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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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Currency Watch			
USD	EUR	GBP	JPY
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INTERNATIONAL NEWS

Diversifying supply chains good for global trade resilience: JPMorgan

Diversifying supply chains—a slow-moving maturation away from excessive concentration in China—is positive for economic growth in a variety of countries, and bodes well for the resilience of the global trading system against future economic shocks, according to New York City-headquartered multinational financial services firm JPMorgan Chase & Co.

As of late last year, the world's economies were not rapidly deglobalising, with economic integration and its benefits to corporate profit margins remaining intact, it noted in an insights piece.

Despite expectations of China's share of global trade declining, that share is up. The ratio of global trade in goods to global industrial production has also risen, the firm noted.

While China's share of US imports declined from 2016 to 2023, those declines were offset by gains made by member nations of the Association of Southeast Asian Nations (ASEAN), and by India and countries in Latin America.

Mexico and Vietnam stand out as the two top beneficiaries of the shift away from China. India and Thailand also made notable gains.

US imports of tariffed items from China fell by about $70 billion. As that occurred, JPMorgan Chase analysis showed, Vietnam saw the largest percentage gain in exports of tariffed items: a rise of 170 per cent. But Mexico has seen the largest gains in US dollar terms, at more than $153 billion.

Some migration of trade away from China likely would have occurred even without the trade war, the company said, noting that it cannot precisely say to what degree the trade war, the move offshore of low-end manufacturing from China, or the war in Ukraine accounted for other countries' export gains to the United States.

But its analysis supports the notion that trade rerouting, i.e, the transshipping of goods through a third country, has been more pronounced for Vietnam than Mexico.

Value-added domestic production has likely driven Mexico's export gains more materially. Reshoring activity in Mexico, however, is unlikely to be a boon for jobs as the share of employment in manufacturing in the country has fallen in recent years, likely because of industrial automation.

JPMorgan Chase expected trade diversification would have produced strong US export share gains for countries in South America. But reasons behind the region's lagging performance include low manufacturing complexity, and poor quality and limited trade infrastructure, it added.

Source: fibre2fashion.com– Jan 31, 2024

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Euro area & EU's GDP remains stable in Q4 2023

In the fourth quarter (Q4) of 2023, the gross domestic product (GDP) remained stable in both the euro area and the European Union (EU), as per a preliminary flash estimate by Eurostat, the statistical office of the EU. This follows a 0.1 per cent decline in both zones in the third quarter of 2023.

According to an initial estimation of annual growth for 2023, based on seasonally and calendar adjusted quarterly data, GDP increased by 0.5 per cent in both the euro area and the EU.

When compared with the same quarter of the previous year, seasonally adjusted GDP saw a modest increase of 0.1 per cent in the euro area and 0.2 per cent in the EU in the fourth quarter of 2023. This follows a stagnation in both zones in the previous quarter, as per Eurostat.

Among the member states with available data for the fourth quarter of 2023, Portugal recorded the highest increase compared to the previous quarter with a growth of 0.8 per cent, followed by Spain at 0.6 per cent, and Belgium and Latvia both at 0.4 per cent.

On the other hand, declines were observed in Ireland (0.7 per cent), Germany and Lithuania (both 0.3 per cent). The year-on-year growth rates were positive in six countries and negative in five.

Source: fibre2fashion.com– Jan 31, 2024

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China's manufacturing sector shows signs of recovery in January 2024

China's manufacturing sector displayed signs of recovery in January 2024, as the purchasing managers' index (PMI) rose to 49.2, marking an improvement from the previous month's figure of 49, according to the data released by the National Bureau of Statistics (NBS). There data indicated a rebound in manufacturing activity following a three-month period of decline that began in October 2023. The PMI had previously recorded figures of 49.4 in November and 49.5 in October.

January's improvement is attributed to accelerated production rates and a rise in new orders. Additionally, the month saw stable expectations from factories. A notable increase in export orders was observed, reflecting a resurgence in external demand, according to Chinese media reports.

The overall business outlook for China's manufacturing sector remained largely stable. The PMI for large enterprises returned to the expansion zone, indicating positive growth. Medium-sized companies also showed signs of improvement, although they continued to operate in a contraction phase. However, the situation for small firms remained challenging, with no significant change in their lacklustre performance.

Source: fibre2fashion.com– Jan 31, 2024

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Can e-com directly connect apparel manufacturing countries with western consumers?

A new study by the International Finance Corporation (IFC) and LightCastle has sparked a debate in the Bangladeshi garment industry: Can e-commerce platforms directly connect manufacturers with Western consumers, cutting out middlemen and boosting profits? The research suggests immense potential, with an estimated $489 million in additional revenue by 2027 across the US, EU, and Africa.

However, while Bangladesh's story is compelling, it's not the only one. Manufacturers in Vietnam, another textile powerhouse, are increasingly turning to e-commerce platforms like Alibaba and Amazon to sell directly to consumers. Vietnamese firms like Sacomtex and Vinatex are building their online presence, offering customized clothing and competing with established Western brands.

Building a virtual bridge

The shift to e-commerce presents both challenges and opportunities. Establishing international warehouses closer to target markets, streamlining customs and logistics, and navigating complex banking regulations are all hurdles to overcome. However, the potential benefits are significant. And these include: reduced costs, shorter lead times, and direct access to consumer preferences.

The IFC study identifies several key benefits of e-commerce for Bangladesh garment manufacturers:

• Reduced lead times: Bypassing traditional intermediaries can streamline the process, leading to faster delivery and happier customers.

• Cost-effectiveness: Cutting out middlemen translates to lower prices and potentially higher profits for both producers and consumers.

