IBTEX No. 67 of 2024 **April 25, 2024**

Currency Watch			
USD	EUR	GBP	JPY
83.37	89.37	104.14	0.54

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INTERNATIONAL NEWS

European Parliament Gives Final OK to CSDDD, Forced Labor Regulation

Two landmark bills that will fundamentally reshape how business is conducted in the European Union—and likely beyond—have cleared major hurdles this week after receiving final approvals from the European Parliament.

First the corporate sustainability due diligence directive, or CSDDD.

On Wednesday, the 27-member bloc's elected body pushed through the proposed law with 374 votes in favor, 235 against and 19 abstentions, putting the world's largest single market in spitting distance of legal accountability from big businesses that ignore environmental and human rights abuses in their supply chains.

But the version the European Parliament greenlit isn't the same as the provisional agreement that it struck with the European Council, which represents governments of member states, in December. Due to what some civil society groups have derided as "political gameplay" from clout-heavy nations such as Germany, France and Italy, which threatened to abstain from the vote at the last minute, throwing the future of the measure into doubt, the European Council's Belgian presidency proposed a compromise bill that would soften many of the requirements.

Instead of taking aim at EU and parent businesses with more than 500 employees and a net global turnover of 150 million euros ($160 million), for instance, the rules would apply to companies with more than 1,000 employees and a net worldwide turnover of 450 million euros ($481 million). Higher-risk industries, such as leather, textiles and agriculture, no longer face a lower employee threshold—it was previously 250—to fall into scope. And the definition of what "chain of activities" involves now excludes downstream activities at the product disposal stage and those performed by indirect business partners.

It was this iteration of the CSDDD that the European Council—barring Germany, which still abstained, a move that was tantamount to a nein—achieved consensus on in March.

The spirit of the law, however, remains the same: to hold companies that breach their due diligence obligations liable for damages, including compensations for victims. Member states will be required to create or designate a supervisory authority to investigate and impose penalties on non-complying business, including "naming and shaming" and fines of up to 5 percent of their net global turnover.

"Today's vote is a milestone for responsible business conduct and a considerable step towards ending the exploitation of people and the planet by cowboy companies," Dutch politician Lara Wolters, the Member of the European Parliament who has shepherded the legislation, said after the plenary session. "This law is a hard-fought compromise and the result of many years of tough negotiations. I am proud of what we have achieved with our progressive allies. In Parliament's next mandate, we will fight not only for its swift implementation, but also for making Europe's economy even more sustainable."

The final step of the CSDDD's journey into law will take place at next month's Competitiveness Council, where EU ministers will rubber-stamp the text. Once published in the EU Official Journal, it will enter into force 20 days later. Member states will have two years to transpose the new rules into their national laws. By 2026 or 2027, the regulation will take effect across the entire bloc on a rolling basis, beginning with the largest companies with more than 5,000 employees and a net global turnover exceeding 1.5 billion euros ($1.6 billion). By 2029, all in-scope businesses will be covered.

That the European Parliament's vote happened on the 11th anniversary of the collapse of Rana Plaza, which killed 1,134 garment workers and injured thousands more in the Dhaka suburb of Savar in Bangladesh, didn't go unnoticed.

"The Rana Plaza tragedy has shown what is at stake if businesses act recklessly. With today's adoption of the CSDDD, the European Parliament assumes the responsibility to regulate business conduct to prevent a tragedy like Rana Plaza from happening again," said Nele Meyer, director of the European Coalition for Corporate Justice, a consortium of 480 civil society groups across the continent. "For the CSDDD to be a game-changer and trigger a shift in business conduct, both states and businesses must prove now their commitment to the CSDDD and implement its rules effectively."

But it’s a bittersweet victory, the coalition said, with “just a 0.05 percent of triumph for corporate justice.” To wit, the rules will only target 0.05 percent of EU companies, down from the 1 percent that the original agreement covered. The overwhelming feeling from the CSDDD’s champions, however, is that something is better than nothing.

“It was only a few weeks ago that EU member states nearly killed this law off completely, so today’s vote to pass the final law is something to celebrate,” said Beate Beller, corporate accountability campaigner at the corporate watchdog group Global Witness. “While national governments such as Germany, France and Italy weakened it at the last minute, a new chapter is about to begin for corporate accountability. The biggest companies operating in the EU will be obliged to respect human rights and the environment, and the law gives people who are at risk from dangerous business practices a chance to fight back.”

Writing on LinkedIn, Nazma Akter, president of the Sommilito Garments Sramik Federation and founder and executive director at the Awaj Foundation, called the European Parliament’s approval a “victory for the union’s long fight for workers’ legal rights.” The CSDDD, she said, will be a “vital tool to defend workers’ rights throughout the supply chain.”

Next, the forced labor regulation.

On Tuesday, more than a month after it arrived at an interim deal with the European Council, the European Parliament gave its last OK to rules that would block the sale and availability of goods made with forced labor from the EU market with 555 votes in favor, 6 votes against and 45 abstentions. As with the CSDDD, the text will have to get one final approval from the European Council, along with publication in the EU Official Journal, following which member states will have to start applying it in three years.

“Today, worldwide, 28 million people are trapped in the hands of human traffickers and states who force them to work for little or no pay,” said Portuguese politician Maria-Manuel Leitão-Marques, rapporteur for the internal market committee. “Europe cannot export its values while importing products made with forced labor. The fact that the EU finally has a law to ban these products is one of the biggest achievements of this mandate, and a victory for progressive forces.”

The law will allow member-state authorities and the European Commission to investigate goods, supply chains and manufacturers with suspected links to modern slavery based on "factual and verifiable information," whether from international organizations, cooperating authorities or whistle-blowers. Producers of banned goods will be required to withdraw their products from the EU and donate, recycle or destroy them, and non-compliant companies could be fined.

While the rules have garnered praise, they have also fielded criticism for not taking a harder line, specifically on state-sanctioned forced labor in China's Xinjiang Uyghur Autonomous Region. Unlike the Uyghur Forced Labor Prevention Act in the United States, the forced labor regulation presumes innocence over guilt for products linked to the controversial province.

