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| Currency Watch | | | |
|---|---|---|---|
| USD | EUR | GBP | JPY |
| 83.54 | 90.27 | 106.76 | 0.53 |

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# INTERNATIONAL NEWS

## Global economic stability expected in 2024: World Bank

The World Bank's latest Global Economic Prospects report reveals that global economic growth is projected to stabilise in 2024 for the first time in three years. However, the growth rate remains weak compared to recent historical standards. Global growth is forecast to hold steady at 2.6 per cent in 2024, with a slight increase to an average of 2.7 per cent in 2025-26. This is significantly lower than the 3.1 per cent average experienced in the decade prior to the COVID-19 pandemic.

The report highlights that over 80 per cent of the world's population and global GDP will see slower growth compared to the pre-COVID decade.

Developing economies are expected to grow by an average of 4 per cent over 2024-25, a slight decline from 2023. Growth in low-income economies is anticipated to accelerate to 5 per cent in 2024, up from 3.8 per cent in 2023.

However, forecasts for 2024 growth have been downgraded for three out of every four low-income economies since January. Advanced economies are projected to maintain a steady growth rate of 1.5 per cent in 2024, increasing to 1.7 per cent in 2025.

“Four years after the upheavals caused by the pandemic, conflicts, inflation, and monetary tightening, it appears that global economic growth is steadying,” said Indermit Gill, the World Bank Group’s chief economist and senior vice president.

“However, growth is at lower levels than before 2020. Prospects for the world’s poorest economies are even more worrisome. They face punishing levels of debt service, constricting trade possibilities, and costly climate events.

Developing economies will have to find ways to encourage private investment, reduce public debt, and improve education, health, and basic infrastructure. The poorest among them—especially the 75 countries eligible for concessional assistance from the International Development Association—will not be able to do this without international support.”

One in four developing economies is expected to remain poorer than in 2019, with the proportion doubling for countries in fragile and conflict-affected situations. The income gap between developing and advanced economies is set to widen in nearly half of developing economies over 2020-24, the highest share since the 1990s. Per capita income in these economies is projected to grow by 3.0 per cent on average through 2026, below the 3.8 per cent average of the decade before COVID-19.

Global inflation is expected to moderate to 3.5 per cent in 2024 and 2.9 per cent in 2025, though the decline is slower than previously projected. Many central banks are likely to remain cautious in lowering policy interest rates, with global interest rates expected to average about 4 per cent over 2025-26, roughly double the 2000-19 average.

“Although food and energy prices have moderated across the world, core inflation remains relatively high—and could stay that way,” said Ayhan Kose, the World Bank’s deputy chief economist and director of the Prospects Group. “That could prompt central banks in major advanced economies to delay interest-rate cuts. An environment of ‘higher-for-longer’ rates would mean tighter global financial conditions and much weaker growth in developing economies.”

Source: fibre2fashion.com– June 12, 2024

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# UK manufacturers' sales decline 10% in Q1 2024: Report

UK manufacturers experienced a challenging start to 2024, with sales in the first quarter (Q1) down 10 per cent on the previous quarter, according to a report by Unleashed. However, year-on-year growth showed a modest increase of 2 per cent, reflecting the Bank of England's assessment of weak growth in the manufacturing sector. Among the various manufacturing categories, the clothing sector saw one of the sharpest decline in sales. Small businesses have been particularly hard hit by the combination of softening sales and the high cost of goods and energy.

Despite these pressures, manufacturers found a minor reprieve in steadily shortening lead times. An anticipated supply chain crisis, expected due to conflict in the Red Sea shipping channels, did not materialise in Q1 2024. This was likely due to military intervention by the US, UK, and European nations, as per the Q1 2024 Manufacturing Health Index Report by Unleashed. Having already reached a five-year low in Q4 2023, average lead times for small manufacturers fell further in Q1 2024, remaining well below 20 days in all regions. Shorter lead times have helped reduce cost pressures on manufacturers by lowering overall inventory requirements, which are typically the greatest cost in the goods-producing sector.

The adoption of e-commerce for business-to-business (B2B) sales has been growing steadily. The UK is leading this trend, with 34 per cent of firms using digital channels for B2B sales in Q1 2024. The trend is driven by several factors, including lower sales costs, a younger workforce expecting digital purchasing and sales experiences, and the ability to drive greater sales volumes online.