• Simplified business procedures: Online platforms can streamline international trade complexities, making it easier for Bangladeshi suppliers to reach global markets.

• Direct access to consumers: E-commerce allows brands to connect directly with end consumers, fostering brand loyalty and providing valuable market insights.

Turkey's success story

Turkey's 'Made in Turkey' platform offers a promising example. Launched in 2019, it connects Turkish apparel manufacturers with global buyers, eliminating intermediaries and showcasing diverse product offerings. The platform has fostered increased exports and brand recognition for Turkish textiles.

India too has tried this path. The 'Make in India' initiatives are promoting online marketplaces for Indian apparel, tapping into the country's rich textile heritage. These examples highlight the potential of e-commerce to empower garment-producing nations, fostering economic growth and job creation.

The garment industry in Bangladesh, and other developing nations, needs government support to navigate the e-commerce transition. Streamlining customs procedures, facilitating cross-border payments, and fostering digital literacy among manufacturers are crucial steps. Bangladesh's BGMEA president, Faruque Hassan, advises simplified trade regulations and policy support to empower local entrepreneurs to establish virtual marketplaces.

E-commerce: A future beyond garment exports

The potential of e-commerce extends beyond the garment industry. As Hassan rightly points out, virtual platforms can empower manufacturers in various sectors to reach international markets. From furniture and handicrafts to agricultural produce, e-commerce offers a direct route to consumers, bypassing traditional trade barriers and empowering producers in developing economies.
The road does throw up numerous challenges. These include:

• Policy hurdles: Streamlining customs, port, and banking regulations is crucial to facilitate smooth online transactions.

• Logistics complexities: Establishing international warehouses and navigating the Red Sea shipping impasse require innovative solutions.

• Digital infrastructure: Building a robust e-commerce ecosystem requires investment in technology and digital skills.

While challenges remain, the potential of e-commerce for apparel exports is undeniable. Manufacturers in Bangladesh, Vietnam, and beyond must adapt to the digital landscape, embrace new technologies, and collaborate with governments and industry partners to build efficient virtual marketplaces. This not only holds the promise of increased profits but also empowers producers, promotes fair trade practices, and ultimately shapes a more equitable global marketplace.

Source: fashionatingworld.com– Jan 31, 2024

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Turkish apparel aims for $40B exports in EU & US

At a summit uniting Turkish apparel manufacturers, global brands, and purchasing groups, Mustafa Gültepe, President of TIM and IHKIB, emphasized the pivotal role of European and US markets in achieving a $40 billion export milestone. Gültepe highlighted that Turkey exports 60% of its apparel to EU countries, a figure that climbs to 75% when considering other European nations and the USA. He underscored the industry's strategic importance for the Turkish economy and emphasized the need to intensify efforts in these key markets.

The summit, themed 'Green Transformation,' convened stakeholders to discuss initiatives aligning with the Green Deal. Gültepe's address emphasized Turkey's status as a global apparel player and outlined plans to double current annual exports to $40 billion, with a clear focus on European and American markets. He emphasized Turkey's competitive edge in design, production quality, and geographical proximity to these markets.

Furthermore, Gültepe urged global brands not to solely prioritize pricing but to consider sustainability and partnership longevity. He emphasized Turkey's commitment to integrating sustainability into its advantages and called for collaborations grounded in sustainability principles.

Following Gültepe's remarks, presentations by key figures such as Euratex Director General Dirk Vantyghem and Deputy Director General of the Ministry of Trade Bahar Güçlü delved into sustainability strategies and legal implications of the Green Deal. Deputy Secretary General of ITKIB, Özlem Güneş, highlighted the opportunities the Green Deal presents for Turkey's apparel industry and outlined IHKIB's efforts in adapting to its requirements.

The summit underscored Turkey's strategic imperative to leverage its strengths in the apparel sector, particularly in sustainable practices, to secure growth in lucrative markets. Gültepe's call for collaboration based on sustainability signals a proactive approach to industry challenges, positioning Turkey as a key player in the global apparel landscape.

Source: fashionatingworld.com– Jan 31, 2024

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Turkey aspires to become a hub of sustainable production

This stance was articulated by the Istanbul Apparel Exporters' Association (Ihkib) during the 'Transformation Journey of the Turkish Apparel Industry' conference, held on January 9 in Istanbul. Among the notable attendees were Dirk Vantyghem, the director-general of the European textile confederation Euratex, and representatives from prominent international brands.

"Turkey stands as one of the two countries, alongside China, where every component, from fiber to the finished product, is integrated into the supply chain," emphasised Mustafa Gültepe, president of İHKİB and the Turkish Exporters Assembly (TIM).

"We recognize the imperative of incorporating sustainability into our existing advantages. Compliance, competitiveness, and sustainability criteria hold profound significance. We must align ourselves with environmental, social, and managerial standards, maintain competitiveness in terms of pricing, and seamlessly integrate with sustainable development," he continued.

This unwavering commitment to transitioning towards more sustainable production aligns with a clear goal set by the industry: to elevate local apparel exports from $20 to $40 billion. This is a substantial objective for a country that represents 3% to 5% of global exports in the sector.

Furthermore, this target can only be met with the support of European orders, which account for 60% of sector exports, in addition to approximately 15% of exports destined for the United States.

In 2022, Turkey ranked as the tenth-largest supplier of textile and apparel to the United States, with goods valued at 2.8 billion dollars. The country notably stood as the third-largest supplier of clothing to the EU, amounting to 21.8 billion euros, and ranked as the second-largest supplier of textiles, following China, with a value of 6.1 billion euros.

Despite its privileged (and duty-free) access to the EU market, Turkey was not immune to the decline in orders from a Europe grappling with inflation last year.

