IBTEX No. 92 of 2024 **June 06, 2024**

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INTERNATIONAL NEWS

EU TCLF sectors set priorities for 2024-2029

The EU's Textiles, Clothing, Leather, and Footwear (TCLF) sectors are urging future EU policymakers to enhance their efforts to safeguard these industries, which provide over 1.5 million jobs and generate a combined turnover of more than €200 billion annually.

The call comes from key industry players, including the European Confederation of the Footwear Industry (CEC), the European Confederation of the Leather Industry (Cotance), Euratex (the European Apparel and Textile Confederation), and industriAll Europe, all of whom have signed the Antwerp Declaration advocating for a European Industrial Deal.

The need for an EU industrial deal

The TCLF Social Partners stress the necessity of a comprehensive European Industrial Deal that complements the Green Deal, focusing on keeping quality jobs in Europe.

The sectors face significant challenges such as intense global competition, high energy costs, an aging workforce, and a surge in new legislation. Given that over 99 per cent of companies in the TCLF sectors are SMEs, the call for increased support is critical to ensuring these industries can thrive amidst green and digital transitions.

Ensuring a just transition

A central demand is ensuring a just transition for TCLF industries and their workforce. The partners emphasize the importance of a robust industrial strategy that not only supports 'clean tech' investors but also aids in transforming existing industrial assets.

This strategy should focus on maintaining and creating quality jobs, supported by a Just Transition framework that manages employment and skills effectively, provides security for companies and workers, and offers quality training.

Promoting skills development

A renewed industrial strategy must prioritize re-skilling and up-skilling. The TCLF sectors require a workforce equipped to handle new technologies and sustainable practices. Social partners play a crucial role in anticipating skills needs and organizing training, yet they need substantial support beyond existing frameworks like the EU Pact for Skills. Policies must attract young talent to the industry and ensure ongoing support for an aging workforce.

Enhancing social dialogue

Effective industrial transformation hinges on strong social dialogue. Sectoral social partners advocate for a regulatory environment that supports businesses and fosters mutually beneficial working conditions through collective bargaining and other mechanisms.

Given the increase in EU legislation targeting TCLF sectors, it is vital that social partners are consulted appropriately, ensuring regulations are well-informed and sector-specific impact assessments are conducted.

Creating a stable regulatory environment

The TCLF sectors operate in a complex global market and require a stable and coherent regulatory environment to succeed. The EU must streamline and improve Single Market rules, enforce regulations uniformly, and conduct thorough impact assessments before proposing new legislation. These steps are essential to maintain the competitiveness of TCLF industries during their green and digital transitions.

Ensuring access to resources

Access to green and affordable energy is critical for TCLF sectors, especially in light of recent energy crises. Additional measures are necessary to secure decarbonized energy and ensure the sustainability of TCLF manufacturing.

Beyond energy, securing access to raw materials with a focus on traceability and transparency is crucial, as is ensuring fair trade practices to prevent the influx of low-cost, non-compliant products.

Promoting fair trade

The TCLF Social Partners advocate for free and fair trade to maintain a level playing field. This includes preventing the dumping of low-cost products in the EU market and ensuring adherence to international labor laws and environmental standards. Support for SMEs in implementing new directives and regulations is also critical to maintaining competitiveness and sustainability.

Boosting demand for European products

Increasing demand for green TCLF products made in Europe is necessary to ensure economic sustainability. The partners support the production of high-quality, sustainable products, which should lead to decent wages and quality jobs. Incentives for consumers to buy European-made products and public procurement policies focusing on green and social production aspects are essential steps toward this goal.

The TCLF Social Partners are ready to collaborate with the new EU policymakers in the upcoming mandate (2024-2029) to implement an EU Industrial Deal that ensures the future competitiveness and sustainability of the TCLF sectors while safeguarding quality jobs across Europe.

Source: fashionatingworld.com– June 05, 2024

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ASEAN manufacturing sees sustained, stronger improvement: S&P Global

Operating conditions improved solidly across the manufacturing sector in the Association of Southeast Asian Nations (ASEAN), according to May purchasing managers' index (PMI) data from S&P Global.

Quicker expansions in both output and incoming new orders were recorded. Growth in production requirements supported a stronger uptick in purchasing activity, which in turn led to a greater accumulation of pre-production inventories.

However, improving underlying demand trends also resulted in an intensification of inflationary pressures, which hit a three-month high, S&P Global said in a release.

The headline S&P Global ASEAN manufacturing PMI printed a 13-month high of 51.7 in May, up from 51 in April, signalling a sustained and stronger improvement in the health of the ASEAN manufacturing sector.

A quicker rise in new factory orders was recorded in May, driven by domestic demand. The rate of growth was the fastest in 13 months. However, a notably softer contraction in new export sales was also observed in the latest survey period.

Manufacturers across ASEAN further increased their production volumes. In fact, output was raised at a strong rate, which was the most marked since April 2023.

Input buying rose at a sharp pace during May. The upturn was the second-strongest since the current run of expansion began in November 2023, and underpinned a stronger rise in pre-production inventories, after growth broadly stalled in April.

Holdings of finished items depleted again in the month. The downturn gathered pace and was the strongest in the year to date, indicating that some manufacturers opted to sell directly from their holdings to meet production requirements.

Cost burdens and output charges rose at the strongest rates since February.

Employment fell for the second straight month in May. The downturn moderated slightly since April and was marginal overall.

At the same time, backlogs rose for the third successive month, the latest upturn being the most pronounced in a year.

The data was indicative of rising capacity pressures, with ASEAN manufacturers struggling to keep on top of their growing workloads, especially as employment remained in retrenchment mode.

Looking ahead, ASEAN manufacturing companies remained optimistic about their overall prospects for higher output in the year ahead. Confidence levels strengthened, after having slipped to a nine-month low in April.

Source: fibre2fashion.com– June 06, 2024

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Turkiye's economic confidence index declines in May 2024

Turkiye's economic confidence index saw a decline in May 2024, decreasing by 0.8 per cent from April's figure of 99.0 to 98.2, according to data released by the Turkish Statistical Institute (Turkstat).

The drop in the overall economic confidence was driven by varied changes across different sectors. The consumer confidence index showed a slight increase of 0.1 per cent, rising to 80.51 in May. This marginal improvement indicates a slight boost in consumer sentiment.

Conversely, the real sector (manufacturing industry) confidence index experienced a more significant decrease. It dropped by 1.1 per cent, bringing the index down to 102.4. Similarly, the retail trade confidence index also declined. It fell by 3.3 per cent in May, resulting in a new index level of 111.7.

Source: fibre2fashion.com– June 06, 2024

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French manufacturing output up 0.4% MoM in Apr 2024

French manufacturing output increased by 0.4 per cent month on month (MoM) in April this year after a 0.4-per cent drop in March, according to the National Institute of Statistics and Economic Studies (INSEE). Output in the whole industry rose by 0.5 per cent MoM in the month after a 0.2-per cent decline in the preceding month.

Production bounced back in other manufacturing industries in April, seeing a rise of 0.9 per cent after a 0.4-per cent drop in March.

Manufacturing output between February and April was higher than that of the same months of the previous year (plus 0.7 per cent). It increased more moderately in the whole industry (plus 0.3 per cent).

Manufacturing output of textiles, apparel, leather and related products increased by 9.1 per cent MoM in April and fell by 0.1 per cent quarter on quarter (QoQ) between February and April this year, an INSEE release said.

In the context of high electricity and gas prices invoiced to firms given the contracts agreed in 2022 and 2023 for 2024, energy-intensive industries are particularly exposed to rising production costs, which may affect their output, INSEE noted.