The shift towards digital sales channels is even more pronounced in the business-to-consumer (B2C) space. Manufacturing firms are increasingly looking to sell directly to consumers. As of Q1 2024, 68 per cent of UK firms sampled had used platforms such as Shopify, Amazon, or WooCommerce for online sales. This trend is driven by the need to increase sales volumes, reach new customers, overcome the challenges of securing listings in supermarkets or other chains, and create brand awareness online.

Source: fibre2fashion.com– June 12, 2024

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## HSBC: Supply Chains Vulnerable to 'Unanticipated External Shocks'

Fashion firms are rethinking their sourcing portfolios amid widespread disruption and uncertainty, but diversification for the sake of supply chain resilience is easier said than done.

"As an aspiration, rethinking sourcing to increase supply chain resilience quickly runs into an inconvenient fact: few countries possess the required supply base; the infrastructure; skills availability; access to innovation and technology; or ability to scale," according to a study released this week by British financial services group HSBC.

China was the world's silver bullet for sourcing for decades, but today, "Companies may have to build supplier relationships in multiple new markets to find the same mix of capabilities they had in one," according to report writer Ajit Menon, HSBC's head of sales and global trade solutions. "That's the difficulty with implementing new sourcing strategies."

But fashion companies are forging new paths, unable to turn back to the monolithic models that once characterized their sourcing strategies. A consequence of that is that buyers are now managing a "considerable expansion" in trading relationships, both in terms of the number of sourcing locales and the volume of individual suppliers, the report said.

"The uncomfortable reality for procurement is that it might be dealing with an additional supplier in Mexico or Brazil, as well as one or more suppliers in Asian economies such as Thailand, India, Vietnam, South Korea or Indonesia," Menon explained. "The complications from a legal and payment standpoint are obvious, with multiple tax regimes, currencies, legal frameworks and so on: the onboarding challenge can be considerable."

The ramp up to sourcing in a new country or with a new supplier can also come with unforeseen risks, according to Marissa Adams, HSBC's regional head of global trade solutions for the Americas. As such, those tasked with procurement are also on the lookout for compliance issues of all kinds.

But deviations in supplier performance aren't always a bad thing, Adams added, as different economies boast their own unique supplier bases. They may have specialized expertise in certain areas because of government-backed industrial and infrastructural development efforts, for example.

And those working to grow a relatively nascent industry or establish a base for production should be viewed with an eye toward the future; procurement professionals “must think not only in terms of suppliers’ existing capacity requirements, but the capacity that will be required in two, five or 10 years’ time,” the report said.

Adams recommended that firms take a four-pronged approach to planning for uncertainty, with the first step being to take a risk-based approach to sourcing analysis. “Rather than reviewing threats by tier, stock-keeping unit or category, focus on those areas in which the organization is most at risk, or where the biggest dangers lie,” she wrote.
“Often, these areas will be associated with specific regions or countries,” Adams noted. Apparel industry players have worked to divest their cotton production from China, as many believe forced labor has tainted the supply chain, for example.

While estimating the likelihood of disruption is challenging, firms can explore the likely consequences in advance of trouble. They should always be aware of which products or categories could be impacted, how quickly that shift might happen and whether any substitutes are available.
To that end, Adams also recommends that firms review all available contingency plans to avoid disruption. They should proactively analyze suppliers’ capabilities and skills, scalability, technology maturity, speed-to-market and production quality. Engaging in this process early and often can help companies head off emerging risks, and remaining prepared with a trove of sourcing options can help them pivot quickly in the event of disruption.

“If recent history has taught us anything, it is that the world doesn’t stand still: new geopolitical threats and uncertainties arise over time,” she wrote. “Your product offerings and supply base evolve. Repeat the exercise as new threats and vulnerabilities emerge,” she wrote.

Source: sourcingjournal.com– June 12, 2024

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# China's fast fashion, globally popular shopping apps prove boon to Shenzhen's e-commerce sector

Buoyed by China's rapidly growing cross-border e-commerce, the southern manufacturing hub and port city of Shenzhen is showing signs of overtaking Shanghai as the nation's leader in foreign trade for the first time since 2015.