Concurrently, in late November, the country opted to increase customs duties on hundreds of textile products, ranging from 30% to 100%, in a concerted effort to support its yarn and fabric manufacturers. This decision has raised concerns among local apparel manufacturers, who fear a loss of competitiveness due to the escalating cost of materials.

In this complex context, local industrialists are placing their bets on sustainability to secure growth in Western orders.

"Quality embodies inherent value, and value carries a corresponding cost," asserted Gültepe.

"Therefore, we firmly believe that the global brands with whom we have collaborated for years should not merely approach this matter through the narrow lens of pricing. Just as with production, our collaborations should rest on a steadfast foundation of sustainability."

The Turkish textile and apparel industry, benefiting from its duty-free access to the European market, operates through approximately 45,000 enterprises, contributing to the creation of around 2 million jobs and engaging in exports at a rate of 60%.

Source: fashionnetwork.com– Feb 01, 2024

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Vietnam Overtakes China as Largest Exporter of Goods Made With Uyghur Forced Labor

Vietnam was the top exporter to the United States of products covered by the Uyghur Forced Labor Prevention Act in 2023, the first time a country has outranked China since the law passed in 2021, according to U.S. Customs and Border Protection.

The act bans the import of products made with Uyghur forced labor. It is a U.S. response to human rights abuses by Beijing of Uyghur and other Muslim minority groups in the Xinjiang Uyghur Autonomous Region in China.

Customs and Border Protection enforcement statistics released Jan. 26 show that Vietnam last year exported the greatest value of products that were denied entry to the U.S. since the law has been enforced, followed by Malaysia.

According to the data, in 2023 Vietnam accounted for the highest shipment value for the apparel, footwear and textiles sector at $19.14 million, with $10.22 million denied, followed by China at $17.70 million, of which $1.29 million were denied.

The Vietnam Ministry of Trade and Industry and the Ministry of Foreign Affairs did not respond to a request for comment on the report. China denies U.S. charges that include mass detentions of Uyghurs in re-education camps and the use of forced labor in manufacturing and agriculture sectors.

“This report presents the very intriguing development that goods made with forced labor in Xinjiang are increasingly being diverted to Vietnam for re-shipment to the US,” Phil Robertson, deputy director of the Asia division of Human Rights Watch, told VOA Vietnamese by email.

While U.S. business and political leaders talk about de-risking supply chains by moving them out of China, “it’s clearly not that simple,” Robertson said in the email. “These diversions are simply unacceptable, and the US needs to use its newly upgraded bilateral relationship with Vietnam to press leaders in Hanoi to halt these tainted goods from being shipped out of their ports to the US. The integrity of UFLPA enforcement depends on taking urgent action now against their transshipments.”

The U.S. and Vietnam upgraded their relations in September to a "comprehensive strategic partnership."

The Department of Homeland Security's Forced Labor Enforcement Task Force includes 30 items, from clothing to solar-grade polysilicon, in its product watch list, according to the Federal Register in December 2023.

Rushan Abbas, founder and executive director of the Campaign for Uyghurs in Herndon, Virginia, told VOA Vietnamese via email that China has increased exports from East Turkistan to neighboring countries and used this tactic to obfuscate the real origins of its products. East Turkistan is the Uyghur name for the area China calls the Xinjiang Uyghur Autonomous Region.

"Vietnam is one of these countries that China abuses to cover for its crimes," Abbas added.

U.S. Customs officials did not respond to questions from VOA Vietnamese about how they selected incoming shipments for analysis.

CBP Assistant Port Director Ed Fox told the CNBC cable news network, "It's a combination of intelligence, information that's gathered from a variety of sources, all feeding into our expert cargo targeting systems."

For clothing that includes cotton, one of Vietnam's largest exports, U.S. officials use isotopic testing, which can link cotton to specific geographic origins, experts say.

The process is not yet a routine process for U.S. Customs, Eric Choy, the agency's executive director for trade remedy and law enforcement, told Reuters in June. He added that officials at individual U.S. ports can request testing if they receive allegations about specific shipments or suspect the goods have links to Xinjiang.

According to Statista, Vietnam was among the five biggest buyers of imported cotton in the world in 2022. China is the biggest cotton exporter, according to OEC World.

A federal report published in 2023 estimated that cotton from Xinjiang accounted for roughly 87% of China's production and 23% of the global supply in 2020 and 2021.

Vu Duc Khanh, a part-time law teacher at the University of Ottawa, Canada, who follows Vietnamese politics and international relations, told VOA Vietnamese, “In the case of the garment industry, I think Vietnam is simply buying raw materials, or even machinery, from China, and then adding cheap Vietnamese labor to export to the U.S. market.”

Nguyen Quang A, an economist in Hanoi who often disagrees with official policy, told VOA Vietnamese in a telephone interview, “I don’t think it is a conspiracy by China to avoid the U.S. regulations. Vietnamese businesses have imported the raw materials from China simply because of low prices.”

Nguyen said the Ministry of Trade and Industry should give full guidance to businesses on the UFLPA when doing business with the U.S., adding that Vietnamese firms will need to wean themselves off raw materials produced in China's Xinjiang region to ensure long-term access to the U.S. market.

“I think it is time for Vietnamese small- and medium-sized textile enterprises to diversify the supply chain, especially using more cotton imports from the U.S., Australia, India, and engage as soon as possible in dialogue with U.S. authorities,” Vu told VOA Vietnamese.

He continued, “Vietnam can do this now because the two countries have just upgraded to the level of Comprehensive Strategic Partnership, the highest level of their diplomatic relationship.”

Source: voanews.com– Jan 31, 2024

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Walmart's Plan to Add New Stores Will Create 'Hundreds of Jobs'

Walmart, the biggest retailer in the U.S. and the world, is back to growth mode as it invests in America.