Source: fibre2fashion.com– June 06, 2024

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Chinese manufacturing conditions markedly improve midway into Q2 2024

Business conditions in the Chinese manufacturing sector improved at a more pronounced rate midway into the second quarter (Q2) this year, according to S&P Global.

Production growth in the country accelerated amid rising new orders. This led to faster accumulation of backlogged work, while purchasing activity also rose.

Firms were hesitant to hire additional workers in the quarter however, even as sentiment about the outlook improved.

Meanwhile input price inflation climbed to a seven-month high during the quarter. Average selling prices were little changed whilst there was a renewal of export charge inflation in May, S&P Global said in a release.

The headline seasonally adjusted purchasing managers' index (PMI), a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy, rose to 51.7 in May, up from 51.4 in April. This indicated a seventh successive monthly improvement in the health of the sector. Moreover, the rate of growth was the fastest in 23 months.

Manufacturing production rose at the fastest pace since June 2022, with firms in the consumer segment reporting especially sharp output growth in May.

This was underpinned by higher new work inflows, as stronger demand, both within the country and abroad, supported by heightened interests in new products led to the latest rise in new orders. The rate of new order expansion slowed slightly from April, however.

Purchasing activity also increased in May as firms sought to acquire more inputs to fulfil ongoing production requirements and in anticipation of output growth.

Backlogged work, meanwhile, accumulated for a third month in a row and at the quickest pace since September 2021 amid rising new work inflows. Firms remained hesitant to take on additional workers, however, as

reflected by falling employment levels, albeit at a slower rate compared to April.

Average input costs continued to increase for Chinese manufacturers in May. The rate of input price inflation was the highest since last October, despite being modest.

Average output prices were little changed in May. Whilst some firms were keen to share their rising cost burdens with clients, others continued to suppress charges to remain competitive. An increase in average export charges was also observed for the first time in three months.

Sentiment among Chinese manufacturers remained positive in May. Panelists hoped that market demand can improve both locally and abroad to support higher production in the year ahead. The level of confidence also improved from April.

Source: fibre2fashion.com– June 05, 2024

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International demand keeps Brazilian cotton prices stable

The international demand for North American cotton surged in May, significantly impacting global markets. Prices in the Far East rose, bolstering values at ICE Futures in New York. This trend has positively influenced Brazilian cotton prices, which have been buoyed by higher export parity values, despite the ongoing harvest of the 2023-24 crop, which is anticipated to yield a good production, as per the Centre for Advanced Studies on Applied Economics (CEPEA).

CEPEA's recent calculations indicate that export parities FAS (Free Alongside Ship) increased by 7.3 per cent from May 20-27. By May 27, the parities were BRL 4.0868/pound ($0.7902/pound) at the port of Santos (SP) and BRL 4.0973/pound ($0.7922/pound) at the port of Paranaguá (PR). Concurrently, the Cotlook A Index, representing product delivered in the Far East, rose by 5.82 per cent, reaching $0.9085/pound on May 27. Additionally, the dollar appreciated by 1.23 per cent against the Brazilian real during the same period, closing at BRL 5.172 on May 27, CEPEA said in its latest fortnightly report on the Brazilian cotton market.

Domestically, the CEPEA/ESALQ cotton Index saw a minor decline of 0.54 per cent, ending at BRL 3.9024 ($0.74) per pound on May 31.

Data from the Secretariat of Foreign Trade (SECEX) reveals a significant increase in Brazilian cotton shipments in May. In the first 12 producing days of the month, exports totalled 141.4 thousand tons, marking a 134.4 per cent increase compared to the entire month of May last year, which recorded 60.32 thousand tons. However, this figure was still 41.4 per cent lower compared to April 2024, which saw shipments of 241.5 thousand tons.

Over the 2022-23 season (from August 2023 to the partial of May 2024), Brazil exported 2.265 million tons of cotton, reflecting a 56.3 per cent increase from the 2021-22 crop (August 2022-July 2023), which totalled 1.45 million tons.

Source: fibre2fashion.com– June 05, 2024

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Turkiye's manufacturing sector experiences pronounced slowdown in May

Turkiye's headline purchasing managers' index (PMI) fell below the 50 no-change mark for the second consecutive month in May 2024, dropping to 48.4 from 49.3 in April 2024, according to the Istanbul Chamber of Industry and S&P Global. This latest reading indicated a modest slowdown in business conditions in the sector, marking the most pronounced decline in 2024 so far.

The softening in the health of the sector was reflected in a range of variables from the survey in May. In particular, firms reported a solid moderation of new orders, with the pace of easing the most pronounced since January. The slowdown was often linked by panellists to challenging demand conditions, with some customers deterred by high prices. These factors also contributed to a softening of new export orders, the eleventh in as many months.

A moderation of new orders led manufacturers to scale back production for the second month running, and to the largest degree in 2024 so far. Some panellists also indicated that capacity limits had restricted their ability to expand output, as per S&P Global.

Staffing levels were reduced for the fourth consecutive month, as some firms indicated a reluctance to replace departing staff given lower workloads.

Purchasing activity and inventories of both inputs and finished goods were all scaled back in May, in each case following increases in April.

Inflationary pressures continued to wane in May. The rate of input cost inflation eased to a five-month low, while charges increased at the slowest pace for a year. Where prices rose, respondents often linked this to currency weakness and higher raw material costs.

Turkish manufacturing firms posted a moderation of output for the second month running in May, with the latest slowdown in production the most marked in 2024 so far. Respondents often linked softer output to demand weakness, but there were also some reports that capacity had been insufficient to expand production.

A moderation of new orders meant that manufacturers were often reluctant to replace departing staff members, leading to a scaling back of employment during May. The easing of workforce numbers was the most marked in three months, but only modest overall as the vast majority of respondents (87 per cent) kept employment unchanged.

Source: fibre2fashion.com– June 06, 2024

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Vietnam to continue focus on Northeast Asian markets to boost exports

Vietnam's ministry of industry and trade (MoIT) will continue to focus on exports to prime markets in Northeast Asia like China, Japan and South Korea.

While exports to China reached $61.2 billion at the end of last year, a bright spot while other export markets were declining. Exports to Japan and South Korea declined by 4 per cent and to Taiwan by 7 per cent.

As this year began, the ministry thought that it was necessary to push exports further and explore deeper in the region and remove any barriers for the business community. So Northeast Asia witnessed a more visible export push in the first months this year.

The ministry is offering market information guides on how to access the markets of Northeast Asian countries and has also organised conferences to promote advantages of existing free trade agreements, according to a domestic media report.

Vietnamese businesses also received government assistance to connect with domestic and foreign trade organisations to boost exports.

The total trade turnover between Vietnam and countries in the Northeast Asian region reached over $112 billion in the first four months this year—an increase of 16 per cent over the same period last year.

Exports to China, South Korea, Japan, Taiwan and Hong Kong increased by 14.3 per cent, 8.8 per cent, 3.2 per cent, 20 per cent and 59 per cent respectively during that period.

Source: fibre2fashion.com– June 06, 2024

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Cambodia's trade goes up 12% in five months

Cambodia's international trade has seen a significant increase in the first five months of 2024, growing by 12 percent compared to the same period last year.

Data from the Ministry of Commerce on Wednesday showed that Cambodia's total trade volume reached over $21.6 billion, up from $19.2 billion during the same period last year.

From January to May, the Kingdom exported $10.18 billion worth of goods to foreign markets, a year-on-year increase of 10.8 percent, read the report.

Meanwhile, the country imported $11.4 billion worth of goods from trading partners, a 13.6 percent increase year-on-year, the report added.

China, Vietnam, and the US are Cambodia's biggest partners during the period, with a trade value of $5.99 billion, $3.55 billion, and $3.52 billion, respectively.

