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USD	EUR	GBP	JPY
83.29	89.09	103.65	0.54

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INTERNATIONAL NEWS

U.S. Consumers Consider Sustainability Less Now Than They Did Last Year

U.S. consumers aren't going green in the same way other countries' shoppers have.

New data from e-commerce firm ESW shows that the average U.S. consumer is concerned less about sustainability in 2024 than they were in 2023.

That data comes from a survey of global consumers, where ESW put forth 14 sentiment markers around sustainability-related behavior and created a "sustainability sentiment score" based on the proportion of respondents that answered "agree" or "strongly agree" to the questions.

The sentiments included questions about price sensitivity as it relates to sustainability, whether sustainability plays a role in consumers' day-to-day lives and more.

The average U.S. consumer scored 49, lower than the global average of 55 and down two points from a score of 51 in 2023. The U.S. score comes just above the bottom five nations by sentiment—Japan at 32, the UK and Germany at 46 and Switzerland and Canada at 48.

Meanwhile, other countries had a high value for sustainability. India's consumers scored 75; the United Arab Emirates scored 74; China came in third at 70 and Mexico followed at 67.

Martim Avillez Oliveira, ESW's chief revenue officer, said the firm found the variance by country was unexpected.

"We were surprised to discover that the degree to which consumers are concerned about sustainability, as well as what they value from the brands they patronize, depends largely upon where they live," Avillez Oliveira said in a statement. "The data suggests that while U.S. consumers have been encouraged to make environmentally responsible choices for years, perhaps the intensity of that messaging, along with the increasing strain that inflation places on households, may have consumers at a tipping point."

Location wasn't the only factor that defined how inclined consumers feel to consider sustainability. Brands popular amongst Gen Zers and millennials may have a better chance at success with their sustainability appeals.

Gen Zers globally scored 61 on ESW's scale, with millennials on their heels with a score of 60. Gen X lagged below the global average at 53, and Boomers came in with a score of 49.

Even though some countries—and generational cohorts—lag behind others where sustainability sentiment is concerned, one-third of all global shoppers scored over 80. That means if they put their money where their sentiment lies, the industry could soon reap the benefits of sustainably minded consumers.

Sentiment also varies by category of shopper. Luxury consumers, who often have a higher rate of disposable income, are already on their way toward more sustainable practices. According to ESW, the average luxury shopper is 1.5 times more likely to be "sustainably attuned." That could also be part of the reason resale platforms selling luxury goods at a discount have become increasingly popular amongst consumers.

ESW's data shows that even as some consumers' sustainability sentiment has fallen since last year, consumers are starting to become more educated. Over half of global consumers said they have become more conscious of greenwashing in 2024 as compared with 2023.

That's good news for brands ramping up their messaging and actions around sustainability, and it may simultaneously begin to negatively alter consumers' opinions of brands they deem guilty of greenwashing.

And about three in 10 consumers said they consider sustainable packaging and shipping options when they shop virtually. For that reason, ESW's report suggests brands work to "enhance [their] reputation by offering recyclable packaging and carbon neutral shipping and delivery," both to retain customers already seeking sustainable alternatives and to attract customers who may be coming around to the importance of sustainability when purchasing new items.

Source: sourcingjournal.com– Apr 23, 2024

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Sourcery Turns to Denim Industry to Expand Direct-to-Grower Program

Sourcery is inviting up to ten denim mills, manufacturers and vertical manufacturers from Pakistan, Bangladesh, Vietnam, Turkey and Italy to become Provisional Direct-to-Grower Manufacturer Partners.

Founded on the belief that existing cotton commodity trade system is not built for commercial and environmental impact at scale, the Amsterdam-based global sourcing platform connects brands, manufacturers and growers to secure and transact fiber, yarn and fabric with full transparency.

To close the disconnect between supply and demand, Sourcery's Direct-to-Grower program uses a pull-based system of trade that "leverages forward transaction momentum at all stages of the value chain on fiber, yarn, fabric and finished goods through a commercially neutral facilitative process that drives more transparency, fairness, and efficiency and benefits everyone from grower to consumer," the company stated.

The program aims to drive stronger demand in the market with Direct-to-Grower partners downstream into the entire cotton value chain.

By following the Direct-to-Grower approach, Provisional Partners can "test drive" the Sourcery and immediately engage, collaborate and buy cotton fiber directly from growers and sell denim yarn and fabric to other Direct-to-Grower Partners without any upfront membership fee. Sourcery said it does not charge a commission fee on fiber, yarn or fabric transactions.

Members will also be among the first mills to have the opportunity to participate in Sourcery's forthcoming stock option subscription program that will be available to all its member partners. This members-owned strategy will allow the sector "to take ownership in and lead the future of trade as a global cooperative committed to transforming trade for good," Sourcery said.

Last July, Pakistan-based Sapphire Textile Mills joined the Direct-to-Grower program.

“The denim industry is often the first to adopt new fibers, processes, technology than other textile categories who tend to be less forward thinking and responsive,” said Crispin Argento, Sourcery’s global marketing director. “By specifically inviting the denim community to join not just as future members, but to also take ownership in Sourcery is very much a part of our approach to transforming the ‘impact paradigm’ whereby growers, traders, mills, and brands can better collaborate, define, and now own the future of sustainable cotton and transparent trade.”

Sourcery said the Provisional Partnership Program has proven successful in India and Pakistan. Recent partners include spinning mills Shivatex, Armstrong India, Unitech Spinner, Nahar Spinning, Ken Enterprises, Ramco Group and GTN Textiles.

Source: sourcingjournal.com– Apr 23, 2024

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Deforestation-Linked Brazilian Farms 'Not in Breach' of Better Cotton Standard

Better Cotton says that a third-party audit has found no breach of its standards at certified farms recently linked to environmental and human rights abuses in Brazil, although the allegations themselves, plus "additional analysis carried out internally," have inspired it to expand its due diligence process.

The world's largest sustainable cotton initiative published the results of its Peterson-conducted assessment on Tuesday, two weeks after London-based nonprofit Earthsight implicated fashion giants H&M and Zara owner Inditex in corruption, illegal deforestation, land grabbing and violence against local communities in the ecologically sensitive Cerrado region through their use of Grupo Horita and SLC Agrícola's "tainted" cotton.

But Earthsight said that the scope of the audit, which focused on three locations that Better Cotton said were licensed at the time of the investigation, already throws its conclusions into doubt. None of them, for instance, are located in Estrondo, a mega-farm in western Bahia where the nonprofit said the worst violations were taking place. It also "ignores the fact" that two of the farms have their legal reserves on the traditional lands of Capão do Modesto, even if they are "far removed" from the indigenous groups known as geraizeiros, as the audit notes.

That only three sites were examined is also an issue, said Rubens Carvalho, head of deforestation research at Earthsight. Both Grupo Horita and SLC Agrícola claim that all of their production sites are certified and the Brazilian Association of Cotton Producers, better known by its Portuguese acronym ABRAPA, states that 14 of the companies' farms in Bahia grow Better Cotton.

"This so-called 'investigation' is so flawed as to be almost worthless. The investigators examined a tiny proportion of the farms claiming to be producing Better Cotton where we alleged serious harms were occurring, and assessed them in a narrow manner [that] ignored the complexities of the issues we uncovered," Carvalho said. "This blinkered effort at greenwash won't cut it with the public, and it shouldn't with H&M and Zara."

Better Cotton insists, however, that the other farms in question weren't covered by the standard during Earthsight's timeframe. Peterson's "enhanced check" also involved the use of maps, satellite images, official documents, literature and interviews with all the stakeholders involved, including Grupo Horita, SLC Agrícola, ABRAPA and Better Cotton.

The London- and Geneva-headquartered organization said that the audit found "no relation" between Earthsight's allegations "relating to community impact" and the three Better Cotton-producing farms. It also found that the sites registered with the Rural Environmental Registry, a self-declaratory if mandatory database of rural properties, and therefore comply with ABRAPA's Responsible Brazilian Cotton, or ABR, protocol, which Better Cotton considers an equivalent standard.

The farms are also certified by the Brazilian Institute of the Environment and Renewable Natural Resources, meaning that their use and conversion of land for cotton farming hews to both national legislation and the ABR standard. As for deforestation, Earthsight's exposé refers to fines that pre-date the farms' participation in the Better Cotton program, the audit said, adding that the use of satellite imagery confirms that no new land has been converted on them since 2008.

"There is no evidence of the illegal spraying of pesticides as alleged," Better Cotton said. "The embargos on spraying were lifted in 2018 so the aerial sprays highlighted in the report were legal. The complaint did not provide objective evidence the farms applied pesticides in violation of legal distancing."

