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Currency Watch			
USD	EUR	GBP	JPY
83.30	90.37	105.27	0.55

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INTERNATIONAL NEWS

South Asia's growth outlook robust yet vulnerable, says World Bank

In a recent report, the World Bank highlighted the strong but fragile economic growth anticipated in South Asia. Despite an impressive forecast of 6.0 per cent growth in 2024, driven predominantly by India's robust performance and recoveries in Pakistan and Sri Lanka, the region faces significant challenges that could undermine its economic momentum.

The World Bank's biannual regional outlook, titled 'Jobs for Resilience', underscores South Asia's position as the world's fastest-growing region, with a projected growth rate of 6.1 per cent in 2025. However, the report casts a shadow of concern over the sustainability of this growth, pointing to below pre-pandemic levels of economic expansion in most countries, a reliance on public expenditure, and a deceleration in private investment across the region.

The report raises alarms over the region's job creation pace, which lags behind the rapid growth of its working-age population. Martin Raiser, the World Bank's vice president for South Asia, emphasised the need for policies that foster private investment and job growth to counteract the vulnerabilities posed by fiscal fragility and climate-related shocks.

A notable concern is the underutilisation of the demographic dividend in South Asia. The employment ratio in the region stands at a worrying 59 per cent, compared to 70 per cent in other emerging markets and developing economies.

The decline in employment among working-age individuals, particularly men, and the low employment rate among women, spotlight the region's failure to fully harness its labour potential.

Franziska Ohnsorge, the World Bank's chief economist for South Asia, highlighted the missed opportunities due to the region's employment trends. She estimated that aligning South Asia's employment rates with those of other regions could boost its output by 16 per cent.

The World Bank's recommendations for fostering firm growth and employment include increasing trade openness, improving access to finance, enhancing business climates, easing financial sector restrictions, and promoting education and gender equality in the workforce. These measures are pivotal not just for job creation but also for equipping households to adapt to climate change.

Country-specific outlooks reveal varying growth projections, with India leading at a 7.5 per cent growth rate in FY23-24, followed by steady growth across Bangladesh, Bhutan, the Maldives, Nepal, Pakistan, and Sri Lanka. Each country faces its unique set of challenges, from inflation and trade restrictions to sector-specific recoveries and the need for economic diversification.

Source: fibre2fashion.com– Apr 06, 2024

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Changing crop preferences may impact India's cotton output: USDA

The USDA's Foreign Agriculture Service (FAS) has projected a two per cent decline in India's cotton production due to various factors. It has projected cotton production at 25.4 million bales of 480 lb (equivalent to 0.453 kg) for 2024-25. Additionally, it has estimated cotton sowing to cover an area of 12.4 million hectares in the country. The report suggests that farmers may shift from cotton to crops with higher returns, such as pulses, maize, and paddy.

FAS Mumbai, in its report, stated that India's cotton production is expected to be 25.4 million bales of 480 lb (or 32.5 million bales of 170 kg/5.5 million tonnes). The current farmgate prices for seed cotton in March 2024 have seen an improvement from the previous month but are nearly six per cent lower than the previous year, which could deter farmers from planting cotton. However, the anticipation of a normal monsoon season is projected to enhance the yield by two per cent to 446 kilograms per hectare in the upcoming season.

According to the report, India's cotton consumption is projected to be 24.5 million bales of 480 lb (or 31.4 million bales of 170 kg), an increase of two per cent from the previous year. A significant recovery in the exports of value-added cotton products, especially cotton yarn and fabric, in the first six months of 2023-24 signifies a recovery in mill consumption.

As of March 7, the Cotlook A-Index has increased by five per cent since October 2023 (the start of the Indian marketing year), while Indian ex-gin prices and domestic cotton yarn prices have risen by 2.5 per cent and one per cent, respectively, during the same timeframe. Since October 2023, the Indian spot prices (Shankar-6) have increased by three per cent, from 92 cents per pound to 95 cents per pound.

Currently, Indian prices are seven per cent lower than the Cotlook A-Index, making them highly competitive. This supports the consumption forecast and a projected rebound in the exports of yarn and textile products. Year-to-date exports (August-February) of cotton yarn by volume are 114 per cent higher than the previous year, and fabric exports are 11 per cent higher.

Textile production increased by three per cent, but apparel production decreased by two per cent in January 2024, according to the Index of Industrial Production - Quick Forecasts for January 2024, compared to the previous year. Cumulatively (April-January), textile production has slightly improved by 0.4 per cent, but apparel production has declined by 17 per cent. Any increase in consumption is expected to lead to a recovery or compensate for the considerable output losses of the past two seasons.

For the 2024-25 season, cotton exports are expected to reach 2.4 million bales of 480 lb (or 3.1 million bales of 170 kg). Higher carryover stocks will provide India with an exportable surplus, and the depreciation of the rupee will facilitate export opportunities for cotton and cotton products. Following the recent revocation of import duty on extra-long staple (ELS) cotton, imports are predicted to be 20 per cent higher at 2.4 million 480 lb bales.

Source: fibre2fashion.com– Apr 05, 2024

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ICE cotton prices plunge to new lows amid market gloom

ICE cotton has further declined due to a gloomy market outlook. ICE cotton (cash) settled at 83.64 cents per pound, showing a decrease of 1.84 cents. The new cotton for October 2024 also fell by 1.47 cents to 84.28 cents per pound. Slow demand and increased stocks at ICE have dampened market sentiments. However, a weaker dollar index has somewhat limited the fall in ICE cotton prices.

Market researchers have noted that ICE cotton has reached new monthly lows. The slow demand and a price inversion between higher old crop prices and lower new crop prices are exerting pressure on the market.

According to ICE data, certified cotton stocks have risen to 92,654 bales from 67,576 bales on April 1. An increase in stock that can be delivered will enhance market availability. The May 2024 contract slightly recovered (0.05 cent) to 87.19 cents after a steep fall in the previous session. The ICE cotton price for the July 2024 contract also saw an improvement of 0.16 cent to 88.73 cents after a decline in the previous session.

The October 2024 (new crop) contract dropped by 1.47 cents to 84.28 cents per pound. The December 2024 contract also experienced negative sentiments, decreasing by 0.19 cent to 83.33 cents. The March 2025 contract was noted at 84.39 cents, with a gain of 0.12 cent. The market is now awaiting the next export sales report.

Last week, weak export demand negatively impacted market sentiments. The USDA's new weekly export sales report, expected next Friday, is anticipated to remain weak. Additionally, the International Cotton Advisory Committee (ICAC) has projected higher production for the upcoming 2024-25 season, which is another negative factor for the global cotton market.

Source: fibre2fashion.com– Apr 05, 2024

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ITMF Global Textile Industry Survey (GTIS): The 25th Global Textile Industry Survey Results

The last ITMF Global Textile Industry Survey (GTIS) was conducted in March 2024. It reveals a textile business climate with signs of cautious optimism amidst ongoing challenges.

Despite a slight recovery in the business environment from November 2023 to January 2024, the overall situation remained dire in March 2024, underscoring the persistent difficulties companies face across the textile value chain.

Weak demand continues to be the central concern, overshadowing slight improvements in order intake and capacity utilization rates.

Order intake in March 2024 indicated a marginal improvement, particularly in South-East and South Asia, with fiber producers and weavers/knitters experiencing the most significant growth.

The global average order backlog dipped slightly while capacity utilization rates saw a minor increase to 70% in March, reflecting a slow adaptation to the prevailing economic conditions.

The industry's resilience is also evident in the relatively low rate of order cancellations, suggesting a degree of stability despite weak demand. Inventory levels are considered average by most survey respondents.

In the US, inventories of brands and retailers remain high while wholesalers have successfully reduced inventories to near pre-pandemic levels.

For more information, please see www.itmf.org or contact secretariat@itmf.org.

Source: textileworld.com– Apr 05, 2024

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Rules of Origin Reshape Garment Exports: A new landscape for global apparel trade

The global garment industry is facing a potential paradigm shift driven by stricter regulations on sourcing and production. Export markets like the European Union (EU) are increasingly favoring garments where countries source their own textiles internally, driven by compliance with stricter Rules of Origin (ROO) regulations.

ROO stipulate the geographic origin of a product for preferential trade treatment. These regulations determine the nationality of a product for customs purposes and preferential trade agreements. Countries that comply with these ROOs gain easier access to the EU market with lower tariffs or duty-free imports.

