areas other than climate change, the company may provide a brief explanation of the conclusions of its materiality assessment, but is not required to do so. In assessing climate change, firms must provide a detailed explanation for why they've chosen to assess their impacts as non-material, but if a firm decides that widespread sexual harassment in a supplier factory is not material, it neither has to report it nor explain its decision, for example. So while firms are mandated to collect data to determine whether issues are material or not in the supply chain, the reporting is largely voluntary.

Second, there are separate reporting requirements for a firm's own workforce and for workers along its value chain. Concerning their own workforces, companies must report, for example, on the percentage of employees covered by collective bargaining agreements, the number of work-related accidents involving its workforce and metrics covering pay and social protection. These indicators are far from perfect, but they allow stakeholders to see whether corporate policies have an impact on their employees. These firms' workforces are mostly based in Europe, where several of these issues are governed by national law and also enforced through collective bargaining agreements.

By contrast, reporting requirements for firms' impacts to workers and the environment in their value chains are much looser. Among the general disclosure requirements—mandatory irrespective of the materiality assessment—a firm is required to report the main features of its upstream and downstream value chains: descriptions of its suppliers, costumers, distribution channels and end-users, as well as a brief description of material impacts, risks and opportunities linked to its value chain. Its assessment should include also workers' rights protections. But the framework does not require that companies disclose those metrics when it comes to the workers in their supply chains. Instead, companies should report, in narrative style, on their value chain due diligence approach and their human rights commitments, on stakeholder engagement, and so on.

This is what lead firms have been doing for the last twenty years with regard to their value chains. It is possible that as the reporting requirements take hold and the returns come in, we will find we are still standing in the same place.

Third, the requirements lean heavily towards reporting based on firms' policies, processes and inputs, and training for employees or contract suppliers is a classic input. But reporting largely avoids clear measures of outcomes or impacts on workers. This has been the norm in voluntary corporate reporting schemes such as the Global Reporting Initiative (GRI). Firms can describe, for example, the various policies and programs they have enacted to ensure that weekly working hours are kept within legal requirements, but they do not have to report on working hour outcomes—that is, actual hours worked per week.

Firms often complain—and rightly—of the enormous increase in the volume of reporting asked of them in recent years. On the upside, the new requirements will likely look familiar; the EU appears to have used the Global Reporting Initiative template liberally and has highlighted the inter-operability of CSRD and GRI reporting systems.

Nothing forbids companies from presenting outcome measures to accompany the description of their policies or inputs to show that they are effective. As the NGO Shift notes, companies should not be spending resources on actions that don't result in changes or improvements to a material impact or risk. But few, if any, firms do that today, and if not required to do so, they are likely not to report on outcomes.

Firms might also slice or aggregate data in ways designed to burnish their brands, making analysis and comparison almost impossible. This underlines the importance of a standard, mandatory scheme in which data collection, analysis and disclosure is uniform across an industry.

This would allow regulators to compare outcomes across firms and learn where to focus their attentions. Companies that take due diligence and reporting seriously will not be at a disadvantage. Disclosure-shy firms that have flown been below radar for decades will be exposed.

What are the prospects for serious outcomes-based reporting on labor issues for the supply chain?

ESRS alludes to the importance of outcome or impact measures of labor practices in global value chains. They note that "risks related to the undertaking's [a firm's] impact on value chain workers may include the reputational or legal exposure where value chain workers are found to be subject to forced labor or child labor." And it is possible that the sector-specific reporting requirements might include outcome measures for supply chain workers (EFRAG value chain guidelines note that "sector-specific ESRS [due in 2026] will cover the inclusion of value chain data in its impact metrics when relevant."). In a sector like apparel, which is among those the EU considers at high-risk for human rights abuses, outcome-oriented metrics should be key to ensuring the effectiveness of the legislation.

If CSRD and, by extension, CSDDD's analyses of due diligence efforts are to help improve working conditions and advance workers' rights in global value chains, they must require that firms collect and report clear, quantitative measures of labor and climate outcomes.

These should resemble those data that ESRS requires firms to report for their own workforces. For instance, not paying minimum wages in the supply chain is a material risk for companies and hence, the the difference between actual wages and the minimum wage for supplier factories in each country should be reported. Similarly, gender discrimination in the supply chain constitutes a material risk for companies. The ESRS requires that apparel firms like H&M and Bestseller report on gender pay gaps in their own workforces, but not for the women workers who make many of their products. A similar outcome measure would be relevant for supply chain workers, especially in sectors like apparel production, which is highly gendered, and where the available evidence shows that women workers are paid less than men.

These and twenty other quantitative labor outcome measures developed by Cornell University's Global Labor Institute would be a relief to firms swimming in reporting waters that now stretch to the horizon. Regulators would be signaling what matters most, firms would manage what they are required to measure, and regulators would have a robust means of comparing firms and tracking changes over time. Using these proposed outcomes metrics, both firms and regulators could put their time and powers to their best uses.

Source: sourcingjournal.com– Jan 30, 2024

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S&P Global Ratings projects moderate consumption growth in China

Though China met its 5-per cent growth target last year, economic momentum at the end of the year was less strong than the headline numbers suggest, according to S&P Global Ratings, which believes that falling prices at industry and retail levels point to overcapacity in some major goods markets.

Maintaining its 4.6 per cent gross domestic product (GDP) growth forecast for this year, the rating agency projects moderate consumption growth in the country.

At a macroeconomic level, the downward pressures on consumer inflation may not dissipate soon, the rating agency's Asia-Pacific chief economist Louis Kuijs, wrote on its website.

With relatively strong manufacturing investment, and soft consumption, the strain on prices and profit margins in goods markets may persist.

S&P Global Ratings believes that 'unrebalanced' growth, with an emphasis on investment rather than consumption, would raise the risk of deflation.

Meanwhile, following China's solid investment in manufacturing last year, the rating agency anticipates that the comparatively robust capital expenditure growth will continue this year, partly due to encouragement and support from policymakers.

Retail sales growth has been affected by some specific categories that are heavily exposed to the real estate downturn.

The combination of apparently robust real growth and weak nominal growth in industry last year is problematic, Kuijs added.

Source: fibre2fashion.com– Jan 30, 2024

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Homeland Security Eyeing Plan to 'Safeguard the American Textile Industry'

The Department of Homeland Security (DHS) is developing an action plan to aid beleaguered domestic textile manufacturers.

Secretary of Homeland Security Alejandro N. Mayorkas met with members of the National Council of Textile Organizations (NCTO) virtually on Tuesday to discuss the impacts of illegal foreign influence on the country's textile producers, including factory closures and loss of business.

American textile makers of varying sizes that support the supply chains for apparel, home goods and furniture, industrial applications and personal protective equipment (PPE) were present at the meeting. They spoke to the blows the industry has endured as a result of violations of the Uyghur Forced Labor Prevention Act (UFLPA) and the free flow of cheap goods facilitated by the de minimis shipment exception.

As a result of their testimony, Secretary Mayorkas has enlisted U.S. Customs and Border Protection (CBP), Homeland Security Investigations (HSI), and other agencies and offices within DHS to accelerate enforcement of illegal customs practices. He directed the agencies to develop a comprehensive enforcement action plan within 30 days, including a determination of whether current trade legislation provides sufficient recourse for the resolution of these issues.

"DHS will use all the tools at its disposal, including identifying suspicious transshipment practices, publicly identifying bad actors, isotopic testing, random parcel inspections, and other law enforcement efforts, in order to protect the integrity of our markets, hold perpetrators accountable, and safeguard the American textile industry," Secretary Mayorkas said Tuesday.

According to DHS, CBP has already stepped up its efforts to root out shipments that violate U.S. trade law. The agency relies primarily on physical inspection, textile production verification visits and audits. It also tests and analyzes products in its laboratory, and has increased its ability to perform isotopic testing on imports under suspicion of being made with forced labor.