However, the US remained the biggest market for Cambodia's exports with a value of $3.42 billion which comes to 33.68 percent of the Kingdom's total exports, read the report. Vietnam ranked second with imports from Cambodia reaching $1.88 billion.

Cambodia's Free Trade Agreement with China and Korea and the Regional Comprehensive Economic Partnership (RCEP) have contributed to the rise in trade, the ministry's secretary of state and spokesman Penn Sovicheat said.

"RCEP and the Cambodia-China Free Trade Agreement (CCFTA) have given a significant boost to the trade growth," Sovicheat told Khmer Times.

Cambodia's main export products are garments, machinery, electrical equipment, footwear products, leather goods, grain, furniture, rubber, fruits, vegetables, pearls, toys and textiles.

Cambodia's major imports include medicines and supplements, consumables and food and beverages.

The garment, footwear and travel goods industry is the largest foreign exchange earner for Cambodia. The sector consists of roughly 1,300 factories, employing approximately 850,000 workers, mostly female.

Source: khmertimeskh.com– June 06, 2024

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Textile-to-Textile Recycling Is a $1.5 Billion Opportunity in the US

Done right, textile-to-textile recycling in the United States could unlock a $1.5 billion economic opportunity, a new report says. The problem is that clothing is currently being disposed of wrong. Just 15 percent of the 17 million tons of textile waste the country generates is currently recovered, according to the Environmental Protection Agency, with a whopping 85 percent winding up in landfills or incinerators.

And despite North America being one of the biggest consumers of apparel and footwear in the world, not to mention its leading generator of waste from the same, critical questions about the market remain unanswered: What do people do with garments they no longer want? What materials are in these castoffs? And what does this mean for the inchoate aspirations of upstarts like Syre that are funneling millions into building a textile-to-textile recycling ecosystem where none exists at scale?

Fashion for Good decided to find out. Following similar forays in Europe and India, the Amsterdam-based innovation platform surveyed 1,200 consumers and sifted through more than 16 tons of garments to map out what textile waste looks like in California, Colorado, Florida, Texas and New York throughout the year.

The fact that this was a novel endeavor signals the relative immaturity of end-of-life legislation in the United States versus Europe, where ecodesign rules governing the creation, use and disposal of products, including a ban on destroying unsold goods, are set to enter into force in the EU single market, said Georgia Parker, Fashion for Good's innovation director. It's her hope that the organization's findings will feed into broader policy conversations beyond the "pockets of stuff" happening in California and New York around extended producer responsibility.

The difference between the geographies is also reflected in the amount of post-consumer textiles found to be suitable for textile-to-textile recycling using existing mechanical and chemical means—56 percent in the United States as opposed to 74 percent in Belgium, Germany, the Netherlands, Poland, Spain and the United Kingdom. One reason for this disparity is that few textiles that are collected for reuse, repurposing or recycling in the United States are sorted or graded domestically.

"So what happens in the United States is there are big collectors, whether the charity collectors or the for-profit collectors, that collect material, and they typically don't sort it here; they export it," said Karla Magruder, founder of Accelerating Circularity, a New York-based nonprofit that has been successfully running cotton-based textile recycling trials in the United States and Europe. "In Europe, they're sorting for domestic reuse and then they send other materials out to other countries. We have a tendency to just collect, bale it and ship it out."

In other words, there's less visibility into how much is sorted as rewearable or non-rewearable in the United States, compared with regional sorting operations within Europe that can offer a better idea of rewearable and non-rewearable fractions, Parker said. Ditto with India, where post-consumer textiles that can serve as grist for recycling hover around 84 percent.

How Americans approach textile disposal was another interesting data point, even though Fashion for Good didn't do a consumer survey in Europe so there isn't any specific to compare results to. More than 60 percent of respondents, for instance, said they never throw away textiles, choosing instead to "divert" them through donation, resale, recycling or repurposing.

Another 4 percent said they exclusively chucked their unwanted clothing in the trash. There also appeared to be a "logical pattern" guiding the methods of dealing with textiles, Parker said. Those that are regarded as "high" quality and in good condition are more likely to be resold or passed on to family and friends. "Fair" quality items are commonly passed onto a charity, while those perceived as "damaged," along with holey socks and underwear, are almost always thrown away.

Whether Americans will be able to recycle their duds the way they do plastic bottles and aluminum cans remains to be seen. Goodwill, one of Fashion for Good's partners on the project, has trialed curbside collection for textiles, which might be more convenient for consumers but remains logistically challenging, not least because consumers clean out their closets in bursts rather than in a consistent manner, making efficient routing difficult. Textiles are also vulnerable to weather conditions and can absorb liquids from other recyclables, rendering them unsuitable for recycling. Making something halfway workable would require significant municipal investment, including in education and building trust through transparency. (Around 5 percent of people who discard textiles instead of

diverting them do so because they're skeptical about whether textile reuse or recycling genuinely happens.)

That the Goodwills and the Eastmans of the world need to better align on recycling feedstocks is obvious to Magruder, whose organization works with a slew of stakeholders, from textile collection to recycling to yarn spinning to retail, to cooperatively develop and source feedstock specifications. The trick is to do this to a much larger extent, while remaining mindful of issues like restricted substances that require testing from batch to batch to ensure compliance with existing and emerging regulations. It can be done, she said, but it needs interoperability that fosters win-win collaboration.

"With our first trials, we wanted to prove that we could make recycled textiles and we came up with a T-shirt with 40 percent of recycled material in there," Magruder said. "Now that we know we can do that at decent quality, how do we really get the system functioning?"

Better sorting, which is, for the most part, a tedious, manual process, could be an answer. While intelligent sorting technologies from the likes of Refiberd or Tomra already exist, making sure that sorters have a reason to invest in them so that innovators can achieve a consistent feedstock in the necessary volumes is paramount. The bipartisan Americas Act, which earmarks $14 billion in federal grants, loans and tax breaks for circular fashion, could be a boon if it passes, but nothing is a sure thing in Washington, where the ballooning deficit is a perennial bone of contention. If states don't step in with financial carrots, the industry will have to fend for itself.

"One of the next stages of our project might be us is to look at how can we bring together the relevant stakeholders and build a demo facility in the U.S. that's best in class and validates automated sorting technologies," Parker said. "And building out that business case."

Fashion for Good's results show that the volumes of useful textiles—foremost of which was cotton at 51 percent, followed by polyester at 28 percent—exist. Now the $1.5 billion question is how states can create incentives to create favorable environments for innovators like Syre to invest in setting up their facilities. It's not the only one, however.

"What is the perfect future state?" Parker asked. "Is it that we should build recycling facilities where the textile waste is and then ship the pellets or pulp to Asia, where it gets then made into like yarns and fabrics and garments? Or should we have more nearshoring—where more of the manufacturing is happening in the U.S. and in Europe? What does this mean from a tariffs or customs perspective? I don't have an answer to that but it's a really interesting one."

Source: sourcingjournal.com– June 05, 2024

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Is Fashion Missing Organic Cotton's Bigger Picture?

Organic cotton's time may have come, as the subtitle of the Organic Cotton Accelerator's latest report declares, but moving the fiber from a niche product to the status quo isn't without its hurdles.

Thanks, in part, to the rise of organic food, the idea of cotton grown without synthetic pesticides, chemical fertilizers or GMO seeds now sits comfortably in the mainstream marketplace—Gap sells organic cotton tees. Madewell hawks an organic cotton tank dress. Even Hanes touts organic cotton undies. Even so, the perception of its availability is more generous than the reality: According to the fiber experts at Textile Exchange, certified organic cotton makes up just 1.4 percent of total cotton production.

