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Currency Watch			
USD	EUR	GBP	JPY
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INTERNATIONAL NEWS

Global growth projected to continue at 3.2% in 2024, 2025: IMF WEO

Global growth, estimated at 3.2 per cent in 2023, is projected to continue at the same pace in 2024 and 2025, according to the International Monetary Fund's (IMF) World Economic Outlook (WEO) April 2024.

The forecast for this year is revised up by 0.1 percentage point (pp) from the January 2024 WEO Update, and by 0.3 pp from the October 2023 WEO.

The pace of expansion is low by historical standards, owing to both near-term factors, such as still-high borrowing costs and withdrawal of fiscal support, and longer-term effects from the COVID-19 pandemic and Russia's invasion of Ukraine; weak growth in productivity; and increasing geoeconomic fragmentation.

Global headline inflation is expected to fall from an annual average of 6.8 per cent in 2023 to 5.9 per cent in 2024 and 4.5 per cent in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies, the report said.

The latest forecast for global growth five years from now—at 3.1 per cent—is at its lowest in decades. The pace of convergence toward higher living standards for middle- and lower-income countries has slowed, implying a persistence in global economic disparities.

The relatively weak medium-term outlook reflects lower growth in gross domestic product (GDP) per person stemming, notably, from persistent structural frictions preventing capital and labour from moving to productive firms.

Risks to the global outlook are now broadly balanced. On the downside, new price spikes stemming from geopolitical tensions, including those from the war in Ukraine and the conflict in Gaza and Israel, could, along with persistent core inflation where labor markets are still tight, raise interest rate expectations and reduce asset prices, a UNCTAD release said citing the WEO report.

Amid high government debt in many economies, a disruptive turn to tax hikes and spending cuts could weaken activity, erode confidence, and sap support for reform and spending to reduce risks from climate change, the report added.

Source: fibre2fashion.com– Apr 17, 2024

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Lower economic growth, trade disruptions to hit development: UNCTAD

While the global economic slowdown last year was less severe than originally projected, further growth deceleration could be expected this year, cautions the UN Conference on Trade and Development (UNCTAD) in a new report.

Market expectations for lower interest rates raise hope for mitigating the pressure on private and public budgets worldwide this year, the report notes.

However, monetary policy alone cannot provide solutions to key global challenges, it says, pointing to the ongoing crises linked to sovereign debt, ever-growing inequalities and climate change.

UNCTAD secretary general Rebeca Grynspan, ahead of the Spring Meetings of the Internatioonal Monetary Fund and the World Bank that she will participate in, strongly urged concerted multilateral action and a balanced policy mix, underlining that global policy coordination remains the key to safeguarding the global economy amid shifting trade patterns, soaring debt and mounting cost of climate change all of which disproportionately affect developing countries.

Grynspan highlights two critical areas. “We call for coordinated multilateral efforts to address the asymmetries of international trade and market concentration,” she said.

“Borrowing countries need more fiscal flexibility to reach the Sustainable Development Goals. This can only be achieved through an inclusive and global reform of the global financial safety net,” she was quoted as saying by a UNCTAD release.

In 2023, despite stable employment, inflation decreased, indicating that supply-related issues, not just demand, contributed to earlier inflation. The report found no evidence of a feared cycle where rising wages drive up prices, with real wages still below pre-pandemic levels and lagging behind productivity growth.

The global economy grew by 2.7 per cent last year, but international trade in goods decreased by 1 per cent. Although there has been some recovery in 2024, it is unlikely that merchandise trade will be a significant driver of growth this year, the UCTAD report notes.

Despite some improvement, subdued growth is expected in global merchandise trade this year.

Prospects for services trade are relatively better, it adds, cautioning that rising protectionism, trade tensions and geopolitical uncertainty not only hamper economies, but also imperil concerted multilateral solutions at a time when international trade collaboration is needed more than ever.

Source: fibre2fashion.com– Apr 17, 2024

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UK CPI up 3.2%, clothing-footwear prices up 3.9% in year to Mar 2024

UK consumer price index (CPI) rose by 3.2 per cent in the 12 months to March this year, down from 3.4 per cent in February. On a monthly basis, CPI rose by 0.6 per cent in March compared with a rise of 0.8 per cent in the same month last year.

The largest downward contribution to the monthly change in CPI annual rates came from food, with prices rising by less than a year ago, while the largest, partially offsetting, upward contribution came from motor fuels, with prices rising this year but falling a year ago.

Core CPI (excluding energy, food, alcohol and tobacco) rose by 4.2 per cent in the 12 months to March 2024, down from 4.5 per cent in February. The CPI goods annual rate slowed from 1.1 per cent to 0.8 per cent during the period.

Prices of clothing and footwear rose by 3.9 per cent in the year to March 2024, down from 5 per cent the previous month. The rate in March was the lowest since November 2021.

On a monthly basis, clothing and footwear prices rose by 0.6 per cent between in March this year, compared with a rise of 1.6 per cent a year ago.

Source: fibre2fashion.com– Apr 17, 2024

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China's industrial output increases 6.1% in Q1 2024

China's industrial sector has seen a 6.1 per cent rise in value-added industrial output during the first quarter (Q1) of 2024, according to the latest figures released by the National Bureau of Statistics. The manufacturing sector played a pivotal role in this uplift, witnessing a 6.7 per cent surge in production.

Notably, the high-tech manufacturing sector outpaced overall growth, reporting a 7.5 per cent increase, which is a substantial acceleration from the last quarter of 2023 by 2.6 percentage points.

The momentum continued into March, with industrial output seeing a 4.5 per cent increase compared to the same month last year, according to Chinese media reports.

Furthermore, China's major industrial companies have reported a significant profit boost in the first two months of the year. Earnings reached 914.1 billion yuan, which is approximately $128.7 billion, marking a 10.2 per cent increase from the same period in the previous year.

Source: fibre2fashion.com– Apr 17, 2024

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40 US trade bodies urge govt to reassert leadership on digital trade

Forty US industry and trade associations including American Apparel & Footwear Association (AAFA) recently called on the government to reassert its leadership on digital trade and stand up for US businesses and workers who face damaging digital trade barriers abroad.

In October 2023, the office of the US trade representative (USTR) withdrew its support for proposed World Trade Organisation (WTO) disciplines that protect cross-border data flows, prohibit data localisation mandates, preclude discrimination against US companies and the digital goods and services they produce, and safeguard sensitive source code from malicious cyberactivity and theft, the associations said.

This action followed USTR's abandonment of these core US policy priorities in the Indo-Pacific Economic Framework for Prosperity (IPEF) discussions–a major factor in the collapse of the IPEF trade negotiations, a joint letter by the associations addressed to National Security Council director Jacob Sullivan and National Economic Council director Lael Brainard said.

The 2024 National Trade Estimate (NTE) Report on Foreign Trade Barriers released by USTR omits many digital trade barriers contrary to the digital trade priorities outlined by bipartisan congressional majorities and its statutory obligation to describe and quantify barriers to e-commerce and services exports, the letter said.

USTR's 'harmful approach' to digital trade has faced considerable pushback. Democrats and Republicans in the House of Representatives and Senate have demanded transparency about the decision-making process that led to this major departure from longstanding policy.

Forty-five business organisations representing US companies in every sector of the economy stated that the digital trade positions USTR put on hold "advance US innovation and competitiveness, fuel economic growth, and support the exchange of knowledge and information necessary to address climate, health, and other global challenges."

Small and medium enterprises (SMEs) noted that USTR's decision "weakens the global competitiveness of US start-ups.