ROO challenge, sourcing domestically

ROOs are a complex set of regulations established by trade blocs like the EU to determine the origin of a product. They play a crucial role in granting preferential trade benefits like lower tariffs or duty-free access.

Traditionally, garments could qualify for these benefits even if the fabric was sourced from one country and assembled in another. However, stricter ROO requirements are demanding a higher degree of vertical integration within a country's textile and garment industry.

A key aspect of EU's ROO for garments is that a certain percentage of the textile content needs to be sourced from within the EU or a country with a Free Trade Agreement (FTA) with the EU. This is challenge for garment manufacturers who traditionally source textiles from the most cost-effective locations, often outside the EU.

As Agatha Burton, trade policy analyst at the Brussels Institute for Global Governance explains, the EU's ROO compliance is becoming increasingly stringent.

This incentivizes garment producers to source their textiles from within the bloc or from countries with preferential trade agreements, creating a potential advantage for domestic textile industries.

Similar regulations elsewhere

While the EU's ROO is a prominent example, other regions are adopting similar regulations. The North American Free Trade Agreement (NAFTA), now replaced by the United States-Mexico-Canada Agreement (c), has ROOs that require a certain percentage of content to be sourced from within the agreement.

Additionally, countries like China are implementing stricter regulations on product traceability, which can indirectly impact sourcing decisions. The Association of Southeast Asian Nations (ASEAN) Free Trade Area (AFTA) also implements ROO requirements for preferential tariffs within the region. These regulations incentivize regional sourcing within trade blocs, impacting garment production beyond Europe.

The FTA advantage

Countries with a strong domestic textile industry and an FTA with the EU stand to benefit from the ROO regulations. Turkey, for instance, has a well-established textile industry and a deep and comprehensive FTA with the EU. This allows Turkish garment manufacturers to comply with ROOs more easily and potentially gain a competitive edge in the European market.

"Our FTA with the EU simplifies compliance and reduces costs," says Mehmet Kaya, President, Turkish Textile and Apparel Manufacturers Association. This allows us to compete effectively with producers who may struggle to meet the ROO requirements.

In fact, with the EU's stricter stance, countries with well-developed textile industries stand to gain an advantage. According to a 2022 report by the European Commission, Italy, France, and Germany – all with robust textile sectors – are major EU garment exporters.

Countries with existing FTAs with the EU already enjoy preferential tariffs, making them more competitive. Vietnam, for instance, boasts of a booming garment industry and a 2020 Free Trade Agreement with the EU. This agreement offers Vietnamese garment manufacturers a significant advantage when complying with ROO regulations.

Countries with existing FTAs with the EU

Several countries with established textile industries already have FTAs with the EU

• Turkey

• Morocco

• Tunisia

• South Korea

• Vietnam (partially ratified)

Impact on sourcing

The impact of ROOs on garment sourcing is likely to be a gradual shift rather than a sudden change. The emphasis on internal textile sourcing could indeed be a paradigm shift. Traditionally, garment manufacturing relied heavily on geographically separated production stages. Countries like Bangladesh, known for low-cost labor, often sourced textiles from elsewhere before assembling garments for export. The new focus on ROO compliance might force a more vertically integrated approach, with countries building or expanding their domestic textile industries.

In the short to mid-term, one may see increased focus on sourcing textiles from FTA partner countries, so countries like Turkey and Vietnam, benefit the most; more investment in domestic textile production capacity within the EU; potential price increases for garments due to higher sourcing costs; a shift towards sourcing textiles from countries within the same trade bloc to comply with ROO regulations.

In the long-term, the impact could be more significant with a more regionalized garment production model and production closer to consumer markets. Increased emphasis on transparency and traceability throughout the supply chain. More potential for innovation in sustainable textile production within the EU. Also, in the long run, the stricter regulations could incentivize countries with lower-cost labour to invest in developing their domestic textile industries. This could lead to a more geographically dispersed yet vertically integrated garment production landscape.

The EU's ROOs are prompting a strategic shift in garment sourcing. While the short-term effects may be price adjustments and regional sourcing strategies, the long-term implications could be a more sustainable and transparent global garment industry.

Countries with strong domestic textile industries and existing FTAs with the EU are well-positioned to capitalize on this trend. As regulations evolve, the global garment industry will likely adapt to a more geographically concentrated and compliance-driven production model.

Source: fashionatingworld.com– Apr 04, 2024

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TRA warns of imminent collapse in UK's textile recycling sector

The Textile Recycling Association (TRA), the primary trade association representing over 75 per cent of the UK's used textiles collectors and sorters, has issued a stark warning regarding the potential collapse of the nation's textile recycling sector amidst global market challenges.

The alarm has been raised following concerns voiced by its members about reaching capacity at processing plants, rendering them unable to sustain collections from charity shops, recycling centres, and community textile banks.

The failure of the UK sector to collect waste textiles poses severe environmental risks, including escalated microplastic pollution, water contamination, and an increase in landfill textile waste.

Annually, the world produces 92 million tonnes of textile waste, equating to a Mount Everest-sized pile every 7 minutes or a rubbish truck's worth of textiles discarded every second, TRA said in a press release.

Valued at over £1 billion (approximately $1.26 billion) annually, the used textiles industry significantly contributes to the UK economy, impacting charities, local waste authorities, logistics, and packaging industries. The sector's downfall could affect one in every 25 jobs across the country.

Compounding the crisis, proposals from several European nations to halt the export of 'used' textiles within the EU could further destabilise the industry. France, Denmark, Sweden, Finland, and Austria are among countries considering such bans, marking a considerable policy shift.

Operational costs for textile merchants have skyrocketed due to disruptions in the Red Sea affecting shipping lines. This, combined with increased taxation from African and Asian markets and pressure to reduce waste exports, places the industry under significant financial pressure.

The surge of low-quality textiles from fast fashion exacerbates these challenges, increasing operational costs and pushing many merchants toward financial collapse.

The TRA is calling on the UK Government for urgent intervention, suggesting the implementation of an Extended Producer Responsibility (EPR) scheme among other regulatory measures.

The association advocates for transparent dialogue and concerted efforts to foster a sustainable textile recycling industry.

Source: fibre2fashion.com– Apr 05, 2024

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Maersk to Phase Out Panama Canal 'Land Bridge' in May

Maersk may be ushering in a good sign for the state of the Panama Canal upon reinstating transit on its Oceania-to-the Americas "OC1" service through the waterway in May.

Since January, when the container shipping giant halted the service, goods on OC1 have been transported via rail over a "land bridge" across the roughly 50-mile country.

OC1 will return to its pre-existing rotation on May 10, with the land bridge set to be phased out by the end of May, Maersk said in a customer advisory Friday.

Under the temporary shift, Maersk created two separate "loops" on each side of the canal—one in the Atlantic Ocean and another in the Pacific Ocean—for container vessels.

The two-loop setup meant that containers headed east were unloaded at Panama's Pacific-side Port of Balboa, before crossing the isthmus by train to the Port of Manzanillo on the Atlantic coast, where they were loaded onto a ship destined for Philadelphia and Charleston.

The move comes a month ahead of the start of Panama's rainy season, which lasts from May to December.

A months-long drought in 2023 kicked off the traditionally damp period, which negatively impacted water levels at Gatún Lake, the manmade lake which provides the water to move ships through the Panama Canal's lock system.

The drought led the Panama Canal Authority (ACP) to begin implementing restrictions for both daily transit bookings and vessel draft, ultimately creating backlogs that surpassed 120 ships in the late summer and fall months.

Since its locks were expanded in 2016, the Panama Canal had capacity for 34 to 38 daily transits, but this was steadily reduced throughout 2023 to 22 vessels per day.

The ACP began easing the restrictions at the start of 2024, increasing the number of bookings it accepts each day to 24 in January and 27 in March. Maersk said it had been closely monitoring the added transit slots by the ACP in recent weeks before deciding to revive the OC1 service.

If the country's current water totals and future projections are any indicator, more restrictions could be lifted in the future.

As of Friday, Gatún Lake's official water levels are 80.3 feet deep, which is 2.6 feet shallower than the 82.9 average in April over the five previous years. The 2.6-foot difference is a major improvement from the 5.5-foot average differential just three months ago in January, when water levels were 81.4 feet deep compared to the usual average of 86.9 feet.

By May, the ACP forecasts that the depth will drop to 80 feet by mid-May, representing a 2.5-foot gap from the 82.5-foot-deep, five-year average.
MSC faces possible $63 million fine from FMC

While Maersk is capitalizing on the potential improvements at the canal, its biggest rival is in hot water with the Federal Maritime Commission (FMC).