In other words, the OCA's message is only partly a statement of fact. Mostly, it's a rallying cry, said Ruud Schute, program director at the multi-stakeholder organization, whose founding partners include C&A, H&M Group, Eileen Fisher, Kering, Zara owner Inditex, Textile Exchange and Laudes Foundation. But if there is an organic cotton tipping point, this is it, he said.

Since 2016, more than 70,000 farmers in India and Pakistan have switched to organic cotton through the OCA's farm program, which is underpinned by 16 brands and 13 implementing partners. Another 36,000 in-conversion producers are waiting in the wings. And the 2022-2023 season saw 87,255 metric tons of seed cotton get snapped up—a 33 percent increase from the year before.

"Factors driving this shift include increasing awareness of environmental and social issues, demands for transparency in supply chains, growing consumer interest in sustainable products and the urgency to support and empower farmers," Schute said.

At the same time, the industry needs to double down more than ever. While the number of farmers converting to organic cotton has grown, less in-conversion cotton has been procured than expected. This is a problem: If brands are not committing to in-conversion volumes necessary for farmers to complete the shift, they're throttling the future supply of fully organic cotton.

Switching from conventional to in-conversion to organic production isn't a small ask for growers, Schute said. Those who do so can expect an initial yield loss and a subsequent contraction in income, which is why "financial incentives, extension support and procurement are essential for farmers during this transition phase," he said. Without them, there is no way to maximize the potential impact of organic cotton.

Schute said that certification isn't the OCA's destination, mostly because it isn't a certification standard. Instead, it creates the conditions that enable farmers to measure up. Organic agriculture standards don't always focus on decent work or social criteria, he said, yet smallholder growers and farmworkers are among the most vulnerable regarding access to decent work conditions.

Over the past year, the organization launched an organic training curriculum in Pakistan, rolled out a decent work initiative in India and geared up for entry into Turkey. The OCA has also started work on a life-cycle assessment dashboard that will allow brands to track greenhouse gas reductions at the regional level in India. Soon, it'll be kicking off a biodiversity monitoring trial to help quantify the benefits of organic agriculture practices on local fauna populations.

"As ever, we are proudest of the tangible impact we have had on the lives of farmers, the progress made in strengthening their livelihoods and well-being, and enabling the collaborative efforts of our diverse stakeholder community," Schute said of the OCA's 2023 highlights. Last year, it facilitated a 7 percent premium payment to growers, totaling 4.2 million euros, or almost $4.6 million.

One challenge the OCA faces is getting stakeholders' key performance indicators to align. The supply chain from field to fashion is long, complex and often fragmented. Brands measure impact through decent work conditions and progress on science-based targets, while farmers gauge success based on improved yields, lower impact costs and high revenue.

Ginners, spinners and traders, on the other hand, might desire low complexity, long-term commitments or transparent financing agreements. Bringing these disparate objectives together isn't an easy lift. Neither is getting organic cotton availability past 1.4 percent, Schute said. Trust in organic cotton certification and certifying bodies has been shattered by widespread allegations of fraud and corruption. Bolstering organic cotton's integrity will require significant investment in volume

reconciliation, traceability, oversight activities and authentication through the use of physical tracers or DNA testing.

To scale organic cotton, the OCA wants more brands, retailers, suppliers and manufacturers to join its platform. It needs donors who can invest in capacity building for growers, implementing partners to deliver its programs on the ground and policymakers who recognize organic cotton as a “genuinely sustainable solution” for the issues plaguing climate, nature and human rights.

Most of all, the OCA wants to keep telling the story of producers who tend to fade into the background of industry conversations that are predominantly brand-focused, if not brand-led as well. Giving them a voice is also a critical part of the work.

“We don’t talk enough about farmers, the stewards of the land,” Schute said. “The transition to sustainable raw materials can only happen through them, but the social and environment impact on farming communities is often overlooked. Recognizing and addressing these social dimensions is crucial for achieving holistic sustainability in the cotton sector and ensuring that sustainable practices benefit all stakeholders involved.”

Source: sourcingjournal.com– June 05, 2024

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Bangladesh: Low gas pressure cuts textile production by 65%

Production in spinning, dyeing and weaving mills in the Tongi, Sreepur, Gazipur and Maona areas declined by around 65 percent thanks to low gas pressure in the last five days.

The factory owners said there is zero gas pressure in some units while some are receiving as low as 1 to 3 pounds per square inch (PSI) whereas they need 10-15 PSI to run the mills in full capacity.

Many factory owners of the industrial belt now fear missing the monthly production target and failing to ensure timely air shipment of the goods. Bangladesh has a $25 billion primary textile sector and nearly 60 percent of its spinning, dyeing, washing, weaving and finishing units are located in the country's largest industrial belt consisting of Gazipur, Sreepur, Maona, Savar, Ashulia and Tongi.

Mohammad Zaber, managing director of Noman Group, the single largest textile and garment exporter of Bangladesh, told The Daily Star that his group is also at the risk of missing the export target and schedule because of the gas crisis.

Noman Group's export target for June is set at $35 million -- $20 million worth of home textile and $15 million fashion -- from mills and factories located in Tongi, he said.

Gas pressure to Tongi's home textile factory reached as low as one PSI, which will make it difficult for the group to reach the production target, Zaber said over phone.

The group's Sreepur factory, which targets shipping $3million worth of garment items, is also hit by the low pressure of gas, he said.

Zaber also said his home textile business has been rebounding from a crisis originated in February 2023 when gas price almost doubled and production cost spiralled so high that the group failed to book global work orders.

However, the last few months have been optimistic for Noman Group when it started receiving a lot of international orders, he said.

Md Fazlul Haque, managing director of Maona-based Israq Spinning Mills, echoed the views of Zaber.

Haque said his mill is getting 1 to 2 PSI gas pressure, which is inadequate to run the unit in full capacity.

Israq Spinning has been producing only 40 tonnes of yarns daily in the last five days, which is one third of the factory's capacity of 120 tonnes, he said.

The condition of gas-fed dyeing units is even worse, as those need a lot of gas pressure to function, he said.

A few days ago, the leaders of Bangladesh Textile Mills Association (BTMA) sat with the officials of state-owned gas supplying company Petrobangla and urged it to ensure adequate gas supply to the industrial units.

Today, BTMA President Mohammad Ali Khokon through a letter to Petrobangla Chairman Zanendra Nath Sarker demanded improvement in gas supply to the industrial belts, including areas like Narayanganj, Narsingdi, Gazipur, Maona, Savar, Ashilia, Tongi and Sreepur.

The gas supply situation worsened in the last five days when gas pressure reduced to almost zero in many factories, Khokon said.

Petrobangla has identified a leakage in the floating storage regasification unit (FSRU), which has deteriorated gas supply drastically, the Petrobangla officials said the BTMA leaders.

Even if the leakage is repaired locally, it may take seven days more to see an improvement in gas supply to the industrial units, they said.

If the leakage cannot be mended locally, the Petrobangla may need to send the FSRU abroad for getting repaired and in that case, it may need one month to see a rise in gas pressure, they said.

Md Ridwanuzzaman, branch manager for operations of Titas Gas Marketing and Supply at Gazipur, said gas flow remained low in the area over the last few days.

However, he could not say exactly how much gas pressure factories in Gazipur are now getting.

"It is difficult to say exactly when the gas supply situation will improve as it is a matter of the higher authority."

Md Haronur Rashid Mullah, managing director of Titas Gas Transmission and Distribution Company Limited, the gas distributing company for the affected industrial zone, cannot be reached over phone for his comments in this connection.

Source: thedailystar.net– June 05, 2024

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Bangladesh: Exports fall 16% in May

Merchandise exports posted a 16.06 percent year-on-year fall to hit $4.07 billion in May this year, according to data released by the Export Promotion Bureau (EPB) today.