Civil rights, civil liberties, open Internet advocates, and digital trade experts asserted that USTR's about face on digital trade could "signal an abandonment of those principles of openness, freedom, and non-discrimination."

In the months since USTR's WTO announcement, inaccurate statements have been repeated by the USTR, the letter alleged.

USTR has aligned itself with fringe voices advocating that strong digital trade rules only benefit big tech, which is a fallacy, the associations stressed.

These rules protect American digitally-enabled exports from discriminatory treatment and prevent cutting edge US technologies from being stolen in foreign markets. Additionally, SMEs stand to benefit most from strong digital trade rules.

Strong digital trade rules do not stand in the way of agencies that regulate the US economy or impede Congress from passing laws. USTR has sought to justify its WTO decision by stating that the United States needs 'policy space' for new laws on privacy and other issues before it can negotiate on digital trade. This is not accurate, asserted the letter.

The associations, therefore, requested the US administration to return to policies that safeguard cross-border data flows and prevent discrimination against American companies.

Source: fibre2fashion.com– Apr 17, 2024

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Cambodia to dominate in attracting FDI this year

According to projections by fDi Intelligence magazine, Cambodia is poised to emerge as the top destination for foreign direct investment (FDI) in 2024, leading a group of nine other emerging markets including Philippines, Kenya, Iraq, Namibia, Kazakhstan, Azerbaijan, Morocco, Serbia, and India.

Cambodia's robust economic outlook is bolstered by forecasts from the International Monetary Fund (IMF), anticipating a GDP growth of 6.1 per cent in 2024, up from 5.6 per cent in the previous year even as recent efforts to enhance trade partnerships with China, Korea, and the European Union have further strengthened Cambodia's economic prospects.

Notably, the lifting of travel restrictions by China has fuelled a rapid resurgence in Cambodia's tourism sector under the zero COVID strategy. Projections indicate a substantial surge in average fixed asset investment (CAPEX) of FDI projects by 393 per cent compared to the previous year, alongside a 110 per cent increase in the number of FDI projects by 2024.

Following Cambodia, the Philippines holds the second position, with GDP growth forecasted at 5.9 per cent in 2024, up from 5.3 per cent in 2023. The Philippines anticipates a 312 per cent rise in CAPEX of FDI projects and a 51 per cent increase in project numbers compared to the previous year.

Meanwhile, Kenya ranks third, experiencing a notable uptick in FDI inflows across various sectors. Key investments include Moderna's $500 million mRNA vaccine plant—the first of its kind in Africa—and plans by AMEA Power to set up a green hydrogen plant in Mombasa, Kenya, with an estimated investment of $2.29 billion.

Meanwhile, Serbia stands out as the sole non-Asian or non-African country among the top 10 FDI destinations.

Source: fibre2fashion.com– Apr 17, 2024

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Challenges Facing Uzbekistan's Textile Industry

On April 16, President Shavkat Mirziyoyev chaired a government meeting on increasing exports and investments in Uzbekistan's textile industry which currently comprises over 6,000 enterprises and has a workforce of 570,000. Due to investments and new technologies, productivity has increased 4.2-fold over the past seven years. Last year, the manufacture of textiles, clothing and knitwear was valued at $8.2 billion and exports amounted to $3.1 billion.

However, the share of products with high added value in the export of finished goods remains low. Almost 80% of all exports are destined for traditional markets, while exports to Europe fall below expectations. This is largely because only 175 Uzbek enterprises are equipped with international certifications required for export to developed countries.

According to an analysis by the Boston Consulting Group of Uzbekistan's raw materials, the country has the potential to provide products worth at least $15 billion and create 500,000 new jobs.

The cost of one kilogram of yarn is 28% cheaper than the world average giving Uzbekistan a major competitive advantage but access to raw materials remains a key challenge faced by domestic textile enterprises. Whilst the country has the capacity to process 1.3 million tons of cotton fibre, it currently produces about 1 million tons due to the high costs of cultivation.

Reflecting on the situation, President Mirziyoyev emphasized the pressing need for Uzbekistan's textile industry to engage in the complete processing of existing raw materials to create high added value and redress the balance by switching from exporting to traditional cheap markets to more lucrative alternatives.

In addition to increasing the number of international export certificates to producers, the meeting highlighted the importance of extensive advertising campaigns in European countries and forging new partnerships with international textile and garment brands.

Source: timesca.com – Apr 17, 2024

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US apparel imports increase 12.9 % in Feb'24: WTO

US apparel imports increased by 12.9 per cent increase in quantity and a 2.9 per cent increase in value in Feb 2024 compared to the same month previous year.

Seasonally adjusted US apparel imports also increased by 10 per cent in February 2024 compared January 2024, according to a report by the World Trade Organisation.

The import surge was particularly surprising given that the value of US clothing sales in February 2024 was only 1.3 per cent higher than a year ago and even 0.5 per cent lower than in January 2024.

The correlation between US apparel retail sales (NAICS code 4481) and apparel imports remains strong, with over 98 per cent of clothing sold in the US being imported. In 2023, the US clothing sales to clothing import ratio increased to 4.0-4.5, possibly with the rise of e-commerce sales, accounting for about 40 per cent of the US apparel retail sales in 2023.

The increase in imports in February 2024, bringing the sales to import ratio back to 3.8, may indicate a shift in import procedures, with more imports likely entering through standard channels rather than de minimis, due to US customs tightening controls.

Some suggest that the lower US apparel import volume in 2023 was due to retailers managing inventory levels. While there was a slight decrease in the stock-to-sales ratio compared to pre-pandemic levels, it wasn't significant enough to dampen import demand, especially considering apparel's seasonal nature and the importance of stocking new items during critical selling seasons like the fourth quarter.

Source: fashionatingworld.com– Apr 17, 2024

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USA: Monthly Cotton Economic Letter: April 2024

Cotton benchmarks either decreased or were steady over the past month.
• Prices for the NY/ICE May and July contracts (futures with 2023/24 delivery) fell through support around 90 cents/lb in early April. In more recent trading, values for both contracts dropped to levels near 85 cents/lb. These decreases put those prices near the middle of the long-term range between 78 and 90 cents/lb that contained nearby values between November 2022 and early February 2024.

• Values for the December NY/ICE futures contract reflect price expectations after the 2024/25 Northern Hemisphere harvest begins. Settlement prices for December futures were unable to climb over 85 cents/lb during the recent surge in 2023/24 prices, while July futures climbed over a dollar. A result was that the separation between July and December prices stretched as wide as 15 cents/lb. The collapse in July prices and relative stability in December prices (currently near 81 cents/lb) narrowed the separation to less than 5 cents/lb.

• The A Index decreased from 102 to 92 cents/lb between early February and the present. The recent peak was 107 cents/lb (Feb. 29).

• Chinese prices (China Cotton Index or CC 3128B) were steady in international terms, holding near 108 cents/lb. In domestic terms, values were constant at 17,200 RMB/ton. The RMB weakened slightly against the dollar, from 7.19 to 7.23 RMB/USD.

• Indian spot prices (Shankar-6 quality) fell slightly from 95 to 92 cents/lb. In domestic terms, values decreased from 61,500 to 60,300 INR/candy.

The INR was steady near 83 INR/USD.
• Pakistani spot prices were steady near 94 cents/lb. In domestic terms, values held at 21,500 PKR/maund. The Pakistani rupee was stable near 278 PKR/USD.

Supply, Demand & Trade

The latest USDA report featured small changes to world production (-33,000 bales to 112.8 million) and mill use (-129,000 bales to 112.9 million). Historical revisions lowered beginning stocks (-360,000 bales to

82.6 million), which was the primary contributor to the -267,000 bale reduction to the forecast for global ending stocks in 2023/24.