The FMC's Bureau of Enforcement, Investigations and Compliance (BEIC) has asked Mediterranean Shipping Company (MSC) to pay a civil penalty of no less than $63.3 million on allegations of "knowingly and willfully" violating the U.S. Shipping Act.

MSC is being accused of charging excessive late fees on non-operating reefers and billing third parties that were not originally part of the contractual agreement using a broad definition of "merchant" in its bills of lading. The investigation into MSC has been under way since August 2023, the commission said.

The probe found 18 violations related to the use of its "merchant clause" to assess and collect charges from third parties and more than 3,000 violations related to non-operating reefers.

"The fact that MSC failed to conduct an internal audit and proactively reconcile its billing processes, resulting in at least 2,629 reefer overcharges and 1,704 undisputed reefer charges, is a clear display of MSC's reckless disregard and plain indifference to the requirements of the Shipping Act," the FMC said in its 81-page complaint.

Sourcing Journal reached out to MSC.

MSC ran afoul of Bed Bath & Beyond last year, with the bankrupt home retailer suing the carrier for $316 million in the biggest lawsuit filed with the FMC to date. The retailer is accusing the company of failing to meet service commitments during Covid, coercing Bed Bath & Beyond into paying extra for peak season surcharges and other fees and charging excessive demurrage and detention costs.

Source: sourcingjournal.com– Apr 05, 2024

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JCPenney's First Store Opening in 8 Years Trumpets $1 Billion 'Refresh' Plan

At JCPenney, it's no longer a sea of racks.

With its $1 billion "refresh" program, Penney's sets higher standards for store presentation—and it's most evident at the retailer's new store in the Willowbrook Mall in New Jersey, the first opening by the retailer in eight years. The refresh project is ambitious, designed to reverse Penney's sagging sales trends, and in its early stages.

Two days prior to the ribbon-cutting for Penney's official opening Friday in Willowbrook, Sourcing journal sister publication WWD met with Penney's chief merchandising officer Michelle Wlazlo for a tour of the store. For five years since joining Penney's from Target, Wlazlo has been overhauling the retailer's portfolio of private brands — weeding out weak ones, differentiating the ones that matter, and adding new private labels to fill merchandise voids such as Xersion for active.

She's also orchestrated a steady buildup of denim, casual and beauty offerings and brands in beauty with such additions as Arianda Grande fragrance, Smashbox cosmetics and Two Faced mascara; Puma and Fila in active, while Levi's, Reebok, Adidas have enhanced presentations. Martha Stewart in home, as well as a storage and organization section, were launched not long ago, and plus- and big-and-tall sizing is seen across private and national brands.

In juniors, or as Penney's calls it "Young-Minded," brands such as Forever 21, Juicy Couture and Arizona Body have been added, reflecting efforts to change perceptions of Penney's as a store just for older audiences. In February, Penney's announced its partnering with Johnny Wujek, the Los Angeles-based celebrity costume designer and stylist to launch the retailer's first Gen Z-inspired formal collaboration. And the rollout of JCP Beauty departments with its inclusive mix of masstige, prestige and mass brands from new, emerging and established companies, to all 660 stores following Sephora's defection to Kohl's, is complete.

Now, with much of the merchandise work done, Penney's wants to strut its stuff and it's being done through the refresh program disclosed in August.

The new Penney's in the Willowbrook Mall (roughly 20 miles from midtown Manhattan) is housed in a former Lord & Taylor site and replaces the old Penney's that was located just outside the mall. With two levels, 65,000 square feet of selling space and about 120,000 gross square feet, Penney's in Willowbrook is marked by smarter category adjacencies that correspond better to how people prefer to shop. For example, handbags is just behind sportswear; kids fashion is adjacent to the photo studio and the Disney shop; juniors is next to prom, and JCPenney Beauty is right beside the salon.

There's a clear demarcation between casual and dressier fashions. Just past the entrance from the inside of the mall, there's the a.n.a. casual private brand on the right, and to the left, the private Worthington brand for more polished, wear-to-work, dressier styles. The setup signals that Penney's, in its appeal to working- and middle-class families, those segments of American society that have been most hurt by inflation and higher interest rates and struggling to make ends meet, offers fashion for all occasions and end uses.

Other key innovations on the selling floor, as highlighted by Wlazlo:

- Two central, faster checkout stations, replacing the old setup with several checkout counters randomly situated through the store.
- Movable fixtures so categories and brands can be bolstered or pared down based on selling trends.
- An open-floor plan for longer sightlines and easier navigation.
- More mannequins.
- Bright LED lighting and updated fixtures.
- A rotating shop for home and holiday items on level one for a taste of the home assortment on level two.
- "Gotta Have It" signs flagging 124 replenishment-type items sold at "exceptionally" low prices, like T-shirts.

"When you're starting a store from scratch, you can think about how to use the space differently, and you'll feel it here," said Wlazlo, on the tour. "We're actually using the space more effectively. Everything is mobile so we can move things, which is really important. There's flexibility in the space. But more than anything, we looked at this market and said, 'what brands or businesses do we need to expand or shrink slightly?'" Private brands a.n.a., Worthington and Stylus, as well as national brands such as Levi's and Puma, each have a pumped up presence, among other brands.

"In this store, especially with this being a more intimate space, we moved all the things she buys with her apparel, next to apparel," said Wlazlo. "I know that seems like a simple concept, but think of how in many stores accessories are way over, on another side of a store, far away from apparel. We listened to the customer and put things together that should be together.

"We moved all intimate apparel and shapewear adjacent to dresses, because if you're wearing a strapless dress, a backless dress, a halter dress, a fitted dress, no matter what kind of dress you're wearing, you need a solution underneath. We got that here. This is a unique to the store."

In women's fashion, "We're the place to get dressed up," said Wlazlo, adding that even through the pandemic, when people were stuck at home wearing sweats, Penney's maintained its assortment of men's suits and dresses. "We are based in Texas, and let's just say Texas people were going out to eat and doing things. We saw a lot of suiting and dresses so we stuck with the business during that period.

In fact, we relaunched J. Ferrar and Stafford (men's suits) in 2021, right in the heart of everything....Post-pandemic, we're seeing men still wearing a suit, but they're wearing it with a sweater polo underneath, or a shirt without a tie. So suiting is back. Sometimes it's just the jacket. Sometimes it's the pants. Sometimes it's both." Penney's hosts approximately 500 "suit-up" events annually in the stores and online to help students feel confident on interviews and as they prepare to enter the workforce after college. At these events, Penney's offers up to 50 percent off career apparel, discounts on salon and beauty services, and $30 headshots.
To balance the fashion presentation, "We probably built our casual, all-day part of the business exponentially in the last five years," Wlazlo said. "The area that we've expanded the most over the years has been really on the denim and casual side, where we've introduced most brands. We had been so dressed up. Now we're dressing for every occasion."

As Wlazlo sees it, Penney's beauty salon is "the mothership of differentiation" from competitors. "We provide 100,000 services in our salons every week," be it coloring, cutting or styling hair; blowouts; facials, or shaping brows. Salon services have grown 10 percent year-over-year, according to Wlazlo. "Customers are loyal. They come in up to seven times a year, some even more. They are loyal to their stylist." Other key differentiators seen at the Willowbrook store and throughout the chain are the photo studios, extensive big and tall and plus size offerings, and the

50-50 balance of private brands and national brands. At other department stores, private brands represent 20 to 30 percent.

JCPenney Beauty has an open-sell format so customers can get at products without needing an associate. “The beauty advisers in all of our stores are experts and they’re here to help, but we do want people to discover on their own and not feel like they have to get someone to open up a case for that.”

The beauty and salon businesses, Wlazlo said, are “completely linked” by one shared leadership team overseeing the salon and beauty advisers and stylists. A stylist in the salon would recommend beauty products, while a beauty adviser could suggest a visit to the salon, or to be photographed in JCPenney Studio. “We don’t just sell things. We actually service the customer in a holistic way,” said Wlazlo. “There’s this connective tissue. Our ability to link all of our services and product businesses together is a differentiator. It’s the mind set of our associates.”

With 65,000 square feet for selling, Penney’s in Willowbrook is significantly smaller than typical Penney’s locations, which on average have 100,000 square feet of selling. Still, Penney’s in Willowbrook feels larger than it actually is due to its extended sight lines and openness. As Wlazlo said, “It’s not so small we can’t provide all of the offerings we need to.”