In a report published earlier this week, U.S. Secretary of State Antony Blinken said that Beijing is continuing to commit "genocide, crimes against humanity, forced labor and other human rights violations" against Uyghurs and other predominantly Muslim ethnic minorities in Xinjiang, though China has repeatedly denied this.

"The parliament's vote is a positive one and will require companies to address forced labor in their supply chains," said Zumretay Arkin, director of global advocacy at the World Uyghur Congress, an international organization of exiled Uyghur groups. "Unfortunately, the EU has missed a crucial opportunity to agree on an instrument that could meaningfully address forced labor when the government is the perpetrator, like in the Uyghur region in China. We welcome this milestone but stress that all related guidance, guidelines and considerations of when to investigate cases be created in a way that ensures the regulation can effectively ban products made with state-imposed forced labor."

Another shortfall, according to Sian Lea, business and human rights manager at the nonprofit Anti-Slavery International, is the lack of obligation to remedy harm, which the CSDDD includes.

"For the forced labor regulation to have the greatest impact, it is crucial that victims of forced labor are able to access remedy for harm," she said. "We will continue to work closely with the EU and civil society as this law comes into effect, to make sure that workers' rights are respected and that frameworks for accessing remedy are established."

As with the CSDDD, having some guardrails is better than none at all, said Ben Vanpeperstraete, senior legal adviser at the nonprofit European Center for Constitutional and Human Rights. He called the regulation a "crucial step forward in the fight against forced labor in global supply chains."

"While there are significant shortcomings that need to be improved upon sooner rather than later, it is now important to translate the regulation into concrete practice," Vanpeperstraete said. "The EU and member states need to work together with civil society organizations to ban unfair competition between companies based on forced labor."

Source: sourcingjournal.com– Apr 24, 2024

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China's luxury e-com boom fizzles as shoppers drive up returns

China's luxury e-commerce market, once a golden goose for high-end brands, is facing a new challenge: skyrocketing return rates. Shoppers are exploiting loopholes in e-commerce platforms like Alibaba's Tmall to snag discounts and fleeting status symbols, only to return the items shortly after. For example, during last year's 'Singles day' shopping festival, high-end labels like Ralph Lauren and Burberry saw a sharp increase in sales on Alibaba's Tmall platform, only to have a whopping 75 per cent of that value vanish within days due to cancellations and returns. This trend, far exceeding the industry average of 20-30 per cent, is forcing a rethink for luxury brands in the world's second-largest economy.

The culprit: China's economic slowdown. The middle class, a key driver of luxury spending, is feeling the pinch and focusing on discounts or shying away from big-ticket purchases altogether. Tmall's aggressive promotions, while boosting initial sales figures, incentivize 'gaming the system' buying expensive items to qualify for discounts with the intention of returning them later.

High return rates threaten sales growth

Brunello Cucinelli's return rates on Tmall soared to 69 per cent in Q1 2024, up from 59 per cent a year prior, and LVMH owned Marc Jacobs saw a similar jump. This phenomenon isn't limited to a few brands. Richemont's Chloé, Ralph Lauren, and Mulberry are all experiencing similar spikes. So what could be the reason for this sudden change in consumer behaviour?

Gaming the system: Tmall's promotional campaigns with discounts incentivize high-value purchases. Some shoppers might be exploiting this by buying expensive items solely to qualify for discounts, with the intention of returning them later.

Shifting consumer behavior: China's economic slowdown is impacting the middle class, traditionally a strong contributor to luxury spending. This group is now more price-conscious and might be resorting to "renting" luxury items for short-term use through returns.

Promotional fatigue: Frequent discounting can erode brand image, making luxury less appealing to true high-end spenders.

'Try-and-return' culture: E-commerce giants like Tmall and JD.com's hassle-free return policies, including free return shipping and "no-reason" returns within seven days, encourage some to treat luxury purchases as rentals for special occasions.

The impact

Indeed, this has had a major impact on retail sales as its weakening growth. In fact, high return rates create a misleading picture of actual sales, making it difficult to gauge real consumer demand. LVMH, the world's biggest luxury conglomerate, reported a significant slowdown in fashion and leather goods sales in Q1 2024.

Gucci's slumping China sales recently wiped billions off Kering's market value. However, shifting focus to high-net-worth individuals has some brands. Like Hermes and Dior, with their limited online presence and focus on cultivating loyal high-end customers, are weathering the storm better. Indeed, frequent participation in discount campaigns could damage brand exclusivity and appeal to high-paying customers.

Strategies to cope

Luxury brands are adapting numerous strategies to move ahead. To begin with, they are investing in concierge services and private sales. Building stronger, personalized relationships with wealthy customers. Also, they are focusing on immersive experiences, creating exclusive events and brand interactions to cultivate brand loyalty. Leveraging data analytics to understand customer behavior and identify suspicious purchase patterns can help tackle fraudulent returns.

Analysts predict a slowdown in China's luxury market growth in 2024, with HNWIs becoming the primary drivers. The future of luxury e-commerce hinges on brands' ability to adapt to this changing landscape and develop strategies that foster genuine customer loyalty.

Source: fashionatingworld.com– Apr 24, 2024

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ICE cotton rally proves short lived as market confidence wanes

The rally in ICE cotton seen on Monday proved short-lived as the market lacked confidence regarding improved demand. The market opened at a high on Tuesday but did not receive support from the strong external factors during the course of the day. The weaker flash US Composite Purchasing Managers Index (PMI) highlighted vulnerabilities in the manufacturing sector.

The ICE cotton July contract settled 70 points lower at 81.72 cents per pound of 0.453 kg. The December contract also fell by 41 points to 78.08 cents per pound. ICE cotton had experienced a steep decline of up to 2 per cent last night. However, supportive external factors limited the fall in today's session.

The dollar index declined yesterday after a drop in the flash US PMI from 52.1 to 50.9 in March 2024. It was just above the threshold indicating economic expansion. A weaker dollar made cotton cheaper for foreign buyers. Yesterday, crude oil was also slightly up, which helped the cotton market to remain rangebound.