Customs data shows that the value of Shenzhen's total imports and exports in the first four months of 2024 hit 1.41 trillion yuan (US$194 billion) – up 31.8 per cent from the same period last year and surpassing Shanghai's 1.39 trillion yuan, which saw little change.

On the back of the surging popularity of Chinese online-shopping apps around the world, China's cross-border e-commerce industry has recently been a bright spot in the country's economic growth. Various levels of government have been rolling out various support policies, ranging from warehousing to customs-clearance facilitation. That said, analysts have cautioned that potential trade friction could weigh on the sector.

But for now, e-commerce businesses are cashing in on overseas demand. In the first quarter, the value of such trade in Shenzhen exceeded 110 billion yuan, a year-on-year increase of 95 per cent. That total represented half of Guangdong province's, and about one-fifth of the nation's, for the period, according to a report last month by state broadcaster CCTV.

The massive increase in such sales continued a trend from 2023, when Shenzhen's cross-border e-commerce reached 326.53 billion yuan for the whole year – up 74.4 per cent over 2022.

"Shenzhen has seized opportunities in the updated global industrial division of labour, and it has aligned its industrial structure more closely with the demands of the world market," said Peng Peng, executive chairman of the Guangdong Society of Reform.

"Live-streaming and cross-border e-commerce platforms such as TikTok Shop, Shein, and Temu are replicating the Chinese e-commerce model," according to Peng. "The prior knowledge of China's mature e-commerce system has equipped these private companies with the experience needed to expand their overseas presence."

Shenzhen is home to more than 150,000 cross-border e-commerce exporters, accounting for nearly half of Chinese sellers on platforms such as AliExpress, Lazada, and eBay, and one-third of Amazon's Chinese sellers, according to Shenzhen authorities.

Source: scmp.com– June 13, 2024

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# Falling Gas Prices Could Help Inflation-pressured Consumers

Filling up the tank could cost less this summer, and that would likely be a positive for consumer spending.

The U.S. national average for regular gas was $3.44 a gallon on Monday, versus $3.626 a month ago and $3.59 a year ago, according to data from the American Automobile Association (AAA). The AAA said in a blog post that tepid gasoline demand, increasing supply, and falling oil costs will likely lead to falling pump prices.

Tepid gasoline demand represents a change from a few years ago when summertime signified the start of road trips and rising demand for gas for the car. Demand has shifted with the onset of rising inflation in a post-COVID world.

“This drop in pump prices appears to have some sticking power for now,” AAA spokesman Andrew Gross said. “More states should see their averages dip below $3 a gallon in the coming weeks.”

Consumers also got the benefit of easing inflation in May as the Consumer Price Index (CPI) was flat for the month, even though it rose 3.3 percent from year-ago levels. Helping CPI was a 2 percent decline in the energy index, which includes a 3.6 percent drop in gas prices, and only a 0.1 percent uptick in food prices. Excluding food and energy prices, core CPI rose 0.2 percent in May, according to the Bureau of Labor Statistics on Wednesday.

Consumer Spending

While consumer confidence rose in May after three consecutive months of decline, consumers are cautious about the future. The Conference Board’s Consumer Confidence Index in May rose to 102 from 97.5 in April. But the expectations component, which looks at consumer outlook six months out, only rose to 74.6 from 68.8 and was below 80, the level that typically signals a recession is on the way.

Giving a boost to consumers’ confidence levels was the still relatively strong labor market. On Friday, the Department of Labor said nonfarm payroll jobs increased by 272,000 in May. But that report also raised some caution ahead as data indicated that the unemployment rate inched up to 4 percent, up from 3.7 percent a year ago.

But the Conference Board's Employment Trends Index (ETI), which posted a slight uptick to 111.44 in May from a downwardly revised 110.48 in April, suggests possible caution ahead.

"The ETI rose in May, another small oscillation that we have continued to observe since the ETI started the downward trajectory its been on since a peak in March 2022," Will Baltrus, The Conference Board's associate economist, said. "May's uptick signals employment could increase in the second half of 2024, but the ETI's longer-term downward trajectory signals the high level of monthly increases in employment observed post-pandemic could slow down." The good news is that even if monthly employment levels slow down, Baltrus said it would mostly likely be due to a deceleration in hiring rather than a scenario consisting of aggregate job losses.