Meanwhile, HSI investigates allegations of labor exploitation with the goal of identifying employers involved in criminal activity and worker rights violations. DHS, which is chair of the Forced Labor Enforcement Task Force, works with other agencies as well as the private sector to build out the UFLPA Entity List. NCTO president and CEO Kim Glas told Sourcing Journal the meeting was an opportunity for its members to speak to the "economic destruction" facing the U.S. textile industry.

The attendees emphasized the conditions within local communities where textile manufacturing is a key economic driver. "We have lost eight [textile] plants in the matter of three months," she said. "There are certain activities that the administration can take immediately to help stem this tide." According to Glas, there is a "strong contingency of Republicans, Democrats and industry leaders" calling for stepped-up free-trade agreement (FTA) enforcement, penalties for UFLPA violations and de minimis reform.

"De minimis is killing our industry, and it's killing our Western Hemisphere Free Trade Agreement partners," Glas said. Trade partners across the Americas are also contending with "significant demand destruction" as more small offshore shipments make their way into the U.S.

"Half of the de minimis shipments are estimated to be textile and apparel products," the NCTO lead added. The trade "loophole" has facilitated "the meteoric rise of Shein and Temu, which have been rewarded with duty-free trade regardless of where their products are made, what they're made with who they're made by." NCTO has argued that the law has helped China-based exporters evade UFLPA enforcement.

NCTO members hope to see public-facing actions like enhanced enforcement and civil and criminal penalties for bad actors, as well as greater behind-the-scenes efforts to catch violators, including more isotopic testing and site inspections. Glas was buoyed by Secretary Mayorkas' response to the meeting and his promise of swift remediation. "He understands the seriousness of these issues and the gravity of the situation facing the U.S. textile industry, and committed to us that he would implement an immediate action plan."

Source: sourcingjournal.com– Jan 30, 2024

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Fortum, H&M come calling at BharatTex

The participation of these industry leaders underscores India's growing role in the global textile sector, signalling a positive outlook for increased investments in the country's textile industry

New Delhi: Leading international textile companies, including Fortum, Lenzing, H&M, Busana Group, and Hyosung Corp, are set to attend the upcoming global textile event BharatTex beginning 26 February, officials familiar with the matter said.

The participation of these industry leaders underscores India's growing role in the global textile sector, signalling a positive outlook for increased investments in the country's textile industry. The government's efforts to boost India's presence in the technical textiles market, a segment witnessing rapid expansion, is a key factor in this development.

"Besides industry participation, ministerial and business delegations are also expected from key textiles hubs, including Australia, Italy, Turkey, South Korea, Bangladesh, Russia, Peru, Egypt, and Thailand," two officials told Mint.

India exports technical textiles, including medical apparels, amounting to $2.5 billion, with plans to increase exports to $10 billion in the next five years. Holding a 4% share in global textiles and apparel trade, India contributed 10.33% to its overall export basket in the financial year 2021-22.

The country's total export value in textiles reached $24.70 billion in the first nine months of the fiscal year 2023 (April-December).

Global organizations such as Cotton Connect, Fashion for Good, Better Cotton Initiative, Responsible Sourcing Network, International Textile Manufacturers Federation (ITMF), International Apparel Federation, India International Textile Machinery Exhibitions Society (India ITME Society), and Bangladesh Garment Manufacturers and Exporters Association (BGMEA), along with Cotton Egypt Association, are partnering BharatTex 2024 for discussions and deliberations on global trends in textiles and apparel, the first official said.

"The discussions at the textile conglomerate will focus on sustainability, circularity, traceability, Industry 4.0, innovation, green financing, and other relevant topics," the second official said.

The ministry has planned over 40 knowledge sessions with participation from chief experience officer (CXO) level delegates representing H&M, Bestseller, KAS Group, Nike, Cotton Connect, Tommy Hilfiger, Kohl's, Coats, Perennials, and Lenzing, among others.

Domestic leaders in the textile industry, including Aditya Birla Group, Reliance Group, Arvind Fashion, Welspun Living, Trident Group, etc, are also set to showcase their products to global buyers.

"As of now, over 3,000 exhibitors have registered for the show, and Bharat Mandapam venue is fully sold out," the second official said. Very few spaces are left at the other venue Yashobhoomi Convention Center.

States, including Maharashtra, Uttar Pradesh, Madhya Pradesh, and Gujarat, will also showcase their products at the show.

The domestic apparel & textile industry contributes about 2.3% to the country's GDP, 13% to industrial production, and 12% to exports.

India ranks among the top global producers of cotton and jute, is the world's second-largest silk producer, and accounts for 95% of the world's hand-woven fabric.

A spokesperson with the Australian high commission said, "India and Australia have a long-standing collaborative and mutually beneficial textiles relationship, where Australian exports of high quality cotton and wool natural fibres input into India's burgeoning textiles industry. BharatTex provides a platform to continue elevating this partnership."

Senior representatives from Australia's cotton and wool industry are expected to participate at BharatTex 2024, the spokesperson added.

While India ITME Society and Trident Group confirmed their participation in the show, queries sent to Fortum, Lenzing, H&M, Busana Group, and Hyosung Corp, H&M, Bestseller, KAS Group, Nike, Cotton Connect, Tommy Hilfiger, Kohl's, Coats, Perennials, Lenzing, and all others mentioned here were unanswered until press time.

In response to email queries, India ITME Society and Trident Group confirmed their participation, while other companies such as Fortum, Lenzing, H&M, Busana Group, and Hyosung Corp, as well as other mentioned entities, did not reply by press time.

Source: livemint.com– Jan 30, 2024

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The Fashion Pact's First 'Unlock' Report Outlines Difficulty of Change

Cotton's connection to the climate—considering its impact on soil and the sheer scale of product produced, given its versatility—has the textile leaders at an impasse; the industry cannot reach its collective net-zero goals without transforming cotton production.

Per 2020 research from McKinsey, fashion is responsible for roughly 4 percent of global greenhouse gas (GHG) emissions annually. Around 40 percent of those emissions come from raw material production, according to the World Resource Institute (WRI) and the Apparel Impact Institute's (Aii) 2021 "Roadmap to Net Zero" report, of which cotton makes up 27 percent by volume.

As such, cotton has been the driving force behind many sustainability initiatives in recent years. Though progress has been made, significant barriers—like convoluted value chains and a deficiency of clear data—are preventing meaningful change from occurring. Not to mention, cotton farmers hoping to move away from the traditional, carbon-intensive practices are met with high upfront costs, yield changes and a lack of financial support.

Acknowledging the need for new approaches, the Fashion Pact has released the first report from its "Unlock" project, which aims to create a climate-friendly future for cotton.

The Paris-based nonprofit representing one-third of the global fashion industry committed to mitigating climate change's impact has partnered with the sustainability consultancy 2050.Cloud, which provided capacity-building support and strategic guidance.

The pilot phase of Unlock was launched in India and the United States in 2022. It will run until the end of the second quarter of 2024 with "the ambition of evaluating and implementing different accounting guidelines and quantification methods" for GHG emissions and methods for supporting Scope 3 claims.

To do that, Unlock is focused on providing additional incentives to farmers to increase resilience and make more regenerative cotton available as well as supporting brands in connecting with those farmers to make credible Scope 3 reduction claims.

Unlock brought together various players throughout the value chain, including 25 brands, soil emissions modeling organizations Indigo Ag and Regrow, and implementation partners Better Cotton, Organic Cotton Accelerator, California Cotton and Climate Coalition, Staple Cotton Cooperative Association, and the Carolinas Cotton Growers Cooperative.