Trading volume for ICE cotton slowed down. Yesterday's volume was at 38,862 contracts. The average volume for 2024 is 56,851 contracts, which is historically high. Open interest saw a third day of increases, up 758 contracts yesterday to start at 204,512 contracts. Certified stocks in the ICE cotton exchange began today at 176,785 bales, up 175 bales in new certifications. There were 6,087 bales awaiting review.

During today's session, ICE cotton July 2024 traded 0.42 cent lower at 81.30 cents per pound. Cash cotton was traded at 77.47 cents (down 0.70 cent), May 2024 at 80.22 cents (up 0.18 cent), the October (new crop) contract at 79.04 cents (down 0.18 cent), the December 2024 contract at 77.70 cents (down 0.38 cent), and the March 2025 contract at 79.44 cents per pound (down 0.32 cent).

Source: fibre2fashion.com– Apr 24, 2024

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Global Apparel Trade Slowdown: Waning consumer demand paints bleak economic picture

Wazir Advisors April 2024 report on global apparel trade paints a worrying picture, with major markets like the US, EU, and UK experiencing a significant drop in apparel imports. This, coupled with concerning retail trends and a dip in consumer confidence, suggests a potential economic slowdown on the horizon.

Falling imports signal cautious consumers

US apparel imports have dipped by 9 per cent year-to-date compared to 2023, despite a flat February figure. This suggests retailers are stocking less inventory, anticipating potentially weaker demand.

The EU paints a similar picture, with a 15 per cent YTD decline in imports. Notably, both the US and EU have seen a decrease in sourcing from China, potentially indicating a shift towards diversification or a response to rising geopolitical tensions. The UK's situation is more dramatic, with a staggering 18 per cent YTD decline in imports. This could be due to Brexit-related trade disruptions or a more cautious consumer base in the face of economic uncertainty. Japan is the lone bright spot, with apparel imports growing by 5 per cent YTD compared to 2023. However, this could be a temporary phenomenon and may not be indicative of long-term strength.

Shifting supplier landscape

The data also highlights a changing supplier landscape. While China remains a dominant player, its share is decreasing in the US, EU, and Japan. Vietnam and Italy are emerging as potential beneficiaries, with their share increasing in the US and UK markets, respectively. This trend indicates a potential diversification of sourcing strategies by major apparel companies.

Consumer spending, a tale of two trends

Despite the import slowdown, US apparel store sales have remained resilient, with a 4 per cent YTD increase. This suggests consumers are still spending on clothing, but perhaps more cautiously. Apparel store sales show a modest 1 per cent year-over-year increase, while home furnishing sales experience a steeper 11 per cent decline. This suggests a shift in

consumer spending priorities, potentially favoring essential items over discretionary apparel purchases. However, strong growth in online apparel sales (7 per cent in Q4 2023) indicates a potential preference for online shopping channels.

The UK presents a more stable picture, with apparel store sales remaining flat year-over-year. This, alongside a significant 20 per cent growth in online clothing sales (Q4 2023), reflects a continued focus on apparel purchases despite potential economic anxieties. This also suggests a potential move towards online shopping for apparel, but overall spending may be stagnating.

India feels the pinch

India's apparel exports have dipped slightly (1 per cent YTD), reflecting the slowdown in key markets like the US and UAE. This highlights the vulnerability of economies heavily reliant on apparel exports. However, a significant drop in India's apparel imports (17 per cent year-to-date) suggests potential cost-cutting measures by domestic apparel.

Uncertain economic outlook

The combined data paints a picture of a cautious consumer and a potentially slowing global economy. Rising inflation and potential interest rate hikes could further dampen consumer spending, impacting the apparel industry in the coming months. In fact, the apparel industry's slowdown reflects broader economic anxieties. Consumers seem to be prioritizing essential purchases, with a shift towards online shopping. However, the decline in home furnishing sales suggests a potential pullback in discretionary spending. This mixed picture makes it difficult to predict the future of the apparel trade.

Moving ahead, the apparel industry needs to navigate a complex landscape. Diversifying markets and catering to evolving consumer preferences for online shopping and potentially value-driven purchases will be crucial for success. Additionally, staying abreast of economic developments and adapting strategies accordingly will be essential for businesses to weather the current storm.

Source: fashionatingworld.com– Apr 23, 2024

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Red Sea conflict ups ocean freight shipping carbon emissions: Xeneta

Conflict in the Red Sea has led to a much higher increase in carbon emissions in ocean freight container shipping, according to recent data released by Xeneta.

The Xeneta and Marine Benchmark Carbon Emissions Index (CEI), which measures carbon emissions per ton of cargo transported across the world's top 13 trades, hit 107.4 points in the first quarter (Q1) this year, the highest it has been since the index began in Q1 2018, the Norway-based ocean and air freight rate benchmarking and market analytics platform said in a release.

For containers being shipped via ocean from the Far East to Mediterranean, the CEI reveals carbon emissions increased by 63 per cent in Q1 2024 compared to Q4 2023. From the Far East into North Europe, carbon emissions increased by 23 per cent.

This is a direct result of conflict in the Red Sea region, which escalated in December and has seen most ocean freight container services avoid the Suez Canal due to the threat of attack by Houthi militia, Xeneta said.

"Containers being shipped to the Mediterranean from the Far East travelled 9,400 nautical miles on average in Q4 2023 before the escalation in the Red Sea. They are now sailing an additional 5,800 nautical miles due to diversions around the Cape of Good Hope in Africa, with the inevitable consequence of more fuel being burned," Xeneta market analyst Emily Stausboll said.

"Ships are also being sailed at higher speeds in an attempt to make up time due to the longer distances, which again results in more carbon being burned," she noted.

Xeneta data also reveal disruption in the Red Sea has pushed some shippers into using air freight to protect supply chains.

Cargo from the Far East is now arriving via ocean at ports such as Jebel Ali in the Arabian Gulf before being flown out of Dubai Airport for onward transportation to Europe and North America.