The May shipment is 23.75 percent below the monthly export target of $5.33 billion, according to the data.

Exports in the July-May period grew slightly, as it rose 2.01 percent year-on-year to $51.54 billion.

Until April of the current fiscal year, export grew 3.93 percent year-on-year.

In the first 11 months of the current fiscal year, the shipment of garments, which contributes more than 84 percent in the national export in a year, grew only 2.86 percent year-on-year to $43.85 billion, the EPB data also showed.

Export data comes couple of days after the remittance inflow shows a robust growth in May as the country's migrant workers sent more money home ahead of Eid-ul-Azha, which will be celebrated in the middle of June.

The downturn in exports, the main source of earnings for Bangladesh, paints a bleak outlook regarding recovery from the current economic challenges the country is facing, as the decline has eroded the gains in remittance earnings.

Source: thedailystar.net– June 05, 2024

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Pakistan, China sign 32 MoUs to forge economic cooperation

Pakistan and China Wednesday further forged their economic collaboration by signing 32 MOUs in energy, infrastructure development, farming, engineering, construction and logistics sectors. Prime Minister Shehbaz Sharif is currently visiting China to attend the Pak-China Business Forum.

Shehbaz arrived in Beijing on the second day of his five-day visit to China. He was slated to meet President Xi and other top leaders and oversee the signing of trade and investment agreements in various fields. Upon his arrival at the Beijing airport, he was received by Chinese Vice Foreign Minister Sun Weidong.

Federal Minister for the Board of Investment Abdul Aleem Khan announced that 500 Chinese and 100 Pakistani companies participated in the Pak-China Business Forum. The event saw the signing of 32 MOUs alongside successful bilateral negotiations with the Chinese companies.

The forum, aimed at strengthening business ties between Pakistan and China, featured extensive discussions and agreements, further enhancing economic collaboration between the two nations.

Shehbaz held a crucial meeting with Zhu Zhaojiang, the founder and chairman of Transsion Holdings, in Shenzhen. Interest in investment opportunities in Transsion Holdings' mobile manufacturing unit in Pakistan was expressed during the meeting, along with investment prospects in four sectors: mobile phone production, electric bikes, modern agriculture and fintech. The prime minister assured facilities for foreign investors and invited Transsion Holdings to produce goods in Pakistan for export.

Zhu Zhaojiang briefed the prime minister on the company's current operations in Pakistan and its global exports. The company, with a mobile phone production unit already established in Pakistan, employs over 5,000 Pakistanis daily and seeks to expand its investment in the sector. Federal ministers and key figures from the Pakistani mobile phone industry, including the chairman of the All Pakistan Mobile Phone Manufacturing Association (APMPMA) and CEOs of Inovi Telecom, Airlink Communications, and Tecno Pak Electronics, attended the

meeting, highlighting efforts to boost Pakistan's mobile phone industry and enhance local manufacturing and export initiatives with China's collaboration.

Aleem Khan and Commerce Minister Jam Kamal Khan also held meetings with the CEOs of major Chinese companies. Aleem emphasized the Pak-China Business Forum as an unparalleled opportunity for the Pakistani business community to engage with the Chinese investors, potentially boosting exports.

Speaking to entrepreneurs, Aleem assured that Pakistan would fully support the Chinese companies in setting up operations, granting the private sector freedom to invest in energy, infrastructure development, farming, engineering construction and logistics. He also noted the promising participation of prominent Pakistani businessmen in the China visit, indicating sectors like hotels, tourism, culture, sports goods, textile, decoration, and airport design as prime areas for future investment.

Aleem underscored Pakistan's abundant natural resources and business potential, predicting large-scale economic activities that would drive growth and generate employment for the youth.

Aleem and Jam Kamal conducted various consultative meetings with key Chinese business groups, discussing bilateral proposals and finalizing plans for collaboration. The Ministry of Commerce, Board of Investment, and National Food Security from Pakistan participated in these business-to-business activities alongside their Chinese counterparts.

Both the ministers dedicated a busy day to detailed deliberations, agreements and negotiations with significant Chinese business groups and the Pakistani business community.

APP adds: Meanwhile, Prime Minister Shehbaz Sharif visited the Huawei headquarters and invited the company to invest in Pakistan's taxation and e-governance sectors besides enhancing its presence in the Safe City projects. On his arrival at the headquarters, Huawei Chairman Liang Hua welcomed him. Later, the prime minister also attended the signing ceremony of a framework agreement between Huawei and Pakistan's Ministry of Science and Technology under which the company would impart free of charge training to around 200,000 youngsters in information technology including artificial intelligence. Besides, the

company would also extend its support to Pakistan in the establishment of Safe Cities, e-governance and digitisation of the economy.

Addressing the Pakistan-China Business Forum, Shehbaz assuring all-out facilitation to the Chinese investors and security of Chinese individuals, projects and investments in Pakistan, emphasized that mutually rewarding business-to-business cooperation was key to a bright future for the two people. He repeatedly lauded the Chinese model of development and economic transformation and vowed to replicate the same in Pakistan. “I will go back to Pakistan with this resolve, come what may, we will follow this model of great economic transformation in Pakistan. This model is enough to copy and simulate if we are sincere to our purpose and people,” he told the gathering of hundreds of business leaders from Pakistan and China.

As the Business Forum also marked the B2B matchmaking, he urged the Pakistani businessmen to sit with their Chinese counterparts and find out ways to move the Chinese textile industries to Pakistan and make joint collaborations in steel and other industries. He informed the Forum that Pakistan had mineral deposits of around $10 trillion while the country’s exports stood at $30 billion. The minerals deposits offer huge potential to dig out and convert them into finished and semi-finished goods for exports, he added.

He assured the Chinese side that his government had already initiated structural changes in Pakistan to control corruption. Prime Minister Shehbaz drew a comparison between the $500 billion GDP of the 13-million city of Shenzhen and the $380 billion GDP of Pakistan with 250 million population and called it the Chinese city’s swift transformation a “miracle of this century” and the “eighth wonder of the world”, necessitating for others to learn the lesson from.

He appreciated Chinese President Xi Jinping’s dynamic and visionary leadership. The prime minister also lauded President Xi’s vision of peace and development including the Belt and Road Initiative under China-Pakistan Economic Corridor (CPEC) that had benefited Pakistan immensely through huge investment.

Referring to a terror attack on Chinese workers in Bisham in the recent past, the prime minister conveyed his condolence for the “dastardly and heart-wrenching” incident and called it “one of the saddest” days of his life when the whole nation felt saddened. He said the government had taken

various measures to ensure foolproof security to protect the lives of Chinese workers in Pakistan. “I will spare no effort to protect the lives of Chinese workers and assure and guarantee that we will provide them security more than our children. This will never happen again,” he assured.

The deputy prime minister highlighted the country’s potential in IT, agriculture, mining and minerals and said that the Business Forum was different from the previous typical events as it featured matchmaking of business entities from Pakistan and China. He urged the Chinese businessmen to look into Pakistan’s potential and told them that the labor costs in Pakistan were very competitive.

Besides, for facilitation and smooth processing of investment, the Special Investment Facilitation Council has been formed under the prime minister with all relevant ministries and provincial chief ministers working under one umbrella for the purpose. He urged the Chinese firms to participate in the privatization process of around 84 state-owned enterprises under consideration.

Finance Minister Muhammad Aurangzeb highlighting the country’s overall economic outlook told the gathering that all economic indicators were in the right direction and with a positive trajectory. “The agriculture GDP growth during this fiscal year of 6.25% is a real bright spot,” he said. He said the conference, attended by around 500 business leaders from Pakistan and China, would also provide an opportunity for the businessmen of both sides to network and forge mutually beneficial ventures.