"This collaboration has allowed us to work with a range of farm types and sizes to identify and implement practice changes, quantify the actual GHG impact (and other impacts), and use these to issue financial incentives to farmers called 'Unlock Units,'" the Fashion Pact said. "At the same time, we have gathered critical data on farmer livelihoods, biodiversity, soil health and water use and will be publishing a series of papers to share insights and develop Unlock as a long-term solution."

The first paper, "Comparative analysis of GHG accounting approaches and implications for the cotton value chain," found that smallholder farmers in the Global South, in particular, struggle to quantify their GHG emissions.

Per the report, many smallholder farmers in India also don't regularly monitor their practices and inputs "in the way required to create robust baselines" even though intervention accounting—which is used to estimate GHG impacts of actions relative to counterfactual baseline scenarios—requires "extensive baseline data and causality." Thus, farmers without historical data could go multiple years without financial reward "in order to establish the baseline to then build upon with improved practices."

The smallholder farmers who do have historical baseline data and those that are already involved in improvement programs, the nonprofit said, create a different challenge regarding double counting.

"A farmer already certified to a scheme with a global LCA factor would have to be able to show strong evidence they are taking additional steps they would not have taken already to avoid the risk of double counting," the Fashion Pact said.

And pertaining to inventory accounting methods, even more barriers exist, such as the need for ongoing monitoring for reversals (when CO_2 is released back into the atmosphere from the soil) and traceability.

"These are much more challenging to implement in a Global South context and the approach to baselining opens up the potential for inflated claims or perverse incentives," the paper said, explaining that using a global average baseline may cause companies to "abandon farmers" in countries that have emissions worse than the global baseline.

Not everyone is pleased with the Fashion Pact's findings or methodolgy. Several industry players took to LinkedIn to voice their concerns. Crispin Argento, managing director at Sourcery, implored the Parisian group to "stop treating those that commit their land and livelihoods to growing [cotton] like fungible and faceless commodities." "We have to stop treating growers like dirt," he wrote, "by asking them to gamble with Mother Nature six months and then Wall Street for another six thereafter and now perform 'sustainability' miracles for free."

Brett Mathews, editor at Apparel Insider, called out eyebrow-raising numbers. "[The Fashion Pact] stated that almost 40 percent of fashion's GHG emissions come from raw material production," he wrote. "A 2018 report by Quantis claimed raw materials represent 15 percent of the carbon footprint of fashion. That's quite a divergence!"

And Samantha Taylor, founder of The Good Factory, a UK organization at the "forefront" of sustainable activewear manufacturing, found it "hilarious" that the Fashion Pact's own website doesn't support the numbers "thrown out" in the report.

"Although that's not nearly as problematic as their language around cotton farmers in India and the Global South, who they obviously don't think much of, for a collective of Western organizations," she wrote.

While the report claims to acknowledge that many of the challenges revealed throughout the pilot process pertain to the Global South, The Fashion Pact is working with its partners to address these trials.

Source: sourcingjournal.com– Jan 30, 2024

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Vietnam's foreign trade up 5.4% to $29.78 bn in 1st half of Jan 2024

Vietnam's foreign trade was estimated at $29.78 billion in the first half of January—a year-on-year (YoY) rise of 5.4 per cent, according to the General Statistics Office (GSO).

The figure includes $15.08 billion in export turnover—up by 4.1 per cent YoY. Of this, the export value of domestic economic sector was an estimated $4.02 billion—up by 10.4 per cent YoY, while the same of industries with foreign direct investment (including crude oil) rose by 1.9 per cent YoY to $11.06 billion, a domestic media outlet reported.

After a double-digit reduction in the first quarter (Q1) last year, the country's exports started to pick up in Q2. From July 2023 to the end of the year, export value reached more than $30 billion each month.
The country's exports fell by 4.4 per cent YoY last year from $355.5 billion in 2022.

It aims at raising its total export turnover by about 6 per cent this year compared to the 2023 figure and maintain a trade surplus of about $15 billion for the ninth consecutive year.

Source: fibre2fashion.com– Jan 31, 2024

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Italy's trade with non-EU27 countries decreases in December 2023

Italy experienced a notable decrease in its trade with non-EU27 countries in December 2023, according to the preliminary estimate of the Italian National Institute of Statistics (Istat). Exports to these countries fell by 7.2 per cent, while imports saw a substantial drop of 26.8 per cent compared with the same month in the previous year.

Despite this annual decrease, December 2023 showed some positive trends in a month-on-month comparison. Seasonally adjusted data indicates that exports increased by 0.9 per cent, and imports decreased by 2.5 per cent compared with November 2023. Additionally, over the last three months, compared with the previous three months, there was a 2.3 per cent increase in outgoing flows and a 0.2 per cent increase in incoming flows.

In terms of trade balance with non-EU27 countries, December 2023 marked a significant improvement. Italy registered a trade surplus of €8,335 million, a substantial increase compared with a surplus of €4,007 million in December 2022. However, excluding energy, the trade surplus was slightly down, standing at €13,245 million, compared to a €13,247-million surplus in December of the previous year, as per Istat.

Source: fibre2fashion.com– Jan 31, 2024

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Australian retail turnover declines 2.7% in December 2023

Australia's retail turnover decreased by 2.7 per cent on a seasonally adjusted basis in December 2023, according to figures released by the Australian Bureau of Statistics (ABS). This decline follows a revised rise of 1.6 per cent in November 2023 and a fall of 0.2 per cent in October 2023.

December saw significant decreases in specific retail sectors, particularly in clothing, footwear, and personal accessory retailing, which fell by 5.7 per cent, amounting to a $173.3 million decrease, as per ABS.

This downturn in retail turnover was also evident in department stores, which experienced an 8.1 per cent drop, translating to a $160.8 million decrease.

The ABS noted that revisions to seasonally adjusted data this month are larger than usual, reflecting improvements in the data as seasonal patterns become clearer.

All non-food industries, which had previously been boosted by Black Friday sales in November, experienced a downturn in December.

"The large fall in retail turnover in December was caused by a fall in discretionary spending. Consumers brought forward some of their usual December spending to November to take advantage of Black Friday sales.

This shift in spending from December to November reflects the growing popularity of Black Friday sales and the impact of cost-of-living pressures, with consumers seeking out bargains and taking advantage of discounts in November," said Ben Dorber, ABS head of retail statistics.

Source: fibre2fashion.com– Jan 30, 2024

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Philippine textile manufacturing PPI sees YoY fall of 0.4% in Dec 2023

The producer price index (PPI) for the manufacturing sector in the Philippines registered a faster annual increment of 0.6 per cent in December last year compared with the 0.2-per cent annual increase in November. In December 2022, the PPI posted an annual increment of 5.4 per cent.

The PPI for manufacturing registered a faster MoM decrease of 0.21 per cent in December from a 0.16-per cent MoM decline in November. In December 2022, the PPI also posted a MoM decrease of 0.7 per cent.

Coke and refined petroleum products sector was the main contributor to the faster decline in the MoM rate of PPI for the manufacturing sector. The PPI for coke and refined petroleum products declined at 4.1 per cent in December compared to a 5.9-per cent annual decline in November.

The PPI for textile manufacturing saw a year-on-year (YoY) decline of 0.4 per cent in December, while the month-on-month (MoM) growth rate was nil. The PPI for apparel manufacturing saw a YoY decline of 1.8 per cent and a MoM rise of 0.3 per cent in December.

The PPI for manufacturing of footwear and leather products witnessed a YoY rise of 2.7 per cent in the month.

The annual average growth rate of PPI last year in the country was 1.5 per cent. This was slower compared with the annual average increase of 6.5 per cent in 2022. In 2021, the annual average drop of PPI was 1.8 per cent.

This slowdown was mainly attributed by the annual average decline in the manufacture of coke and refined petroleum products at 3.6 per cent from an annual average increment of 16.8 per cent in 2022.