As a result, air cargo demand from Dubai Airport to European destinations increased by 190 per cent year on year in March this year.

“Shippers are also now once again using rail services through Russia to transport goods from the Far East to Europe, which similarly to air freight, is more carbon intensive than ocean freight shipping,” Stausboll said.

The deterioration of carbon emissions performance comes at a time when the International Maritime Organization (IMO) is working towards net zero in global ocean freight shipping by or around 2050.

2024 has also seen the introduction of EU-ETS regulations which require ocean freight service providers to pay a subsidy based on the amount of carbon emitted on sailings to and from European ports.

Source: fibre2fashion.com– Apr 25, 2024

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Regenerative Farming is Key to Fashion's Sustainable Future

Fashion brands from high-end to high streets have introduced regenerative agriculture practices into their supply chains to boost sustainability. These farming practices work in harmony with nature. Reducing chemical fertilizers and pesticides, minimizing tillage and reintroducing traditional crop rotations are no mere trend—they are essential for the apparel sector's transition to a more sustainable future.
For everyone involved in fashion supply chains, now is the time to move beyond a "do less harm" approach to one where there is a net positive outcome that benefits both our planet and the people who depend on its good health to earn their living.

Textile supply chain stakeholders concerned by soil degradation

CottonConnect has recently undertaken research among farmers, implementing partners, employees and ginners in Bangladesh, China, India and Pakistan to find out what they consider to be the most important environmental, social and economic issue with regard to sustainable cotton and sustainable cotton supply chains. The results showed that soil health has become the most important environmental factor for sustainable cotton, increasing from third place in a similar survey conducted in December 2020 and overtaking climate change and chemical use.

Those on the front lines of global cotton supply chains understand better than anyone that we are living through a soil crisis. Modern industrial agricultural practices—including mono-cropping, chemical fertilizer usage and pesticide spraying, tree felling and wildlife habitat removal—have destroyed almost half of the world's most fertile soil. As this layer of productive topsoil thins, it's becoming increasingly difficult to grow crops for food and fabrics.

The challenges of keeping soil healthy

While vital to maintaining the cotton crop's quality and yield, keeping soil healthy is a more difficult process than many people realize. Soil is one of the most complex living ecosystems on Earth. A handful of healthy soil contains more life than the human population of the planet. These vast

numbers of organisms must be kept in balance because they all bring different benefits.

The climate emergency is also exacerbating soil degradation. As temperatures rise, wind patterns and rainfall are becoming more intense, resulting in increased soil erosion. Topsoil is simply blown away or run off into rivers or other water bodies.

In turn, soil infertility is worsening the climate and biodiversity crises. Healthy soil captures and stores large volumes of carbon dioxide from the atmosphere. As soil degrades, we lose this essential carbon sink, so the world warms more, and the weather becomes increasingly chaotic, making farming even more difficult. Poor soil also drives biodiversity loss by negatively impacting the vegetation that provides food and shelter to many animal species.

Implementing sustainable solutions in the fashion supply chain

The truth is that we cannot carry on farming as we are. It would result in the long-term degeneration of our farmland, threatening the future of the textile industry and putting the livelihoods of all the people working in supply chains at risk.

That's why regenerative agriculture is so critical: it offers a farming system that addresses our climate and biodiversity challenges in a holistic manner. Working to keep nature's ecosystems in balance, this way of farming is based on the obvious but under-appreciated truth that fertile soil is the basis for all terrestrial life. Grounded in many pre-industrial traditions, it prioritizes healthy soil.

In 2021, we introduced the REEL Regenerative Cotton Code to enhance agro-biodiversity, enrich soils, optimize water management, and develop ecosystems. To put this code into action, in 2022 and 2023, we launched a regenerative cotton pilot initiative in Gujarat, India, to train over 350 smallholder farmers on regenerative agronomy, empowering them to cultivate cotton using economically viable, environmentally sustainable, and socially acceptable principles.

The first year of comprehensive training sessions and demonstrations laid the groundwork for a lasting shift in agricultural practices. It looked at methods including agro-forestry, biochar production, intercropping, compost or vermicompost use for soil management and bio

decomposition using rotavator and cotton shredder. While moving to regenerative practices is a significant adjustment for cotton farmers initially and will need additional support and a longer timeframe to fully understand the impact, a preliminary assessment of the first year of the pilot showed substantial progress.

Three-quarters of farmers reported embracing practices to enhance biodiversity, including initiatives such as installing bird perches and identifying and preserving beneficial insects. Ten percent of farmers shifted to preparing and applying homemade bio-pesticides, replacing chemical pesticides. The results indicate a significant 23 percent reduction in the use of chemical fertilizers by project farmers compared to control farmers. We also used the Cool Farm Tool to analyze the project's effectiveness in reducing greenhouse gas emissions, with an assessment showing that emissions per acre from the project farms were approximately 23 percent lower than those from the conventional control farms.

It may still be the early days for our regenerative cotton pilot, but we are committed to a long-term vision of empowering farmers with knowledge and resources in order to achieve a future where sustainable agriculture becomes the norm. We know that this will have considerable benefits to the communities involved as well as contributing to a global shift towards regenerative practices.

The way forward

To futureproof fashion supply chains, we must farm in a way that gives back to nature as much as it takes. An agricultural focus on soil health will bring so many wider benefits, like greater crop yields, boosted farm profitability, better social outcomes for farming communities, improved water management and enhanced climate resilience. The reality is that regenerative farming is not a fleeting trend but the most important next step on fashion's sustainability journey.

Source: sourcingjournal.com– Apr 24, 2024

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Vietnam's economy to see gradual recovery in 2024: World Bank

Vietnam's economic recovery exhibits mixed signals, as projected by the World Bank's latest bi-annual economic update, with growth anticipated to reach 5.5 per cent in 2024 and potentially increasing to 6 per cent by 2025. The nation experienced a slowdown in 2023 but shows signs of rebound in early 2024, especially in exports, though consumption and private domestic investment are recovering at a slower pace.