She’s thinking tighter, more efficient units for the future. “If we can have a more flexible store size, we’ll take the opportunity. If we can do some smaller stores, that would be great. But we want to make sure that we don’t sacrifice any of the customers’ needs. So will you see some more smaller stores? Probably. Opportunistically, if we can do something in a smaller space, we would. We are really important in smaller communities and rural communities, and we actually have good performances in some of those smaller markets. At the same time, we have some very strong stores with 100,000- to 125,000-square-foot selling.”

Penney’s has closed hundreds of stores over the years. The count is down to 660 stores. “We love our fleet size,” Wlazlo said. While there could be a few wonted closings in the future, no significant rounds of shutdowns are seen, she said.

About a month ago, Penney’s launched its “Gotta Have It” pricing programming, which this spring flags 124 items in kids, men’s and women’s apparel, active, footwear, intimates, men’s basics and home being sold at very low prices. They tend to be products like T-shirts that consumers regularly replenish. Gotta Have It diverges from Penney's high-low and coupon oriented pricing. "These Gotta Have It pieces modify prices less frequently," Wlazlo said. "You can count on the price. If you have a coupon, it can be used on our Gotta Have It items. There might be one or two price hits, but it's not going to have this constant, 40, 50, 60 percent off."

Wlazlo considers the installation of the central checkouts, which also service pickups and returns, among the biggest changes on the selling floor, to improve the merchandising. "It's allowed me to do a lot more with the product," she said. "If you're trying to merchandise this beautiful product around all these registers that would be scattered around the floor, it completely loses the storytelling."

The merchandising has been further enhanced by populating stores with more mannequins. On average, stores display 221 mannequins across men's, women's and kids, but 62 new mannequins per store are being added to locations undergoing a refresh. They are in three tones of gray and in regular and special sizes in men's and women's, to better represent customers with different physiques.

A new POS is rolling out, and is in about 30 stores including Willowbrook. "This new point-of-sale system makes things easier, quicker. We can use mobile devices now so you don't have to be at the register to check people out. We're also upgrading the entire infrastructure of the wiring, the Wi Fi, everything." The next-generation POS offers speed checkouts, simplifies applications for JCPenney credit and enrollments in the JCP Rewards program and improves visibility to merchandise inventory across stores, making it easier for customers to find what they are looking for.
On the fixturing side, tables, T-stands, wall displays are being brought to the stores so there's better product storytelling, and greater visual interest.

"If you would have walked into a JCPenney five years ago versus today, it's a night and day difference as far as the the inspiration in the storytelling with the use of the mannequins, the tables, the lighting, the walls, everything," Wlazlo said.

Not all of the $1 billion refresh budget is for the store upgrades. Some of it continues to be allocated to upgrade jcpenney.com and its navigation, storytelling, adding videos on applying makeup, outfitting and other topics, creating continuity between what's shown online and in-store, and overall providing a more appealing and better online experience, Wlazlo said. “So much of the storytelling you see in the store here is connected into online. If we’re telling a story about cargoes, that cargo story is showing up online and in stores. So it really is fully integrated.” There’s one merchant team for both store and online channels.

Part of the $1 billion refresh budget is also for improvements in the supply chain, and planning, allocation and replenishment systems.

“So it’s the gamut,” Wlazlo said. “One year you might invest more in one area, and when that’s done, you’ll invest in other areas. I don’t think it’s static as far as percentage.” Penney’s does not break out how much of $1 billion gets allocated to the different areas of the business.

Wlazlo emphasized that being able to open a new store, such as in Willowbrook, is ideal for implementing all the desired floor changes. “This store amplified and enhanced some things and we’ve had some new things that we want to do. This store has some movable walls and some additional fixturing that other stores don’t. But if you go into any store, you’ll have this beautiful assortment of Worthington, Liz Claiborne, St. John’s Bay, Stafford. The adjacencies will be, by and large, the same. You’ll have a beautiful beauty space and salon space but they may not be connected. You’ll have amazing intimate apparel, but it may not be near dresses. We’ll have a great handbag area, but it’s probably further away,” from women’s apparel in certain stores.

“I would be just as proud for you to walk into any other store. But we took the opportunity in this store to actually say where are all the areas where we can do even better and let’s do them here.”

Penney’s went bankrupt in May 2020 after getting clobbered by the pandemic and being forced to temporarily close stores. But the Dallas-based retailer was lifted out of bankruptcy by two major mall owners and its new owners, the Simon Property Group Inc. and Brookfield Property Partners LP, thereby reducing its debt from around $5 billion to about $500 million. Penney’s viability is important to the health of their shopping centers, and that includes the Brookfield-owned Willowbrook Mall.

While the developers have given Penney’s a new lease on life, the $1 billion refresh program is being funded by Penney’s itself, according to the company. So far, 120 of the 660 Penney’s stores have been refreshed, with many, though not necessarily all, of the upgrades seen in Penney's in Willowbrook. Nearly 70 refreshes were done last year, and the plan is to refresh the entire chain.

"Since our restructuring, we've been generating a healthy cash flow. We have good liquidity," Wlazlo said. "That's why we've been able to reinvest in the company. We are in very strong financial shape."

Penney's is expected to report fourth-quarter/year-end 2023 financial results in early May. For the third quarter of last year, the Plano, Texas-based department store had a net loss of $30 million versus a loss of $17 million in the year-ago period, and an operating loss of $10 million versus operating income of $2 million in the year-ago period. Net sales in the three-month period declined to $1.53 billion from $1.71 billion. Penney's volume in 2022 was just over $8 billion. It peaked in 2006 at more than $20 billion.

Source: sourcingjournal.com– Apr 05, 2024

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Netherlands retail sector witnesses modest growth in February 2024

The Dutch retail industry experienced a 3.0 per cent increase in turnover for February 2024, as per Statistics Netherlands (CBS). The sector saw a sales volume rise of 2.7 per cent, with notable growth in both the non-food and food sectors.

Turnover in the clothing retail sector was down 0.1 per cent year on year (YoY), while shoes and leather products witnessed a YoY increase of 2.8 per cent in February. Online turnover for clothing and fashion items was -10.2 per cent during the period under review.

In the non-food sector, turnover surged by 3.9 per cent, with sales volume increasing by 4.6 per cent from the previous year. This sector includes diverse retail areas such as chemists, footwear and leather goods, and DIY products, which all reported growth in February.

Total online retail turnover marked a 5.3 per cent increase, with online-only retailers experiencing an 8.1 per cent rise. However, multi-channel retailers, which use the internet as a secondary sales channel, saw a modest 0.9 per cent increase in online turnover.

Source: fibre2fashion.com– Apr 06, 2024

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Ghana study to identify circular biz opportunities in textile-apparel

Ghana has initiated a feasibility study of the textiles and apparel value chain to identify circular business opportunities, Patrick Nomo, chief director of the ministry of environment, science, technology and innovation (MESTI) recently said.

He said this at the opening ceremony of an office of the Korea Environmental Industry and Technology Institute (KEITI) in Accra.

The project, being undertaken in collaboration with KEITI, will help revamp the sector and address the environmental and health impact of imported second-hand apparel (mitumba), he was cited as saying by a domestic news agency.

Apparel production in the country had nearly doubled in the last 15 years, while the number of times a garment is worn before being discarded had decreased by about 36 per cent, he said.

The government targets a more sustainable and circular trade of used textiles by forging partnerships with industry, trading partners, development partners and other stakeholders, he said.

KEITI president Heung Jin Choi said the primary purpose of the office in Accra is to expand the cooperation that existed between Ghana and South Korea in the field of environment.

Source: fibre2fashion.com– Apr 06, 2024

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Pakistan: Trade competitiveness and economic growth: Govt focusing on tariff rationalisation, its implications: Jam

Commerce Minister Jam Kamal has said that the government is focusing on tariff rationalization and its implications for trade competitiveness and economic growth.

Addressing a pre-budget seminar he underscored the significance of tariff rationalization in enhancing trade competitiveness and fostering economic growth.

He emphasized the Ministry of Commerce's commitment to simplifying and streamlining tariff structures to reduce costs for domestic industries, boost exports, and attract foreign investment.

Jam Kamal reiterated the government's dedication to supporting the business community and highlighted key priorities including boosting exports, combating smuggling, and curbing tax evasion.

He also praised the growth of Pakistan's textile industry and recognized opportunities in the evolving global landscape, reaffirming the government's commitment to driving Pakistan towards a more dynamic economic future.

The Secretary Commerce, Saleh Ahmad Farooqui, highlighted that the seminar provided a platform for stakeholders to engage in meaningful discourse on tariff rationalization's benefits and implications.