Source: fibre2fashion.com– Jan 31, 2024

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Bangladesh lowers cash incentive for exporters to prepare for post-LDC era

In their immediate reactions, economists welcomed the move while exporters expressed sheer disappointment, saying the export will be hit hard.

Bangladesh used to give cash assistance ranging from 1 percent to 20 percent on export earnings in order to encourage exporters and make them more competitive in international markets, with a view to raising the income from the biggest foreign currency earning sector.

Now, the maximum rate has been set at 15 percent and the minimum at 0.5 percent and it would be applicable for January 1 to June 30 this year, the central bank said in a notice yesterday.

Currently, 43 sectors are eligible for the aid, with the government spending about Tk 9,025 crore annually in the past three years.

Yesterday's change comes as the World Trade Organisation (WTO) considers cash incentives as export subsidies. But when a least-developed country (LDC) becomes a developing nation, it can't continue the cash assistance as per the agreement on subsidies and countervailing measures of the global body.

Bangladesh is set to become a developing nation in 2026.

If the cash support is withdrawn completely in one-go when the graduation takes place, the export sector might face challenges in the post-LDC period. So, the government has decided to reduce the direct cash assistance in phases from January 1 this year, the BB said.

Only four sectors – diversified jute products, vegetables, fruits and products in the agro-processing sector, potatoes, and halal meat and processed meat exporters -- will qualify for the highest rate. It was 20 percent for them previously.

The cash assistance on the export earnings of apparel makers in all markets has halved to 0.50 percent from 1 percent. The rate, however, has been kept unchanged at 4 percent for the shipment to emerging markets.

The support on furniture exports was lowered from 15 percent to 10 percent, for plastic products from 10 percent to 8 percent, for software and information technology-enabled services from 10 percent to 8 percent, and for motorcycles shipment from 10 percent to 8 percent, the BB circular showed.

Exporters were not happy.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association, said the cash incentive has been cut over the years.

He categorically cited the cases of promising emerging markets such as Japan, India and Australia. The annual shipment of garments to the three nations has risen to about $2 billion, $1.5 billion and $1 billion, respectively, recently.

"Reducing incentive for such promising markets is one kind of punishment, whereas there should have been rewards for the garment exporters for exploring opportunities in those destinations."

He said the incentive has been reduced for the top five garment items that contribute 80 percent to the total earnings from the apparel sector.

Hassan said the budget has allowed the incentive up to June this year. But now the government said the decision about the new incentive scheme came into force on January 1.

"So, garment suppliers will be affected as they have already estimated their costs and revenue based on the old incentive package."

The BGMEA chief demanded the government continue the incentive up to 2026 and rename the incentive in the post-LDC era as has been done by other countries.

"It is a total disaster," said Shaheen Ahamed, chairman of the Bangladesh Tanners Association.

"The government should not have taken such a decision at this time. We will lose the market."

"When the government is talking about increasing exports, the reduction will have a negative impact on the sector. Exports will decrease due to reduced incentives."

Masum Miah, executive director of Superex Leather Limited, which is located in Jashore, says reducing incentives will definitely create difficulty.

"The government should reconsider this decision."

"Already the price of chemicals has climbed and the shipping cost has gone up. As a result, I am already in a tight situation."

Russell T Ahmed, president of the Bangladesh Association of Software and Information Services, said the government should continue incentive for the IT sector as it has great potential.

SM Jahangir Hossain, president of the Bangladesh Fruits, Vegetables and Allied Products Exporters' Association, does not think that there would be much impact of the cut in cash incentive from 20 percent to 15 percent.

Shamim Ahmed, president of the Bangladesh Plastic Goods Manufacturers and Exporters Association, said: "Because of the reduced incentives, we will no longer be able to sell products at competitive prices in the export markets. As a result, it will have a negative impact on our business."

"We are already in trouble because of the difficult business environment. If the situation worsens, jobs will not be created at the expected pace."
Analysts lauded the government's move.

"It will be prudent to prepare for the LDC graduation gradually," said Prof Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue.

He said the significant depreciation of the taka should help exporters face the change.

The local currency has lost its value by about 30 percent in the past two years against the US dollar.

"Also, the cut in cash support will help the government save money at a time when there is a cash crunch," Prof Rahman said.

He urged the government to take other measures to help exporters beef up their competitiveness through better institutional support, less harassment, improvement in the business environment, and the reduction in the cost of doing business.

Zahid Hussain, a former lead economist of the World Bank, describes the government move as a step in the right direction since the incentives did not bring about desired benefits in many sectors.

"But there has to be a proper direction about this in the upcoming budget speech."

MA Razzaque, chairman of the Research and Policy Integration for Development, said the export subsidies would not be compatible with the WTO rules once Bangladesh graduates.

"The gradual nature of adjustments as evident from the circular is prudent."

However, he added, due consideration should now be given to tariff rationalisation, which is the single most important factor in pushing export diversification.

"If cash assistance is being reduced solely because of the tight fiscal space, and if for the same reason, restructuring of tariff rates is not getting the desired pace, then it's not the right approach."

"Subsidies and incentives can't go on endlessly for all sectors," said M Masrur Reaz, chairman of the Policy Exchange of Bangladesh.

He said many firms have been receiving the support for a long time and they have become bigger and the sector's capability has grown.

"Therefore, they don't require such subsidies. The reduction in the rates will also help reduce unnecessary drag on public finance."

Source: thedailystar.net– Jan 31, 2024

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Bangladesh: Apparel buyers yet to raise prices despite promise after wage hike

Some 79.1 percent of the apparel factory owners said international buyers are yet to increase prices of Bangladeshi goods, which they earlier promised to do after the new garment wage comes into effect in December last year, a survey found.

In 2023, the cost in customs and bonds increased 47.85 percent year-on-year because of delays and other procedural issues, according to the survey.

Moreover, around 27.5 percent of the installed production capacity remained unutilised last year due to lower number of work orders following high inflationary pressure on the western consumers, stemming from the fallouts of the Covid-19 pandemic and the Ukraine war, it said.

But the international retailers did not raise the rates after the implementation of the new garment wage with a 56 percent rise, according to the survey.

Forum panel, the opposition group of the last election of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), conducted the survey among 100 garment factory owners on December 21 last year.

Some 66 factory owners took part in the survey out of the 100 interviewed, Faisal Samad, leader of the Forum panel, said while presenting the findings of the survey at a discussion with journalists at the Dhaka Club yesterday.

Samad said last year the factory owners also faced a 3.9 percent year-on-year decline in the freight on board value of the locally-made garment items.

The owners are still suffering from inadequate energy supply although the price of gas was doubled last year, he said.

The worst sufferers of the lower inflow of work orders were the small and medium level factories as they do not have strong financial capability to face the challenges, he said.

The growth of the apparel sector started declining in 2022 because of the global challenges, Samad said.

In the second quarter of 2023, only 9 percent factories had full work orders and 82 percent of them had work orders below their capacity. "6 percent factories had no work orders in 2023."

Some of the factory owners may become victim of forced loan as the buyers who defaulted in their businesses are yet to clear around 6 to 7 percent price of the goods exported, he added.

Samad also promised to ensure improved compliance in business and lobby with the government for reducing source tax if his panel can form the board by winning the next BGMEA election scheduled to be held on March 9 this year.

He sought a very transparent voter list from the election commission for the upcoming BGMEA polls for 2024-26 tenure.

Source: thedailystar.net– Jan 31, 2024

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Pakistan: Reviving the textiles and apparel sector

As the country heads towards elections next week, the All Pakistan Textile Mills Association—in consultation with a broad base of stakeholders—has put forth a 41-point policy roadmap for the incoming government to revive and revitalize Pakistan's textiles and apparel industry and push the sector's exports to over $50 billion per annum by 2029.