Exports are expected to rise by 3.5 per cent in 2024, fuelled by a gradual improvement in global demand. The real estate sector, which has been lagging, is predicted to see a turnaround later this year, boosting domestic demand as investor and consumer confidence returns. Predictions for real total investment and private consumption are set to increase by 5.5 per cent and 5 per cent respectively in 2024, as per the Taking Stock report by the World Bank.

The report emphasises the crucial role of sustained fiscal policy support to bolster the economy. It recommends accelerating infrastructure investment projects funded by public resources, which could potentially add an additional 0.1 percentage point to GDP growth for every 1 percentage point increase in public investment as a share of GDP. However, the scope for further interest rate cuts remains limited due to the interest rate differential between domestic and international markets.

Challenges such as weak revenue collection and increased spending are expected to widen the fiscal deficit to 1.6 per cent of GDP in 2024. This is anticipated to narrow to 1.1 per cent in 2025, aligning with the country’s fiscal strategy for 2021-2030. Additionally, ensuring the stability of the financial sector is highlighted as paramount, with attention on managing potential risks like increasing bad debts and the declining asset values in the real estate sector. The capital buffers of commercial banks are noted as relatively thin, which could be further strained by the real estate downturn.

The report also addresses the need to support innovative startups to boost Vietnam's productivity growth. It suggests revamping Program 844 to build a pipeline of investment-ready firms, streamlining regulations to ease investments, and enhancing the contributions of academia and public research.

"Investing in public infrastructure projects goes beyond immediate economic stimulus," said World Bank East Asia and Pacific practice manager for macroeconomics, trade, and investment Sebastian Eckardt. "Efforts to enhance public investment management will also address critical infrastructure gaps in energy, transportation, and logistics, which are fundamental for Viet Nam's long-term economic growth."

Source: fibre2fashion.com– Apr 25, 2024

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Kenyan prez announces $11-mn deal with US to boost textile exports

Kenyan President William Ruto recently announced a Ksh1.4-billion ($11-million) partnership between his country and the United States to boost textile exports.

He was speaking in Machakos county at the commissioning of a new factory, Nexgen Packaging Kenya, in the Export Processing Zone in Athi River, Nairobi.

The investment would expand the nation's fashion industry, grow its apparel manufacturing base, and introduce new vertical integration capabilities to the textile sector, the president was cited as saying by a domestic media report.

The deal will also assist over 40,000 cotton farmers to raise cotton production.

"This partnership embodies the future of Kenya, a future built on solid investments, with skilled labour, efficient technology, quality manufacturing, and strong linkages with global markets," Ruto said.

The government has raised acreage under cotton from 44,000 acres last year to 104,000 acres this year as part of efforts to increase domestic fabric production, he added.

Source: fibre2fashion.com– Apr 25, 2024

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Bangladesh: Textile millers call for reverting gas tariff to pre-hike level

Primary textile millers urged the government on Tuesday to revert the gas tariff to its pre-hike level, saying the sector is facing a severe gas shortage despite the price hike.

They said the government increased the gas price in January last year promising uninterrupted supply of the energy.

They also demanded that the concerned authorities address the crisis related to US dollar and take required measures so that businesses do not face any harassment by Customs officials.

The observations were made at a view exchange meeting organised by Bangladesh Textile Mills Association (BTMA) at its Gulshan office in the city.

Presided over by BTMA President Mohammad Ali Khokon, the meeting was attended by leaders and representatives from Bangladesh Cement Manufacturers Association (BCMA) and Bangladesh Steel Manufacturers Association (BSMA), apart from the textile millers, according to meeting sources.

"We are in severe crisis due to poor supply of gas. We discussed the issue with our member mills and other sectors including cement and steel manufacturing sectors," he told the FE after the meeting.

The meeting also discussed the dollar crisis issue as their working capital had shrunken due to the gap between the rates at which US dollar was being bought and sold, he said adding that as a result they could not buy raw materials.

"All are affecting the business negatively," he said and demanded an immediate solution to the problems.

Besides, they were facing a number of difficulties related to customs, the meeting was informed.
Meeting sources said due to the severe gas shortage, the machinery of textile mills was getting damaged and they were not being able to supply

the required yarn and fabrics to the export-oriented garment industry, while fabric processing plants were closed as they could not run boilers.

Though Petrobangla had assured them of an uninterrupted gas supply after the price hike, more than a year had passed since then but there was no improvement in the gas supply situation, they noted.

Mr Khokon said they would sit with the leaders of FBCCI today (Wednesday) to find a way out and decide their next course of action.

Source: thefinancialexpress.com.bd– Apr 24, 2024

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EU's new supply chain law to improve labour conditions in Bangladesh

The new supply chain law approved by the European Parliament is expected to improve labour and environmental standards at the garment factories in Bangladesh since more than 64 percent of the country's apparel exports are destined for the world's largest trade bloc.

The European Parliament yesterday adopted the Corporate Sustainability Due Diligence Directive (CSDDD), which is expected to establish a corporate due diligence standard on sustainability for businesses operating in the EU. It aims to enhance the protection of the environment and human rights in the EU and globally.

The law now needs final approval from EU member states and the EU ministerial vote is expected to take place in May.

The Parliament's vote came on the 11th anniversary of the tragic collapse of the Rana Plaza building, which killed 1,138 garment workers and injured more than 2,000 others.

The new law, which will come into effect gradually up to 2030, may cause a significant shift in production, compliance, and responsible business behaviour by both supplying companies and importing companies.

This is because, for the first time, importers will have to bear the responsibility for any violation of compliance standards in the supply chain.

For instance, international clothing retailers and brands that used to source garments from the factories housed inside Rana Plaza were not held responsible for the deaths of the workers. Only the manufacturers were held responsible.

The global buyers were not legally bound to pay compensation to victims. Rather, they took part in the process willingly.

However, the passage of the CSDDD ensures that the EU will take proper steps and hold both supplying companies and importing companies responsible.

What does the law mean for Bangladesh?