He emphasized the importance of stakeholders gaining insights into tariff rationalization initiatives and providing inputs to aid strategic changes to the existing tariff structure.

All Pakistan Textile Mills Association (APTMA) took centre stage at the Ministry of Commerce Pre-Budget Seminar, addressing the pressing challenges confronting Pakistans textile and apparel industry.

In recent months, the country witnessed an unprecedented decline in exports, plummeting from an all-time high of $19.3 billion in FY22 to a concerning $16.5 billion in FY23. This stark downturn signals an alarming departure from our installed capacity and is a call for introspection and strategy.

APTMA informed that the key reason of to this challenge is the paradigm of our energy tariffs that have become shackles inhibiting our potential. The escalation of grid electricity tariffs to approximately 17.5 cents per kWh, paired with the surging cost of gas, has left us in a predicament where the production cost exceeds the competitive threshold on the global stage.

"It is not merely about numbers; it is about the sustenance of an industry that employs millions and the livelihoods tethered to its success. We have unequivocally identified the hurdles prohibitive energy costs, hindrance in tax refunds, an adverse duty structure for key raw materials, to name a few, " said APTMA representative.

The textile industry said that the way forward is charted with both immediate and long-term solutions that demand which require an actionable roadmap, one that envisions bringing power tariffs for industrial consumers to a regionally competitive level of 9 cents per kWh.

"This is not an arbitrary figure but one that aligns with the successful growth we experienced when our tariffs were competitive. The removal of cross subsidies and stranded costs is a strategic recalibration of our resources that will revitalize our textile and apparel exports, "said APTMA.

The Association also envisions the empowerment of the industry through business-to-business (B2B) power contracts, which would enable our textile mills to secure green energy at competitive rates. By setting an upper cap of 1000MW/annum for these contracts, the country can judiciously manage financial spillovers while fostering an environment conducive to export expansion.

Moreover, increasing the cap on solar net-metering for industrial consumers from 1MW to 5MW would propel our strides towards a net-zero future, essential in an era where international trade is increasingly contingent on sustainable practices.

APTMA has also taken cognizance of the imminent threat posed by the EU's Carbon Border Adjustment Mechanism (C-BAM). To maintain our export competitiveness under C-BAM and similar green regulations, it is crucial to enable a transition to green energy immediately, and the measures we have proposed, including B2B contracts for power wheeling and increasing the cap on solar net-metering will also support this.

Additionally, the rationalization of tax rates, deepening of the stock market, and incentivizing exports, are the catalysts to our financial rejuvenation. As we juxtapose our corporate tax rates with regional economies, the imperative for rationalization becomes ever so clear. With the highest corporate tax rates in the region, we are inadvertently hindering the influx of both domestic and foreign investment.

The challenges of supply chain traceability are also not to be underestimated in an era where consumers and international markets demand ethical sourcing and sustainability. The need for a robust National Compliance Centre (NCC) is clear.

Pakistan's import and anti-dumping duties discourage MMF production, keeping us from tapping into this lucrative segment of the global textile market.

"We have pinpointed the need to remove the import duty on raw materials such as Purified Terephthalic Acid (PTA) and Polyester Staple Fiber (PSF), the building blocks of MMF textiles that represent two-thirds of international trade. The current duty on PTA and PSF hampers our competitiveness and stymies growth," APTMA continued.

The 5% import duty on PTA should be reduced to zero, and the PSF import duty should be adjusted to 2%. It is also imperative to reevaluate the anti-dumping duties on PSF to stimulate the production of MMF-based products and diversify our export basket.

In addressing the Duty Structure for Raw Materials, APTMA said that it's also important that we continue the import of duty-free cotton. Local production stands at around 9 million bales, starkly insufficient against a demand exceeding 15 million bales. The bridging of this gap is crucial to the sustenance of our textile sector.

Moving to the Duty Structure for Intermediate Inputs, it's evident that fostering growth in the nascent industry of recycled and regenerated polyester is essential. We propose that differentiating recycled from virgin polyester, and more importantly, remove the import duty on recycled polyester. This measure will signal our commitment to sustainable practices and support industry growth.

Moreover, dyes and chemicals, fundamental to the competitiveness of downstream industries, currently face duties that are antithetical to our goals of export enhancement.

"APTMA was of the view that the government has to take decisive action to zero-rate these crucial inputs, thereby bolstering our textile sector's global position.

"When we consider the Duty Structure for Machinery & Equipment, the inequity in the imposition of customs duty on industrial spare parts and gas generators is clear. Our recommendation is unequivocal: to withdraw customs duty on these items, including spare parts used exclusively with machines and those for power plants. It is equally imperative to zero-rate spare parts for power plants, echoing our commitment to sustainable energy practices and international competitiveness," said textile sector.

Source: brecorder.com– Apr 05, 2024

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Bangladesh experts advocate economic reforms

During a recent event in Bangladesh's capital Dhaka, economists and experts advocated for governmental reforms in key areas such as tax regime, exchange rate management, banking sector, and public spending to tackle the country's economic challenges in the forthcoming financial year (2024-25). Hosted by the Research and Policy Integration for Development, the pre-budget consultation emphasised the necessity of overcoming policy inertia to implement reforms effectively.

Amidst soaring inflation and dwindling foreign exchange reserves, economists stressed the urgency of prioritising inflation control in the upcoming budget. RAPID chairman MA Razzaque presided over the event, with state minister for planning Md Shahisuzzaman Sarker and parliament member Md Nasser Sharear Zahedee attending as chief and special guests respectively.

RAPID executive director M Abu Yusuf underscored sluggish global growth, inflation, low tax-GDP ratio, foreign exchange crisis, high non-performing loans, increasing external debts, and slow employment growth as key challenges even as to combat these issues, he recommended strategies for sustainable transition from LDC status, tariff rationalisation, domestic resource mobilisation, and stricter loan default measures.

Razzaque emphasised policy reform as imperative, particularly amidst current political stability, suggesting enhancements in domestic resource mobilisation, tariff rationalisation, exchange rate management, and public expenditure optimisation. State minister for planning Md Shahisuzzaman Sarker on his part highlighted the significance of the national budget as a reflection of governmental commitment and responsibility towards citizens, acknowledging the need for continued economic improvement.

Meanwhile, NBR's inefficiency in expanding the tax net to rural areas was criticised by Zahedee, who stressed the importance of transparency and taxpayer assurance in revenue collection while former NBR chairman Mazid advocated for parliamentary involvement in the budget-making process and transparent tax policies to deter tax evasion and capital flight.

Source: fibre2fashion.com– Apr 06, 2024

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NATIONAL NEWS

RBI retains 7% GDP growth forecast for FY25: RBI Governor Shaktikanta Das

The Reserve Bank on Friday retained the GDP growth forecast of 7 per cent for the 2024-25 financial year, lower than the 7.6 per cent expansion estimated for FY24.

In its February monetary policy, the RBI had projected the GDP growth rate of 7 per cent for the financial year beginning April 1.

Announcing the current fiscal's first bi-monthly monetary policy, RBI Governor Shaktikanta Das said the rural demand is gathering pace, and sustained growth in manufacturing sector should boost private investment.

However, there are headwinds from geopolitical tensions and disruptions in the global trade route.

Das further said the country's real GDP is expected to grow 7 per cent in 2024-25, with June quarter growth at 7 per cent, and September quarter at 6.9 per cent. In the third and fourth quarter the growth is expected to be 7 per cent each.

Earlier this week, Prime Minister Narendra Modi said the Reserve Bank has to accord "top-most priority" to growth and at the same time focus on trust and stability.

Source: thehindubusinessline.com– Apr 05, 2024

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DPIIT organises Workshop on 'Integration of Economic/User Ministries/Departments on PM Gatishakti National Master Plan'

Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, organised a pivotal Workshop on 'Integration of Economic/User Ministries/Departments on PM GatiShakti National Master Plan (PMGS-NMP' on 3rd April 2024 in New Delhi. The workshop was chaired by Additional Secretary (Logistics), DPIIT, Shri Rajeev Singh Thakur, aimed to sensitise the Economic/User Ministries/ Departments about onboarding of GIS Data Layers on the PM GatiShakti NMP, benefits of using the platform for planning and to review the progress made in this respect.