At 83.1 million bales, the current figure for world ending stocks is nearly even with the level from 2022/23, and it is higher than the values from 2020/21 (77.7 million bales) and 2021/22 (76.3 million bales).

At the country level, there were no changes to 2023/24 production over 100,000 bales.

For mill use, the largest updates included decreases for Pakistan (-300,000 bales to 9.5 million) and Turkey (-200,000 bales to 6.8 million) as well as a 500,000 bale increase for China (to 38.0 million).

The global trade forecast was lifted 700,000 bales to 43.9 million. In terms of imports, the largest change was for China (+1.3 million bales to 14.2 million). This was partially offset by lowered expectations for Pakistan (-400,000 bales to 3.0 million) and Indonesia (-100,000 bales to 1.9 million).

For exports, the largest changes included those for Argentina (-100,000 bales to 500,000), Greece (-100,000 bales to 875,000), India (+100,000 bales to 2.1 million), Turkey (+150,000 bales 1.4 to million), Australia (+250,000 bales to 6.0 million), and Brazil (+500,000 bales to 11.7 million).

Price Outlook

After rising sharply a couple of months ago, ICE futures and the A Index have given up nearly all of their gains in a downtrend that gained momentum in early April. These sharp changes in prices coincided with swings in open interest in NY/ICE cotton futures.

Open interest describes the number of contracts held by participants in the market. Increases in open interest reflect additional investment in futures.

Between the middle of January, when prices began to increase, and Feb. 28, when the market peaked, there was a +65,000 (+31 percent) contract increase in open interest across all contract months.

During that period, prices for the May futures contract increased from 82 to 101 cents/lb (+19 cents/lb) and prices for the July contract increased from 83 to 100 cents/lb. Between the start of April and the present, open interest decreased -51,000 contracts (-18 percent). During this period, May futures prices fell from 93 to 83 cents/lb and July prices fell from 93 to 85 cents/lb.

Because open interest represents the number of active contracts in the market, its ebbs and flows can capture changes in speculative investment. While speculators are sometimes blamed for market volatility, it should be remembered that they guide their investments according to ideas about the market.

An idea they may have latched onto ahead of the surge could have been the tightness in exportable supply. Concerns about the availability of exportable supply likely stemmed from the combined effects of a small U.S. crop and strong import demand from China.

The timing of the market rally was coincident with the period for planting decisions in Northern Hemisphere countries, and a potential effect may have been to pull more acres towards cotton for the upcoming 2024/25 crop year. The USDA released results from a survey of planting intentions conducted in the first half of March, and findings suggested a 4 percent year-over-year increase in U.S. plantings this spring.

This volume is below estimates generated by statistical models, and uncertainty may remain regarding the number of acres planted for another several months. In addition, recent years have demonstrated that moisture conditions in West Texas can also be heavily influential for U.S. production.

There has been some additional rainfall in the region recently, which may help during the germination window, but it is impossible to know how much precipitation may fall during the important months late in the summer.

Beyond the U.S., weak prices for competing crops may help bring in more cotton acres. Any increases in global planting and production will have to be balanced against an expected uptick in mill demand.

Global textile demand has been muted since interest rates began to rise. Inflation remains a concern, which may keep interest rates at restrictive levels, but given the depth and length of the slowdown in order placement as well as some positive surprises in macroeconomic data, a gradual recovery in order placement could be coming.

Source: sourcingjournal.com– Apr 16, 2024

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Looming Iran-Israel conflict threatens to unravel global apparel trade

The already fragile global garment industry faces fresh challenges as tensions escalate between Iran and Israel. This adds another layer of disruption to a supply chain already strained by the Red Sea crisis and the war in Ukraine. The apparel industry being a complex web, and the Iran-Israel conflict presents a significant threat to its stability. Rising costs, declining demand, and shifting sourcing strategies could have long-term consequences for both producers and consumers. Analyzed below is the likely impact and the potential consequences of the conflict that's threatening to loom larger.

Rising production costs, disruption in raw material supply

A full-blown war could send global oil prices soaring. This translates to higher shipping costs and production expenses for apparel manufacturers, especially in countries like Bangladesh that rely heavily on imports for raw materials and finished goods transportation. And the conflict could disrupt the flow of key raw materials like cotton and synthetic fibers. Iran is a significant producer of petrochemicals, essential for synthetic fiber production. Any disruption in supplies could lead to shortages and price hikes.

Consumer behavior and declining demand

The rising production costs will likely be passed on to consumers through higher garment prices. This could lead to decreased demand, especially in a period of economic uncertainty. Consumers, increasingly aware of ethical sourcing and global events, might become more cautious about purchasing apparel produced in regions with heightened geopolitical tensions.

Impact on sourcing strategies for fashion brands, retailers; near shoring to accelerate

Fashion brands and retailers are likely to diversify their sourcing strategies to mitigate risks. This could lead to a decline in orders for countries like Bangladesh, further impacting their garment industry. The trend of near-shoring, where companies source from geographically closer countries, might accelerate. This could benefit countries like Turkey and

Vietnam, located closer to major European markets. Further, brands might increase their inventory levels to buffer against potential supply chain disruptions caused by the conflict.

The broader impact

Loss of Momentum for countries like Bangladesh, where apparel exports is a major foreign currency earner, it was just beginning to recover from the pandemic and the Ukraine war. This new conflict could derail their progress. The ongoing tensions could also hamper efforts to expand the garment sector's reach into emerging Middle Eastern markets like Saudi Arabia and Iran.

Source: fashionatingworld.com– Apr 16, 2024

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US trade bodies oppose tariff hike idea for garments from Bangladesh

Four major American trade bodies have strongly opposed the suggestion aimed at imposing higher tariffs on apparel items imported from Bangladesh and four other countries since it is the end-consumers who bear the additional prices ultimately.

The American Apparel and Footwear Association (AAFA), the National Retail Federation (NRF), the Retail Industry Leaders Association (RILA), and the United States Fashion Industry Association (USFIA), collectively made the observation in a letter to David Johanson, chair of the US International Trade Commission (USITC), on March 25.

The AAFA is the national trade association representing apparel, footwear and other sewn products companies and their suppliers and the NRF advocates for the people, brands, policies and ideas in the retail industry.

The RILA is the trade association for leading retailers while the USFIA represents textile and apparel brands, retailers, importers and wholesalers based in the US and doing business globally.

The four associations comprise hundreds of members, recording sales amounting to several trillion dollars annually.

The USITC is conducting an investigation -- under the name of Apparel: Export Competitiveness of Certain Foreign Suppliers to the United States -- into the sudden price hike and the supply glut of garment items to the US markets from five countries: Bangladesh, India, Indonesia, Cambodia, and Pakistan.

The joint letter comes two weeks after the commission held a hearing on the issue on March 11.

In the letter, the associations strongly disagreed with the move to raise the tariff rates on the imports of apparel items.

During the commission's hearing attended by the leaders of the trade bodies, it was said that the US imposes higher most-favoured-nation duty rates on apparel products than nearly any other sector and factor into the cost competitiveness of source countries.

Bangladeshi apparel exporters are facing one of the highest tariffs at 15.62 percent in the US, which imported more than $116 billion worth of garment items last year. Bangladesh's share stands at 9.3 percent.

Bangladesh, India, Indonesia, Cambodia, and Pakistan are, respectively, the third, fourth, fifth, sixth and the eighth largest apparel supplier to the US.

Bangladesh exports products such as denim, woven shirts, woven pants, t-shirts, active fleeces, and basic sweaters to the US.

Despite ineligibility for duty-free treatment under the generalised system of preferences (GSP), which excludes apparel products, the five countries remain competitive.