But Carvalho called Peterson's analysis "extremely unsatisfactory and incomplete." If the ABR protocol is on par with Better Cotton's standard, then why does the report say that the latter needs to "evolve to become more focused on issues such as community needs and cultural values of lands?" he asked. Or to ensure that land conversion doesn't happen in areas of high conservation value? And why did the audit recommend that ABR criteria should be strengthened to ensure that producers are not engaged in corruption?

He also pointed out that Earthsight's criticism was not so much with compliance but with the ability of the standard to promote traceability, protect land use and safeguard indigenous rights.

Better Cotton itself admits that the audit did not extend to the agribusinesses that own the farms, since both it and ABRAPA's standards are limited to farm operations and cotton production. "It's not surprising then that Better Cotton could not find any links to corruption," Carvalho said. Both Estrondo and the reserves at Capão do Modesto, he added, are the subjects of land-grabbing lawsuits. Better Cotton said that it's unable to comment on any ongoing legal investigations into landowners.

"Better Cotton says the auditors have engaged the communities which have had their lands stolen, but information Earthsight has received from the field indicates no such engagement has yet taken place," he said. "Better Cotton does not say which communities have been contacted. If its investigation did not look at Horita's farms at Estrondo, it is unlikely the consultants will talk to the traditional communities there. Yet these communities have suffered violence, harassment, intimidation and restrictions of movement over the last decade as a result of Estrondo's land grabbing."

Better Cotton says that it welcomes scrutiny from watchdog groups such as Earthsight, as they "help to shine a spotlight on areas where both farm and regulatory oversight need to improve."

While the latest version of its standard is the "toughest yet" and demonstrates its commitment to "bringing the cotton industry on a journey of continuous improvement," the platform is now "actively considering" conducting direct due diligence on large corporate owners of cotton farms due to the "wider impact of these businesses."

A "further component" of Better Cotton's response, it said, will be to "encourage and support additional engagement across commodity stakeholder groups, standards bodies and certification schemes to remedy the adverse impacts associated with cotton production." And while Better Cotton didn't specifically address its—controversial—use of "mass balance," which allows conventional cotton to be mixed in with Better Cotton at different stages of the supply chain, It said that it aims, by 2025, to offer traceability not only at a country level but also at the ginning stage, "which is only one step removed from the farm."

"That's an improvement and it's the first time we hear this," Carvalho said. "Is this a reaction to our investigation? While better, this level of traceability is still inadequate. Cotton must be traced back to farms of origin, which is the level where land grabbing, illegal deforestation and human rights violations take place."

Source: sourcingjournal.com– Apr 23, 2024

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Dynamic growth and evolution of the women’s apparel market

The Women’s Apparel market stands as a dynamic force within the global fashion industry, embracing a plethora of clothing and accessories to suit diverse style preferences and lifestyles. Reflecting evolving fashion trends, cultural influences, and consumer demands, it serves as a canvas for personal expression and identity. With a forecasted expansion at a CAGR of 4.9 per cent, reaching $5,958.6 million by 2031 according to Persistence Market Research, this market thrives amidst the influence of social media, e-commerce, and sustainability concerns.

Factors driving market growth

Shifting Fashion Trends and Consumer Preferences: Fashion trends evolve incessantly, propelled by cultural shifts and social media. Women's apparel brands adapt to these trends, offering collections that resonate with consumers' desires for style, comfort, and versatility.

Rise of E-Commerce and Digital Retailing: E-commerce platforms redefine the shopping experience, providing convenience and personalized options. Features like virtual try-ons enhance accessibility and drive the growth of digital Women’s Apparel market.

Influence of Social Media and Influencer Marketing: Social media platforms wield significant influence over fashion preferences. Collaborations between brands and influencers amplify brand reach and drive product discovery, reshaping the digital landscape of the Women’s Apparel market.

Emphasis on Sustainability and Ethical Fashion: Growing awareness of environmental issues fuels demand for sustainable and ethically produced apparel. Consumers seek transparency and eco-friendly practices, favoring brands that prioritize ethical sourcing and environmentally responsible manufacturing.

Fashioning trends with style and substance

The women’s apparel market is a vibrant tapestry influenced by changing trends, consumer preferences, and societal norms. Inclusivity emerges as a significant opportunity, with rising demand for clothing options that cater to diverse body types and backgrounds. Manufacturers can capitalize by offering inclusive sizing and adaptive clothing, fostering an empowering shopping experience for all women.

Moreover, sustainability drives consumer interest, leading to a demand for eco-friendly practices. Brands adopting sustainable materials and transparent manufacturing processes build trust and loyalty among environmentally conscious consumers, contributing to positive change in the fashion industry.

Additionally, innovation fuels market growth, with a focus on functional and versatile designs. Advanced fabrics and technology-driven solutions meet the needs of modern consumers, enhancing comfort and convenience in clothing choices.

Market trends

The demand for sustainable and ethically produced clothing is on the rise, influencing purchasing decisions and shaping brand loyalty among environmentally conscious consumers.

Online platforms and digital marketing play a significant role in shaping consumer preferences and driving fashion trends, offering seamless shopping experiences for digital-savvy consumers.

Market challenges

The challenge lies in balancing the demand for fast, affordable fashion with sustainability goals. Addressing issues such as textile waste and labor exploitation requires investment in sustainable practices and circular economy initiatives.

Historically, limited size ranges have excluded many body types from mainstream fashion offerings. Apparel brands are responding by expanding size options and embracing body-positive messaging to promote inclusivity.

Latest developments

Recent advancements focus on innovation and personalization, with brands investing in sustainable materials and offering customizable options. Circular fashion initiatives further promote sustainability, while personalized shopping experiences enhance customer engagement and satisfaction.

The Women's Apparel market stands at the intersection of style, sustainability, and innovation. With evolving trends and consumer demands, brands have the opportunity to shape the future of fashion while embracing inclusivity, sustainability, and technological advancements. As the market continues to evolve, adaptation and innovation will be key to staying ahead in this dynamic industry.

Source: fashionatingworld.com– Apr 23, 2024

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In 1Q24, Uzbekistan's foreign trade turnover expands by 6.2% y/y, hits $15.8 bn

Uzbekistan's foreign trade has shown an increase of 6.2% y/y in 1Q24, reaching a total turnover of $15.8 bn, the State Statistics Agency reports. Exports surged to $6.4 bn, marking a significant 10% rise compared to the previous year. Notably, gold exports played a substantial role, contributing nearly half of the export revenue in March alone, amounting to $1.3 bn. Since the inception of the year, Uzbekistan exported $2.7 bn worth of precious metals, marking a robust growth of 10.5%.

China continues to maintain its position as Uzbekistan's primary trading partner, with a trade turnover of $3 bn, out of which $2.6 bn constituted Chinese goods. Russia follows closely with a trade volume of $2.8 bn, remaining the principal export market for Uzbekistan, accounting for $720.9 mn.

Trade relations with France have witnessed substantial growth, with a notable increase of approximately two-thirds, amounting to $337.1 mn. This surge is attributed to a 2.5-fold rise in exports, reaching $237.3 mn, coupled with a decrease in imports to $99.8 mn.
Exports

Manufactured goods continue to hold a significant share in Uzbekistan's export basket. Key sectors such as textiles and fabrics, non-ferrous metals, chemicals, and food have displayed varying degrees of growth.

- Textile and fabric exports: rose by 1.8% to $538 mn.
- Non-ferrous metal shipments: climbed by 14% to $344 mn.
- Chemicals exports: increased by 28.3% to $362.7 mn.
- Food exports: reached $352.9 mn, marking a growth of 2.5%.

Imports

In terms of imports, machine-building products retained the highest share, totalling $3.54 bn, albeit witnessing a slight decline of 2.6% compared to the previous year. Notable increases were observed in categories such as electrical engineering, industrial goods, and medical products.

- Electrical engineering imports: Marked a significant increase of 60% to $458.5 mn.
- Industrial goods imports: rose by 14.2% to $1.55 bn.
- Medical products imports: totalled $492.8 mn, indicating a growth of 22.4%.

Source: daryo.uz– Apr 23, 2024

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Techtextil & Texprocess 2024: Strong start with 1,700 exhibitors

With 1,700 exhibitors from 53 countries, Techtextil and Texprocess 2024 are underscoring their pioneering significance for the global industry. At the opening event, the leading international trade fairs focused on the highly relevant subject of AI and thus generated future-oriented impulses. AI offers new opportunities along the entire value chain – from production and processing to recycling. In the panel talk, experts explained how AI is energising the textile industry.