The textiles and apparel industry has always been a vibrant part of Pakistan's economy, but recent years have highlighted critical shortcomings: the range and variety of products we have to offer is very limited and our manufacturing capacity is too low to be able to capture a major share of global trade in textiles and apparel.

The international market is growing rapidly, with a marked shift towards man-made fibers (MMF). However, our exports remain relatively low and predominantly cotton-based, limiting our potential in the global marketplace and necessitating a strategic shift towards product diversification and expansion of manufacturing capacity.

After navigating through the tumultuous times of the Covid-19 pandemic, the sector achieved remarkable growth as textiles and apparel exports surged by over 54%, from $12.5 billion in FY20 to $19.3 billion in FY22. However, the economic crisis of 2022-23 brought to light the fragile nature of these gains, emphasizing the need for a competitive, sustainable, and distortion-free business environment.

Prohibitively high energy costs that are over twice those faced by competing firms in regional economies forced production cuts of over 30% as manufacturing became financially unviable; persistent delays in issuance of tax refunds coupled with a shortage and high costs of working capital and supply chain finance created an industry-wide liquidity crisis; and deterioration in Pakistan's international image led to long-standing international clients systematically shifting their sourcing away from Pakistan.

To overcome these challenges and achieve $50 billion in annual exports by 2029, our proposed policy roadmap focuses on three main themes: diversification, expansion, and competition.

First, the government must incentivize product diversification to increase the range and variety of exportable products. Crucially, this requires rationalizing import and other duties on MMF inputs like purified terephthalic acid and polyester staple fiber that have created opportunities for rent-seeking in the domestic market and resulted in a strong anti-export bias. It must also create incentive structures to incentivize investment in MMF manufacturing capacity as well as a shift towards higher value-added original brand and design manufacturing.

Second, investment needs to be made in upgradation and expansion of manufacturing capacity. Our ambitious initiative to establish 1000 new garment plants is a bold step in this direction. This project is not merely about scaling up production; it represents a strategic reorientation of our industry towards higher value-added manufacturing. The sector currently has an annual export capacity of around $25 billion; by boosting it to over $50 billion per year, we aim to diversify our export portfolio and enhance our competitiveness on the global stage. This expansion is a testament to our commitment to growth, innovation, and resilience in the face of global economic shifts, and an investment in the very fabric of our nation—our workforce, our economic stability, and our future. By creating up to 1.5 million jobs, both directly and indirectly, we are not just bolstering the industry but also nurturing a future that promises prosperity and opportunity for the people of Pakistan.

Establishment of specialized industrial and export processing zones with developed factory sites and plug-and-play facilities are of utmost importance to facilitate this investment and create an ecosystem conducive to growth and innovation. These zones will significantly lower entry barriers for new ventures and catalyze the expansion of exports by attracting domestic and foreign investment in export-oriented activities. Efficient logistics and transportation systems, advanced testing and certification facilities, and robust supply chain management are essential components that will elevate our industry to meet international standards of excellence.

This encompasses policy interventions related to energy, taxation, investment and financing, export marketing, supply chain traceability, environmental and social sustainability and compliance, and reviving domestic cotton production. While all of these are crucial for boosting the sector’s competitiveness, three points merit special emphasis.

First, to be able to compete in international markets, firms require regionally competitive energy tariffs of 9 cents/kWh. Moreover, with the European Carbon Border Adjustment Mechanism expected to come into force soon, a transition towards net-zero emissions in export production is immediately needed. Achieving both goals requires allowing B2B power contracts with a wheeling charge of 1-1.5 cents/kWh and increasing the cap on solar netmetering for industrial consumers from 1MW up to 5MW so that firms are able to procure clean energy at competitive end-use prices.

Second, the industry's liquidity crisis must be resolved. This entails fixing the FASTER sales tax refund system to ensure all refunds are issued within 72 hours as per the law and bringing inflation down to single digits to allow for a reduction in interest rates and revival of credit provision to the private sector.

Third, the government must undertake an aggressive and multi-faceted export marketing exercise that promotes Pakistan's textiles and apparel products in international markets. This includes high-level delegations consisting of Minister for Commerce and business leaders attending international textiles and apparel sourcing conferences, hosting networking events and interacting with C-level executives from international apparel firms to woo them to increase sourcing from Pakistan.

Moreover, Pakistan should be promoted as a destination for buying houses of international brands and retailers through incentive packages that increase their physical presence in the country, and entry into non-traditional markets such as e-commerce and direct international retail should be facilitated by relaxing regulations on remittance of export proceeds, warehousing of export products abroad and making investment in setting up retail stores in foreign countries.

To conclude, it is pertinent to mention that if provided with such a business environment, achieving $50 billion in textiles and apparel exports by 2029 is not only realistic but very much within reach. It requires aligning our policies with the needs of a modern, diverse textiles and apparel sector, one that can compete effectively in international markets.

The policy roadmap we have put forth, which is driven by a vision to diversify and expand our manufacturing capabilities, sets the stage for this and is a call to action for the government, industry stakeholders, and our international partners.

Source: brecorder.com– Jan 31, 2024

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Pakistan: Cotton prices soar 27% in one month amidst supply constraints

Cotton prices experienced a notable 27 percent increase in the past month, reaching a season-high of Rs19,700 per maund (40 kg), as reported by the Karachi Cotton Association (KCA).

The spot rate for cotton has risen from Rs15,500 a month ago.

As of December 23, cotton prices in Sindh ranged from Rs15,500 to Rs17,800 per maund, while in Punjab, they varied from Rs16,500 to Rs17,000 per maund, reflecting an increase of approximately Rs4,000 per maund.

Currently, prices stand at Rs18,500 to Rs21,000 per maund in Sindh and Rs19,000 to Rs21,000 per maund in Punjab, with spot rates at Rs19,700 per maund.

The surge is attributed to a reduction in the supply of quality cotton in the local market, primarily due to significant textile groups stockpiling quality cotton.

The rise in New York cotton futures prices, reaching around 86.50 to 87 cents per pound, made import deals less lucrative, contributing to the rapid increase in local cotton prices.

Textile mills' acquisition spree, especially in the past week, has further driven up cotton prices by Rs3,000 to Rs4,000 per maund.

Naseem Usman, chairman of the Karachi Cotton Brokers Association, notes expectations for increased cotton sowing in lower Sindh regions and early farming in various Punjab regions, contributing to an optimistic outlook for cotton production.

Despite an estimated cotton production of 8.4 million bales this season, textile mills may face a shortfall, requiring imports to meet the demand of around 13 million bales.

The reopening of the Afghan border and potential reopening of the Chaman border provide hope for increased imports.

The Sindh government's proactive efforts to modernize Karachi's garment city aim to invigorate the textile industry.

The industrial estate, spanning over 300 acres, focuses on value-added textile production, with plans for industrial units and water treatment plants to ensure favorable environmental conditions.

Addressing concerns over declining domestic production, director general of Agriculture Sindh, Munir Ahmed Jumani, stressed the importance of cotton as the backbone of the country's industrial sector.

Continuous challenges such as adverse weather conditions, water scarcity, and pest attacks have negatively impacted cotton yields.

Source: pakistantoday.com.pk– Jan 31, 2024

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NATIONAL NEWS

India-US annual trade has potential of doubling to more than $500 billion, says US Ambassador Garcetti

India-US bilateral trade has the potential to increase to $500 billion annually, from the current $200 billion, riding on direct investments, joint ventures, partnerships, educational exchanges and tourism, Eric Garcetti, US Ambassador to India, has said.

The two countries need to give more geographical preference to each other on trade, like India did in the case of iPhones and may do with Tesla, Garcetti said at a seminar organised by the Indo-American Chamber of Commerce on strengthening Indo-US relationship on Tuesday.