"In part, this reflects the important role these countries play for apparel brands and retailers' broader supply chain diversification efforts," the letter said.

"While some have suggested that the US should impose higher tariffs on apparel products from these and other countries, we strongly disagree."

The leaders also said they experienced through the imposition of tariffs on products from China, tariffs increase costs for US businesses and American consumers, not for foreign exporters.

Tariffs are taxes that are paid by importers and eventually imposed on consumers. Current tariffs on apparel especially impact low- and middle-income consumers, who would be further harmed in the case of higher tariffs on clothing, the leaders told the hearing.

If the administration is serious about its desire for US companies to reduce dependencies on any single country, imposing tariffs on other source countries would be counterproductive, they said.

"Instead, we encourage the US government to take additional steps to help further accelerate the ongoing supply chain diversification efforts. This includes immediate retroactive renewal of the GSP programme, as well as expanding GSP to include certain apparel products."

Currently, the US does not provide the GSP to any country. The tenure of the latest GSP programme came to an end in 2020 and the US Congress has not revived it since.

The US suspended the GSP facility for Bangladesh in 2013, citing poor labour rights and poor workplace safety following the Tazreen Fashions fire and the Rana Plaza building collapse.

The USITC heard during the hearing that the decision to source products from a particular country depends on a variety of factors.

They include vertical integration, speed to market, cost competitiveness, product capability, the skillset of the available labour force, geopolitical stability, proximity to raw materials, adherence to quality, social and environmental compliance standards, and capacity.

In the case of Bangladesh, India, Indonesia, Cambodia, and Pakistan, the members report that these countries have well-established textile industries, characterised by highly skilled labour forces and advanced sewing capabilities, the letter said.

"India and Pakistan are also vertically integrated. And increasingly, members report that apparel products sourced from Bangladesh, Cambodia, India, Indonesia, and Pakistan contain inputs also sourced from within these countries."

Source: thedailystar.net– Apr 18, 2024

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Pakistan: Cotton demand: addressing the panda in the room

The uneasy calm continues in the global cotton market. As per US Department of Agriculture's monthly forecast, global production and use of cotton is exactly in balance for the marketing year 2023-24, with world demand holding on to the post-Covid average of 25 million metric tons, significantly below long-term average. With carryover inventory also at eight years high, what explains the recent upsurge in global cotton prices?

The biggest surprise this year was import demand from Pakistan, which collapsed to lowest levels in seven years. Per USDA, Pakistan's import demand is 33 percent lower than last year despite a 10 percent projected rise in domestic use of cotton, owing to the large increase in domestic production during the latest season. Domestic cotton arrivals breached 8.5 million bales (of 170kg) in the country – highest in at least 5 years, which threw import projections off balance for the country. Even so, it seems USDA's import forecast of 3.8 million bales (of 170kg) for the marketing year 2023-24 are still on the higher side, and the final tally may clock in another 20 percent lower.

Yet lower imports by Pakistan are continuously being off set by higher numbers elsewhere. Chinese fiber imports are all set to double during the current marketing year, which would also be the highest in ten years. However, higher Chinese cotton imports haven't exactly come as a surprise. As the global supply chains elsewhere in the world prepare to wean themselves off China after the Xinjiang came into effect, it appears that the giant panda will not go without a fight.

Like all things China, the country has proven itself supremely adept at meeting the challenges of a brave new world. Rather than letting itself bogged down by distractions, the world's largest yarn producer has taken the blow to its chin with grace. If the world doesn't want Chinese origin cotton – no problem.

In just one year, the centrally planned state massively scaled back its own domestic production, instead importing cotton from the rest of the world to spin fiber and value add at home. You can say no to Chinese origin cotton, but you can't say no to yarn spun in China using cotton of Brazilian origin.

And that might alone explain why even as world carryover inventory is reaching historic proportions, cotton prices have found resistance above 85 cents since the beginning of calendar year 2024. Inventories might be running high, but tradable surpluses – not so much. This might mean higher prices for cotton exporters such as US and Brazil, but also means that China will remain their largest buyer with an ever-rising appetite.

For all the competitors smelling blood and predicting global textile shifting out of China, it might be too early to write the giant off. When it comes to yarn and fabric production, no country can come close to match Chinese scale or its prices. China might lose some market share, but if it turns into a race to the bottom, chances are China will manage to come on top afterall.

Source: brecorder.com– Apr 16, 2024

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Bangladesh's cotton import to rise on bright RMG export prospects: USDA

Despite facing a number of economic challenges, Bangladesh may end up importing more cotton year-on-year in marketing year (MY) 2024-25 to meet increasing global demand for garments.

The nation, the second-largest garment exporter after China, is projected to import 80 lakh bales of raw cotton (1 bale equals 218 kilogrammes), the US Department of Agriculture (USDA) said.

This is a 6.7 percent increase from that in MY 2023-24, which begins in August for cotton, the agency said in its report on the production, import and use of cotton in Bangladesh.

Published earlier this month, the report forecast local spinning mills to use a higher amount of raw cotton due to lower imports of yarn and fabric.

The report by USDA's Foreign Agricultural Service said Bangladesh's garment industry is expecting exports to increase by 7 to 10 percent in 2024, rebounding from a decrease in orders during the global economic slowdown.

It said ready-made garments (RMG) exports during the first two months of 2024 reached $9.47 billion, posting 13.2 percent year-on-year growth, and expected this growth to prevail in MY25, leading to an increase in the import of raw cotton.

"Industry contacts noted that Bangladesh's RMG industry is expecting higher numbers of work orders from the second quarter of 2024 with rebounding global demand for RMG products," said the USDA.

The dwindling forex reserve is another reason that may lead to increased consumption of cotton and a decline in purchases of pricier fabrics.

The US agency said many garment factories in Bangladesh have their own spinning mills and prefer to import raw cotton rather than yarn.

These companies, which earn from exporting garments, can open letters of credit (LCs) as they have their own source of US dollars, it added.

"Companies that solely import yarn and fabric will continue to face forex challenges as they tend to be smaller than the fully integrated cotton spinning mills and have more difficulty opening LCs, leading to a reduction in their imports," it said.

"Industry contacts also anticipate a surge in global RMG demand after April 2024, which could increase cotton demand in Bangladesh."

However, it maintained its projection on Bangladesh's cotton imports at 75 lakh bales in MY24 and domestic consumption at 78 lakh bales.

Citing the National Board of Revenue's data, it said Bangladesh imported 41 lakh bales of raw cotton in the first seven months of MY24.

The report, citing spinning industry insiders, said shortages of gas and electricity hampered their production capacity in the first and second quarters of 2023.

However, since the beginning of MY24, the situation has improved slightly.

The industry estimates higher cotton imports and utilisation based on the increased demand for garments in the remaining months of MY24, according to the report.

Source: thedailystar.net– Apr 17, 2024

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Bangladesh to extend incentives to exporters post-LDC period

After Bangladesh's anticipated graduation from least developed country (LDC) status in 2026, the government pledged to extend incentives to exporters, ensuring their sustained competitiveness in the global markets even as state minister for commerce, Ahsanul Islam Titu, emphasised the necessity of the incentives.

He however underlined that direct cash subsidies on export receipts would not be possible once the country transitions to a developing nation and highlighted adherence to the World Trade Organization's guidelines in deciding the framework for these subsidies, indicating a commitment to international trade standards.

While specifics about subsidy mechanisms were withheld, reports hinted at potential avenues such as subsidies on electricity bills or allocations for technology upgrades and skill development.

The minister also noted that even developed and developing nations offer similar support to exporters.