With 1,700 exhibitors from 53 countries, Techtextil and Texprocess 2024 are the centre for future-oriented innovations by the international textile industry – from progressive technologies to revolutionary materials. Moreover, for its 20th edition, Techtextil presents itself in a new dimension. Texprocess is also strongly positioned across all product groups. The materials, products, machines and processes presented at the two trade fairs, as well as the newly forged business alliances, are paving the way for the future of the industry.

"Frankfurt is once again the centre for textile and technological innovations, which are often presented to the public for the first time at Techtextil and Texprocess. These are an important indicator and driving force for the future of many other branches of industry. On its 20th anniversary, Techtextil has become larger than ever before and, together with Texprocess, is in great shape," said Detlef Braun, member of the Executive Board of Messe Frankfurt GmbH, in his speech.

At the opening event, Techtextil and Texprocess generated forward-looking impulses in a panel talk entitled: From textile recycling to garment processing – the role of AI. Discussing about the opportunities of using AI in the fields of textile production and processing were Chloé Salmon Legagneur, Director, CETIA, Prof. Dr. Ingo Rollwagen, AMD Akademie Mode & Design / Hochschule Fresenius, Senior Advisor IMP Consulting, Elgar Straub, Managing Director, VDMA Textile Care, Fabrics and Leather Technologies, and Olaf Schmidt, Vice President Textiles & Textile Technologies, Messe Frankfurt.

Artificial intelligence in the textile industry

Identifying new approaches, utilising potential and improving existing processes – AI represents a great opportunity for progress in the textile industry. Those who engage with the new developments today are well positioned for the future. The advantages of AI solutions are evident: greater efficiency, competitiveness, transparency and sustainability. However, making the most of AI calls for expertise, investment and the suitable technologies. The panel talk looked at how AI can be used to best effect in the textile industry from a variety of perspectives.

New opportunities with AI

Artificial Intelligence offers new opportunities for innovation. On the one hand, developments are emerging that use AI to improve traditional textile manufacturing and processing operations and to make them more efficient, e.g., intelligent fault detection during production or optimised material calculations make production and processing faster, better and more sustainable. On the other hand, AI can be used to create completely new products. “AI expands the scope for innovations. In addition to accelerating and increasing the efficiency of existing processes, it creates added value by improving products.

For example, in the form of circular, regenerative textile solutions with longer life cycles. In the future, AI will make it possible to not just do the same thing faster but also to create completely new, better, more individual and more sustainable textile solutions that are better tailored to the customer and also better for the environment,” explained Prof. Dr. Ingo Rollwagen in his keynote speech.

Textile recycling reimagined with AI

Most textile waste is either returned to the retail trade as second-hand fashion, ends up in landfill sites or is incinerated. Hence, demand for recycling solutions, e.g., for old clothes, remains high. Moreover, the EU Green Deal also calls for scalable recycling solutions. New developments with AI integration promise to provide a remedy for this in the future, for example, by differentiating between textile and non-textile materials, such as zips, and separating them automatically.

The French innovation platform CETIA is developing industrial solutions that prepare textiles for the recycling process. "Efficient, innovative technologies are needed to enable textile recycling on a large scale. Automation, robotics and AI increase profitability and competitiveness.

Interdisciplinary cooperation between research and industry is essential for this," explains Chloé Salmon Legagneur in the panel talk.

Techtextil and Texprocess driving new technologies

Artificial Intelligence is no longer a buzzword for companies. Indeed, it is rapidly changing the industry and finding its way into more and more applications. This also means that the industry has to get involved with AI to remain competitive and utilise the many advantages that it offers. As international meeting places for the industry, Techtextil and Texprocess are the first ports of call for gathering information and exchanging ideas.

“The industry is facing major changes. Although AI creates many new opportunities, it also confronts companies with a variety of transformational challenges. We look forward to accompanying the international industry through this process and highlighting potential solutions at Techtextil and Texprocess. Together, we can leverage the unique potential for the future,” said Olaf Schmidt.

At the two trade fairs, participants find innovative solutions and partners that will propel their companies forward and make them ready for the future – whether progressive start-ups or top-class research institutes. Expert knowledge is available at first hand from the Techtextil and Texprocess forums, e.g., on the subject of ‘Textile value chain digitalisation and data driven AI business models’ or ‘AI-Based Real-Time Energy Optimization in the Textile Industry’, as well as a guided tour of Texprocess exhibitors focusing on digitalisation and AI. Additionally, two Texprocess Innovation Award winners were honoured in the ‘Digitalisation + AI’ category.

Examples of AI integration can also be found in the portfolios of ever more exhibitors. Visitors can look forward to intelligent systems that analyse fashion trends using AI, for example, use image analysis to identify faults or sort old clothes, as well as to network different production steps intelligently with one another.

"Advances in the field of AI have come at exactly the right time for the textile processing industry. New technologies offer genuine opportunities to tackle challenges such as labour shortages, the demand for greater sustainability and resource scarcity," says Elgar Straub.

Techtextil and Texprocess 2024: Innovations and networking on subjects of major significance for the future of the industry

Innovative materials and disruptive technologies – Techtextil and Texprocess present the most comprehensive spectrum of technical textiles, functional apparel textiles, nonwovens, production and processing technologies at the same time and place. In twelve areas of application, the unique innovative strength offered by textile solutions for a wide range of sectors is reflected – from construction to medicine. As an international meeting place for the industry, the programme of events at Techtextil and Texprocess generates a host of important impulses.

Visitors will find a list of expert lectures, guided tours, special shows and events in the event calendar. The thematic spectrum covered ranges from denim processing, via recycling to functional apparel textiles. Areas focusing on functional natural fibres, start-ups and campus & research combine subject-specific presentations for visitors. Products, processes, solutions and information relating to sustainability can be found under the Econogy label. The Techtextil and Texprocess Innovation Awards represent another highlight for visitors.

The pioneering research, new products, materials, processes and technologies selected by a jury of experts represent the future of the industry. The exhibits selected for the Techtextil Innovation Award can be seen in Hall 9.1 up to and including 26 April 2024. Additionally, the jury is offering guided tours to the stands of the winners of the Texprocess Innovation Award on 23 and 24 April.

The events Techtextil and Texprocess will be held from 23 to 26 April 2024.

Source: fibre2fashion.com– Apr 24, 2024

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Iraq, Qatar, UAE, Turkiye sign MoU on Development Road project

Iraq, Turkiye, Qatar and the United Arab Emirates (UAE) recently signed a memorandum of understanding (MoU) to cooperate on the Development Road project, a $17-billion initiative launched by Iraq last year to link its Grand Faw Port on the southern coast by rail and road to the border with Turkiye.

Turkish President Recep Tayyip Erdogan and Iraqi Prime Minister Mohammed S Al Sudani witnessed the signing ceremony in Baghdad, where the former was on an official visit. Qatari and Emirati ministers attended the event as well.

Cooperation between Iraq and Turkiye on big economic projects was also on the table. Iraqi and Turkish officials signed 24 MoUs during Erdogan's one-day visit.

The 1,200-kilometer (745-mile) road and rail project aims to turn Iraq into a transit hub, connecting Asia and Europe with a link between a major commodities port in the country's oil-rich south and Turkiye in the north, Turkish media outlets reported.

In the first three months this year, Turkish exports to Iraq rose by 24.5 per cent, while imports fell by 46.2 per cent.

Source: fibre2fashion.com– Apr 24, 2024

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Sri Lanka's reform drive critical, notes IMF official

Gita Gopinath, the first deputy managing director of the International Monetary Fund (IMF), emphasised the challenging road ahead for Sri Lanka, stressing the critical need to maintain reform momentum.

Following discussions with minister of state for finance Shehan Semasinghe, central bank governor Nandalal Weerasinghe, and treasury secretary Mahinda Siriwardena during the IMF/World Bank Spring Meetings in Washington, Gopinath underscored the significance of sustaining economic reforms.

Acknowledging Sri Lanka’s hard-won economic gains in the past year, Gopinath expressed her concerns about the formidable challenges ahead even as she highlighted the importance of continuous reform efforts to navigate through these challenges effectively.

Emphasising the criticality of reform momentum, Gopinath’s remarks underscored the ongoing commitment required from Sri Lanka to drive economic progress.

Under President Ranil Wickremesinghe’s leadership, Sri Lanka has undertaken significant reforms, including measures such as tax increases, as part of its IMF programme.

The decision to engage with the IMF came after Sri Lanka faced a sovereign debt default in April 2022, necessitating urgent economic stabilisation measures.

State minister for finance, Semasinghe expressed gratitude to Gopinath for recognising Sri Lanka’s economic progress and described the discussions as insightful and productive. He reiterated Sri Lanka's steadfast commitment to its reform agenda and expressed eagerness for continued collaboration with the IMF to achieve shared objectives.