Additional Secretary, DPIIT, Shri Rajeev Singh Thakur, highlighted PM GatiShakti principles to be adopted for integrated planning and holistic development of socio-economic infrastructure. He further emphasized PMGS-NMP as a comprehensive and sustainable strategy to reshape India's infrastructure, by fostering integrated planning and harmonised project implementation involving all relevant Ministries and State Governments. This "whole-of-the-government" approach is embraced to enhance decision-making in project planning as well as 'ease of doing' and 'ease of living'.

Joint Secretary, DPIIT, Dr. Surendra Kumar Ahirwar, mentioned that adoption of PM GatiShakti NMP by economic Ministries is important not only for efficient data driven planning of its own infra/schemes but also for planning of infra/schemes by infra/social Ministries as well as States/UTs. Joint Secretary, DPIIT, Shri E Srinivas, stated integration of Economic/User Ministries on the PMGS-NMP will ensure the efficient realisation of the core principles of GatiShakti—logistical efficiency, multimodality, and connectivity to economic hubs.

The workshop witnessed enthusiastic participation from over 32 officials representing 18 ministries/departments, including Agriculture & Farmers Welfare, Chemicals & Petrochemicals, Fertilisers, Coal, Commerce, Food & Public Distribution, Defence Production, Electronics & Information Technology, Economic Affairs, Revenue, Animal Husbandry & Dairying, Fisheries, Food Processing Industries, Micro, Small & Medium Enterprises, Mines, Steel, Earth Sciences, and Pharmaceuticals. More than 20 officials from BISAG-N and Logistics Division, DPIIT were also present.

The event commenced with a thought-provoking video on PM GatiShakti, followed by a comprehensive presentation by the Logistics Division, DPIIT, highlighting the overview, progress, benefits, and the way forward for the ambitious program. BISAG-N, the technical partner, provided an insightful presentation on the technical architecture of PMGS-NMP and tools developed for various ministries enabling participants to gain a practical understanding of its features.

The core segment of the workshop involved presentations from the economic/user ministries/departments, showcasing their status of adoption of PM GatiShakti and the necessary steps taken in line with the provided pointers. This interactive session facilitated an exchange of best practices, challenges faced, and potential solutions, fostering a collaborative approach towards seamless implementation, leading to a conclusion that the Ministries/Departments should proactively identify and upload various data layers on the PMGS-NMP, develop Standard Operating Procedures (SOPs) for data management, and enhance capacity to independently plan projects and programs utilising PMGS-NMP and develop specific Planning Tools.

As a way forward, specific action points were highlighted, involving identification of interventions followed by analysis, leading to accelerated adoption of PM GatiShakti principles in planning of socio-economic infrastructures.

The use of the PMGS-NMP platform has generated successful use cases in the infrastructure sector such as urban transport, roadways, railways, etc., along with benefits to users. The use of PMGS-NMP has significantly de-risked infrastructure investments for the private sector, streamlined operations and decision-making for Ministries/Departments and States/UTs. The GatiShakti approach is also helping to plan disaster management, location of social sector assets, development of tourism circuits, etc., in a manner to give maximum connectivity for the users. Recognizing the significant progress made by Infrastructure and Social sector Ministries, the workshop focused on enabling Economic/User Ministries to effectively leverage the PMGS-NMP platform.

Source: pib.gov.in– Apr 05, 2024

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India-EFTA agreement aligns tariff concessions with investment promotion

After hectic last-minute negotiations, India and the four-nation region of EFTA (European Free Trade Association) have come together in the newly inked Trade and Economic Partnership Agreement (TEPA). The negotiations took 16 years, resulting in a great deal of interest in what it finally contained.

How India would balance its tariff reduction commitments with countries that have no tariffs on a large swathe was a question that was being looked at with interest. India's free trade agreements (FTA) have primarily covered only tariff reduction.

Since India's customs tariffs are the highest amongst all of its trading partners, the mercantilist formula of calculating benefits obtained versus that granted basis tariff reduction commitments was never going to be in India's favour.

EFTA to boost foreign investment in India

It is in this perspective that TEPA is unique. In exchange for significant tariff reduction, the EFTA countries will work towards increasing foreign direct investment in India by private investors of the EFTA states by $50 billion within 10 years from the entry into force of TEPA.

There will be an additional $50 billion investment in the succeeding 5 years.

Further, in the same period of 15 years from the entry into force of TEPA, the four European countries will also aim to facilitate generation of 1 million jobs in the form of direct employment stemming from the foreign direct investment made.

This investment promotion provision has been questioned on its feasibility. Examination of an investment promotion commitment in a trade agreement may be attempted from two perspectives –economic and legal. Whether the economics of the participants enable such a commitment and legally what else should be included.

Investment eligibility, protection

To count as eligible investment, it must be private direct investment. The investments routed from outside the EFTA bloc will also be taken into account, if it is shown that the investment is being made by investors of Switzerland, Lichtenstein, Iceland and Norway.

Whereas investments coming from these countries of other parties that are either not established in an EFTA nation or are established in an EFTA country but have no substantial business activities in either of the four countries will not be considered as an EFTA investment.

The agreement provides for review of the investment commitments and a three-tier government-to-government consultation process. However, if no mutual solution is arrived at by the parties, then India can undertake temporary and proportionate remedial measures to rebalance the concessions given to the EFTA States in the Schedule of Commitments for the Goods Trade. An investment protection agreement will also be finalised.

Amongst other recent international agreements, the Regional Comprehensive Economic Partnership (RCEP) has provisions that deal with investment promotion and investment facilitation. This provision does not have investment targets but stresses on facilitation of investment and lays down the administrative provisions with a focus on procedure for investment approval, setting up points of contact and a complaint mechanism to deal with issues related to the investment.

RCEP includes provisions that bind liberalisation at the status quo levels but also binds parties to any autonomous liberalisation that they may introduce at a later point.

However, in the EU-Kenya FTA, which was inked in December 2023, also includes investment promotion and lists down the areas in which the parties would promote investments.

These include enhancement of institutional capacities, supporting the establishment of one-stop shops, supporting establishment of financial frameworks for SMEs, etc. Arguably, the provisions in the TEPA go a lot farther by tying down the EFTA countries to a binding number.

Catalyst for innovation, growth

In calculating the $100 billion in investment commitment, it has been noted that during the past few years India has achieved gross domestic product growth at 9.5 per cent in US dollar terms. Private direct investment from EFTA has hit 13 per cent growth rate. On this basis a growth rate of 3 per cent is what is required to hit the $100 billion target over 15 years. Put in these terms the commitment does look feasible. Currently, the investments made by EFTA companies stand at around $11 billion, with 91 per cent of this coming from Switzerland alone.

EFTA nations are some of the most open: Switzerland had a trade openness of 76 per cent in 2023 and Norway had 56 per cent. The TEPA can be the vehicle to usher in a new wave of investments in cutting-edge, sunrise and innovative sectors.

For example, Norwegian company Statkraft's existing ventures in hydropower and green hydrogen projects with Deendayal Port Authority are noteworthy. Looking ahead, companies like Greenstat and Alma Clean Power could offer expertise crucial for India's green transition.

India can also learn from the country’s strength in carbon capture and storage technologies. As for Switzerland, more than 300 companies are already present in India. Swiss investments and capabilities in robotics, automation, and precise instruments could speed up India’s industrial transformation and companies like Tomra and Cambi could contribute significantly to India’s waste management and SDG-related growth.

In a way this agreement is coming at the right time to test India’s recent initiatives. Given the pressure to meet their investment commitments, EFTA nations are more likely than not to fairly evaluate them. It will be interesting to see in what form does this provision gets included in the EU and UK FTAs.

Source: business-standard.com– Apr 05, 2024

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In foreign direct investment, China's loss is not India's gain: OECD data

Despite all the noise around India's chance to leverage the China-plus one strategy, India's share of global foreign direct investment (FDI) inflows fell from 3.5 per cent in the first nine months of 2022 to 2.19 per cent in the same period in 2023, according to OECD data.

The sharp drop of 54 per cent is much steeper than the overall global FDI inflow decline of 26 per cent in the first nine months.