Source: thenews.com.pk– June 06, 2024

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Pakistan: Aptma demands cut in interest rate, power tariff

The All Pakistan Textile Mills Association (Aptma) has asked the government to reduce the interest rate to 12 per cent, the power tariff to 9 cents/kWh and restore the zero-rated regime to enable the industry to contribute to the national economy through exports, investment, and employment.

“The industry is paying Rs240 billion in cross-subsidies and over Rs150bn in stranded cost. And the supply of electricity at 9 cents/kWh would generate over 300 megawatts in additional grid demand and Rs500bn in revenue,” said Aptma Central Chairman Asif Inam addressing a press conference on Tuesday.

Flanked by Aptma North Chairman Kamran Arshad, Senior Vice-Chairman Asad Shafi and Secretary General North Mr Mohammad Raza Baqir, Inam also questioned the justification for a 22pc policy rate when inflation has slowed to 11.8pc. He said the government could save Rs3 trillion in interest payments by cutting down the rate.

On zero-rated status, he asked why the government was holding on to a Rs300bn float of industrial sales tax refund. He proposed that the government collect sales tax at the retail stage, with a potential of over Rs250bn.

Aptma North chairman Kamran Arshad said it is imperative to restore a zero-rated regime on all manufacturing stages of the value-added textile chain and levy sales tax only on the sale of end products fit for consumption by the consumer to arrest the incessant decline in textile production and export and ease the existing situation.

Source: dawn.com– June 05, 2024

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NATIONAL NEWS

CBIC initiates electronic disbursal of duty drawback amount directly to exporter's bank accounts through PFMS from today, 5th June 2024

In an effort to facilitate trade, Central Board of Indirect Taxes and Customs (CBIC) will electronically disburse duty drawback amount directly to exporter's bank account in a transparent and efficient manner with effect from today, 5th June, 2024.

The payment of duty drawback amounts into the exporters' accounts will be facilitated through the Public Finance Management System (PFMS) automatically. This is another initiative of the CBIC towards paperless Customs and enhanced trade facilitation.

This new functionality is expected to reduce time taken for payment of drawback amount by eliminating manual intervention in the drawback disbursal mechanism and increase transparency.

Duty Drawback under section 75 of the Customs Act, 1962 rebates customs duty chargeable on any imported materials or excisable materials used in the manufacture of export goods.

Duty Drawback claims are processed through the Customs Automated System (CAS), enumerated in a scroll, Computerised Customs Drawback Advice (CCDA) is printed and sent to the Authorised Bank branch along with supporting single cheque of consolidated amount for payment of duty drawback amounts into the exporters' accounts. This contributes to the delay in the disbursal of duty drawback.

The CBIC continues to play a key role in India's efforts to improve ease of doing business through trade facilitation and having fully implemented the WTO Trade Facilitation Agreement (TFA), CBIC now aims to undertake next generational Trade Facilitation reforms adopting the TFA plus approach.

Source: pib.gov.in– June 05, 2024

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Partner countries watch out for new government's trade agenda

With the BJP falling short of a majority in the 2024 Lok Sabha elections, there is uncertainty amongst some of India's trade partners over whether the new government will continue with the past policy of steady liberalisation and signing of free trade agreements (FTAs) or become more protectionist.

"We are trying to figure out what these surprise poll results will mean for the government's trade agenda. We get a feeling that the NDA's liberalising stance will come down some notches. To what extent it will affect ongoing FTA negotiations is to be seen," an official from a country with which India is negotiating an FTA told businessline.

The need to focus more on grassroot issues such as protecting jobs and preserving livelihoods coupled with pressure from certain coalition partners on protecting sensitive sectors, such as agriculture and vulnerable industries, may push the BJP-led NDA government to switch gears and even change tracks, some trade analysts say.

"When governments are uncertain of their future, they tend to hold on to their domestic constituencies more and become protectionists. The NDA is likely to now put its ears to the ground and try to address problems such as wide spread joblessness that created dissatisfaction amongst voters. Issues such as labour standards that trade partners like the EU and the UK are trying to integrate with the FTAs that are being negotiate will be very difficult for India to accept now," said Biswajit Dhar, Distinguished Professor, Council for Social Development.

FTA negotiations

India is deep into negotiating FTAs with countries such as the UK, Oman, Australia and the EU where it is set to take on serious commitments for duty cuts on a range of products, including some agricultural items. "The NDA will absolutely be more defensive now, especially in agriculture. The pushback has come from rural areas. It lost in Punjab which will also play up big time during decision making. Moreover, the RSS is likely to be more assertive now and may start calling the shots," Dhar added.

India's trading partner countries are curious about the role alliance partners TDP and JDU will play in policy making and the trade strategy to be adopted by the NDA, and have been making queries, Dhar said.

While TDP chief Chandrababu Naidu is known to favour liberal policies, the leader of JDU Nitish Kumar may be skeptical towards FTAs and be protective especially of farmers.
Delays expected

Some feel that the approach towards FTAs may not see a major change but things will get delayed. "The FTA with Oman, which is ready for signing, may be delayed by a few months as the new government may try to understand what it entails. The fate of the UK FTA is more tied to UK elections (scheduled next month), which the EU FTA is poised mid-way and is nowhere near conclusion," said trade expert Ajay Srivastava.

Source: thehindubusinessline.com– June 05, 2024

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New government to inherit strong economy, focus on making India developed nation by 2047

India's world record beating economic growth rate together with robust tax revenues, a fast expanding digital and financial infrastructure, and a strong manufacturing sector, will give the new government, a base for unleashing next generation reforms that may make the country a developed nation by 2047.

The new government will however have to tackle with problems like unemployment and rural distress, which seemed to have played a major role in voting pattern in states like Uttar Pradesh, while also keeping inflation under control.

Given that no party, including BJP, have a clear majority of its own, tough reforms like big ticket privatisation and labour law reforms may take a backseat.

As per the available trends, BJP is likely to win about 240 seats in a 543-member Lok Sabha. It would have to rely on its allies like TDP and JDU to form the next government.

The new government will have to build upon the 8.2 per cent GDP growth recorded in 2023-24 and carry on with the reforms to make India a $5 trillion economy in the next couple of years, and a developed nation by 2047.

Policy experts are unanimous in their view that the government is likely to continue its focus on infrastructure-led growth, investor-friendly policies, enabling reforms, and facilitating ease of doing business.

Last week, S&P Global Ratings had said that historically, India has been on a high growth path with national consensus on key economic policies.

"No matter who the incoming government is, the pro-growth policies, sustained infrastructure investments, the drive to reduce fiscal deficit -- these things have produced very good outcomes and we believe this will continue in the coming years no matter who is in charge," S&P Global Ratings Analyst, YeeFarn Phua said.

EY India Chief policy advisor, DK Srivastava said, the Aatmanirbhar strategy, especially focusing on knowledge intensive employment generating and strategic manufacturing, will serve India well in the long run while providing scope for increasing both services and goods exports.

"The new government will find a solid foundation of the economy, ready to take off with the objective of fulfilling India's aim of becoming 'viksit' in the next 25 years," Srivastava said.

Under the Modi government's 10-year tenure, India has become the fifth largest economy, from 11th globally, shaking off its image as a "fragile" economy, prior to 2014.

The new government, will have its eyes set on taking India among the top three economies in the world. The target is "more likely" to be realised by 2027-28 fiscal, according to the 16th Finance Commission Chairman, Arvind Panagariya.

Currently, the size of the Indian economy is $3.7 trillion, and it is expected to become $7 trillion by 2030.

RBI has projected a 7 per cent growth rate for the current fiscal.