The Commerce Ministry is also proactively identifying sector-specific challenges post-graduation, ensuring targeted interventions.

The minister further disclosed the formation of a high-powered committee under the cabinet division tasked with identifying challenges while also recommending solutions.

This proactive approach underscores the government's commitment to mitigating adverse effects on exporters post-graduation.

Source: fibre2fashion.com– Apr 17, 2024

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NATIONAL NEWS

Indian economy projected to grow 6.5 per cent in 2024: UNCTAD

Global growth is projected to be 2.6 per cent in 2024, slightly slower than the 2.7 per cent in 2023

India's economy is projected to grow by 6.5 per cent in 2024, according to a report by the UN which noted that multinationals extending their manufacturing processes into the country to diversify their supply chains will have a positive impact on Indian exports.

UN Trade and Development (UNCTAD) in its report released on Tuesday said that India grew by 6.7 per cent in 2023 and is expected to expand by 6.5 per cent in 2024, continuing to be the fastest-growing major economy in the world.

"The expansion in 2023 was driven by strong public investment outlays as well as the vitality of the services sector which benefited from robust local demand for consumer services and firm external demand for the country's business services exports," the report said, adding that these factors are expected to continue to support growth in India in 2024.

The report also noted the increasing focus by multinationals on India as a manufacturing base as they diversify their supply chains, a reference to China.

"In the outlook, an increasing trend of multinationals extending their manufacturing processes into India to diversify their supply chains will also have a positive impact on Indian exports, while moderating commodity prices will be beneficial to the country's import bill," it said.

Last week, the flagship '2024 Financing for Sustainable Development Report: Financing for Development at a Crossroads' launched at the world body said that investment in South Asia, particularly in India, remains strong. It added that India is benefiting from growing interest from multinationals, which see the country as an alternative manufacturing base in the context of developed economies' supply chain diversification strategies, making an apparent reference to China.

The UNCTAD report said the Reserve Bank of India is expected to keep interest rates constant in the near term, while restrained public consumption spending will be offset by strong public investment expenditures.

In other Southern Asian countries, however, economic growth remains more subdued. Three countries in the region – Bangladesh, Pakistan and Sri Lanka – are currently under IMF programmes, the conditionalities of which necessitate the application of tight monetary policies and fiscal austerity measures whose impacts are most severely felt by low-income households, it said.

Global growth is projected to be 2.6 per cent in 2024, slightly slower than the 2.7 per cent in 2023.

This makes 2024 the third consecutive year in which the global economy will grow slower than before the pandemic when the average rate for 2015–2019 was 3.2 per cent, the report said.

The UNCTAD report added that the risks that substantially threatened to slow down global economic growth in 2023 did not fully materialise.

“Some economies – including large ones, such as China, India, Indonesia, the Russian Federation, the United States, among others – escaped the financial trouble that loomed earlier in the year,” it said, adding that as a result, the world economy grew 2.7 per cent, just 0.2 percentage point more than the threshold of 2.5 per cent that is often associated with a global recessionary phase.

“This positive dynamic is now being squandered. Policy discussions continue to centre on inflation, conveying confidence that anticipated monetary easing will heal the world’s economic woes. Meanwhile, the pressing challenges of trade disruptions, climate change, low growth, under-investment and inequalities are growing more serious,” it said.

The report said that China’s economy, projected to grow 4.9 per cent in 2024, has been facing some headwinds such as external uncertainties, a troublesome housing market, an under-performing labour market and subdued consumption.

The UNCTAD report comes even as the International Monetary Fund said in its latest edition of the World Economic Outlook released on Tuesday that growth in India is projected to remain strong at 6.8 per cent in 2024 and 6.5 per cent in 2025, with the robustness reflecting continuing strength in domestic demand and a rising working-age population.

Source: thehindubusinessline.com– Apr 17, 2024

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IMF raises India's GDP growth forecast to 6.8% for FY25

With expected rise in domestic demand, International Monetary Fund (IMF) on Tuesday upped its growth projection for India by 30 basis points to 6.8 per cent for the current fiscal year. However, it has not made any changes to its projections for FY26.

The agency has pegged GDP growth for FY24 at 7.8 per cent.

"Growth in India is projected to remain strong at 6.8 percent in 2024 and 6.5 percent in 2025, with the robustness reflecting continuing strength in domestic demand and a rising working-age population," IMF said in its latest edition of World Economic Outlook (WEO), made public on Tuesday. For the current fiscal, the projection is 50 basis points higher than projection made in October and 30 basis points higher than projection made in December.

Despite upward revision, IMF's latest projection is still lower than that of Asian Development Bank (ADB) and the Reserve Bank of India. Last week, ADB revised its projection to 7 per cent from 6.7 per cent for the current fiscal. The multilateral agency said the growth will be robust, despite moderating in 2024-25 and 2025-26. According to ADB, it will be driven by public and private sector investment demand and by gradual improvement in consumer demand as the rural economy improves.

Earlier this month, while announcing MPC's decisions, RBI Governor Shaktikanta Das said the outlook for agriculture and rural activity appears bright, with good rabi wheat crop and improved prospects of kharif crops on the back of normal south-west monsoon. "Despite some headwinds, Indian economy is projected to grow at 7 per cent," he said.

These projections come at a time when the India Metrological Department (IMD) projects above normal monsoon this year. It is critical from the rural demand point of view, which in turn will benefit overall demand, and thus, the overall economy.

It may be noted that monsoon was below normal last year and it affected farm growth. However, good growth in manufacturing and services helped the economy to grow more than 7.5 per cent.

Global Economy

According to WEO, the global economy is estimated to have grown at 3.2 percent in 2023. And, it is projected to grow at the same pace in 2024 and 2025. The projection for 2024 is revised up by 10 basis points from the January estimate and by 30 basis points with respect to the estimates released last October.

“Nevertheless, the projection for global growth in 2024 and 2025 is below the historical (2000–19) annual average of 3.8 percent, reflecting restrictive monetary policies and withdrawal of fiscal support, as well as low underlying productivity growth,” it said.

Advanced economies are expected to see growth rise slightly, with the increase mainly reflecting a recovery in the euro area from low growth in 2023, whereas emerging market and developing economies are expected to experience stable growth through 2024 and 2025, with regional differences, the report said.

Source: thehindubusinessline.com– Apr 16, 2024

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Spinning industry expects operating margins to improve by 150-200 basis points this fiscal after hitting decadal low

After a year of turmoil last fiscal, the cotton yarn spinning industry is expected to witness a breather this fiscal. Operating margins of cotton yarn spinners are set to improve by 150-200 basis points this fiscal after hitting decadal lows of 8.5-9% last fiscal, said CRISIL Ratings on Wednesday. An analysis of 95 cotton yarn spinners, which account for 35-40% of the industry revenue, indicates as much.

In fiscal 2024, lower cotton yarn spreads and inventory losses affected profitability. This fiscal, however, holds better promise. Stable cotton prices due to better availability of cotton during cotton season 2024 and improved cotton yarn spreads this fiscal will support improvement in margins.

Revenue, too, will spin up 4-6% this fiscal, driven by moderate growth in downstream demand amid stable yarn prices, after a 5-7% decline last fiscal due to a sharp reduction in yarn prices. Credit profiles, which were impacted by lower cash accrual last fiscal, will also improve with better operating performance and moderate capex on deleveraged balance sheets.

Gautam Shahi, Director, CRISIL Ratings said, “Better availability of domestic cotton and continued downstream demand growth will drive recovery in cotton yarn spreads to Rs 90-92 per kg this fiscal from Rs 87 per kg last fiscal.