Walmart U.S. president and CEO John Furner said on Wednesday that the mass discounter will "build or convert more than 150 stores" over the next five years, while at the same time continue with its program to remodel existing stores. The initiative represents "millions of dollars in capital investment of labor, supplies and tax revenue, which benefit their respective communities," he said in a company blog post, adding that the moves will "help us reach and serve even more customers."

On the remodeling front, the plan over the next 12 months is to remodel 650 doors across 47 states and Puerto Rico. That would create "tens of thousands of jobs" supporting these projects on top of the "hundreds of jobs we'll bring to a community each time we open a new store," he said. Furner said Walmart U.S. directly employs about "1.6 million people in this country and support many more jobs beyond that."

The first two new stores under the initiative are set to open this Spring in Santa Rosa Beach, Fla., and in Atlanta, Ga., he said. Both locations are Neighborhood Market doors. "We're also finalizing construction plans on 12 new projects we intend to start this year, along with converting one of our smaller locations to a Walmart Supercenter," Furner said.

Jefferies retail analyst Corey Tarlowe noted that Walmart hasn't opened a new Supercenter in about two years. He added that since the end of Fiscal Year 2020, the discounter has shuttered 140 locations, including 101 stores in Fiscal year 2023 through the end of the third quarter. Recent closures were in urban areas of Chicago and Portland. According to Tarlowe, the "opening of new stores will help Walmart's growth prospects ahead, while the company also invests in profit-generating efficiencies across the enterprise."

Historically, the discounter has gone through periods where it has accelerated store openings, such as from 1999-2001 and 2012-2015, and years when it has not, particularly from 2004-2007 and 2016-2017. Tarlowe described the current plans as a "net positive."

On Tuesday, Walmart revealed its stock will split 3-for-1, with shares to be issued after the market closes on Feb. 24. The last stock split was a 2-for-1 in March 1999. Talowe said Walmart's outstanding shares will grow from 2.7 billion to 8.1 billion. Separately, in addition to the stock split, Walmart also said that store managers will be eligible for up to $20,000 of stock grants annually.

Both the new and remodeled stores will reflect the discounter's Store of the Future concept. That means the locations will have improved layouts, expanded product selections and innovative technology to help store associates better assist customers. "Customers love this concept in the places we've already rolled it out, and we're excited to transition more and more of our fleet," Furner said. In addition, the new stores will be designed with sustainability in mind, such as more energy-efficient equipment and lighting. And locations are expected to include electric vehicle fast-charging stations for the convenience of shoppers and store employees.

"These new and remodeled stores will better enable us to meet and exceed customer expectations whether in a store, online at Walmart.com, or through one of our mobile apps," Furner added.

A research note from Tarlowe last August indicated that the new remodel of a Supercenter he toured included digital displays, wider aisles, mannequins and updated fixtures. Remodeled stores also include additional curbside capacity.

Separately, Walmart has been looking at other ways to make shopping more convenient for customers. In its third-quarter earnings report, the retailer said it was able to cut "store-to-home" delivery costs by 15 percent, a move that helps it with margins. It also partnered with supply chain management firm Bamboo Rose to develop and implement an enterprise sourcing platform to improve how the discounter does business with tens of thousands of suppliers around the world, with a single platform expected to enable buyers to make more informed decisions based on volume and cost. And, in an example on its big bets on fulfillment, it installed in 40 stores in-store parcel stations—turning stores into mini post offices—to expedite last-mile delivery just in time for the holiday season.

Source: sourcingjournal.com– Jan 31, 2024

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Vietnam's deep-water port throughput to double in 2024: SSI Research

Cargo throughput of deep-water ports in Vietnam this year is likely to double compared to transshipment ports, while the capacity of seaports remains unchanged, according to SSI Research, which feels this is expected to have a positive impact on the profits of deep-water port businesses.

Throughput will recover due to improving import-export demand, particularly as US and European markets replenish their inventories, analysts at the company found. Transshipment ports primarily serve the intra-Asia market.

This will benefit companies like Gemadept Corporation and Vietnam Nam Maritime Corporation (MVN), which own deep-water ports.

Last year, the average freight rates at Vietnamese seaports remained stable. However, the after-tax profits of listed parent companies in the seaport industry dropped by 4 per cent year on year (YoY) in the first three quarters last year, primarily because of decline in throughput.

As US retail businesses will ramp up inventory restocking after a 1.5-year inventory reduction period and the next interest rate cut by the Federal Reserve leads to consumer spending and production, that will contribute to a rise in the volume of goods transported by sea and handled at Vietnamese ports, a Vietnamese news outlet cited the company as saying.

The capacity of Vietnamese seaports in terms of supply will not see significant changes until 2025, when several large deep-water ports become operational.

The country's seaport industry recorded less negative results in terms of volume, especially in the second half last year. Vietnam Maritime Administration data shows total container throughput in the country in the first 11 months last year decreased by only 1 per cent YoY, reaching 22.6 million TEUs.

Source: fibre2fashion.com– Feb 01, 2024

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Bangladesh: Non-cotton garment exports could rise from $8.5b to $19b: Study

The country's exports of non-cotton garments, including man-made fibres, could double to $19 billion by 2025, up from the current $8.5 billion, if the existing challenges are resolved, according to a study by the Economic Relations Division (ERD).

The study has been conducted based on global market share and export projection of 20 types of non-cotton apparel items exported by the country.

The study has also underscored the need for devising a fibre security strategy, ensuring duty-free access of all fibres and establishing a dedicated low-cost investment fund, skill development to support man-made fibre investments.

The ERD conducted the study in association with the Research and Policy Integration for Development (RAPID), a non-government think tank.