Garcetti's reference to US EV manufacturing company Tesla indicates that the company may be close to reaching a deal with the Indian government on its entry into the country.

"Thanks to US Trade Representative Katherine Tai's leadership, we have now resolved all seven of our WTO disputes (with India). Our relationship has gone from cynical to skeptical to neutral to positive and ambitious about what we can accomplish together. And I need you to make the same push with the government of India," he said.

The two need to say that let us match an ambition that is about strategic preference and geographical preference on trade, he said. "Let us just try that. Just as India did so marvelously with the iPhone and soon may do with the Tesla. Let us see if we can do with the entire country and vice versa. Ask it of us, so that India gets that preferential treatment when it comes to strategic and critical minerals that we need in our supply chain," the US Ambassador said.

Breaking barriers

India needs to change its export policy and export controls if it wants to achieve her goals and attract more investments, Garcetti said. "We want FDI from china to shift here. FDI is not flowing in India at the pace it should be. Instead it is going to South Asia, to Vietnam..I would selfishly want to see more of that happening to India. But for that I need your help," he said.

The US wants a self-reliant India, but no country can be totally self reliant any more. “We want to see supply chains that are critical to America coming here. The rhetoric that everything has to be made in India will slow down the pace . If you tax inputs, you are taxing your outputs. You are not taxing us. You are not protecting the market. What you are doing is limiting a market,” Garcetti added.

Highlighting that CEOs of most top US companies were looking at India for investments but opaque tax structures were still a barrier, he said. “When we break down the walls in both countries, whether they are bureaucratic, whether taxation (related), whether regulatory, or whether part of our federal system, it can only release more jobs, prosperity and strength,” he said.

Stating that year 2023 was best year in US and India history, given the high numbers of visas issued, both for students and visitors, and important partnerships announced in diverse areas related to trade and investments, Garcetti said that even with elections in both countries, things should not pause. “We should accelerate. We should collaborate. We should innovate. We should communicate....and elevate our ambition to higher levels than ever before.”

Source: thehindubusinessline.com– Jan 30, 2024

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DGFT organizes National Conference on Strategic Trade Controls

Directorate General of Foreign Trade(DGFT), Ministry of Commerce & Industry in partnership with the Ministry of External Affairs (MEA) and other Government Agencies today organized the National Conference on Strategic Trade Controls (NCSTC), focusing on India's Strategic Trade Control [related to Special Chemicals, Organisms, Materials, Equipment and Technologies (SCOMET) and Export Controls] system and its International Best Practices, for ensuring compliance related to the export of dual-use (industrial and military) goods, software and technologies.

Unlike past such conferences, this time, the NCSTC was organized by DGFT in a new format, with larger international participation, and wider involvement of various Government of India organizations, Industry stakeholders across the relevant sectors, Academia & Research Institutions. The conference was held at Vigyan Bhawan, New Delhi.

As part of India's Strategic Trade Control system and in consonance with the relevant control lists, guidelines and provisions of the international conventions, mechanisms and regimes, India regulates the exports of dual use items, nuclear related items, and military items, including software and technology under the SCOMET list, which is notified by DGFT under the Foreign Trade Policy.

The Conference, which was attended by more than 500 participants from the Government, Industry and foreign delegations, witnessed the engagement of our Industry on Strategic Trade Control issues with key Government and Industry speakers as well as International experts in the field of Strategic Trade Controls.

The Conference focused on underscoring the importance of effective strategic trade controls, showcasing India's legal and regulatory system in this context, and exchanging best practices and relevant information on strategic trade controls, towards preventing the proliferation of Weapons of Mass Destruction (WMD) and their delivery systems. Further, it facilitated dialogue between Government authorities and Industry stakeholders, assessing and mitigating emerging risks associated with the export of sensitive goods and technologies, fostering international collaboration, gathering feedback from the Industry, etc.

In his remarks at the opening session, Shri Sunil Barthwal, Commerce Secretary highlighted Government of India’s efforts in streamlining the Strategic Trade Control system while also emphasizing India’s non-proliferation credentials and its commitment to the international obligations.

During the keynote address of NCSTC by Ambassador José Javier De La Gasca, Chair 1540 Committee, United Nations Security Council, he highlighted the importance of UNSCR 1540 (2004) in the global architecture of non-proliferation, its significant developments and activities towards long-term goal of global implementation of the resolution: and how this conference is in line with the objectives of the resolution.

In the keynote address of NCSTC by Ambassador Flávio Soares Damico, Chair, Missile Technology Control Regime (MTCR), he underscored the importance of MTCR in the international framework of missile and delivery systems related non-proliferation, significant developments of MTCR including India's membership in 2016, India’s importance considering its established credentials on strategic trade controls and non-proliferation matters, and impact of outreach to industry particularly India’s rapidly growing aerospace sector.

During the thematic sessions of the Conference, the Government officials provided detailed presentations and highlighted various aspects of India’s Strategic Trade Control system, including the legal and regulatory framework, the steps taken to streamline the SCOMET policy and licensing processes, the enforcement mechanism and supply chain compliance programs related to the export of dual-use goods and technologies.

A panel discussion focusing on Industry Experience and Compliance witnessed sharing of experiences by the key Industry leaders across various sectors dealing in export of dual-use goods and technologies.

The Conference also focused on specific sessions related to Internal Compliance in the context of Intangible Technology Transfers (ITT) by Indian industry, Japanese experience with Outreach to and Compliance by Academia, and the impact of Emerging Technologies on Strategic Trade Controls.

A Handbook on India’s Strategic Trade Controls prepared by DGFT was also released during the Conference. The Handbook outlines various aspects related to India's SCOMET Policy, details of the SCOMET application process, documentary requirements, FAQs on the different types of SCOMET Authorisations, the process for obtaining the SCOMET Authorisation for all categories under SCOMET and the priorities going forward. The handbook provides clarity to the Industry and other stakeholders regarding the relevant laws and regulations of the Government of India.

The inaugural session of the Conference was also addressed by Shri. Santosh Sarangi, DG, DGFT; Shri. Surjit Bhujabal, Member (Customs), CBIC; Smt. Muanpuii Saiawi, Joint Secretary (D&ISA), Ministry of External Affairs; and Shri Narayan Sethuramon, Co-Chairman, Confederation of Indian Industries (CII), National Committee on EXIM, among others.

The Foreign Trade Policy 2023 recognized the critical role of India’s Strategic Trade Control system and streamlined the policy and procedures related to SCOMET at one place for ease of understanding and compliance by the Industry.

The SCOMET policy emphasizes India’s Strategic Trade Controls in line with its commitments under multilateral non-proliferation export control regimes and other international conventions. The focus is on streamlining policies to facilitate export of dual-use, high-end goods and technologies while ensuring the regulatory compliances and our security considerations.

Source: pib.gov.in– Jan 30, 2024

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Govt seeks investment commitment from Switzerland under EFTA pact: Report

India has sought investment commitments from Switzerland under the proposed free trade agreement with the four-nation EFTA bloc, a top government official said on Tuesday.

The European Free Trade Association (EFTA) members are Iceland, Liechtenstein, Norway, and Switzerland.

The official also said negotiations for the pact are at an advanced stage and both sides are trying to conclude it fast.

The investment commitment would help India balance Switzerland's decision to remove customs duties on most of its goods.

When asked if this move would have an implication on the agreement, the official said that it can be bargained against many other things.

"We have told them that we will be requiring commitments on investments so that this zero duty on goods can balance more investments and more manufacturing in the country," the official told PTI.

The Indian negotiators are also trying to see how the Swiss companies can come and manufacture in India so that it gives a boost to Make in India programme and also helps in raising the domestic manufacturing power.