The improvement was already visible in the second half of fiscal 2024 as higher cotton arrivals resulted in the normalisation of cotton prices, thereby improving spinners' margins.

With cotton prices expected to stay benign and likely to remain below international prices, the operating margin is expected to recover 150-200 bps to 10.5-11% this fiscal.”

On the revenue front, while yarn prices are expected to remain flat, domestic sales volume, which forms 70-75% of the industry pie, is set to grow 4-6% this fiscal, backed by orders from key end-user segments – readymade garments and home textiles.

However, exports, which staged an exceptional recovery last fiscal with 80-85% growth, are likely to grow only 3-4% this fiscal, given sluggish global economic growth. With the recovery in demand and operating performance, capacity utilisation level for the industry has reached 80-85% and is expected to improve further this fiscal.

Pranav Shandil, Associate Director, CRISIL Ratings said, "However, capex for cotton yarn spinners will remain moderate over the near term as they recover from lows of last fiscal, thus obviating the need for significant debt additions on already deleveraged balance sheets. As a result, interest coverage2ratio is expected to improve to 5-5.5 times this fiscal from 4 times in fiscal 2024. Gearing, too, is expected to improve moderately to 0.55 time from 0.64 time."

However, any further slowdown in demand from the downstream segments (such as readymade garments), and any adverse movement in domestic cotton prices vis-à-vis international prices in the near term will bear watching.

Source: economictimes.com– Apr 17, 2024

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Textile, apparel exports register growth in March

Textile and apparel exports, which were under stress for more than a year, grew 6.91 % year-on year in March. However, for the financial year 2023-2024, the exports contracted 3.24% from the year-earlier period.

Cotton yarn, fabrics and made-up exports increased 6.78 % in March from the year-earlier period. For FY 24, these saw a 6.71 % increase year-on-year.

Apparel exports, which went up 1.7 % in last month compared with March 2023, suffered a 10.25% decline in fiscal 2023-2024 from 2022-2023.

According to Sunil Patwari, Chairman of the Cotton Textiles Export Promotion Council, the growth of cotton textiles last financial year despite geo-strategic challenges showed the resilience of the Indian textile industry.

The new government to be formed at the Centre should address issues such as cotton prices and preferential access in key markets to sustain the growth, he said.

Source: thehindu.com– Apr 16, 2024

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The Kasturi cotton initiative: Elevating Indian cotton to global prominence

In the global trade, India has long been recognised as a leading producer of cotton. From ancient times, India has contributed to the world's textile heritage, sharing the art of breathing easy, the path to enlightenment, and the essence of purity through cotton. India has embarked on a new chapter in this storied legacy with Kasturi cotton, a journey to take Indian cotton to new heights, a truly global brand proudly rooted in India's rich cotton heritage.

The story of Indian cotton.

India's cotton story is one of innovation and tradition. For centuries, Indian farmers have nurtured the land, cultivating cotton that is renowned for its quality and purity. Marco Polo, an eminent Venetian merchant, explorer, and writer, visited India in the 13th century.

He was amazed by the sight of the Indian cotton plants that produced the softest cotton balls. These cotton balls were spun into the finest fabrics that fascinated the world.

With Kasturi Cotton, the aim is to consolidate these qualities into a brand that exemplifies the best of Indian cotton. This initiative, a collaborative effort between the Government of India, Textile trade bodies, and industry, is a testament to the commitment to excellence and sustainability across the entire cotton value chain. Blending the heritage and progress underscores our dedication to not just producing cotton but crafting an enduring legacy that celebrates India's cotton heritage on a global stage.

Setting new goals and standards.

Kasturi Cotton marks a new standard in cotton quality. With a focus on promoting Kasturi Cotton as a premium brand from the largest cotton-producing country, the aim is to consistently deliver cotton that is certified on key parameters that meet all quality expectations.

Through end-to-end traceability and certification, the idea is to ensure authenticity and generate trust in the brand, benefiting all stakeholders involved.

Leading the initiative

The implementation of Kasturi Cotton's branding, traceability, and certification is led by The Cotton Textiles Export Promotion Council (TEXPROCIL) in collaboration with the Cotton Corporation of India (CCI) and the Ministry of Textiles, Government of India. TEXPROCIL, established in 1954, has been instrumental in promoting exports of Indian cotton textile products worldwide. CCI, established in 1970, plays a crucial role in furthering the interests of cotton farmers and the textile industry.

The Kasturi promise

With Kasturi Cotton, TEXPROCIL assures quality benchmarks that deliver tangible benefits such as softness, lustre, strength, comfort, purity, and whiteness. By conforming to quantifiable standards of superior quality, Kasturi Cotton enhances the softness, strength, and durability of fabrics while improving colour vibrancy. Made in India, each strand of Kasturi Cotton comes with a confirmation of origin, verifiable and traceable using blockchain technology across the entire value chain.

Benefits of using Kasturi cotton

The benefits of using Kasturi cotton extend beyond quality and traceability. By choosing Kasturi cotton, manufacturers and brands can meet the global demand for high-quality cotton while elevating the reputation of Indian cotton worldwide. The premium associated with the Kasturi brand reflects the superior quality and craftsmanship inherent in every fibre, making it a worthwhile investment for stakeholders across the textile industry.

The Kasturi cotton initiative represents a bold step forward in elevating Indian cotton to the global market. By uniting stakeholders across the cotton value chain and leveraging new technology to ensure quality and traceability, TEXPROCIL aims to position Kasturi Cotton as a symbol of excellence and pride for generations to come. As the journey continues, let us celebrate the rich heritage and timeless tradition of Indian cotton woven into the fabric of our nation's history and the world's future.

Source: economictimes.com– Apr 16, 2024

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Quality Control Orders: What does this mean for domestic industry?

From toys, footwear and furniture to insulated flasks, smart meters, and air coolers — the Central government over the last decade has mandated higher standards for production and imports of such items.

Sample this: Till 2014, there were 14 Quality Control Orders (QCOs) covering 106 products. By the latest count, there are 156 QCOs on 672 products.

QCOs, notified by government departments in consultation with the Bureau of Indian Standards (BIS), are compulsory in nature, unlike the numerous other standards prescribed by the BIS.

Though the government has said QCOs have been imposed to ensure the quality of products, protection of human, animal, and plant health, and prevention of deceptive practices, the domestic industry speaks of the burden the measures entail. They also lead to confrontations with trading partners at the World Trade Organisation (WTO).

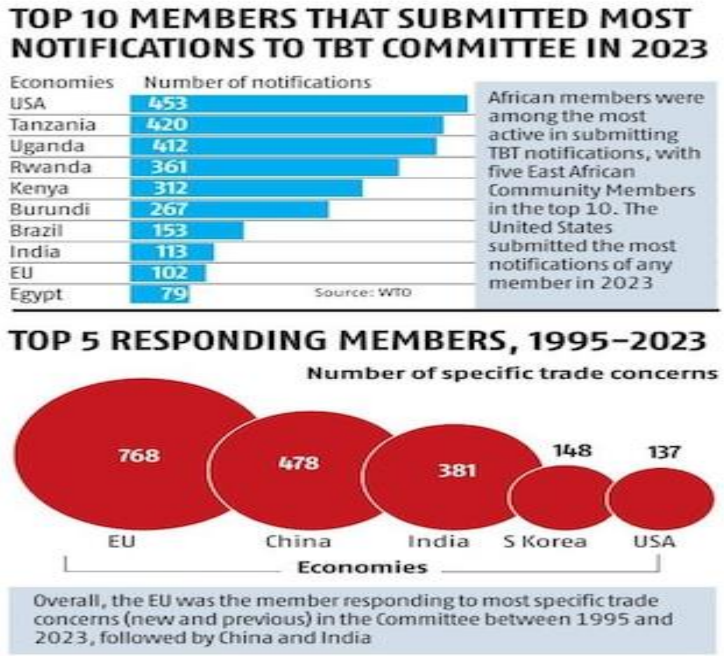
For the domestic industry, which has to adhere to the specified quality standards, QCOs almost always lead to higher production costs. Trade partners, on the other hand, see them as another trade barrier.