The study report, "Expanding Man-Made Fibre (MMF) Apparel Export: A Strategy for Upscaling the Garment Sector", was presented to stakeholders at a programme in Dhaka on Wednesday.

"The demand for man-made fibres is growing faster than cotton in the global market. Bangladesh's position in this market is still relatively low. There is a great potential for Bangladesh in this sector, and it can be achieved by addressing existing challenges," MA Razzaque, chairman of RAPID, told The Business Standard.

"To achieve this target, it is necessary to make raw materials easily available, provide logistics, and financial and policy support," he said.

Local entrepreneurs also agree with the potential outlined in the ERD study report.

Md Saleudh Zaman Khan Jitu, managing director of NZ DY Flax Spinning Limited, a backward linkage industry for non-cotton apparel, told TBS, "Our main challenge is the import of man-made fibres. If we are given the facility to import its raw materials duty-free, like cotton, we have the potential to go a long way."

He added, "We have customers, the market is established, and there is an opportunity to produce this textile in the existing setup. But due to a lack of proper policies, we are not able to grab this huge market."

Challenges

The ERD study finds a lack of duty-free raw materials, delay in customs clearance, complicated duty-drawback procedures, inadequate short-term financing support, insufficient FDI inflow and absence of fibre security strategy are key challenges that need to be addressed to explore the potentiality of non-cotton garment exports.

A lack of modern technology adoption, skills gap in top and mid-level managerial positions, lack of skilled workers, limited research and development activities, low level of compliance and certifications practices also act as bottlenecks to reach the untapped potentials, the study reads.

While cotton and cotton textiles are imported duty-free, man-made fibres raw materials are subject to import duties of up to 59%, the study mentioned. Although these duties are supposed to be refunded upon export, businesses get discouraged from doing so due to the complexity and additional costs involved, it finds.

Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association, told TBS, "To increase our value addition, it is imperative to enhance the importance of man-made fibre."

He noted, "Flax fibre yarn is worth $18 per kilogram, while cotton yarn is worth $3 per kg. This is why we need to diversify. To do this, we must remove all types of duties and taxes on flax fibres, just as we have done in the case of cotton."

Abdullahil Rakib, MD of Team Group, one of the largest RMG exporters in Bangladesh, told TBS, "We fully agree with the findings of this study. We have opportunities ahead of us, but we need policy support to capitalise on them."

Non-cotton garments include waistcoats, T-shirts, wind jackets, brassieres, non-woven garments, trousers, synthetic dresses, shirts, overcoats, tracksuits, full or knee-length hosiery and socks, rubberised garments for women, non-knitted synthetic dress, etc.

According to the Export Promotion Bureau (EPB), non-cotton garments accounted for 29% of the country's $55.56 billion export earnings in FY23.

In 2021, non-cotton garments accounted for 54% of the global apparel market size of $505 billion, according to the ERD study.

Source: tbsnews.net– Jan 31, 2024

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Bangladesh: Slumping global demand idles 37pc of local garment capacity

More than 37 per cent of readymade garment factories have unused production capacity due to a lack of orders and declining global demand, a recent survey has found.

The study, conducted last month on 100 factories with 66 responding, shows that on average, factories had 27.5 per cent of their capacity idle throughout 2023.

In the first quarter of 2024, around 62.21 per cent of the surveyed factories' capacity has already been booked for January-April.

The findings were shared at a press conference in Dhaka Club on Tuesday by Faisal Samad, panel leader of 'Forum' -- a group contesting the upcoming Bangladesh Garment Manufacturers and Exporters Association (BGMEA) election.

He said respondents in December last year were asked about product price declines. Some 47.10 per cent experienced price falls exceeding 5 per cent, with the average FOB (free on board) price for Bangladeshi garments dropping by 3.90 per cent, said the readymade garment leader.

He also said that 79.1 per cent of respondents said their buyers did not raise product prices despite the new minimum wage structure implemented in December. Mr Samad also noted a 20-25 per cent decrease in RMG cutting and making (CM) costs after the Covid pandemic.

The survey also found a 47.85 per cent increase in entrepreneurs' costs related to customs and bonds compared to 2022.

The industry has been going through a tough time, commented Mr Samad, citing difficulties following the energy price hikes. At the programme, Kazi Mizanur Rahman, managing director of Adeeba Apparels Ltd, said small and medium factories are suffering the most as banks are unwilling to finance them, while big factories with established brand and retail partnerships are better able to handle the new wage increase.

Referring to an "unhealthy competition" among factories vying for work orders at low rates, Mr Rahman said small factories become the worst victims of this practice.

He alleged that garment makers at Chittagong port face a range of hurdles and inconveniences.

On competition for orders at low rates, Mr Faisal Samad, a director of the BGMEA, said manufacturers often accept work orders below production costs simply to keep their businesses running and ensure timely wages and other obligations.

"And buyers take advantage of it," he added.

Mr Samad said apparel makers raised 30 major issues, including SME development, compliance, fair pricing and an exit policy for struggling businesses, at recent meetings in Dhaka and Chittagong. If elected, he said his panel 'Forum' would address these issues, including developing an exit policy for non-viable factories.

According to him, small ventures are facing numerous challenges, including buyer non-payment, order cancellations, discounts and difficulties securing bank financing.

He promised to address these concerns while also working to secure fair prices, build local brands and implement a unified code of conduct. Two panels, 'Sammilita Parishad' and 'Forum', are contesting the upcoming BGMEA board elections for the 2024-2026 term. The election will be held on March 9 to fill 35 director positions.
The previous BGMEA board elections were held in April 2021, with officebearers elected in April of the same year.

The incumbent board's term was originally due to end in April 2023, but the government extended it twice for one year.