In some cases, Bangladesh is ready to comply with the CSDDD. However, there are areas where the country needs to improve to meet the standards. For example, Bangladesh is a global champion in green factories, with 215 such units already operational and another 500 in the pipeline, which indicates the country has done a commendable job in protecting the environment.

However, Bangladesh will have to ratify 32 United Nations conventions, including four core conventions on human rights, labour rights, good governance and environmental protection.

Bangladesh has ratified all of the core conventions of the International Labor Organisation as per the commitment made in the National Action Plan.

Another area where the country is still lagging is in terms of reducing carbon emissions, with nearly 95 percent of the country's exporters dependent on fossil fuels. They will have to switch to renewable sources of energy as per the CSDDD.

European buyers of Fakir Apparels Ltd, a garment factory in Narayanganj, have already asked the supplier to move towards renewable energy and reduce carbon emissions by 50 percent by 2030.

"We are getting ready to switch to renewables, but it requires a lot of investments," said Bakhtiar Uddin Ahmed, chief operating officer of Fakir Apparels.

Fakir Apparels, which supplies 95 percent of its products worth $160 million to Europe annually, is also preparing to use recycled yarn and new technologies to comply with the law, he said.

In Bangladesh, labour rights are still being questioned as living wages have not been introduced and workers are still facing challenges in forming unions in factories because of stringent conditions in the labour law.

Md Towhidur Rahman, president of the Bangladesh Apparels Workers Federation, said Bangladesh has improved labour rights by ratifying the core ILO conventions.

However, the lax implementation in the areas of decent working conditions, collective bargaining, and living wages could pose a challenge since they are at the heart of the new law, he said.

He suggested a gradual implementation of the law to ensure that all parties, including suppliers, importers and workers are satisfied and the industry is not damaged.

"Owing to Bangladesh's higher production capacity and the readiness for the law, we may not face a loss of work orders due to the new law," said Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association.

He, however, warns that if buyers do not pay ethical prices to suppliers, it will be a one-sided and ineffective law, as it will increase the cost of business.

According to experts, the protection of the environment as well as human and labour rights is necessary. Likewise, it is also important to safeguard both exporters and importers.

The strict implementation of the new law may bring positive changes to the global supply chain, but the new law needs to be implemented equally for all countries, they say.

In a press release, Aruna Kashyap, associate director on corporate accountability at Human Rights Watch, said: "The 11th anniversary of the Rana Plaza disaster is a somber reminder of why a due diligence law is long overdue."

"The European Parliament's vote sends a strong message that the EU should no longer let large corporations get away with human rights and environmental abuses."

However, the new law is a watered-down version.

The Belgian government, which holds the rotating presidency of the EU Council, thrashed out a compromise that limits the number of companies expected to comply. The new agreement applies to companies with more than 1,000 employees, up from 500, and a net turnover of 450 million euros – triple the amount previously agreed.

Environmental groups estimate the changes will exclude 70 percent of the companies the law was meant to cover.

Source: thedailystar.net– Apr 25, 2024

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NATIONAL NEWS

Centre looks to rejig MSME schemes

The Centre has drawn up a plan to streamline and strengthen incentive schemes for the micro small and medium enterprises (MSMEs), and this may be one of the priorities of the Narendra Modi government if voted back to power for a third term.

The new measures being looked at include giving certain incentives to manufacturers for their domestic procurement from MSMEs under production-linked incentive (PLI) schemes, which are likely to be revamped."The government is looking at streamlining all MSME subsidy and credit-linked schemes to rationalise them.

Merging some of these could ensure their maximum reach and claims are hassle-free," a senior official told FE. The 64 million-strong MSMEs are the backbone of the Indian economy. They account for over 110 million jobs or 23% of the country's labour force, making it the second-largest employer in India after agriculture. They contribute 27% of India's GDP, account for 38.4% of the total manufacturing output and contribute 45% of the country's total exports.

Access to finance is regularly seen as a key bottleneck for MSMEs. The promotion of export credit guarantees can help improve working capital availability for MSMEs. A Niti Aayog report has also suggested the government must create an incentive package to increase export credit guarantee substantially.

It also suggested a single marketplace where all providers of export credit can compete for business and help reduce the cost to MSMEs. The Interest Equalisation Scheme, which has been running since 2015, may be reviewed by the new government after polls to make it more impactful for

MSME exporters.

In December, the government extended the scheme for pre- and post-shipment rupee export credit until June 30, 2024. Under the scheme, MSMEs get a 3% interest subsidy. The Federation of Indian Export Organisations (FIEO) has been demanding that the interest subsidy for

MSME manufacturers be raised to 5% given the rise in interest rates in the last two years.

Similarly, in 2020, the government announced a Rs 50,000 crore Self Reliant India (SRI) equity fund in public-private partnership mode to provide growth capital to the deserving and eligible units of the MSME sector in 15 years. From January1, 2023, to November 30, 2023, SRI has invested around Rs 3,658 crore by assisting 242 MSEs.

The government plans to make an effort to ensure that MSMEs have no difficulty in claiming the benefits under the scheme. "The current processes for claiming benefits in government schemes are generally seen very difficult," another official said, emphasising the need to make them smoother for small firms.

This was one of the reasons why MSMEs stayed away from directly participating in any of the 14 PLI schemes, which offered nearly Rs 2 trillion in incentives till FY30. Just around 4% of the benefits have been claimed by PLI manufacturers after these schemes were rolled out in FY22.

The PLIs will be revamped soon to make them effective by tweaking norms, reopening some of the schemes for new players to come in, cutting back schemes which did not pick up and adding some more schemes. "The PLI revamp may include giving incentives for including MSMEs in their supply chains," the second official said.

Currently, the PLIs suffer from a major deficiency which is that there is no obligation to create domestic supply chains, the official added. The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) is doing well relatively.

It has achieved a milestone of surpassing Rs1.5 trillion (till February 1 in FY24) worth of guaranteed amount as against Rs1.04 trillion in FY23, increasing sharply by 50%. The scheme facilitates the flow of credit to the MSMEs without the hassles of collateral and third-party guarantee up to a maximum of Rs 5 crore.