When asked about the demand for duty cut in gold by some EFTA members, the official said "that is part of it, but our major focus is on non-gold issues".

Switzerland is the largest source of gold imports, with about 41 per cent share during April-October this fiscal, followed by the UAE (about 13 per cent) and South Africa (about 10 per cent). The precious metal accounts for over 5 per cent of the country's total imports.

Switzerland has large historical accumulations of gold and it primarily refines imported gold.

In 2022-23, India's imports from Switzerland stood at USD 15.79 billion, in stark contrast to its exports of USD 1.34 billion, leading to a substantial trade deficit of USD 14.45 billion.

India received about USD 10 billion foreign direct investments from Switzerland during April 2000 and September 2023.

India and EFTA have been negotiating the pact, officially dubbed as Trade and Economic Partnership Agreement (TEPA), since January 2008 to boost economic ties.

Commerce and Industry Minister Piyush Goyal recently held a meeting with Swiss Federal Councillor Guy Parmelin in Mumbai.

Parmelin, in a social media post on X, had said that officials are working round the clock to settle last details so that it can be signed as soon as possible.

"At the last-minute invitation of my Indian counterpart @PiyushGoyal, I travelled directly from the WEF in Davos to Mumbai/India. After 16 years of negotiations, we found balanced solutions to the main open issues of the EFTA-India trade agreement," Parmelin had said.

The last round of talks between the countries concluded on January 13 here.

Negotiations are held on various chapters, including trade in goods, rules of origin, intellectual property rights (IPRs), trade in services, investment promotion and cooperation, trade and sustainable development, and trade facilitation.

EFTA has 29 free trade agreements (FTAs) with 40 partner countries, including Canada, Chile, China, Mexico, and Korea.

Under free trade pacts, two trading partners significantly reduce or eliminate customs duties on the maximum number of goods traded between them, besides easing norms to promote trade in services and investments.

EFTA countries are not part of the European Union (EU). It is an inter-governmental organisation for the promotion and intensification of free trade. It was founded as an alternative for states that did not wish to join the European community.

India's exports to EFTA countries during 2022-23 stood at USD 1.92 billion against USD 1.74 billion in 2021-22. Imports aggregated at USD 16.74 billion during the last fiscal compared to USD 25.5 billion in 2021-22.

The trade gap is in favour of the EFTA group, according to the data of the commerce ministry.

Source: business-standard.com– Jan 30, 2024

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IMF raises India's GDP growth projection for FY25 by 20 bps to 6.5%

The International Monetary Fund (IMF) raised India's growth projection for 2024-25 (FY25) by 20 basis points (bps) to 6.5 per cent in its World Economic Outlook (WEO) update on Tuesday, citing buoyant domestic spending and improved global growth prospects. The estimate, however, falls below the 7 per cent growth projection by the Ministry of Finance (FinMin).

For FY24, the IMF raised India's growth estimate by 40 bps to 6.7 per cent compared to its October report, which is still lower than the 7.3 per cent growth projected by the National Statistical Office earlier this month.

"Growth in India is projected to remain strong at 6.5 percent in both 2024 (FY25) and 2025 (FY26), with an upgrade from October of 0.2 percentage point for both years, reflecting resilience in domestic demand," the IMF said in its report.

The FinMin, in its review released on Monday, said the economy is likely to grow at or over 7 per cent for the fourth consecutive year in FY25.

"That would be an impressive achievement, testifying to the resilience and potential of the Indian economy. It augurs well for the future," it added.

RBI Governor Shaktikanta Das, in a speech at the World Economic Forum in Davos earlier this month, had said he expected India's GDP growth would reach 7 per cent in FY25. "Our research teams are in the process of making a comprehensive assessment for our forthcoming February 2024 monetary policy. I am saying this on the basis of the strong momentum of economic activity seen in India," he said.

The IMF raised its global growth projection for 2024 by 20 bps to 3.1 per cent, compared to its October report, citing greater-than-expected resilience in the United States and several large emerging market and developing economies, as well as fiscal support in China.

However, this is still below the historical (2000–19) average global growth of 3.8 per cent, with elevated central bank policy rates to fight inflation, withdrawal of fiscal support amid high debt weighing on economic activity, and low underlying productivity growth.

For China, the IMF increased its growth forecast for 2024 by 40 bps to 4.6 per cent. "The upgrade reflects carryover from stronger-than-expected growth in 2023 and increased government spending on capacity building against natural disasters," it reasoned.

IMF Chief Economist Pierre-Olivier Gourinchas said Brazil, India, and Southeast Asia's major economies continue to show great resilience, with accelerating growth.

"The global economy begins the final descent toward a soft landing, with inflation declining steadily and growth holding up. But the pace of expansion remains slow, and turbulence may lie ahead. New commodity and supply disruptions could occur, following renewed geopolitical tensions, especially in the Middle East. Shipping costs between Asia and Europe have increased markedly, as Red Sea attacks reroute cargoes around Africa," he cautioned.

Source: business-standard.com– Jan 30, 2024

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Govt mulls tweaking PLI schemes in textiles, food processing, pharma: Official

New Delhi: The government is considering tweaking production linked incentive (PLI) schemes for certain sectors including textiles, food processing, and pharmaceuticals, a senior official said on Tuesday. The official said that a Cabinet note is finalised to seek approval for the changes from the top authorities. The changes would help these sectors attract more players.

The scheme was announced in 2021 for 14 sectors, including telecommunication, white goods, textiles, manufacturing of medical devices, automobiles, speciality steel, food products, high-efficiency solar PV modules, advanced chemistry cell battery, drones and pharma with an outlay of Rs 1.97 lakh crore.

While certain sectors like electronics are doing well, others are not performing up to the mark.

The government has disbursed Rs 4,415 crore under PLI schemes for eight sectors, including electronics and pharma, till October this fiscal.

A total of Rs 1,515 crore was disbursed in FY24 till October, while it was Rs 2,900 crore in 2022-23, when payments under the scheme commenced.

The incentive amount was disbursed for large-scale electronics manufacturing, IT hardware, bulk drugs, medical devices, pharma, telecom, food processing, and drones.

The schemes aim to attract investments and cutting-edge technology in key sectors ; ensure efficiency, bring economies of size and scale in the manufacturing sector and make Indian companies and manufacturers globally competitive.

Source: economictimes.com– Jan 30, 2024

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Stuck at the bottom, India's domestic cotton prices fluctuate widely

India's domestic cotton prices are still stuck at the bottom despite volatile movements while global cotton prices have surged to near three-month highs. Textile industry players and traders say they have not seen the market fluctuate in such a volatile manner.

Sinking prices

*Average lint prices this year**

Varieties	2022-23	2023-24
J-34	62,089	52,582
S-6	64,485	56,318
Bunny Brahma	66,503	58,135

**Prices are in ₹/candy of 356 kg till now from October 1*

Source: Cotton Corporation of India

According to Anand Popat, a Rajkot-based cotton, yarn and cotton waste trader, prices moved down on an hourly basis on Monday with any change in the fundamentals. "We are witnessing a short-term fluctuation with prices going up quickly and then taking a sharp u-turn," said an industry insider, who did not wish to be identified. On Tuesday, prices of Shankar-6, the benchmark for exports, declined to ₹55,150 per candy of 356 kg. Prices are the lowest since January 18, when it ruled at this level before rising to ₹56,050 on January 25.

Open interest up

On the InterContinental Exchange (ICE), New York, cotton March contracts quoted at 84.34 US cents a pound (₹55,450/candy) early on Tuesday. Over the past two sessions, prices on China's Zhengzhou for March contracts have increased to 16,050 yuan a tonne (₹66,875/candy), up from 15,855 yuan (₹66,425) during the weekend.