On December 4, 2023, the BGMEA board established an election committee to conduct the upcoming elections.

Source: thefinancialexpress.com.bd– Jan 31, 2024

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Bangladesh: Incentive cuts will hurt exports. That's for the time being

Exporters have expressed disappointment about the government's sudden cut in cash incentives on the shipment of garments and other export-oriented products as the move might bring about a negative impact for them as well as the economy.

Garment makers, who account for 85 percent of the national receipts from the external sector, are particularly unhappy as it comes at a time when their businesses are in trouble for both external and internal challenges and they plan to cement their position in the global market by expanding their footprint.

On the back of the direct cash support from the government's coffer, the duty-free raw material import benefits, and a reduced corporate tax over the years, the sector has emerged as the second-largest apparel supplier worldwide after China, accounting for 7.9 percent of the $750 billion global apparel trade annually.

The sector, which shipped goods worth $47 billion in the last financial year, is the biggest source of foreign currencies in Bangladesh.

In keeping with the garment industry, the primary textile sector has also thrived as a key backward linkage segment, meeting nearly 90 percent requirements of raw materials in the knitwear sector and 40 percent in the woven sector.

The journey for the garment industry began in the late 1970s and it started growing with the European Union's generous Generalised Scheme of Preferences and the Multi-Fibre Arrangement, which have offered duty waiver to Bangladesh, a least-developed country (LDC) since 1975.

At 67 percent, Bangladesh has turned into the highest beneficiary of the LDC-linked benefit in the EU among the eligible nations. The country's 71 percent of overseas sales is LDC-induced and it enjoys duty benefit in 38 countries and territories.

Successive governments of Bangladesh also spoon-feed the industry as it has been the largest employer in the manufacturing sector. Because of its bright prospect of creating jobs and pulling people out of poverty in one of the poorest nations in the world, exporters were at one point given a 25 percent cash incentive to help them capture a major share of the global clothing market.

However, the garment sector's journey might not remain smooth going forward as exporters may see an end to the duty-free export benefit once the country moves out of the LDC category to become a developing nation in November 2026.

In order to prepare the export industry for a shock that could emanate from a sudden withdrawal of export subsidies two years later, the government on Tuesday cut the incentive to a large extent. But the move was unexpected.

The government used to give cash assistance ranging from 1 percent to 20 percent on export earnings. On Tuesday, the maximum rate was set at 15 percent and the minimum at 0.5 percent and it would be applicable for January 1 to June 30 this year.

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

Before Tuesday, a garment supplier used to enjoy a 4 percent incentive on exports if they use local fabrics, an additional 2 percent in the eurozone, 4 percent in emerging markets, which exclude the EU, the US, Canada and the UK. The incentive is 1 percent in all markets.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said the impact would be felt in three forms.

First, the latest decision came into effect retrospectively from January 1. But exporters have already calculated their cost of business based on the rates that were at least supposed to be in place up to June this year as stated in the budget.

Second, the subsidy has been reduced for three promising destinations, namely Japan, India and Australia. Of the $8.5 billion garment shipment to the non-traditional markets, the three countries account for half.

"Exporters should have been rewarded for finding out the new export destinations. But by cutting the incentive, exporters are being punished," said Hassan.

Third, he said, the cash support has been significantly reduced for the top five garment items that make up more than 70 percent of the total shipment from the sector.

The BGMEA chief says the incentive cut comes at a time when exporters are running businesses even at less than the production cost amid volatility in the global and domestic economies.

"During volatile times, the incentive offered major support to us."

"If the government subsidy does not continue, attaining the targets of raising apparel exports to $100 billion by 2030 and grabbing a 12 percent global market share by 2026 will be difficult."

Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association, said the cash incentive has been cut for top garment items that are also related to the local yarn, fabrics, weaving, spinning and dyeing sectors.

"The $25-billion primary textile sector will face a difficult time because of the decision."

"What will happen to the goods that have already been shipped taking into account the previous incentive rates?"

The leaders of the Federation of Bangladesh Chambers of Commerce and Industry, the BGMEA, the BTMA and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) are scheduled to meet with the finance secretary on Sunday to keep the rates in the previous form for at least up to 2026.

Mohammad Hatem, executive president of the BKMEA, said many may argue that exporters are benefiting from the devaluation of the taka.

"But it is also true that exporters need to buy US dollars at Tk 123 to import raw materials although they receive Tk 112 when they sell dollars."

Md Saiful Islam, managing director of Mazeda Jute Industries Ltd, said the jute sector will not revive if the cash incentive reduction remains in place.

"The jute and jute goods sector need more subsidies and loans at a lower interest rate."

Ahsan H Mansur, executive director of the Policy Research Institute, welcomed the government move, saying World Trade Organisation (WTO) rules don't support direct cash support to developing nations.

"The government can subsidise different sectors indirectly and the garment sector does not need any financial support because it is a matured industry already."

The garment industry also enjoys a lower corporate tax: it is 10 percent for green initiatives and 12 percent for non-green factories.

Mansur said garment exporters have benefited from a nearly 30 percent fall in the value of the taka against the dollar.

"However, the government should think about non-garment sectors and they really need support to grow."

Prof Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue, also supported the move, calling for other measures so that exporters become more competitive.

The exporters' competitiveness could be raised through better institutional support, less harassment, improvement in the business environment, and a reduction in the cost of doing business, he said.

Source: thedailystar.net– Feb 01, 2024

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NATIONAL NEWS

DPIIT promotes ODOP initiative to foster regional development

Department for Promotion of Industry and Internal Trade (DPIIT) is conducting nationwide events under its 'One District One Product Sampark' initiative. These events create awareness about the initiative and showcase success stories emerging from various districts across the nation. In alignment with the goals of the Prime Minister Shri Narendra Modi, these narratives illustrate instances of 'atmanirbharta' or self-reliance, and the revival of indigenous industries. The workshops highlight collaborative efforts between districts, states, and centre, emphasizing a commitment to fostering balanced regional development.