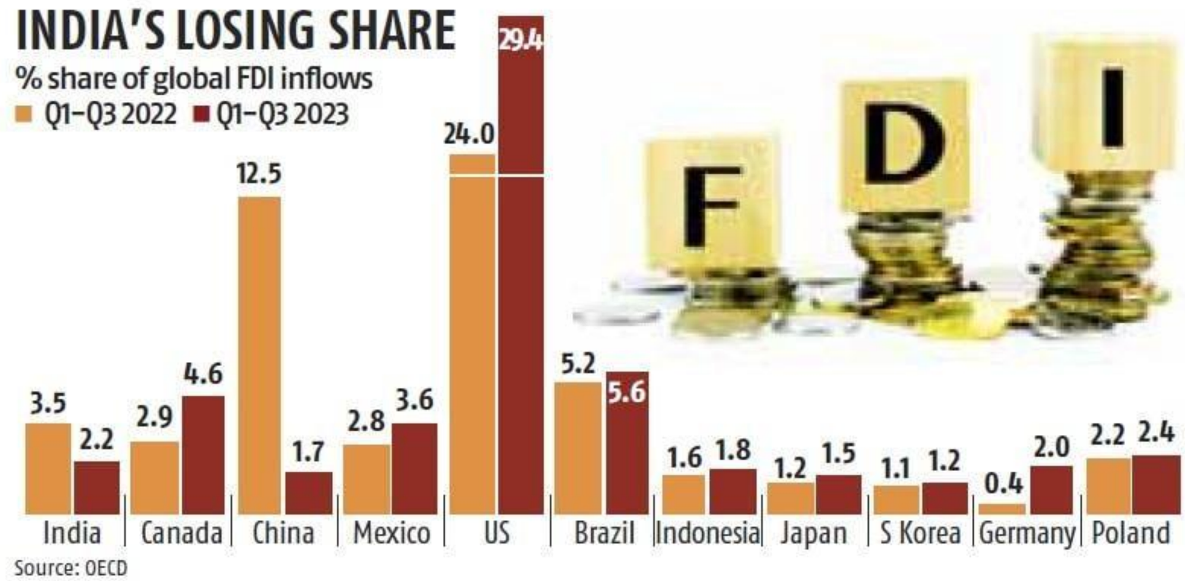
FDI inflows to China have fallen dramatically from a share of 12.5 per cent in the first nine months of 2022 to only 1.7 per cent in the same period in 2023. It is not India but countries like the US, Canada, Mexico, Brazil, Poland, and Germany which gained the most from China's loss by seeing their global share rise.

The US is in the top gainer with a 29.4 per cent share of global FDI inflows in the first nine months of CY 2023, up from 24 per cent in the previous year. This is understandable given the semiconductor and electronics investments that are coming up (such as TSMC's mega fabrication plants) and the total approved FDI from Taiwan in 2023 of $11. 25 billion.

What has helped are government schemes under the CHIPS Act that have set aside $52 billion for the semiconductor industry in subsidies. What's more, the geopolitical tensions between the US and China have drawn many companies from Taiwan and South Korea and other locations to set up manufacturing operations in the US to reduce their dependence on China.

The situation has been summed up by a report by Kotak Institutional Equities: 'India is still to see a meaningful pick up in FDI investment despite the China +1 narrative and significant reforms". And, on the other hand, the US and a select set of developed markets and emerging markets seem to have benefited from the sharp decline of FDI inflows in China'.

Apart from the US, Canada has gained a fair bit. Its global share of FDI inflows rose from 2.9 per cent to 4.6 per cent in the period under review. Mexico, which has the advantage of supplying to its big neighbour, has also seen its share go up from 2.8 per cent to 3.6 per cent. Germany's share rose to 2 per cent, a sharp rise from 0.4 per cent for the same period.



India has enjoyed some major successes in wooing FDI, especially through its production-linked incentive and semiconductor policies. The entry of Apple Inc with its vendors has helped to push up mobile exports.

But FDI inflows in an industry, which is essentially an assembly line operation can only be limited, especially as the supply chain is being built. The government is no doubt hoping that might change.

Source: business-standard.com– Apr 05, 2024

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Repo rate unchanged at 6.5%, FY25 GDP to expand by 7%: India's RBI

The Reserve Bank of India's (RBI) monetary policy committee (MPC) today decided to keep its short-term lending rate (repo rate) unchanged at 6.5 per cent and maintain the stance of 'withdrawal of accommodation' in the monetary policy to ensure that inflation progressively aligns with the target, while supporting growth.

Consequently, the standing deposit facility (SDF) rate remains unchanged at 6.25 per cent and the marginal standing facility (MSF) rate and the bank rate at 6.75 per cent.

The decisions are in consonance with the central bank's objective of achieving the medium-term consumer price index (CPI) inflation target of 4 per cent within a band of plus or minus 2 per cent.

Real gross domestic product (GDP) growth for fiscal 2024-25 is projected at 7 per cent with the first quarter (Q1) at 7.1 per cent; Q2 at 6.9 per cent; Q3 at 7 per cent; and Q4 at 7 per cent). The risks are evenly balanced, the MPC's monetary policy statement said.

An expected normal south-west monsoon should support agricultural activity. Manufacturing is expected to maintain its momentum on the back of sustained profitability, it said.

"Private consumption should gain steam with further pick-up in rural activity and steady urban demand. A rise in discretionary spending expected by urban households, as per the Reserve Bank's consumer survey, and improving income levels augur well for the strengthening of private consumption," it noted.

The prospects of fixed investment are bright with business optimism, healthy corporate and bank balance sheets, robust government capital expenditure and signs of upturn in the private capital expenditure cycle, the statement said.

Headwinds from geopolitical tensions, volatility in international financial markets, geoeconomic fragmentation, rising Red Sea disruptions and extreme weather events, however, pose risks to the outlook.

Assuming a normal monsoon, CPI inflation for fiscal 2024-25 is projected at 4.5 per cent, with Q1 at 4.9 per cent; Q2 at 3.8 per cent; Q3 at 4.6 per cent; and Q4 at 4.5 per cent.

Source: fibre2fashion.com– Apr 05, 2024

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India's exports register healthy growth to European, Latin American nations in 2023

Indian exporters made further inroads in European and Latin American nations in 2023, registering healthy growth in countries such as Romania, Montenegro, Austria, and Guatemala, an official said on Friday.

India's merchandise export rose 2.1 per cent to the European Union (EU) in 2023 despite headwinds being faced by large developed markets like the EU and the UK due to high cost of living, weak external demand, and monetary tightening, the commerce ministry official said.

"India's export trade expansion has been impressive in spite of global challenges in 2023," the official said.

India's merchandise exports have recorded healthy growth in European nations like Romania, Czech Republic, Montenegro, Finland, the Netherlands, Portugal, Luxemburg, Iceland, Ireland, and Austria.

"The growth points towards India's trade resilience and growth despite prevailing uncertainties and deceleration of the economies in Europe," the official added.

Similarly, in Latin American countries, India's exports registered high growth in 2023 in Cuba, Uruguay, Paraguay, Guyana, Peru, Mexico, and Guatemala.
"With continued social unrest, oil production cuts and tight policy settings, the growth of Middle-Eastern countries has weakened. However, India's merchandise export growth to major Middle-Eastern countries remains positive," the official said.

The increased merchandise exports to Iraq, Saudi Arabia, and the UAE in 2023 underscores India's ability to navigate adverse economic conditions and capitalise on export opportunities.

Economic think-tank Global Trade Research Initiative (GTRI) have stated that India's exports and imports have dipped 2.6 per cent to USD 1,609 billion in 2023 compared to USD 1,651.9 billion in 2022.

Source: economictimes.com– Apr 05, 2024

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Red Sea crisis reaches the skies: Indian businesses battle high air freight cost & cargo space shortage

The Houthi attacks on ships have forced many Indian businesses to turn to air cargo to move their goods. This rise in demand and limited capacity has made air freight more expensive, causing troubles on multiple fronts.

A virulent trade wound caused by the Red Sea crisis is deepening. While the issue had immediately led to a steep rise in ship freight cost — hurting exporters — it has now started making air freight also unaffordable.

"For Paris and the UK (Europe), our per kg cost has gone up to $330-350 a kg from $80-90," says Nishant Parmar, Regional General Manager of Delhi-based Bluebird Cargo, which offers wide-ranging air cargo and freight forwarding services to key trading destinations. He calls it a lose-lose proposition for all stakeholders — manufacturers, transporters, retailers and end-customers.

Industry officials call the price rise a direct result of a rush to move goods by air since the Houthi rebels started attacking ships ferrying cargo through the Gulf of Aden and the Red Sea. Vessels using the Suez Canal — through which 12% of global sea trade travels — have no option but to navigate these risky waters to move between Asia and West Asia, Northern Africa or Europe. An analysis by Ambrey Analytics shows that at least 40 ships have been attacked in this region since November. The alternative reroute is to go around the southern tip of Africa, which means adding 3,500 nautical miles and 10-12 days of sailing time to each trip, according to reports.