Sri Lanka’s engagement with the IMF stems from a period of economic and political turmoil, including an unprecedented economic crisis followed by political upheaval.

The IMF programme encompasses reforms in various sectors, including state-owned enterprises, the fiscal sector, and financial sectors, aimed at ensuring long-term debt sustainability.

Furthermore, the IMF has pledged support to expedite Sri Lanka's debt restructuring process with private creditors, including sovereign bond holders, indicating the global lender's commitment to facilitating the island nation's economic recovery and stability.

Source: fibre2fashion.com– Apr 24, 2024

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Vietnam's textile & apparel sector sees FDI revival: Reports

Foreign direct investment (FDI) is flowing back into Vietnam's garment and textile sector, driven by the nation's favourable investment climate, ample workforce, and open economy.

Media reports maintained this citing industry insiders.

Vu Duc Giang, Chairman of the Vietnam Textile & Apparel Association (VITAS), highlighted the expansion of foreign garment and textile producers within Vietnam to capitalise on its market even as he emphasised the pivotal role of free trade agreements (FTAs), including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), EU-Vietnam FTA (EVFTA), and Regional Comprehensive Economic Partnership (RCEP), in attracting both domestic and foreign investors.

In the first quarter of 2024, Vietnam's garment and textile export revenue surpassed $8 billion, with FDI firms contributing over 60 per cent of the total.

Notably, the management board of industrial parks in Nam Dinh province issued an investment certificate to Crystal International Group, based in Hong Kong, for its Yi Da Denim Mill project worth $60 million.

Crystal International Group runs several plants across northern and southern Vietnam, contributing to significant export revenue and job creation.

Similarly, YKK Corp., the world's leading zipper producer, expanded its operations in Vietnam with a second plant in Ha Nam province.

Moreover, SAB Industrial Vietnam Company Limited, part of China's Weixing group, also inaugurated a $62 million factory in Thanh Hoa province, producing various items like zippers and buttons.

This investment not only reduced reliance on imported raw materials but also enhanced product competitiveness by cutting manufacturing time and transport costs.

The resurgence in FDI underscores Vietnam's attractiveness as a manufacturing hub and its strategic position in the global supply chain.

Source: fibre2fashion.com– Apr 24, 2024

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Latin American buyers come looking to Việt Nam for goods supply

Leading distributors and retailers in Latin America will attend Vietnam International Sourcing in HCM City in June to look for large volumes of a diverse range of products, according to the Ministry of Industry and Trade.

The ministry's European-American Market Department said last year Chile's Falabella, the largest retailer in Latin America with 577 stores and shopping malls across Brazil, Argentina, Chile, Uruguay, Peru, Mexico, and Colombia and 35 million regular customers, found Vietnamese suppliers for sports equipment and apparel.

It said this year Falabella is looking to expand purchases from Vietnamese suppliers in a number of categories such as textile and garment, footwear, sportswear, household appliances, and electrical equipment.

Coppel, a Mexican department store chain, has also shown interest generally in Vietnamese products like clothes, footwear, technology accessories, and household furniture to diversify supply sources for its more than 1,600 outlets in Mexico and 27 in Argentina.

Venezuela's Latiquim C.A Group, a leading manufacturer and distributor of chemical products for the food and s industry, is seeking long-term partners in Việt Nam, especially for sulfonic acid and phosphoric acid production.

The US's Walmart Group, which operates a chain of supermarkets in Latin America, said it is looking to source textile and garment, footwear, interior and exterior furniture, home appliances, toys, and frozen foods from Việt Nam.

Nguyễn Đức Trọng, head of Walmart's new supplier development department in Việt Nam, said the retailer has identified Việt Nam as one of its strategic purchasing locations for its global supply chain.

Walmart imported US$7 billion worth of Vietnamese goods last year, mainly electronics, textiles, footwear, and toys, he said.

According to the MoIT's European - America Market Department, with 33 countries, a population of more than 670 million and GDP of about US$6.5 trillion, Latin America is a promising market for Việt Nam.

Trade and investment relations between Việt Nam and the continent has enjoyed robust growth, with trade going up by half in the past five years to $20.6 billion last year, it said.

Việt Nam and Latin America have complementary import and export commodity structures, creating favourable conditions for expanding business cooperation, it added.

In addition to distributors and retailers from Latin America, the event has received unprecedented participation by other leading distribution and sourcing companies from other parts of the world who expect to source more Vietnamese products.

Mirash Basheer of Lulu Group, the leading supermarket chain in the Middle East and which has stores across the region, India, Indonesia and Malaysia, said after the 2023 event his company found goods sources to export to India.

This year the company will dispatch sourcing teams from Dubai, Oman, Kuwait, and other countries to the event to source for more goods from Việt Nam such as banana and coffee, he said.

In another development, the Handicraft and Wood Industry Association of HCM City (Hawa) reported that the 2024 Ho Chi Minh Export Furniture Fair (HawaExpo 2024) held in March attracted over 20,000 visitors from 110 countries and territories, including over 4,600 international buyers.

More than 75 per cent of exhibitors signed contracts or MoUs with buyers at the fair for more than $115 million, it said.

Tạ Hoàng Linh, director of the European-American Market Department, said Việt Nam International Sourcing has brought a new perspective to global wholesalers and retailers about the capacity of Vietnamese enterprises.

“Việt Nam has become a major global manufacturing hub capable of supplying a wide range of products at competitive prices and with improving quality, and ensuring sustainable supply.”

More efforts needed

According to experts, global buyers coming to Việt Nam to source goods offer a great opportunity for Vietnamese firms to entrench themselves in the global production and supply chains.

But to seize the opportunities and secure more export orders, they need to improve their supply capacity, ensure stable quality, offer competitive prices, and meet stringent requirements in terms of environmental and social responsibility.

Yuichiro Shiotani, director of Aeon TopValu Vietnam, said Aeon seeks Vietnamese producers who are able to meet its criteria and standards, especially those who embrace green production, to become regular suppliers not only to its supermarkets in Việt Nam but also globally.

Hosted by the Ministry of Industry and Trade in collaboration with the city People’s Committee, the 2024 Vietnam International Sourcing will take place at the Saigon Exhibition and Convention Center in District 7 from June 6 to 8.

It has attracted 500 businesses in the international supply chain in five major industries: food and drinks; garments, textiles, and fashion accessories; shoes, bags, luggage, and accessories; sportswear and equipment; and household goods and home décor.

Source: vietnamnews.vn– Apr 24, 2024

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Vietnam: Apparel enterprises concern over business difficulties in Q2, despite rising orders in Q1

Domestic textile and garment enterprises will face a lot of pressure in production and business in the second half of 2024 due to unstable orders and many other factors.

Although working with many partners, the Southern Textile and Garment Corporation have struggled to close orders because customers are still relatively cautious about market developments.

Nguyễn Hồng Liên, deputy general director of the Huế Textile and Garment JSC, said that in regard to knitwear orders so far in 2024, customers are putting off orders until the third and fourth quarters.

Although the number of orders is increasing, businesses face problems of delivering on time, and firms need to step up productivity pace.

In addition to closely following market developments, businesses in the last six months of the year need to build a new scenario to help stabilise production if the market suddenly reverses compared to the first six months of 2024, Liên said.

The Việt Nam Textile and Apparel Association said the apparel enterprises will still face many difficulties this year, especially the increase in shipping fees due to the geopolitics conflict affecting shipping routes via Red Sea with some customers putting pressure on the textile and garment businesses to share the fee.

There are also added pressures from the European Union market that requires sustainable fashion and textile strategies, starting from ecological design, sustainable production and consumption of textile products, and even recycling of clothing waste.

Many brands also have made a request that from now until 2030, firms must use renewable energy accounting for 30 per cent of power in production, and by 2050, 100 per cent.

In addition, the labour issue is also a big difficulty. There is currently no shortage of orders but a shortage of labour as many staff have returned to their hometowns to seek other job opportunities.

To fill the gap, some localities are recruiting workers from other countries.

Policies on unemployment and social insurance have also created challenges in the labour market with a rise in minimum wage which raises input costs, but product prices have not increased.

Trương Văn Cẩm, deputy chairman of Việt Nam Textile and Apparel Association (VITAS), said the Government's VNĐ120 trillion programme on building social housing needs to be accelerated to ensure workers stay longer.

Cẩm said that in the first quarter of this year, the textile and garment exports improved with higher orders, and many businesses have signed contracts to produce until the third quarter.