QCOs are covered under the Technical Barriers to Trade (TBT) agreement at the WTO, which aims to ensure that technical regulations, standards, and conformity assessment procedures are non-discriminatory and do not create unnecessary obstacles to trade.

At the same time, the agreement recognises WTO members' right to implement measures to achieve legitimate policy objectives. The TBT Agreement strongly encourages members to base their measures on international standards to create a predictable trading environment.

However, India believes developed countries and China have been using QCOs as a trade barrier to curb imports from countries such as India, and it seeks to play catch-up.

Partners' concern



In 2023, India stood in the eighth position for submitting notifications under the TBT agreement to the WTO. The European Union and India are the top two respondents to concerns by members on standards, testing, and certification at the Committee on TBT.

Countries including the United States, Canada, and Taiwan in a joint statement last year raised concerns over India's QCOs over the years in sectors such as toys, chemicals, ICT (information and communication technology) products, and automobile parts. On the recognition of internationally accredited laboratories, the countries asked India to provide greater clarity and transparency regarding the steps laboratories can take to obtain such recognition from the BIS.

"Currently, exporters whose products have already been certified by accredited international laboratories report that results from these laboratories are not being accepted as proof of compliance. As a result, exporters are forced to undertake duplicative testing. We urge India to utilise the benefits of ILAC (International Laboratory Accreditation Cooperation) membership and accept foreign laboratory test results from ILAC-accredited labs as proof of compliance with Indian requirements," they said.

India, in response, said it had used accreditation by ILAC as a conformity assessment procedure where appropriate. The country further confronted the countries on whether all ILAC-accredited foreign labs were automatically recognised by them and whether the recognition of ILAC-accredited foreign labs was limited to certain sectors or products.

The longest-standing TBT-related concern raised in 2023 at the WTO was on India's QCO on pneumatic tyres and tubes for automotive vehicles, which dates back to 2005.

Domestic industry's view

Though a majority of the domestic industry has hailed the government's mantra of quality being non-negotiable, many believe QCOs should be implemented in a more industry-friendly manner after wider stakeholder consultation.

The domestic industry also complains that a lack of coordination between government agencies creates confusion about a QCO's implementation. For example, for the QCO on toys for children up to 14 years, the customs department came up with a notification that it will also be applicable on parts and components, and not just the finished product.

In the case of QCO on protective textile that prevents ignition on office chairs (yes, there is such a thing), a QCO was used to stall imports of not just the raw material but also furniture with protective textiles.

"For the QCO on nuts and bolts, the authorities have clearly mentioned that if the nuts and bolts are part of a machine, then the order will not be applicable on it. But since such clarity is not there in most QCOs, companies seek clarification but there is no standard redressal mechanism," an industry executive says, requesting anonymity.

Some believe QCOs should cover the entire value chain of the product.

Ajay Sahai, director-general and chief executive officer at the Federation of Indian Export Organisations (FIEO) says if a QCO covers the entire value chain, the quality of the product eventually will become better.

"For instance," he says, "if a QCO is imposed on either the raw material or the value-added product, and not on the finished products, it will be difficult to establish that the end-product is following the quality norms.

Similarly, if you have implemented a QCO on the end-product and not on the raw material, there is a possibility that the product is being manufactured using sub-standard imported raw material."

In search of clarity

Engineering Export Promotion Council of India (EEPC) Chairman Arun Kumar Garodia says QCOs are often put in the primary engineering raw material stage, where the suppliers in the country are a few large sector players. “Though the EEPC fully supports imports of quality products, wherever required, there should also be mutual recognition agreements where imports of corresponding quality standards of major countries are accepted in India,” he says.

An executive at a consulting firm handling QCO-related matters says companies often complain they are not given enough time to adapt. “They sometimes don't even have clarity on how to sell the goods already produced. Identifying BIS-approved laboratories and receiving approval is a time-consuming process,” he adds.

Lack of planning could lead to business disruptions, as the products cannot be imported or manufactured without the BIS licence.

According to Garodia, “A sudden imposition of QCOs on the user industry can lead to disruption of production of the final goods of the MSME players and thereby add to inflationary conditions. QCOs should safeguard quality in the country but should not be used as a protective measure for the manufacturers of those products.”

Sahai of FIEO points out that implementation may take time since developing the standards for all the products will take time. This was raised by representatives from the plastics industry in one of the exporters’ meetings with trade minister Piyush Goyal last month.

Some small manufacturers say it is far easier for large companies to deal with QCO-related compliances.

H P Kumar, advisor at the PHD Chamber of Commerce and Industry (PHDCCI), says QCOs are a step in the right direction. However, he adds: “One of the challenges is the limited testing infrastructure in our country. Large corporations are able to manage testing within their own facility or by making investments in testing facilities. Even if they don't have a testing infrastructure, they are capable of paying high testing fees.”

PHDCCI has made representations to the government on this issue.

Tilting the fulcrum

A senior government official says QCOs are good for the country and tilt the fulcrum in favour of domestic manufacturers. Challenges of implementation arise because any disruption causes uneasiness.

“Let’s look at the case of toys. Initially the industry was against it, but is now an ardent supporter of the QCO,” the official says, requesting anonymity.

The government has been holding stakeholder consultation before and after the issuance of such orders. “Exemptions and a greater timeframe has been given to micro and small businesses. Besides, lab testing prices have also come down, which will help small businesses,” the official explains.

Another government official laments that the domestic industry is against higher standards because it has never focused on quality. “Wherever product manuals, standardisation processes, testing laboratories, and domestic capabilities are available, we are trying to introduce QCOs,” he adds.

A senior industry representative, requesting anonymity, says the ministries and BIS should conduct more extensive stakeholder consultations before mandating the higher standards. “If a set process is implemented for complaints and feedback, it will be beneficial to everybody,” he adds.

Source: business-standard.com– Apr 18, 2024

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Slowing exports, labour crunch pinch textile hub Tiruppur

The banks of the sacred river Noyyal, in and around Kodumanal, lay parched, yearning for rain. Even the trees in the Erode forest division bore a yellowish hue.

Some 26 km east of Tiruppur, India's knitwear capital, this arid landscape is a stark contrast to the vibrant past of this region. Beneath Kodumanal lies the remnants of a once-thriving ancient civilization -- a testament to Tamil pride in its two-millennium-old trade links with Rome and the world beyond.

While Tiruppur, which accounts for 55 per cent of India's current textile exports, is a bustling hub of activity, Kodumanal is a poignant reminder of its glorious past. Historians believe that Kodumanal's trade links with Rome date back to the era of Julius Caesar, with some Roman garments believed to have been exported from here.