The open interest on ICE has increased to 0.46 million US bales (62 lakh Indian bales (170 kg each) signalling some bullishness, according to traders. "Currently, arrivals exceed demand. They are about two lakh bales (170 kg each) on a daily basis. Mills are buying some 1.25 lakh bales, additionally about 25,000 bales, while the Cotton Corporation of India (CCI) 25,000 bales and multinational companies (MNCs) 15,000-25,000 bales," said Popat.

MNCs are providing support to the cotton market with their purchases making up 40 per cent of the arrivals, said Ramanuj Das Boob, a sourcing agent for multinationals in Raichur, Karnataka.

Last year stocks

“Their purchases are providing liquidity in the market. They seem to be hedging by selling on ICE and buying here,” said Das Boob.

A MNC official, who did not wish to be identified, said MNCs cannot go flat and need to hedge their positions on ICE.

Das Boob said the Indian cotton crop was good and spinning mills were buying, though slowly. “Arrivals have been higher and they could be 170-175 lakh bales by January end and they are likely to be good in February too. Prices may rise once the arrivals drop to a trickle,” he said.

Arrivals gave the impression that cotton production may be higher this year but they are faster than last year, said the MNC official. “In Telangana, arrivals are a shocking 35,000-40,000 bales daily. It has to drop to around 4,000 bales for prices to pick up.

Popat said farmers are bringing to the market the stocks they held up last year, mixing with this year’s crop. “It is possible that the crop is good and last year’s held up stocks are also being brought to the market,” said the MNC official.

Short-term swings

According to the Cotton Association of India, arrivals on Tuesday were 2.02 lakh bales with Maharashtra accounting for 60,000 bales, Gujarat 48,000 bales and Telangana 34,000 bales.

But Prabhu Dhamodharan, Convenor, Indian Texpreneurs Federation (ITF), said, “In this volatile environment, textile markets are behaving with short-term swings, both upside and downside. This leads to mills taking very careful and calibrated steps in cotton buying decisions.”

Mills are buying cotton based only on their “own yarn and fabric order visibility,” he said.

Yarn movement in the domestic market is better than on the export front. “This means, garment manufacturers are getting orders,” said Poppat. However, he said the higher arrivals trend will likely not continue for long. The MNC official said the higher arrivals may end soon.

Cotton output estimate

However, Dhamodharan said, “Yarn spreads continue to be at lower levels in major products with compressed margins and this factor also makes mills more careful in their buying decisions.”

The industry insider said the trade would like to be bullish though several factors, including speculation, decide on the price behaviour.

Traders such as Popat are pegging cotton production at 315 lakh bales this season, despite a section pegging it lower. According to the Committee on Cotton Production and Consumption, the production this season (October 2023-September 2024) is estimated at 317.57 lakh bales against 336.60 lakh bales the previous season.

Source: thehindubusinessline.com– Jan 31, 2024

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'Higher capacity utilization of ICDs to push exports from MP'

Indore: Higher capacity utilization of Inland Container Depots (ICDs) of Madhya Pradesh may further push exports from the state, said a senior official from the Customs department on Tuesday.

Exports from Madhya Pradesh in the financial year 2022-23 was around Rs 66,000 crore of which close to Rs 30,000 crore was from Indore and nearby areas.

Sameer Chitkara, Commissioner Customs, Indore said, "Exports from Madhya Pradesh may grow in double digits in the new fiscal amid the conducive environment and availability of resources, mainly agriculture products.

The growth in exports may see a sharp hike if exporters make full use of the ICD's in the state."

There are 6 ICDs in Madhya Pradesh.

Chitkara was speaking at the celebration of the International Customs Day organized by the Tax Practitioners Association. The International Customs Day fall on January 26 and the theme for the year 2024 is 'Customs engaging traditional and new partners with purpose'.

"We have rolled out several schemes and policies to facilitate exports from the state. Exporters and importers should make use of these facilities for better revenue and ease of doing business," said Chitkara.

More than 5,000 items are exported from MP like pharmaceuticals, cereals, machinery, cotton, textiles, plastic articles, automobiles, edible vegetables and among others.

The faceless assessment, contactless customs, paperless customs, risk management system among other facilities by the Central Board of Indirect Taxes and Customs (CBIC) will further aid in smooth overseas movement, said Customs officials.

Customs department is facilitating trade by Risk Management Systems (RMS) and clearing more 90 percent consignment without interventions of Assessment and Examination, said Dinesh Bisen, Additional Commissioner of Customs, Indore.

He said, faceless assessment has reduced the manual interventions and e-governance initiatives such as RMS, e-sanchit, e-gate pass, e-out of charge and e- let export order.

Source: timesofindia.com– Jan 31, 2024

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CITI to host Textile Sustainability Awards 2024 at Bharat Tex Expo

The Confederation of Indian Textile Industry (CITI) has announced the launch of the highly anticipated Textile Sustainability Awards 2024. These awards aim to acknowledge and celebrate excellence in sustainability within the Indian textile industry. The prestigious accolades will be presented in two distinct categories, offering textile mill owners and industry stakeholders an opportunity to showcase their commitment to sustainability practices.

CITI Birla Economic and Textile Research Foundation Awards 2024 will specifically recognise textile mill owners for outstanding efforts in adopting eco-friendly and sustainability practices. Categories include 'Best Practices in Social Responsibility & Green Practices' and 'Innovative Material Management in Textile Mills', highlighting the significance of research and innovation in driving sustainable change within the sector.

The Textile Sustainability Awards 2024, open to a broad spectrum of industry participants, invites brands, MSMEs, manufacturers, and retailers to apply. Categories include 'Recyclers', 'Best HR Practices', 'Best Alternate Materials Use', 'Sustainable Retail Practices', and 'Women Entrepreneurs - Sustainability, Circularity, Social Impact'. This inclusive approach acknowledges the diverse contributions of entities across the supply chain in fostering sustainability and environmentally responsible practices.

Interested companies are encouraged to submit their applications by February 14, 2024, through the user-friendly application process available on the official CITI website. The evaluation will be conducted by a distinguished panel of industry experts, assessing entries based on predetermined criteria such as environmental impact, resource efficiency, and social responsibility, CITI said in a press release.

The grand culmination of the awards will take place at a prestigious ceremony during the Bharat Tex 2024 event at Bharat Mandpam, New Delhi, on February 27, 2024. The event will bring together industry leaders, policymakers, and sustainability advocates to celebrate the strides made by the textile industry toward a more sustainable and environmentally conscious future.

Rakesh Mehra, chairman of CITI, expressed his enthusiasm for the awards, stating, "The Textile Sustainability Awards 2024 are designed to inspire and recognise the commendable progress achieved by the Indian textile industry in embracing sustainability. We strongly urge all eligible organisations to join in, participate, and impart their transformative narratives to us."

Source: fibre2fashion.com– Jan 30, 2024

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Plans on the anvil to provide 365 days' work to weavers of Sircilla, says Telangana BC Welfare Minister

Telangana Minister for Transport and Backward Classes Welfare Ponnam Prabhakar has said that an action plan was being formulated to provide 365 days' work to the weavers of Sircilla and rejuvenate the textile sector.

Addressing a review meeting at the Integrated District Offices Complex in Sircilla on Tuesday evening, the minister said the Congress government will place orders for production of Bathukamma sarees as well as polycotton fabric with the weavers of Sircilla soon. The government will supply the required yarn, he added.

He said power looms will be sanctioned to the eligible workers under the "worker to owner scheme."

The number of units in the Sircilla Textile Park dwindled from 119 in 2014 to 60 in 2023, he said taking a dig at the persons at the helm in the previous Bharat Rashtra Samithi (BRS) government over their claims of strengthening the power loom sector in Sircilla. He exhorted the officials to instil confidence among the weavers in the textile town.

Source: thehindu.com– Jan 31, 2024

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