Nguyễn Hùng Quý, general director of the Southern Textile and Garment Corporation, said the increase in orders was partly due to moving from China and some Southeast Asian countries to Việt Nam.

In the first three months, the garment and textile sector's export turnover grew nearly 10 per cent year-on-year to around $10 billion, a momentum for enterprises to fulfil the set target of $44 billion for the whole year.

VITAS said that, since the beginning of the year, global textile and garment companies and supply chains continue to choose Việt Nam to place orders. Việt Nam ranks third in the world for textile and garment exports.

Source: vietnamnews.vn– Apr 23, 2024

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Bangladesh: Business leaders to meet PM over gas crisis

Business leaders have planned to meet with Prime Minister Sheikh Hasina to apprise her of their hardships, as most businesses are facing challenges in obtaining an adequate gas supply to run their industries.

As a result, many businesses have shut down their production or are operating at partial capacity, which has also increased their bank liabilities, according to industry insiders.

In addition, revenue officials are harassing businesses by issuing demand notices in the name of collecting more revenue, even though these businesses are not currently operating, they added.

The leaders of the Bangladesh Textile Mills Association (BTMA), Bangladesh Steel Manufacturers Association, Bangladesh Cement Manufacturers Association, and Bangladesh Plastic Goods Manufacturers and Exporters Association made the decision at a joint meeting held at BTMA's Gulshan office.

In this meeting, the business leaders also urged the government to revert the gas tariff to its pre-hike level and resolve issues related to the US dollar to help the sector survive.

They alleged that despite the gas price hike last year, along with assurances of uninterrupted gas supply, the situation has not improved, according to sources at the meeting.

They also demanded that authorities address the crisis related to the US dollar and implement measures to prevent businesses from facing harassment by customs.

Speaking with The Business Standard, former president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) Md Jashim Uddin said according to the meeting decision, they will first meet with FBCCI President Mahbubul Alam on Wednesday.

Afterward, they plan to meet with the central bank governor and the NBR chairman. Finally, they intend to meet with the prime minister.
Echoing Jashim Uddin's sentiments, BTMA President Mohammad Ali Khokon described the meeting as preparatory.

He said, "We are facing a severe crisis due to poor gas supply. We discussed the issue with our member mills and other sectors, including the cement and steel manufacturing sectors."

The meeting also addressed the dollar crisis issue, as their working capital has shrunk due to the gap between the rates at which the US dollar is bought and sold. As a result, they are unable to buy raw materials.

"All these factors are negatively affecting the business," he said, emphasising the urgent need for solutions to these problems, as highlighted by the meeting members.

Furthermore, the meeting participants highlighted a number of difficulties related to customs.

According to meeting sources, due to severe gas shortages, the machinery of textile mills is being damaged, and they are unable to supply the required yarn and fabric to the export-oriented garment industry. Fabric processing plants are closed because they cannot run boilers.

Although Petrobangla assured uninterrupted gas supply after the price hike, more than a year has passed with no improvement in the gas supply situation.

Khokon said they will meet with FBCCI leaders today to find a way forward and decide on their next course of action.

During the discussion, textile millers proposed relief measures for natural gas supply, including converting CNG-driven cars to LPG and households using natural gas to switch to LPG, according to meeting sources.

They also said manufacturing industries have lost 40% of their capital due to exchange losses. Additionally, they need an additional 40% of working capital due to the price hike of gas, electricity, and other fuels.

The business leaders said they need at least 15 years to pay off their forced loans in equal EMIs with a two-year grace period.

Central bank policy support is needed to convert short-term loans to long-term ones and allocate 50% additional working capital to meet additional requirements.

Speaking anonymously, a business leader said Bangladesh needs to invest in the MMF-based textile industry because, after LDC graduation, the country will require double-stage value addition to qualify for the GSP Plus facility. However, existing industries are facing challenges in obtaining gas supplies.

Source: tbsnews.net– Apr 23, 2024

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Bangladesh: Apparel demand resurgence in West promises new bonanza

A significant bounceback in global demand for textiles and apparel promises new opportunity but Bangladesh lags far behind China in bagging the bonanza for reasons that include recent cost escalation.

Records of inspections and audits among buyers for China show the giant economy had a double-digit growth in recent months, according to latest report.

Similar trend is also reflected in both US and EU official import data for the first two months of 2024.

Global demand for textile and apparel inspections and audits from garment- manufacturing countries, including Bangladesh, increased over 20 per cent in the first quarter of 2024, according to QIMA latest report.

During the period, demand for China inspections and audits among US-based buyers grew over 12 per cent year on year (YoY), while among European brands, the growth was even faster, especially from buyers based in Germany with more than 35-percent YoY growth followed by France over 30 per cent, and the Netherlands over 33 per cent.

Meanwhile, "interest in China's manufacturing capacities remained robust among buyers in other parts of Asia, as well as in Latin and South America, with double-digit growth in inspection and audit demand across the board", the report adds.

QIMA, a quality-control company, in its latest report revealed that "following a slow 2023, demand for textile and apparel inspections and audits were up by more than 20 per cent YoY in Q1 2024 globally."

This swell in procurement can be linked to multiple factors, such as fading recession fears and improved consumer sentiment in the West, inventory replenishment following the holiday season, as well as brands relying on larger shipments to mitigate longer freight- transit times on routes affected by the Red Sea crisis, it explains why such a spurt in trade.

The report, however, says while China is experiencing resurgence in popularity among apparel brands, its competitors in Asia and beyond are keeping pace.

Regarding Bangladesh, the QIMA report says: "Both US- and EU-based brands stepped up their procurement in Bangladesh, instilling optimism that the country's export sector will perform better this year compared to 2023, when a political crisis halted a significant portion of Bangladesh's manufacturing."

"Whether that optimism will pan out remains to be seen, as the industry has some concerns about the Bangladeshi government's recent policy move to reduce cash incentives for garment exports."

QIMA is currently operating in more than 100 countries offering supplier audit, laboratory testing and product-inspection services in Asia, Africa, Australia, Europe and North America and South America.

According to OTEXA data, Bangladesh's readymade garment exports to the USA totalled $1.18 billion in January and February of 2024, recording a 19.24-percent decrease compared to the $1.46 billion earned in the corresponding period of 2023.

The US imported 395.69 million square metres of apparel items from Bangladesh in the January-February period this year which was about 12.79-percent lower than the 453.73 million square metres shipped in January-February 2023.

In contrast, during the January- to February period of 2024, China's apparel exports to the US grew by 0.48 per cent in value and 14.94 per cent in volume while Vietnam's apparel exports to the US increased 0.14 per cent in value and 8.81 per cent in volume.

In January-February 2024, Bangladesh's RMG exports to the EU recorded a 26.74- percent decline to 2.48 billion euros compared to 3.39 billion euros in the corresponding period of 2023, according to data of Eurostat, the statistical office of the European Union.

In contrast, China's apparel exports to the EU market during the first two months of 2024 dropped by 13.12 per cent to 3.33 billion euros.

EU's apparel imports from Vietnam during the period decreased by 10.77 per cent to 596.70 million euros, according to Eurostat data.

When asked, Fazlul Hoque, former president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), agreed with the trend shown in the QIMA findings.

He says China is more desperate than Bangladesh to grab the orders and it is offering lower prices, too.

In contrast, Bangladesh has no chance to go desperate in this regard as recent rises in wages, utility charges and other costs have pushed up the production cost, he noted.

"Even the forecast also gives the indication of further hike in gas prices," he says about the downside pulls.

Mahmud Hasan Khan, a former leader of Bangladesh Garment Manufacturers and Exporters Association, knows a bit different about the trade milieus. He told the FE that they are getting good inquiries from buyers.

Previously seasonal difference from country to country was four months while it now stands at two months as they have buyers from not only the US and the EU but also from new markets like Australia, Japan, India and Korea where Bangladesh shipped goods worth more than US$4.0 billion, he said.

He, however, expressed concern about the future, saying they are producing orders "but cost of doing business has been increasing due to gas and electricity issues".

They are not getting benefits rather retention has been decreasing, he said, adding that cut in cash incentives also affects them badly.

Source: thefinancialexpress.com.bd– Apr 23, 2024

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Bangladesh shifts cotton sourcing from India to Africa, as it impact global cotton trade

Bangladesh, the world's second-largest garment exporter after China, is undergoing a significant shift in its cotton import strategy. Traditionally, India was the primary source of cotton. However, in recent years, African countries have emerged as the dominant supplier. This trend has major implications for both the Indian and global cotton trade and both economies.