Deloitte South Asia CEO, Romal Shetty said, India is firmly on the growth trajectory as the world's fastest-growing economy, and a key player in the global supply chain.

"With the new government, we expect second-generation reforms driven by technology to make India a global hub of innovation and a thriving digital economy. We must further accelerate reforms to strengthen ease of doing business, boost inbound investment, and solidify India's position as the top destination for GCCs (global capability centres), and high-tech manufacturing, with a focus on jobs," Shetty said.

In fact, reflecting the buoyant sentiments, S&P Global Ratings last week, upgraded India's outlook to positive, from stable, and said it could upgrade India's sovereign rating in the next one to two years, if the government continues reforms, and adheres to the path of fiscal consolidation.

Last week, Moody's Ratings, also said it expects policy continuity after the general election, and continued focus on infrastructure development.

Nangia Andersen India Chairman, Rakesh Nangia, said the investors' community expects continued policy reforms, particularly in labour laws and the privatisation of state-owned enterprises.

"Investors are also keen on prudent fiscal management, focusing on reducing the fiscal deficit, while promoting growth through strategic investments. This combination of reforms and fiscal discipline, is expected to create a favourable environment for sustained economic growth, and increased investor confidence," Nangia said.

Nangia further said that investors are also eager to see a further simplification of India's regulatory framework, more transparent, and predictable policies that can enhance the ease of doing business.

"This regulatory clarity, is crucial for attracting more Foreign Direct Investment (FDI), and positioning India as a key manufacturing hub, driven by supply chain diversification. In recent years, there has been substantial FDI inflow into sectors such as manufacturing, computer services, and renewable energy, reflecting India's growing appeal as a destination for global investment," Nangia said.

Source: thehindubusinessline.com– June 05, 2024

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No exemption for SEZ units under the proposed Central Excise Bill

The proposed Central Excise Bill, 2024, does not exempt excisable goods produced or manufactured in a Special Economic Zone (SEZ) and brought to any other place in India from duty. Any exemption will need to be notified separately by the Central government, if deemed fit, says the Bill. The move, if implemented, could curb misuse of incentives and alleged duty evasion at SEZ units. However, according to a senior government official, the Bill is not expected to be a part of the upcoming full Budget of the new government.

Currently, central excise duty is levied on a select list of goods — tobacco, crude oil, gasoline, diesel, natural gas, and air turbine fuel — while the majority of goods have transitioned to the goods and services tax (GST) regime.

SEZ units enjoy special incentives and tax benefits, including exclusion from central excise duty. "...where the central government, having regard to the nature of the process of manufacture or production of excisable goods of any specified description, the extent of evasion of the duty of excise in regard to such goods or such other factors as may be relevant, is of the opinion that it is necessary to safeguard the interest of revenue, specify, by notification, such goods as notified goods and there shall be levied and collected duty of excise on such goods in accordance with the provisions of this section in such manner as may be prescribed," the Bill reads.

Even though the excise duty basket has only a few goods, it is a source of significant revenue for both Centre and states. States tax them via value added tax, rather than state GST. In FY24, the central excise collection was over Rs 3 trillion.

The proposed Bill also outlines the conditions, restrictions, and manner of availing and utilising excise duty credit. It proposes to replace the CENVAT (central value added tax) credit under the current regime with a specific section dealing with duty credit, namely central excise duty credit. Unutilised credit balances of duty paid under the existing act will be allowed to be transferred in the proposed act as transitional credit.

The Bill also advocates for certain powers to central excise officers, including a structured framework for audit. This is a departure from the current scenario where no formal audit is conducted by the excise officials. Other notable proposals include extending the time limit for the recovery of duties to three years, from the existing two years, and shifting the onus of registration onto the person desiring to avail Central Excise Duty Credit. The time period for granting a refund of duty by the department has also been reduced to 60 days from the existing three months. Saurabh Agarwal, partner at EY, believes that by streamlining processes and clarifying regulations, the Bill seeks to create a more conducive environment for businesses.

"Key provisions, such as the transferability of unutilised credit balances and an extended time frame for duty recovery underscore the government's commitment to facilitating smoother operations for enterprises," he said.

These measures, he added, not only simplify compliance but also foster a business-friendly ecosystem conducive to growth and innovation.

Revamp on cards

- Structured framework for utilising excise duty credit proposed
- CENVAT credit to be replaced by central excise duty credit
- Definition of "related persons" simplified
- Time limit for recovery of duties extended to 3 years, from the existing 2 years
- Time period for granting a refund of duty now 60 days from the existing 3 months

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

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Shippers stare at red on their books, even as they move from Suez to Cape of Good Hope

Global trade is facing imbalances as freight costs rise, primarily because shipping routes are being altered in response to Red Sea diversions. These alterations in shipping routes extend transit times.

"At present, ports like Port of Singapore and Port of Colombo are highly congested. All my imports and exports in Singapore and Colombo used to take 4 to 5 days. Now they are taking 15 to 20 days," says Venkateswara Rao, chief logistics officer at Jindal Stainless Group.

Now, ahead of the peak demand season, shippers and shipping companies dread port congestion, container shortages, and sharply rising spot container booking rates. "The way the situation is evolving, it may translate into the same situation we saw during covid years. We are hoping that should not happen. But it is not being ruled out," says Ajay Sahai, director general and CEO at Federation of Indian Exports Organisations (FIEO).

According to a Hong Kong-based container shipping industry analyst Linerlytica's Market Pulse published on May 27, port congestion has returned to haunt the container markets, with Singapore, world's second largest container port, at the epicenter of the backlogs.

Shipping vessels are waiting upto seven days for a berth in Singapore, compared with usual half-day wait. Due to congestion, around 450,000 TEUs (20-foot equivalent units) are queued for shipping.

Another market intelligence firm, Sea-Intelligence recently reported that transit times during the first three months of 2024 increased by 39% on average on the most popular routes between Asia and the Mediterranean. Transit time for ports in the Eastern Mediterranean region has seen the worst escalation, increasing from 61% to 63% on average.

Port congestion has taken more than 400,000 TEUs of vessel capacity out of circulation in the last week alone, with further escalation expected in the coming month. Shipping lines are struggling to meet shipment schedules amid increasing port congestion and stretched capacities, ahead of the peak season demand across the US and European markets.

Delay in transit time

Global shipping companies are facing disturbance in the vessel network. They set their schedules based on supply and demand and deploy vessels on specific routes accordingly.

Houthi attacks in the Red Sea are a major factor compelling companies to take the Cape of Good Hope route, adding 12 to 15 days to the transit time for moving goods from Asia to Europe. "During March and April, shipping lines put their idle vessels on route so that regular shipping schedules are maintained. But now since demand has gone since May, capacity has become an issue," says Ajay Sahai, at FIEO. He adds, "unless new ships come in and they are put into the system, we will have to live with the situation."

Also, earlier ships were calling at well-equipped ports. Due to the longer route, ships are calling at ports in west or south Africa, which are not well equipped to handle increased traffic, leading to delays in offloading cargo and contributing to congestion.

June-August marks the peak season for container shipping, as it takes approximately two months to ship containers from China to the US and around 70 days from India's East Coast to the US. This timing ensures that goods arrive at US ports in October, just in time for the Christmas and New Year season, when demand surges.

However, what sets this year apart?

One, timelines have stretched to about 80-85 days because of the Red Sea diversions. Second, exporters-importers, manufacturers, and traders have learnt their lessons the hard way during covid when container shortages and shipping rates hit historic highs. The simplest way to protect their supply chains is to replenish stocks much in advance. This year, the peak season has arrived earlier, coupled with longer lead times and strains on shipping capacity, leading to spiralling shipping rates.