The ensuing disruption in maritime shipping has intensified demand for air freight. But the problem is that apart from being an expensive option, air cargo capacity is limited.

Expensive and crowded

"With numerous businesses vying for constrained air cargo space, freight rates have surged," says Jitendra Srivastava, CEO of Mumbai-based Triton Logistics & Maritime. "Reports show varying increases, ranging from 6.4% to 50% depending on route, with significant spikes on routes connecting Asia to Europe and North America." His worry is that the Red Sea crisis has caused significant disruptions to air cargo operations between India and other trading regions.

Major shipping lines have stayed away from sailing through the Red Sea after Houthi attacks.

He also reports considerable delays in moving goods due to crowding at airports. The volume of air cargo at Delhi has increased by 40% last month, while South Africa has reported a 35% surge in volumes. Goods that used to reach their destinations in days now take a week or more, says Srivastava, whose company offers sea and air freight services to transport agri products, chemicals, machinery and textiles, among others, from India to multiple global destinations.

Mahesh Fogla, Executive Director of Mumbai-based Patel Integrated Logistics Limited, says airlines are struggling to meet the growing demand because their planes don't have enough space in their bellies to handle the increased demand. "This has made it more difficult for us to manage our air cargo operations. The increase in air cargo rates depends on the airline and route, but it's nevertheless a substantial increase in a highly competitive market," Fogla says.

A rise in transportation prices means manufacturers, exporters and retailers have to hike the price of products. This makes the goods expensive for the end consumers.

For Anant Srivastava, a Ghaziabad-based home furnishing and textile exporter, air freight that used to be Rs 100 per kg (port-to-port) is now Rs 250-400. "Such exorbitant prices are eroding our working capital. Adding to the issue is that even after agreeing to such a steep price, there is no definite timeline of final delivery as cargo planes lack space.

So they are often dropping goods at airport transhipment hubs in Colombo or Singapore. The goods get stuck there for days. The end-to-end dispatch that used to take 2-3 days is now taking 10-12 days. Our overseas customers are demanding early shipments for their sales season, but we are helpless," he adds.

Crisis cloud on profitability, reliability

Domestic exporters fear that these delays and disruptions could lead to overseas customers losing their trust on Indian manufacturers and traders, directly striking the “Make in India, Make for the World” plan of the government. They say it will make foreign buyers doubt their reliability.

“The reliability of our services has been impacted by the unpredictability of air cargo availability and fluctuating freight rates,” says Srivastava of Triton Logistics.

Major transporters work around the issue

The Red Sea crisis has made supply chain planning quite tricky for DHL, says John Pearson, CEO, DHL Express. What firms can do, at best, is optimise their operational efficiency and bolster existing partnerships — with both long-term and short-term goals — to increase access to commercial belly space on cargo planes, says the industry veteran who leads the key international shipping division of DHL. The Germany-based logistics major says it is also experiencing delays in transit times, causing some anxiety and price volatility. But it has been able to withstand the supply chain shocks to a great extent because of its scale, experience, reach and by leveraging assets and industry partnerships. “We have strong operations in the Middle East … obviously, we have to just continue to fly in there,” says Pearson.

Another major global transporter, FedEx, says they are using their “unmatched air freighter capacity, strategically connecting India and the Middle East to Europe and the USA” to meet the demand.

The company’s global network, and advanced digital and automated technologies are focused on delivering service and reliability to our customers, says Nitin Navneet Tatiwala, Vice President Marketing & Air Network, FedEx Express, Middle East, India Subcontinent & Africa (MEISA). “Our strategy—centred on intelligent, connected, and sustainable solutions empower us to navigate disruptions seamlessly.”

But such infrastructure and facilities are not available and affordable for smaller exporters. Some like Srivastava of Triton Logistics suggest clients make use of multimodal solutions such as chartering and the sea-air model wherever possible. But there are again expensive options. Marine transport has always been the preferred mode to transport a large variety of goods in sizable quantities and at lower costs.

What airlines are doing

Airlines, on their part, are recalibrating their pricing strategies to make the most of the demand for cargo space. Exporters say the carriers are reevaluating long-term contracts and releasing “block spaces” to customers who are willing to pay more.

FedEx says it's doing all it can to navigate disruptions seamlessly and provide connectivity to Indian businesses.

To understand this, let us assume an airline has a long-term contract with a company to transport its products — a common practice in the industry. The particular company is guaranteed a certain amount of cargo space (or block space) on the airline's flights at a fixed rate. This arrangement guarantees the company stability in shipping costs and delivery, and the airline enjoys a steady stream of revenue. Now, because of the change in market dynamics, airlines are offering cargo space to companies they don’t have contracts with but are willing to pay more, says exporters.

Email queries sent to leading air cargo carriers did not elicit any response till the time the story was being published.

Prashant Gahlan, Capital Projects & Infrastructure (CP&I), PwC, says as these contracts are being revised, freight forwarders are being forced to put in more working capital, leaving them with little elbow room for operational manoeuvring.

Segments that are hit hard

While all types of industrial segments are bearing the brunt of increased air freight rates, the blow has been most severe in the case of some specific industries. Pharmaceuticals and electronics top that list as these segments predominantly rely on air freight owing to the sensitive nature and high value of their products as well as regulatory constraints. The sudden spike in transportation costs has thrown their plans awry.

Fogla says foreign airlines are nearly doubling their air freight rates on certain routes that are popular for pharma, electronics and such commodities. The priority for perishable goods is further elongating the cargo queue for other sectors. “Certain routes — like India-Latin America, North America and Northern Europe — that are directly affected by the

Red Sea conflict are seeing a steady increase in air freights, on average 30% in this quarter compared to last quarter.”

The trajectory for world trade, at least for now, is closely tied to the direction the crisis will take.

The increased demand for air freight will only make things difficult for airlines and freight forwarders as air capacity cannot be increased overnight and trade routes already cater to the usual traffic, adds Gahlan. Industry officials say Indian businesses are getting increasingly worried as these issues are making it hard for them to plan operations. They are also worried that the rising freight rates are affecting their competitiveness.

No solution around the corner

There is no respite in sight, says Chandrachur Datta, Partner, Vector Consulting Group. “Supply chains would continue to feel the heat, especially where companies are facing troubles in the delivery of both raw material imports and finished goods,” says Datta, adding India’s exports to Europe, the east coast of the US, and Latin America are particularly facing problems.

While the Indian government is working with other governments to resolve the crisis or find alternatives, it is difficult to predict when a resolution is likely. There are too many variables and too many players in this crisis that sprang up after the Israel-Hamas conflict erupted.

A rise in transportation prices means manufacturers, exporters and retailers have to hike the price of products.

Experts say the Red Sea crisis will persist till the geopolitical situation in the Middle East (or West Asia) doesn’t improve. Expect air freight rates to be affected for 6-9 months at least, says Gahlan.

Alternative solutions by major freight forwarders such as “air-sea combine” using their global hubs can make a difference but only a limited set of customers can avail this facility.

The air-sea combine, also known as sea-air or intermodal freight transport, is a logistics strategy that integrates both sea and air transportation modes to move goods from one point to another. This approach leverages the cost effectiveness of sea transport for the majority of the journey while utilising the speed of air transport for critical segments of the route. But it isn't ideal for all. The logistics involved in coordinating between sea and air modes — including the costs of transferring goods between ships and planes, storage and managing schedules — can be too much to handle for some players. It would suit high-value and perishable items, but not time-sensitive or low-value goods.

Govt's intervention sought

Supply chain firms are requesting government intervention as freight rates are taking a toll on their profitability. Fogla urges the government to talk to foreign airlines to reduce the exorbitant air freight rates.

Experts point out that the government can act as a trade facilitator by resolving some of the key concerns of the air freight industry — like reducing clearance times taken by customs and other government agencies.

According to PwC's Gahlan, the government should empower Indian regulators to manage the shipping and air freight industry like the Federal Maritime Commission of the US — an independent federal agency that regulates the international ocean transportation system for the benefit of US exporters and importers. Such a move will ensure that the interests of Indian exporters are addressed in terms of freight, surcharges and services provided by foreign vessel carriers in India.

Freight forwarders also want temporary tax breaks for air exports, to keep their products competitive. Datta of Vector Consulting says as companies are relying on air freight more now, the government can reduce the cost of aviation fuel, which eats up 20-40% of an airline's operational cost.

There are several ways the government can help traders and the supply chain sector sail through this turbulent phase, add industry stakeholders. But until the measures are announced, manufacturers, exporters and freight forwarders are at sea.

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