Bangladesh's cotton import scenario

As per USDA data based on Bangladesh NBR as of 2022-23, Bangladesh's cotton import was dominated by Africa, with Western Africa accounting for 39 per cent (Cameroon: 9 per cent, Chad: 3 per cent). Other significant contributors include Brazil (16 per cent), India (12 per cent), and the US (10 per cent).

BTMA’s past data highlights the dramatic change. In 2010, India supplied 22 per cent (over 1.1 million bales) of Bangladesh's cotton needs. This share rose to 55 per cent in 2015 (2.9 billion bales) but has since slumped to just 12 per cent. In the interim African cotton imports have steadily increased over the past decade, driven by factors like competitive pricing and faster delivery times facilitated by warehouses in Port Klang, Malaysia.

Reasons for the shift

There are many reasons behind this shift. One major reason is quality. Bangladeshi manufacturers claim African cotton offers superior quality compared to Indian cotton, leading to better yarn and garment production. "Among the African countries, the quality of cotton from Cameroon is very good followed by Chad and Mali.

But, one of the main reasons behind the increase of cotton exports is African Cotton Association. Members of the organization get special financial assistance from IDB enabling them to export good quality cotton at competitive prices and in a short period of time. And, Bangladeshi mill owners are able to take this advantage," said BTMA president Mohammad Ali Khokon Mohammad Ali Khokon

Uninterrupted supply is another reason as India has a history of export bans to meet domestic demand, disrupting Bangladesh's supply chain. African countries offer consistent supply through IDB-supported warehouses in Port Klang, Malaysia that enable faster and more efficient delivery to Bangladesh compared to traditional Indian routes, points out Khokon.

Moreover, African cotton is considered price competitive with Indian cotton, making the quality advantage even more attractive. The Islamic Development Bank (IDB) provides financial assistance to African cotton associations, allowing them to offer competitive prices to Bangladeshi importers.

Also, Indian cotton suppliers are accused of failing to meet quality standards and delivery commitments, leading to production issues for Bangladeshi mills. "Bangladesh produces yarn from good quality cotton. This is why cotton imports from Africa and America are on the rise," says Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) executive president Mohammad Hatem.

Impact on cotton trade

For India this means, loss of market share. India's cotton exports to Bangladesh are likely to decline further as Bangladesh diversifies its sourcing strategy. The decline in cotton exports to Bangladesh will impact Indian cotton producers and exporters. They may need to focus on improving quality and reliability to regain Bangladesh's market share.

African cotton producers are likely to benefit from this shift, experiencing increased demand and potentially higher prices. Investment in infrastructure and quality control can further solidify their position.
For Bangladesh this means they have access to higher-quality cotton that allows them to produce better quality yarn and garments, potentially boosting exports. Reduced reliance on a single source mitigates risks associated with potential supply disruptions in India.

The overall impact on the global cotton market is difficult to predict. It may lead to a slight shift in demand patterns, but significant changes are unlikely given Bangladesh's import volume represents a small portion of the global cotton trade.

Indeed, the rise of African cotton producers could reshape global cotton trade dynamics. Increased competition between African and traditional cotton exporters could potentially stabilize or even lower cotton prices.

The future of the global cotton trade hinges on India's ability to adapt to the changing dynamics. By addressing quality concerns, ensuring reliable supply, and fostering trust with Bangladeshi buyers, India can potentially regain its position as a significant cotton supplier. However, Africa's growing prominence and Bangladesh's continued diversification efforts suggest a more competitive and complex global cotton trade landscape in the years to come.

Source: fashionatingworld.com– Apr 23, 2024

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Conditions favour extending trend that boosted India's real GDP growth above 8% from 2021-24: RBI Bulletin

Conditions are shaping up for an extension of the trend upshift that took India's average real GDP growth above 8 per cent during 2021-24 even as there is greater confidence now that the descent of retail inflation to the 4 per cent target is imminent, according to an article in RBI's latest monthly bulletin.

The conditions are apposite, with the credit quality of Indian corporates having strengthened on the back of deleveraged balance sheets, sustained domestic demand and public capital expenditure: rating upgrades have continued to surpass downgrades, said RBI officials, including Deputy Governor MD Patra, in the article "State of the Economy".

RBI Governor Shaktikanta Das, in his statement at the last monetary policy committee meeting held between April 3 to 5, 2024, observed that the Indian economy is growing at a robust pace with an average annual growth of 8 per cent during the last three years.

"India continues to be the fastest growing major economy in the world, supported by an upturn in investment cycle and revival in manufacturing. Services sector continues to grow at a strong pace," he said.

RBI officials noted that an important development that favours India's growth ambitions is the evolution of inflation dynamics in recent prints. Starting in January 2024, the softening of headline inflation is providing a tailwind to growth impulses.

Analysis within India's KLEMS (capital, labour, energy, materials and services) growth accounting framework shows that the contribution of fixed capital stock to the growth of gross value added (GVA) in India has started improving from the low to which it had declined during the pandemic.

"By 2021-22, its contribution to the growth of GVA had recovered to 32 per cent, although there is still catch-up to attain vis-a-vis pre-pandemic levels. If this is augmented by the quality of the capital stock embodied in its composition, the contribution goes up close to 34 per cent," the authors said.

The RBI officials underscored that in order to achieve its developmental aspirations over the next three decades, the Indian economy must grow at a rate of 8-10 per annum over the next decade to reap the demographic dividend that started accruing from 2018 and, as calculations show, will last till 2055.

So far, capital deepening is powering the step-up in the growth trajectory, led by sustained public investment, and supported by productivity improvements, they added.

The officials opined that for India to harness its favourable demographics and achieve the escape velocity required to breach the low middle income barrier, the developmental strategy over the next few decades must centre around extracting the maximum possible contribution of its young and rising labour force to the growth of GVA.

With the working age population set to expand at the rate of about 9.7 million per annum during 2021-31 and 4.2 million per annum during 2031-41, the cutting edge of the growth strategy will be provided by a focus on labour quality, they said.

Inflation

Consumer price index (CPI) inflation has gravitated to 4.9 per cent in March after averaging 5.1 per cent in the preceding two months following the recent peak at 5.7 per cent in December 2023.

"This trajectory was along anticipated lines, with Q4:2023-24 inflation outcome of 5.0 per cent in alignment with projections. The softening of core (CPI excluding food and fuel) inflation to historic lows in March, driven by moderation across goods and services components, gives credence to the conduct of disinflationary monetary policy.

"With 4 per cent inflation finally being sighted, there is greater confidence now that the descent of inflation to the target is imminent," the officials said.

They cautioned that food inflation, despite some signs of moderation, remains elevated and a potential source of risk to the disinflation trajectory.

The officials emphasised that careful monitoring during the summer is warranted as overlapping food price shocks play out, before an above normal Southwest monsoon this year, as projected by the India Meteorological Department (IMD), enabling an easing of food price pressures.

In the near term, however, extreme weather events may pose a risk to inflation along with prolonged geo-political tensions that could keep crude oil prices volatile.

Source: thehindubusinessline.com– Apr 24, 2024

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RoDTEP: Verification mechanism to help establish payouts are input duty remissions, not subsidies

Rattled by anti-subsidy duties imposed last year by the US and the EU on certain Indian exports benefiting under the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme especially designed to be WTO compatible, the government is putting in place a verification process to establish that only input duties have been remitted under the scheme whenever investigations are sought by an importing country on alleged payout of subsidies, officials have said.

"A verification team with officials from the Department of Revenue and DGFT will hold random inspections of manufacturers when any complaint is made by an importing country, for instance the US, on alleged subsidy payouts for particular products. All input taxes paid by the selected manufacturer will be tallied with the RoDTEP payments received to satisfy the importing country that only duties and taxes paid during production have been remitted," an official tracking the matter told businessline.

The Merchandise Export from India Scheme (MEIS) was replaced by RoDTEP scheme in January 2021 as the former had had faced several challenges from partner countries at the WTO as it did not clearly establish the connection between the amount paid to exporters and the input taxes paid by them.

RoDTEP was designed carefully by a team of senior officials and experts to ensure that it was totally transparent and the refund rates were based on embedded duties and taxes, such as VAT on fuel used in transportation, mandi tax and duty on electricity used during manufacturing of the exported items.

Anti-subsidy duties

Despite the clear connection established between the remission rates and the input taxes, the US and the EU imposed countervailing (anti-subsidy) duties on some Indian products against RoDTEP payments availed. These include paper file folders, common alloy aluminium sheet and forged steel fluid end blocks by the US and certain graphite electrode systems by the EC.

"The anti-subsidy duties were imposed not because there is a problem with the RoDTEP scheme. It is mainly because exporters were not able to clearly establish the connection between the RoDTEP benefits received and the input taxes they had paid when exporting countries came for inspection. The verification committee will be in a better position to establish the connection in its random checks and hopefully satisfy the importing countries," the official added.