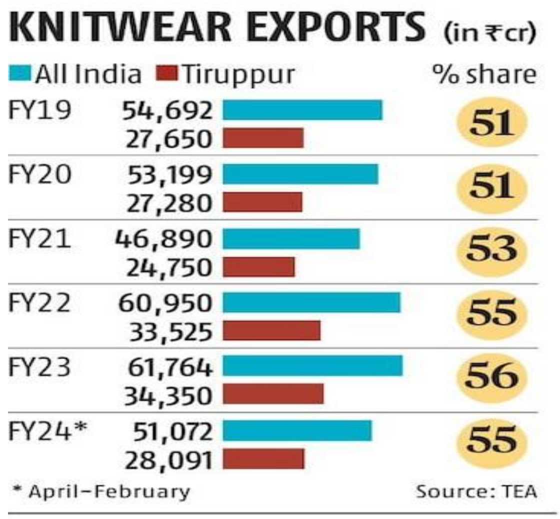
In the midst of the remains of what was once a busy industrial-cum-trade hub, long before the Dutch and Vasco da Gama dreamt of discovering the Indian sea route, the words of Jyothi Mani, a local resident in her late 50s, echo political undercurrents that run deep in this historic land. "Our major issue is the availability of water.

We can only engage in coconut farming and cattle breeding because of that," says Mani, seen at an excavation site. She reminisces about the site's vibrant excavation activities starting from 1985-86, which have been neglected in recent years.

Reiterating Mani's views, Ningathottam Subramaniam, a 71-year-old farmer who is a staunch believer in Dravidian politics, says: "Tamil Nadu politics is all about the DMK (Dravida Munnetra Kazhagam) and the AIADMK (All India Anna Dravida Munnetra Kazhagam). People's issues should be addressed. We are not getting enough water in the region."

Tiruppur, too, appears to be less active than in past years, a significant reason being the decline in knitwear exports during 2023-24. The city witnessed an overall 18.2 per cent contraction in knitwear exports from April to February in FY24, with only February showing some growth.

With primordial Omkara sound playing in the background, K M Subramanian has been busy working at the office of his company K M Knitwear. “The war in Ukraine, the financial crisis in Europe and the US, and global business not coming back to normalcy after the Covid pandemic were the major reasons for the decline in exports,” says Subramanian, also president of the Tiruppur Exporters’ Association (TEA).



In the Lok Sabha polls, the main battle in Tiruppur, is between the Communist Party of India’s (CPI) sitting MP K Subbarayan, the AIADMK’s P Arunachalam, and the BJP's A P Muruganandam. The constituency will vote on April 19 in the first phase of polling.

“There are two major economic lifelines of Tiruppur -- textile and agriculture. Infrastructure needs to be improved for the betterment of the textile industry, and water availability should be ensured. I will be working for that,” says CPI stalwart Subbarayan. For textiles, he advocates, the Central government should take steps to make cotton prices stable and promises that the INDIA bloc will make efforts towards that upon coming to power.

During the 2019 elections, the CPI won 45.6 per cent votes, while the AIADMK got only 37 per cent. “Dravidian parties are stronger in the region. The BJP through K Annamalai is trying to make inroads. Though it is able to attract the urban population and upper caste people, support of the poor and lower castes is strong with the Dravidian parties," says an industry leader.

According to TEA, the major issue for the textile sector is labour shortage. “We are running at least 30 per cent short of labour with other states offering huge sops and creating clusters like Tiruppur. We want the new government (at the Centre) to speed up the free trade agreement plans with the United Kingdom. The city also needs a metro connectivity with Coimbatore,” says Subramanian.

Tiruppur's textile industry has 600,000 inland employees and 200,000 migrants. Hence, any issue that affects the Tiruppur cluster affects four Lok Sabha constituencies, too -- Tiruppur, Erode, Pollachi, and Nilgiris – with several employees belonging to these areas.

“Cotton prices have gone up, resulting in product prices moving up by 50 per cent. Some brands in Europe have turned bankrupt, which is also affecting orders. Because of the non-availability of skilled labour, we are running at 60-70 per cent capacity. There should be proper hostels and housing facilities for migrant workers," says R Senthil Kumar of Premier Agencies, a Tiruppur-based MSME. The net average salary of employees in the cluster is around Rs 20,000. TEA is demanding better roads and infrastructure, as industries are spending an average of Rs 100 per employee per day for transport, too.

The major brands that source from Tiruppur include European majors, including Primark, Walmart, Marks & Spencer, Hennes & Mauritz AB (H&M), Tommy Hilfiger, and Target. In 2022-23, Tiruppur contributed to around Rs 34,350 crore or 56 per cent of India’s total knitwear exports of Rs 61,764 crore. In 2023-24, until February, it was seen at Rs 28,091 crore or 55 per cent of India’s Rs 51,072 crore exports.

“The number has come down in volume terms, too. That is a concern,” notes Senthil Kumar. In addition to exports, domestic market sales from Tiruppur come to the tune of Rs 27,000 crore.

At Khaderpet, the largest wholesale market in Tiruppur, K Babu, who runs a wholesale shop, says: “Since GST got introduced, around 800 to 900 amendments were made. However, it is still hurting small traders like us in the region.” Karan Singh from K R Garments, on the other hand, blames the Lok Sabha polls for the decline in his sales. “We expect domestic sales to pick up after the polls,” he says.

Reminiscing the vibrant history of this region, an industry leader says Kodumanal is proof of why before learning “A for Apple”, kids in Tiruppur learn “T for textiles”. With a 55 per cent export share and a history that dates back to Caesar, it is rightly so.

Source: business-standard.com– Apr 17, 2024

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Tatas in talks to buy stake in Fabindia's apparel line

The Tata group is understood to be in talks with the promoters and shareholders of Fabindia for a stake or outright buy of the ethnic apparel business, sources said.

Talks are still going on, but sources indicate that the acquisition will likely value it lower than the $2.5 billion pegged by the clothing company's aborted initial public offering.

The deal, if it goes through, could be the largest in the segment, after Aditya Birla Fashion Retail's acquisition of a controlling stake in TCNS Clothing last year.

Strategic addition

For the Tatas, this will be a strategic addition to their portfolio in the ethnic wear space. Retail arm Trent sells apparel under Westside, Zudio and Utsa brandnames. Also, the ethos of Fabindia, that makes its products from traditional techniques, and hand-woven fabrics that are sustainably sourced, resonates with that of the Tata group.

The Tata group and Trent declined comment. A spokesman for Fabindia denied that any talks were on.

Fabindia needs funds, not only to pare debt but also for expanding capacity and to refresh its clothing line.

The IPO was also supposed to provide an exit opportunity for many investors such as Premji Invest that holds over 20 per cent stake through PI Opportunities Fund; and Bajaj Holdings. The bulk of the IPO was to have been an OFS (offer for sale) by promoters and other shareholders; ₹500 crore was to have been raised as fresh issue.

In January, Fabindia agreed to sell subsidiary Organic India to Tata Consumer Products at an enterprise value of ₹1,900 crore. This was part of its restructuring exercise after it abandoned its ₹4,000-crore IPO last year, citing uncertain market conditions.

Fabindia, which predominantly sells premium ethnic apparel, has been making losses over the last three years. It reported a revenue of ₹1,668 crore in FY23, up 21 per cent from year ago, according to data from Tracxn. However, expenses rose by a fifth to ₹1,730 crore. It ended FY23 with negative cash balances, according to the cash flow statement data.

Once a favourite among women of all ages, it has been ceding ground to new entrants as it has failed to follow fashion trends and design clothes that would appeal to younger consumers. Its clothes are also seen as overpriced compared to alternatives such as Global Desi.

Management rejig

Soon after Fabindia withdrew its IPO plan, it made some management changes. William Nanda Bissell, who holds over 15 per cent stake in the company, was appointed Managing Director from Executive Vice-Chairman and Director, which post was taken up by Executive Director Mukesh Chauhan. Viney Singh, on completing his tenure as MD, became a non-executive director.

Fabindia has over 300 stores and apart from apparel also sells furnishings, furniture and lifestyle accessories.

Source: thehindubusinessline.com– Apr 17, 2024

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