Source: financialexpress.com– Apr 25, 2024

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MSME exporters are worst hit due to increased freight charges and doubled turnaround time

The prolonged Russia-Ukraine and Iran-Israel conflicts coupled with the economic instability in American and European markets have had a crippling impact on the MSME sector. Increased freight charges, doubled turnaround time of cargo and steep hikes in insurance premiums have forced small and medium export oriented units to halve their outputs with most presently operating at around 50% of their respective capacities.

Commenting on the challenges which have emerged as a fallout of the geopolitical and economic turmoil across the globe, Balkrishan Sharma, Business head and Chief Executive of Yarn Business, RSWM Limited, a leading yarn and knitting fabric manufacturer, said, "Due to the ongoing crisis in Middle East and in Europe, exporters are facing multiple problems that include the non-availability of containers, multifold rise in freight charges and a steep rise in the insurance premium of the cargo."

Sharma said, "The freight charges have witnessed a massive surge of around five fold to ten fold and the turnaround time has more than doubled. The freight charges for a single container shipment to Turkey, Italy and the US have reached around $ 2,700, $ 2,500 and $ 3,600 per container from the previous rate of around $ 500, $ 600 and $ 300 per container, respectively."

Apart from the freight charges, the turnaround time for shipments has also witnessed a twofold increase and reached to around 60 days and 70 days for Europe and the US against the previous turnaround time of 25 days and 20 days respectively. "Additionally, around a 30% hike in insurance premia and the huge spike in raw material prices due to the 3% to 5% increase in prices of crude oil, is also creating problems for the exporting units in the country", added Sharma.

When asked about the difference in the impacts on big and small players, Sharma told FE, "As of now, the small players are the biggest sufferers. Unlike the MSMEs, the big players have the financial muscle while the small units are finding it hard to maintain the income flow required to keep themselves afloat."

According to sources in the industry, most of the units are operating at around 50% of their respective capacities and there have been job losses in the industry also. "Out of 60 major exporting units in Ahmedabad, only 3 units are operating at near full capacity while the remaining 57 units are operating at around 50% of the capacity. Furthermore, even big players are struggling due to the continued muted demand in European markets. Players like Raymond, which used to produce in-house, have reportedly moved to outsourcing the manufacturing. Arvind, one of the largest textile players, is also believed to be operating at around 70% of their capacity", said an industry source on the condition of anonymity. Attempts to reach out to both Raymond and Arvind proved futile.

Talking about the impact of the crisis, Priyam Patel, Managing Director, NK Proteins Private Limited, a leading edible oil player of Gujarat with brands like 'Tirupati' and the largest exporter of castor oil and derivatives, said, "The trouble brewing in the Red Sea region has led to a surge in freight charges, while transit times have nearly doubled, resulting in shipment delays as freighters are forced to take longer routes. Europe is a key export market and the freight charges to European countries have seen upward pressure."

Ashwin Thakkar, Vice President, Textile Association of India, said, "The escalating tensions due to the Iran-Israel conflict have raised concerns for India. Heightened tensions may also lead to increased volatility in global markets, further affecting the business. The increasing freight charges and the turnaround time will also impact the textile sector but the fact that our trade with Iran is on decline may provide a cushion to the business."

"The Russia-Ukraine conflict has been going on since March 2022 and now war fatigue appears to have set in. The anxiety of war is subsiding and things are cooling down. It may still take another 15 months or 20 months for things to normalise but for this the government needs to take firm steps to safeguard the interests of small players in exporting industries as they are also the major employment generators", concluded Balkrishan Sharma.

Source: financialexpress.com– Apr 25, 2024

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Net FDI in India dips to $14.55 billion in April 2023-Februray 2024

The net foreign direct investment (FDI) in India, inflows minus the outflows, dropped sharply by 45.5 per cent in the 11 months of Financial Year 2024 (April 2023 to February 2024), when compared with the same period a year ago due to a rise in repatriation of capital.

The net FDI stood at $14.55 billion in April-2023-February 2024 period, down from $26.71 billion in the same period a year ago.

The Reserve Bank of India's (RBI) data (April 2024 bulletin) said FDI in India was $26.69 billion and outflows were $ 12.14 billion in April 2023-February 2024.

In the same period last year (April 2022-February 2023), FDI inflows were at $ 39.61 billion, while outflows had touched $12.90 billion during the same period.

Repatriation/disinvestment by those who made direct investments in India rose to $38.30 billion in the 11-months of FY24 from $27.17 billion in April 2022-February 2023, according to RBI data.

According to the "State of Economy" report in RBI's monthly bulletin for April 2024, more than 60 per cent of the FDI equity flows were directed towards manufacturing, computer services, electricity and other energy, retail and wholesale trade, and financial services.

The major source countries were Singapore, Mauritius, the US, the Netherlands, Japan and the UAE, accounting for around 80 per cent of the flows.

Amidst an uncertain global investment environment, India held its position as a favourable investment destination among peer Asian economies in 2023.

India ranked fourth among Emerging Market Economies (EMEs) in the 2024 FDI Confidence Index, reflecting continued optimism over its growth potential.

Additionally, India has signed a Trade and Economic Partnership Agreement (TEPA) with the European Free Trade Association (EFTA), which includes investment commitments, it said.

Another article on India's services exports in the April 2024 bulletin said these exports, both traditional and modern, are influenced by many factors including world demand, exchange rate, manufacturing exports, infrastructure, robust institutions, foreign direct investment (FDI) and financial development.

Source: business-standard.com– Apr 24, 2024

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Tumkur hopes yarn will spin again for its textile industry

In the bustling city of Tumkur in Karnataka, where the sounds of a vibrant textile industry once echoed through the streets, a sombre mood prevails in the air.

Once adorned with flourishing cotton and silk mills, Tumkur today is at the crossroads, thanks to the fading textile industry.

With the upcoming general elections, Tumkur's textile community waits in anticipation for a government that will rekindle the flames of its lost jewel.