The DGFT is simultaneously working with the Directorate General of Trade Remedies (DGTR) on familiarising exporters with the entire process of documentation so that they can on their own prove that RoDTEP payments are in lieu of input taxes not remitted under any other scheme and were not export subsidies, the official said.

Source: thehindubusinessline.com– Apr 22, 2024

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SEZ units exempt from IGST on certain services from DTA players: AAR ruling

Units operating within special economic zones (SEZs) could potentially be exempt from paying the integrated goods and services tax (IGST) on specified services taken from the domestic tariff area (DTA) through the reverse charge mechanism, if a ruling by the Gujarat-based Authority for Advance Rulings (AAR) sets a precedent.

To qualify for this exemption, these units will need to provide a letter of undertaking (LUT) or furnish a bond.

These services include services from goods transport agencies, legal services from advocates, security services, and hiring buses for employees. Normally, providers of services have to pay Goods and Services Tax (GST) to the government, but it is the recipient of services who pays tax to the government on the reverse charge mechanism.

The AAR issued the ruling in a case involving the procurement of services by Surat-based SEZ unit —Waaree Energies Ltd — which is engaged in the manufacture of solar modules.

Frequently asked questions (FAQs) issued by the government in 2018 state that while the supplier of services in these cases is not liable to pay GST as the supply is under a reverse charge mechanism, SEZ has to pay IGST since the recipient is considered a deemed supplier.

The issue becomes complicated since the Tax Research Unit (TRU) at the Central Board of Indirect Taxes and Customs (CBIC) clarified that a unit in SEZ can procure such services where they are required to pay GST under the reverse charge mechanism without payment of integrated tax (IGST) provided the unit in SEZ furnishes a letter of undertaking.

The clarification by CBIC was given in a case relating to legal services, sponsorship services received by an SEZ unit in International Financial Services Centre (IFSC) in Gandhinagar from a unit in DTA.

The AAR observed that this clarification was given to a specific SEZ unit and is not a circular but there is no bar in borrowing the rationale of the clarification.

Hence, the authority ruled that Waaree Energies Ltd can procure the services without payment of IGST provided it furnishes LUT or bond as specified by the government.

Sandeep Sehgal, partner at tax and consulting firm AKM Global said this is a pivotal decision for businesses operating within SEZs. “It aligns with the zero-rated intent of the GST Act as clarified by the TRU, allowing SEZ units to source services without the burden of Reverse Charge Mechanism (RCM). This ruling not only eases compliance for SEZ-based businesses but also fosters a more conducive environment for growth and investment in SEZs,” he said.

Source: business-standard.com– Apr 23, 2024

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India's trade and emerging issues

The international trade among countries and economic growth are inseparable and intertwined with each other. Historically, the importance of trade can be traced back during the times of Han dynasty in China or the Roman empire which reaped significant gains in maintaining peaceful relations among nations, attaining higher efficiency in capacity building and promoting economic development (WTO).

The global growth recovery is expected to be steady and resilient in the upcoming period amidst several risks emanating from rising geopolitical tensions in terms of wars between Russia-Ukraine in Eastern Europe and Hamas-Israel in the Persian Gulf region; tight monetary conditions as a response to elevated level of inflation; supply chain disruptions; rising public debt levels and extreme weather conditions among others. The World Economic Outlook (WEO) January Update 2024 released by the International Monetary Fund (IMF), estimated an encouraging trend in the real GDP growth to 3.1% in 2024 and 3.2% in 2025 from 3.1% in 2023.

Similarly, the recently released Global Trade Outlook and Statistics (GTOS) April 2024 by the World Trade Organisation (WTO) predicted an increase in growth rate of world merchandise trade volume from -1.2% in 2023 to 2.6% and 3.3% in 2024 and 2025 respectively despite several impediments to the world trade.

In this context, it is important to note that the volume of merchandise trade growth was more than twice of real GDP growth in the 1990s whereas in the early 2000s, the volume of trade growth was around 1.5 times the growth rate of real GDP. The growth in commerce and real GDP roughly recorded the same rate on an average notwithstanding several regional conflicts and economic challenges since the 2010s (GTOS, April 2004). This underscores the close association between the trade among countries and the economic growth.

(SAE), released by the National Statistical Office (NSO) of MOSPI, GoI, the Indian economy is expected to post a robust economic growth. The annual growth rate of the GDP in real terms is estimated to increase from 7.0% in 2022-23 to 7.6% in 2023-24. Similarly, the quarterly growth rates are also estimated to be at 8.2% in Q1, 8.1% in Q2 and 8.4% in Q3 of 2023-24. However, it is to be noted that, in the upcoming period, due to several exogenous and endogenous factors, the growth momentum is expected to moderate. The resolution of the recently concluded monetary policy committee (MPC) meeting of Reserve Bank of India (RBI) on April 05, 2024 also projected a moderation in real GDP growth to 7.0% in 2024-25. The estimated GDP growth in 2023-24 is characterised by the double-digit growth in manufacturing sector (11.6% in Q3 on Y-o-Y basis) followed by the construction sector (9.5% in Q3 on Y-o-Y basis) from the supply side and robust growth in investment reflected in terms of rising Gross Fixed Capital Formation (GFCF) from 8.49% in Q1 to 11.63% in Q2 and 10.58% in Q3 of 2023-24 on the demand side.

However, the growth in the consumption demand remained subdued which is reflected in terms of declining Private Final Consumption Expenditure (PFCE) to 3.51% in Q3 of 2023-24 as compared to 5.31% in Q1 of 2023-24. Additionally, despite the strong expected growth in the overall GDP, the share of PFCE as a percent of GDP declined from 61.3% in Q3 of 2022-23 to 58.6% in Q3 of 2023-24. A declining trend can also be observed in the agriculture sector which is expected to slow down from 5.2% in Q3 of 2022-23 to -0.8% in Q3 of 2023-24.

Apart from that, the net exports (NX) which is the difference between the value of total exports and the value of total imports in traditional Keynesian sense is an important component of the demand side GDP growth in India, as exports have huge potential to create employment opportunities in the country and thereby supporting the objective of economic development.

As per the SAE, a positive trend can be observed in the exports on Y-o-Y basis in 2023-24 however, imports remained at the elevated levels despite the softening of international energy prices yielding a marginal gain arising out of rise in exports. Besides, the share of exports in the real GDP declined from 23.3% in Q3 of 2022-23 to 22.2% in Q3 of 2023-24. On the other hand, there has been a steady rise in the share of imports in the GDP in 2023-24 as compared to the previous year.

Similarly, across quarters of 2023-24, there has been a more than proportionate rise in the share of imports in the real GDP vis-à-vis the share of exports. This suggests a greater attention is needed to be paid for promoting exports and reducing import dependence in order to offset the ill effects of high levels of imports which will be manifested in terms of rising trade and current account deficit.

Against this backdrop, it is essential to address the precarious conditions effectively and efficiently emerging out of certain parts of the world on which India is heavily dependent for its energy needs. The problems emanating from widening conflict in the middle east region encompassing surrounding regional powers have a huge potential to worsen the critical situation of India's external trade.

The imminent threat will be manifested in terms of oil price shocks as a result of the highly volatile situation in the middle east region which is one of the largest sources of crude oil and other energy products for India.

The crude oil prices have increased from around 75$ per barrel at the start of 2024 to around 92$ per barrel in mid-April 2024 as a result of the possibility of opening of another war front between Iran and Israel. Also, this region is particularly important in world trade as trade routes through the Red Sea and the Suez Canal handle around 15% and 12% of international trade respectively (GTOS, April 2004).

In order to boost India's exports, it is important to consider the elasticity of demand for its product abroad. There is a need to improve the quality and standard of domestic products in order to withstand the global competition.

The availability of easy credit; ensuring effective marketing support for the products abroad; Production Linked Incentive (PLI) schemes in targeted sectors; signing new Free Trade Agreements (FTAs) ensuring favourable terms with various countries; negotiating effectively on the international trade platforms such as WTO and with various other trade blocs along with effective implementation of various measures announced in the new foreign trade policy will be helpful in augmenting Indian exports.

Similarly, it is also important to find alternative cheap energy sources, reduce energy dependence on imported energy products and explore new indigenous resources of energy products so that India's burgeoning import bill can be contained.

This will further lead to reducing the strain on the trade deficit and consequently the current account deficit. The building up of crude oil strategic storage will certainly prove to be helpful in mitigating the risks arising out of supply chain disruptions and sudden rise in the oil prices.