"There is a mad rush out there to stock up for the season because no one wants to face an out-of-stock situation. They don't want to get stuck up as during Covid," says Venkateshwara Rao, at Jindal Stainless.

Who will be the hardest hit?

As far as rates are concerned, shipping lines offer spot rates, quarterly rates, and annual rates. Companies with annual rate contracts are safe from the hike, but those who work on quarterly and spot rates are vulnerable to rate hikes as shipping companies levy peak season surcharge on them. Usually small- and medium-sized companies and small traders opt for spot bookings of containers because they don't have a large volume of orders to commit annually. Consequently, price hikes will affect these companies the most.

Small and medium Indian exporters and traders may face a capacity crunch if the situation persists.

"Right now, the problem of container shortages is not being felt much. However, exporters on the East coast are talking about container shortages because repositioning of empty containers is not happening. The problem can be compounded since ships will avoid calling on certain ports with lesser volumes," says Sahai at FIEO.

Port congestion is fuelling container shortages across ports, leading to a substantial surge in container spot rates across major trade routes.

The beneficiary

Container shortage, a significant factor driving rate hikes, occurs when empty containers are unavailable where needed. The circulation of empty containers to exporters gets impacted owing to prolonged waiting hours of ships at congested ports. According to Sahai of FIEO, the issue of empty containers has also increased because ships have started bypassing certain ports.

As per reports, China which manufactures almost all of the world's containers is ramping up production again in response to high demand.

Given the imbalances in global trade and limited capacity, shipping lines prioritise sending empty containers to regions with higher demand, higher revenue realisations, and long-term contracts. For shipping lines, it is more important to fill ships with a higher number of containers to maximise their CRPU (container revenue per unit). Lighter, voluminous cargo which occupies more space is therefore prioritised over heavier

cargo which occupies the ship's tonnage capacity with a lesser number of containers.

Also, industry insiders say, the demand for boxes for trades between China and the US, as well as China and Europe, has suddenly increased in the last one month.

In many cases, shipping lines would prefer repositioning a bulk of their empty containers to China because China has bigger volumes. In the run up to Christmas and New year season, Chinese cargo is largely dominated by light and voluminous goods such as apparel and consumer, FMCG, and food items which promise higher freight realisations.

The uncertainty

In the last week of May, Drewry's World Container Index increased 4% to USD4226 per 20-feet container -- a 151% increase compared with the same week last year. Container freight rates also increased by 198% compared with the average pre-pandemic rates of USD1420. The year-to-date average composite index stands at USD3323 per 40-feet container. Most global analysts anticipate a further increase in shipping spot rates at the beginning of June.

From the far East into the U.S. West Coast, spot rates are expected to surpass the level observed at the peak of the Red Sea crisis earlier this year.

World's third, France-based shipping carrier CMA CGM, has announced a rate of USD7,000 for a 40-feet container for the second half of June for goods shipped from Asia to northern Europe. That's up from the current charge of about USD5,000. Urgent shipping rates for a full-size container can reach upto USD10,000, double the current spot rates. While the duration of the surge in rates is uncertain, it could last for few months depending on the Red Sea situation.

"With geopolitical conflicts escalating by the day, we don't see any light at the end of the tunnel. We don't expect markets to settle down and a smooth voyage for ships anytime soon," says Venkateswara Rao at Jindal Stainless Group.

Shipping consultants and the export-import community did not expect the sudden spike in shipping rates. Until May, the shipping industry witnessed a three-month long decline in spot rates, following the initial

spike in January due to Red Sea diversions. Until recently, major shipping companies claimed to have enough container capacity in circulation owing to heavy investments in new, bigger ships, following container shortages and high demand witnessed during the Covid-19 pandemic.

Source: economictimes.com– June 05, 2024

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Coimbatore industries fear coalition government may slowdown investments

Industries in Coimbatore, across verticals, fear that a coalition government in the Centre can slowdown investments, at least temporarily.

A foundryman said the industries had operational expenses and investments. While operational expenses would continue despite challenges, investments might slowdown for six months to one year as the industries would wait and see how the government stabilised.

According to an automobile company executive, the industries fear that Coimbatore may not get adequate support from the Centre this time. Further, with Andhra Pradesh's Telugu Desam Party (TDP) now becoming part of the National Democratic Alliance, investments and industrial development in that State may get more thrust.

Textile industry sources said the demands of the industry remained the same. "Continuity is good because the government knows the challenges faced by the industry. However, a new minister will bring in new perspectives and that will bring hopes for the industry. It all depends on who is the next textile minister," said a textile mill owner.

Another spinning unit owner said that in the recent months, the Central government took some measures to bring relief to the textile sector. It should continue those efforts now. The industry was waiting to see who would be the minister for this sector, he said.

Since Andhra Pradesh also had a large number of textile mills, TDP's N. Chandrababu Naidu might be able to take up the issues faced by the sector with the Centre now, they added.

Source: thehindu.com– June 05, 2024

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Gujarat: Indian Textile Industry Faces Stiff Competition From Rising Chinese Fabric Exports

The largest man-made fabric (MMF) hub in the country is grappling with increasing competition from China, as fabric exports from the Chinese textile industry to India surged by 8.79% in the first quarter of 2024. Industry leaders attribute this rise to the Quality Control Orders (QCO) imposed on raw materials, including yarns, which have inadvertently favored Chinese exporters.

Surge in Chinese Textile Exports

In the first quarter of this year, China exported textiles worth $684 million to India, with fabric exports constituting 64.75% of the total, amounting to $442.863 million. This marks an 8.79% increase compared to the $407.090 million exported in the same period last year. Yarn exports from China to India, valued at $198.331 million, represented 29% of the total textile exports, while fibre shipments stood at $42.805 million, making up 6.26% of the total.

Impact of Quality Control Orders

Ashish Gujarat, former president of the Southern Gujarat Chamber of Commerce and Industry (SGCCI), pointed to the QCO on raw materials in India as a key factor driving the surge in fabric imports from China. "The QCO on raw material in India has resulted in the increase of fabric export from China to India. We are strongly demanding that the Central Government impose QCO on fabric as well to prevent China from destroying the indigenous textile sector in India," said Gujarat.

Industry experts believe that the QCOs have given Chinese manufacturers an edge, allowing them to export fabric to India at competitive prices, thereby undermining the domestic textile industry.

Decline in Yarn and Fibre Imports

While fabric imports have risen, yarn and fibre imports from China have seen significant declines. Yarn shipments to India dropped by 43.23% in the first quarter of 2024, falling from $349.329 million in the same period last year to $198.331 million. Similarly, fibre exports decreased by 23.63%, down from $56.052 million in January-March 2023 to $42.805 million this year.

Comparative Export Data

In 2023, China's total textile exports to India were valued at $3,594.384 million, a slight decrease from $3,761.854 million in 2022. Fabric exports accounted for $1,973.938 million, representing 54.92% of the total exports. Yarn shipments were valued at $1,409.318 million (39.21%), and fibre exports stood at $211.128 million (5.87%).

Despite the overall decrease, fabric exports to India saw a notable 6.21% decline compared to the $2,104.681 million exported in 2022. This trend underscores the shifting dynamics within the textile trade between the two countries.

Challenges for Indian Textile Industry

The rise in Chinese fabric exports highlights a broader challenge for India's textile sector, which is struggling to compete on a global scale. Indian fabric and apparel exports lag behind smaller countries like Cambodia and Vietnam, further emphasizing the need for strategic interventions.

Industry leaders are urging the Central Government to extend QCOs to finished fabrics to safeguard the domestic textile industry. They argue that such measures are essential to prevent market disruption caused by low-cost Chinese imports and to support the growth of indigenous manufacturers.

Source: freepressjournal.in– June 05, 2024

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