Tumkur's textiles sector is facing multiple challenges like labour shortage, falling exports and bureaucratic delays. Subsidies and approvals are slow, hindering growth. With entrepreneurs rallying for policy reforms, the industry seeks a revival amid the adversity.

Hafeezur Rahman of Techmax Structurals, which builds infrastructure for the textiles industry, said labour shortage and surging export rates are hurting the garment industry. Cheaper labour in Bangladesh and China is also adversely impacting business in India.

“There is no boom in the textiles industry now. If this particular segment is developed, the employment issue will be resolved and foreign exchange will also be generated. The government should focus more on strengthening the micro, small and medium enterprises (MSME) sector than high-profile companies, as the former is the backbone of economic growth,” said Rahman.

Rahman added that simply earmarking money by the government would not bring in change.

According to him, the government should work on “quality, modernisation, and training” for the industry. He said, “The government should take initiatives to build a separate special economic zone (SEZ) for the textile industry.”

Ronald, business head of MAF Clothing, said water scarcity is hampering dyeing and washing operations while land scarcity is hurting growth.

He called for “strong wage incentives through the central government” as it is a critical factor in attracting and retaining skilled labour within the industry.

Tumkur-based industry consultant Prabhu SR said the previous government announced about 70-80 per cent subsidies for SC/ST candidates in the garment industry. However, funds have not been received yet.

“Additionally, over the last few years, people have struggled to process their application forms in the textiles department. Entrepreneurs were hopeful and invested in the industry, but now, they are frustrated. The government is promising several things but not executing them,” Prabhu said.

He said, “In the garments sector, the big players have successfully established themselves but the smaller ones or first-time entrepreneurs are struggling. It is because of the lengthy time it takes for approvals. In the books, there is a list of policies but, unfortunately, no implementation.”

Prabhu expects the government to “implement the policies and sanction loans for rural businesses on time.” The apparel businesses, which came up in Tumkur, have eventually shut down due to these hurdles.

In Tumkur's textile landscape, 18 firms stand as pillars of the industry, according to Government of Karnataka records.

Dominating the scene, Shahi Exports and MAF Clothing together employ close to 5,000 workers, shaping the city's economic narrative.

Karnataka’s new textiles and garment policy aims to position the state as a leading destination for textiles and apparel in the country.

The policy aims to provide stimulus to the textiles industry and generate 500,000 jobs in five years by attracting investments worth Rs 10,000 crore.

Source: business-standard.com– Apr 25, 2024

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India's fashion e-commerce market to grow to $112 million by 2030: Report

Experiencing a rapid growth, the Indian fashion ecommerce landscape is projected to grow at a CAGR of 25 per cent, exceeding $112 billion by 2030-end. According to Inc42's latest 'State Of Indian Ecommerce, Q1 2024 report, over 200 fashion ecommerce startups have collectively amassed over $2.2 billion in funding between 2018 and 2023, with Delhi NCR emerging as the fashion capital, raising over $1.4 billion in 60+ deals, surpassing Mumbai and Bengaluru.

The report highlights the increasing frequency of wardrobe upgrades among Indians, particularly in Tier II cities and beyond. Women's apparel and accessories are expected to dominate, capturing 50 per cent of the market share by 2030, presenting a $56 billion opportunity. Men's and kids' segments follow closely, accounting for 29 per cent and 21 per cent of the market share, respectively.

D2C fashion brands have secured 93 per cent of the total investments. LensKart leads with $1.3 billion, alongside notable names like Bewakoof, BlueStone, Melorra, and XYXX. Late-stage startups attracted 80 per cent of the total funding, indicating significant investor interest in the sector.

AI integration is reshaping the Indian ecommerce landscape, with startups employing AI for personalised recommendations and leveraging machine learning algorithms. Meesho uses AI-powered chatbots to manage inquiries, while Myntra's 'My Stylist' provides personalised fashion recommendations, enhancing the shopping experience.

Source: fashionatingworld.com– Apr 24, 2024

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Rising awareness and comfort driving athleisure market in India

Fueled by a surge in fitness consciousness and a preference for comfortable, multipurpose clothing, the Indian athlesiure wear market is flourishing. Factors like remote work and accessible e-commerce have reshaped consumer choices, driving the demand for athleisure. This growth is further boosted by affordable local brands, with athleisure becoming a symbol of status.

India hosts numerous internet-first brands like HRX, Aastey, Blissclub, and Zymrat. According to industry analyses, the Indian sports apparel market was valued at $673.34 million in 2022, projected to reach $1926.10 million by 2029, growing at a CAGR of 16.2 per cent. The COVID-19 pandemic spurred a shift towards home fitness, contributing to the rise of athleisure, which blends fashion with functionality for everyday wear.

The emergence of sneaker culture and athleisure as a mainstream movement has reshaped the industry. While global giants like Nike, Puma, and Adidas dominate, there's a rising demand for affordable brands catering to Indian consumers. Indian brands like HRX focus on community engagement, fostering brand loyalty through initiatives like fitness challenges and workshops.

Direct-to-consumer brands like Blissclub tailor offerings to Indian preferences while aligning with global trends. They address diverse needs, such as offering plus-size ranges, carving unique market positions. Marketing strategies of homegrown brands emphasise online communities and engagement activities, leveraging social media to connect with consumers authentically.

An international player, Puma harnesses influencer marketing, engaging micro and nano influencers alongside celebrities. India's youthful demographic, with 50 per cent under 25 years old, drives the athleisure market. Millennials and Gen Z prioritise health and wellness, seeking trendy activewear for self-expression.

The increasing participation of women in the workforce, at 26.9 per cent in 2023, has spurred growth in women's athleisure products. Versatile options that transition from gym to work environments are in demand.

Additionally, urbanisation, with over 35 per cen of the population residing in large cities, contributes to the market's dynamism. Urban dwellers lead active lifestyles and invest in fashionable athleisure, further propelling market growth.

In essence, India's athleisure market thrives on a confluence of factors, including shifting lifestyles, evolving consumer preferences, and targeted marketing strategies by both local and international brands.

Source: fashionatingworld.com– Apr 24, 2024

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