The international trade and commerce face several risks arising out of geo-political challenges, increasing protectionism, inimical trade environment and policy ambiguities among others. In these pressing times, India must ensure that the negative consequences arising out of these threats are minimised in order to achieve its ambitious trade objectives.

Source: financialexpress.com– Apr 22, 2024

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India apparel sector expects more support, trade deals after election

India expects to see a new (or more likely renewed) government taking charge after its election in early June and its apparel sector remains optimistic that its investment promotion schemes will be strengthened.

In the past, the industry has been supported by schemes such as the PM Mega Integrated Textile Region and Apparel Parks (PM MITRA) programme (PM standing for Prime Minister); the Production Linked Incentive (PLI) Scheme and the Scheme for Capacity Building in the Textile Sector (SAMARTH).

Impact of India election on apparel sector

"These schemes will continue," Rahul Mehta, chief mentor of the Clothing Manufacturers Association of India (CMAI), told Just Style.

PM MITRA is intended to support investment in the apparel and textile industry by building industrial parks utilising modern infrastructure with a budget of Indian Rupees INR44.45bn ($531m) until 2028. PLI, on the other hand, promotes production of fabrics and apparel made of synthetic fibres along with technical textiles by providing financial benefits to new companies.

The Indian garment industry has been pushing for a second generation of the PLI scheme, looking for an investment threshold much lower than the current INR1bn ($12m) that must be injected to secure later government support, said Mithileshwar Thakur, secretary general of India's Apparel Export Promotion Council.

He hoped the scheme would enable smaller businesses to grow: "Most of the Indian apparel manufacturing units are small and are not able to achieve economies of scale," he told Just Style. The current smaller size of most Indian apparel manufacturers also restricts them from adopting latest technologies which are mostly made for large scale manufacturers, said Mehta.

Prashant Agarwal, joint managing director of consultancy firm Wazir Advisors, in Gurgaon, near Delhi, predicted that this change would occur, saying a new government would probably launch a PLI-2 scheme in its first parliamentary session, where the investment threshold would be INR150m ($1.8m) and without any condition of using manmade fibre (a current condition for securing aid from PLI-1. “The government is promoting large scale investments to create a kind of capacity that the international buyers are looking for,” he told Just Style.

In its election manifesto, released on 14 April, the ruling BJP (Bharatiya Janata Party) said: “Our government has taken a major step in expanding of ‘technology centres’,” which “will expose MSMEs [micro, small and medium-sized enterprises] to artificial intelligence, robotics, internet of things, virtual reality, blockchain technology and ‘Zero Defect Zero Effect’ practices”, that minimise returns and environmental impact. By the end of 2024 there will be more than 150 of such technology centres that would help in mentoring, skilling and prototyping MSMEs, it said.

Such measures may also compensate for any constraints in providing financial benefits to the industry. “There is limited scope of fiscal incentives and therefore, we are looking at more of procedural simplification, digitisation, increasing ease of doing business and all that which lead to reduction in transaction cost and time,” Chandrima Chatterjee, secretary general of the Confederation of Indian Textile Industry told Just Style.

Furthermore, according to Chatterjee, in the last two to three years the gap between India and its competitors in the garment exports market has widened as the exports of Bangladesh and Vietnam have been growing at a faster rate. To increase its competitiveness, India's apparel industry is eagerly awaiting planned free trade agreements (FTA) with the UK and the European Union, she said.

According to Agarwal, the government has set a 100-day target in its new term to close the FTA with the UK. This will provide Indian garment exports with about a 9% duty advantage resulting in a projected increase in sales from $1.5bn in 2023 to more than $3.5bn, he said.

The popularity of Prime Minister Narendra Modi is expected to provide the BJP party government a third term, but with that mandate will come challenges, such as reducing unemployment, which was at 8% in February, according to the Centre for Monitoring Indian Economy (CIME): “We expect that any government that comes in, will appreciate that textiles and apparel are the largest employment providers, specially to women,” said Mehta.

In March apparel industry experts revealed India is integrating its textile and apparel industry more closely to achieve faster growth and become a reliable alternative to China and other Asian fashion sourcing hubs.

Source: globaldata.com– Apr 23, 2024

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India urged to closely monitor progress of Bangladesh-Japan EPA talks

An Indian think tank has advised New Delhi to 'exercise caution and closely monitor' the progress of the Bangladesh-Japan economic partnership agreement (EPA) negotiations as the pact can affect India's exports to Bangladesh if the latter offers zero duty on all products to Japan under the pact.

"Several products in sectors such as automobiles, metals, electricals and textiles may be largely impacted by the Bangladesh-Japan FTA [free trade agreement]," according to a report by CUTS International (Consumer Unity & Trust Society).

India may need to strengthen its existing trade ties with Bangladesh, diversify its export markets, enhance its competitiveness and explore partnership opportunities to navigate the changing trade dynamics effectively, the report, a quarterly analysis, noted.

While India has a preferential trade agreement (PTA) with Bangladesh and there is the Agreement on South Asian Free Trade Area (SAFTA), addressing these concerns is crucial to maintaining India's export performance in this market and neutralising the shocks posed by future FTAs that Bangladesh may engage in, the report said.

The report called for a comprehensive economic cooperation agreement between India and Bangladesh, according to media outlets in Bangladesh.

India should assess the possible impact of Bangladesh's fast-growing textile-apparel and footwear sector, which is gaining a comparative advantage over time, it noted.

Though the CUTS International analysis suggests that India is unlikely to experience significant market share loss for textile and apparel products in Japan, it will be better to take some precautionary measures, the report cautions.

Source: fibre2fashion.com– Apr 23, 2024

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Only 4% rely on online platforms for clothes: How Indians shop apparel

Despite a pandemic-driven online shopping surge, physical stores remain dominant A survey by Localcircles revealed that only 4 per cent rely solely on online platforms while 47 per cent of respondents prefer to shop exclusively in stores (malls, markets) for the "touch, feel, and try" experience. About 40 per cent enjoy a mix of online and offline shopping.

Discounts and ease of return are key drivers for online purchases. What the study finds is that though the pandemic led to increased adoption of buying apparel online, once again the physical stores/ markets are being preferred by people for buying clothes. 81% of respondents said the key reasons for preferring to buy clothes online is the ability to touch, feel and try them before finalizing their purchase. Other major reasons are ability to make a quick buy and take it home, ease of exchange and return or in all convenience in many respects.

They survey received over 35,000 responses from consumers located in 323 districts of India. 61% were men while 39% respondents were women. 43% respondents were from tier 1, 33% from tier 2 and 24% respondents were from tier 3, 4 & rural districts.

In community discussions, many consumers indicated that they purchase products they go online for repeat purchases of branded products as the fit and quality are already known, and they tend to make first time purchases at a store. Whether the online platforms that sell clothing online be able to deliver faster and provide a better buying and return experience will determine whether more consumers make online platforms as their primary channel to buy clothing.

With convenience fee to order online and other charges like delivery and in some cases even a return fee being levied by some platforms, there currently are barriers that work against the growth of the apparel industry online.

Unless the discounts offered stay high, which they have been in the last few years, there is a high chance that online apparel buying will stagnate or see slow growth in India.

Market size and consumer preferences:

The Indian apparel market is expected to reach a staggering Rs 9.35 lakh crore (USD 105.5 billion) in 2024. Women's apparel holds the lion's share, at US$51.05 billion. Consumers seek a balance of value, quality, fashion, and self-expression, influenced by social media trends. Urban Gen Z shoppers are particularly drawn to fast-fashion brands that keep pace with runway styles.

"The increasing access to digital devices and internet is enabling masses to have an online shopping experience irrespective of whether they are living in urban or rural areas. The online shopping experience has started to provide a rich, immersive, and personalised shopping experience to a customer, and this is a major reason which is driving growth. However, as compared to the overall apparel sales, the online sales still continue to be a high single digit percentage," noted the study.

Why people shop clothes online

Discounts: The biggest reason (37%) people choose online shopping is to get better deals and discounts. Easy returns and exchange: Another major advantage (29%) is the ease of exchanging or returning clothes that don't fit or aren't what they expected.

This eliminates the hassle of going back to the store. Wider selection: Online stores often offer a larger variety of choices compared to individual physical stores (26%).

Why people prefer offline stores

Trying before you Buy: The overwhelming reason (81%) for preferring physical stores is the ability to touch, feel, and try on clothes before purchasing. This ensures a better fit and avoids the risk of getting clothes that don't look good.

More selection (for some): Interestingly, 44% of those who prefer stores also mentioned a wider selection, which might indicate a perception that online stores lack variety in some categories.

Source: business-standard.com– Apr 23, 2024

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