The workshops, held in 15 states so far such as Uttar Pradesh, Uttarakhand, Rajasthan, Gujarat, Punjab, West Bengal, Bihar, Jharkhand, Jammu & Kashmir, Chhattisgarh, Sikkim, Nagaland, Goa, Maharashtra, and Meghalaya, have successfully showcased ODOP success stories through local and national newspapers in multiple languages, including English, Hindi, and regional languages. The tangible impact of ODOP Sampark becomes apparent through live interactions with sellers in workshops, where identified gaps in market linkages have spurred proactive initiatives by DPIIT. These initiatives encompass providing support for e-commerce onboarding, collaborating with states to formulate ODOP policies, enhancing packaging strategies, and facilitating connections between sellers at the central level to boost domestic and global promotions.

Many artisans and farmers have been sensitized about the Government's ODOP initiative as part of these events. At these events, attendees are immersed in a cultural showcase, experiencing the richness of each State's renowned products through a live display that highlights a diverse range of local offerings.

The workshops serve multiple objectives, providing a platform to discuss state and central schemes, address doubts and challenges, showcase products, and raise awareness around initiatives benefiting artisans and farmers.

ODOP Sampark, initiated by DPIIT in collaboration with the Press Information Bureau (PIB) and State Governments, has emerged as a distinctive platform fostering collaboration among various stakeholders, including government officials, ODOP sellers, media representatives, and key stakeholders. These events provide a dynamic space for real-time insights, addressing challenges, and exploring opportunities faced by local industries, contributing to immediate growth and development.

States have one product from each district as the primary product. Districts having more than one product identified have categorized them as secondary or tertiary products. These products are covered under various sectors including Agriculture, Manufacturing, Handloom and Textiles, Handicraft, Food Processing, Marine, and services.

As ODOP Sampark continues to evolve, the workshops remain instrumental in not only highlighting success stories but also in addressing challenges and paving the way for a more inclusive and thriving ecosystem for ODOP initiatives nationwide.

Source: pib.gov.in– Jan 31, 2024

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Interim Budget 2024: Textile and apparel industry seeks tax incentives, infra boost for growth

The textile and apparel industry is hopeful the interim budget will announce tax incentives and better textile infrastructure so that manufacturing and exports can be strengthened.

In its pre-budget proposals, the Apparel Export Promotion Council (AEPC) has requested that tax concessions be provided to apparel manufacturers adopting ESG and other international quality standards and compliances.

The textile and apparel industry is an integral part of India's economy contributing approximately 2.3% to the GDP, 13% to industrial production and 12% to exports, according to Invest India. It is also the second largest employer in the country offering employment to 45 million people and 100 million in allied industries.

The AEPC has recommended that trimmings and embellishments be included under Import of Goods at Concessional Rates of duty Rules (IGCR Rules). The industry body said that currently certain trims and embellishment items are not permitted and hence not entitled to duty exemption. "In order to maintain their brand image, foreign buyers insist on maintaining consistency and quality and avoiding use of counterfeits.

Any deviation in the specification and quality results in the rejection of the shipment. Indian apparel exporters are constrained to use only those trimmings and embellishments, which are pre-approved by the buyer and these are mostly required to be sourced from overseas suppliers nominated by the garment buyers," AEPC said. Industry players concur with AEPC's suggestions saying that measures that support sector growth and address key challenges is the need of the hour.

KK Lalpuria, Executive Director and CEO, Indo Count Industries, is hopeful that the upcoming budget will meet the diverse needs of the textile industry. "Stabilising raw material prices, strengthening supply chains and improving textile infrastructure are crucial for business empowerment and contributing to the nation's economy. We trust that the budget will reflect these expectations, leading to a strong and sustainable future for the textile industry," he stated.

Given that the textile industry's contribution to GDP is expected to double to 5% from the current 2.3% by the end of this decade, according to a report by CII and Primus Partners, offering budgetary incentives that can enhance competitiveness for the sector will be crucial for it to step up the momentum.

Source: economictimes.com– Jan 31, 2024

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GST collection rises 10% in Jan to over ₹1.72-lakh cr, second all-time highest figures

With improved compliance, collection through Goods & Services (GST) surged to over ₹1.72-lakh crore, the Finance Ministry reported on Wednesday. This is the second all-time highest collection and the third time in the current fiscal when collection crossed ₹1.70-lakh crore.

January collection, related with goods consumption and services availed in December, is 10 per cent higher than the corresponding month of the last fiscal. With overall collection during 10 months of the current fiscal reaching ₹16.69-lakh crore, showing a growth of over 11 per cent over the 10-month period of the last fiscal, experts feel that full-year collection will exceed the Budget estimate.

Commenting on the collection, MS Mani, Partner with Deloitte India, said that coming on the Budget eve, the second highest ever GST collections would provide more headroom for embarking upon the next stage of GST reforms.

“These collections relate to supply transactions of goods and services during December 2023 where there was considerable emphasis on completing audits and investigations relating to earlier years,” he said.

Parag Mehta, Partner with NA Shah Associates said, ”Increasing awareness within the trade, final orders of pending show-cause notices for 2017-18 which were passed on December 31 and utmost use of data analytics by authorities to curb evasion are the major reasons for the higher collection.”

Both Mani and Mehta are hopeful of collection exceeding budget estimates. According to Mani, the GST collections are in line with the other macroeconomic parameters which indicate a significant uplift in economic activities, with even the IMF upgrading the growth forecast to 6.7 per cent for FY23-24.

The same collection trajectory in the next two months will ensure that the tax collection targets for the year are comfortably surpassed, “ he said.

Increased spending

According to Mehta, with Thursday's interim Budget, there is general expectation of increase in spending by the government, which is bound to increase collections in subsequent months also and thereby boosting revenue.

Vivek Jalan, Partner with Tax Connect Advisory, said that GST collections have almost doubled from an average of around 0.85-lakh crore in FY 18 to around than ₹16.5-lakh crore in FY24. This means that not only in this year, but over the past seven years or so of the GST regime, the CAGR of GST Collections has been at around 12 per cent. As the taxpayers' base has also doubled and keeps increasing by the day, these are clear indications that the biggest tax reform in Indian history has stabilized to a large extent, he said.

"As the honourable Finance Minister delivers her sixth Budget Speech tomorrow, the stage is all set to go for big bang GST 2.0 reforms by bringing in petrol, diesel and alcohol also under GST and reducing the tax slabs under GST from around six to three. These reforms would mean greater simplification of GST by further streamlining the flow of input tax credit across sectors. It would also mean reducing classification disputes under GST," Jalan said.

Source: thehindubusinessline.com– Jan 31, 2024

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India's manufacturing PMI rises to four-month high of 56.5 in January

On the back of fast growth in new orders and production, India's manufacturing Purchasing Managers' Index (PMI) rose to a four-month high in January, a report released on Thursday showed.

According to HSBC Flash India PMI data, the manufacturing PMI rose to 56.5 in January. In December last year, it had fallen to an 18-month low of 54.9. The latest reading highlighted the strongest improvement in the health of the sector since last September.

It has been above 50 since June 2021.

"Current output expanded on robust demand, with domestic orders growing at a faster pace than export orders. The input price index inched up, but manufacturers were able to pass on some of the cost pressures to consumers, as suggested by the small rise in the output price index," said Ines Lam, economist at HSBC.

According to the report, new orders placed with Indian goods producers rose at a sharp pace in January and were the strongest in four months. "Growth was reportedly boosted by marketing efforts and demand buoyancy," it said. READ: China's factory activity shrinks again in January, demand still weak. Moreover, strong demand and with an optimistic year-ahead outlook prompted firms to scale up their buying of raw materials. The future output sub-index strengthened to a 13-month high.

However, there was hardly any change in employment levels from December as firms reported sufficient capacity for their current workloads. Despite input cost inflation ticking to a three-month high, the rate of increase was marginal. Prices charged increased mildly as firms passed on some of the additional cost burdens to clients in response to greater rubber, steel, packing materials, transportation and wage costs.

Inflation in India was near the upper limit of the Reserve Bank of India's (RBI) target range of 2-6 per cent in November and December.

Source: business-standard.com– Feb 01, 2024

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Kazakhstan seeks higher FDI from India as foreign investments increase in the country

The first half of 2023 saw a $13.3 billion influx of foreign direct investment (FDI) into Kazakhstan. The Netherlands, the US, Switzerland, Russia, China, South Korea, Belgium, France, UAE, and Luxembourg emerged as the top contributors. Astana is keen for increased investments by India.

The mining sector attracted the largest share of FDI by industry ($5.6 billion), followed by manufacturing ($2.9 billion), wholesale and retail trade ($2.5 billion), financial and insurance activities ($488.2 million), transport and warehousing ($577.8 million), construction ($189.8 million), professional and technical activities ($159.6 million), and real estate operations ($234.3 million).

The net inflow of FDI at the end of the first half of 2023 reached $4.1 billion, indicating an impressive 86.6% increase compared to the same period in 2022. Kazakhstan is India's largest trade & investment partner in Central Asia.

Meanwhile allocating funds to bolster 40,000 ongoing and 20,000 new small and medium-sized enterprises (SMEs) projects is a key priority outlined in this year's budget, announced Alibek Kuantyrov, Minister of National Economy, during a Jan. 30 meeting chaired by Prime Minister Alikhan Smailov.

Source: economictimes.com– Jan 31, 2024

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Retail industry hopes for tax exemptions, sops

The retail industry is looking forward to tax exemptions and sops to spur consumer demand and boost economic growth in Interim Union Budget to be tabled on Feb 1.

Retailers expect the government to adopt a populist approach ahead of Lok Sabha elections and extend individual and institutional incentives. Sops to help retailers, especially small traders in technology upgradation is another key demand of retailers while many expect the government to provide a level playing field against e-commerce platforms.

“The retail industry needs tax breaks and sops to give a fillip to the sector. To save small retailers, the government should announce additional levy on e-commerce players. This will help in reducing the burden on offline retailers who find it next to impossible to compete with e-commerce players,” Ahilya Chamber of Commerce and Industry president Ramesh Khandelwal said.

Traders said that they do not expect any long term announcements from the government as it's an interim budget. The retail sector also expects simplification in GST and reduced tax slabs.

“This year’s Budget should not be looked at as an interim budget but should be appreciated as a document to show path for activities for full Budget. We expect it to focus on a scheme for clearing huge demand under GST raised on dealer pan India. The Budget should address the problems in not getting finance due to wrong reporting or not updating of records by Cibil,” Confederation of All India Traders (CAIT) National President B C Bhartia said.

Traders said that a simple GST filing process can reduce the burden on businesses and enhance the efficiency at work.

“Government should make GST easy and simplify the procedure. Tedious procedure of GST is a major roadblock that checks efficiency at work. The government should also extend exemptions in tax slabs in this Budget,” CAIT national vice president Ramesh Gupta said.

Source: thehindu.com– Jan 31, 2024

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