Foot traffic trends in April declined, possibly due to the Easter holiday falling in March this year, according to Jefferies' retail and real estate senior analyst Linda Tsai. Placer.ai's Mall Index indicates that mall visits rose in May, likely with Mother's Day and Memorial Day boosting foot traffic at indoor malls, open-air shopping centers and outlets. What foot traffic trends may signal for the second quarter remains to be seen.

Some retailers did well in the first quarter, with off-price a standout. The behemoth in the category is The TJX Cos. Inc., which bested Wall Street's consensus estimates for diluted earnings per share and revenue expectations. TJX's CEO Ernest Herrman said the off-pricer is seeing shoppers who have an annual household income range that is above and below $100,000.

Michael O'Sullivan, CEO at TJX's competitor Burlington Stores Inc., said his stores are seeing an increase in the trade down customer base. Burlington's two main customer segments are deal shoppers typically with lower incomes and want-a-deal shoppers with higher incomes.

And perhaps a sign of the consumer mindset, the dollar store sector is also seeing a rise in consumers trading down to stretch their spending bucks. Dollar General CEO Todd Vasos cited an increase in shoppers form the middle- and higher-income levels. And extreme value chain Five Below Inc. CEO Joel D. Anderson said the company is also seeing higher-income consumers trading down as they seek value, although they're less discerning with spending when compared with their lower-income counterparts.

At the department store sector, Dillard's Inc. CEO William T. Dillard, II said the "consumer environment remained challenging" in describing the current retail backdrop. Kohl's Corp. CEO Tom Kingsbury said in a statement that while first-quarter results failed to meet company expectations, the department store retailer did see regular price sales rise year-over-year, with positive trends in its women's business.

For now, consumers are still spending. "Consumers have clearly retained their ability to spend and are driving solid economic growth said Matthew Shay, president and CEO the National Retail Federation (NRF), a retail trade group. "Spending is being supported by the job market and real wage gains. Inflation remains stubborn but is almost entirely in services rather than retail goods."

NRF on Tuesday said its latest CNBC/NRF Retail Monitor showed that retail sales "jumped significantly in May." Total retail sales, excluding automobiles and gasoline, were up nearly 1.35 percent month-over-month, seasonally adjusted, and up 3.03 percent year-over-year, unadjusted.

The data, based on anonymized credit and debit card purchases compiled by Affinity Solutions, also showed that sales at apparel and accessories stores were up 1.4 percent month-over-month, seasonally adjusted, and up 6.2 percent year-over-year, unadjusted.

Concerns ahead for retail

Some still see signs of caution ahead for retailers. Concerns include where consumers elect to spend their dollars, as well as price points that trigger a purchase even though there may be corresponding impacts on retail margins.

"With more than 75 percent of the U.S. consumer universe having reported Q1 results, we see indications that the U.S. consumer is proving more stretched than previously anticipated," concluded research analysts in a Goldman Sachs report last month. The report noted that the macro-economic environment has forced some consumers to make "trade-off purchase decisions."

That's not a new trend, and discretionary spending choices in general have seen a slowdown in apparel purchases as consumers focus on must-have items. Moreover, a UBS report from Jay Sole on Monday noted that softline promotions rose year-over-year in May, with out-the-door prices falling 1.5 percent year-over-year last month. And while softline retailers raised ticket prices in 2022 and 2023 in response to high cost inflation, they were able to maintain those price gains until recently. But with prices now falling, Sole's conclusion is the "demand remains lackluster."

Looking ahead, Sole said: "Lower raw material costs year-over-year should positively impact softline companies' cost of goods sold for another month or two. This could offset the impact to margins from falling prices in the near term." He also pointed out that if the falling price trend continues "once the industry laps the lower raw material cost benefit, it could lead to pressure on gross margin." And that could mean an issue for retailers at the tail end of the second quarter and start of the third quarter, which begins in August.

One other spending concern to keep in mind might be how consumers handle their debt loads. Dana Telsey, chief investment officer at The Telsey Group, noted that consumer credit has deteriorate with delinquencies "ticking up to pre-pandemic levels, and in some cases, surpassing those levels." Citing a 2024 TransUnion first quarter credit report, she note the report highlight that inflation challenges and higher interest rates are causing consumers across all income levels to turn to credit to cope with financial pressures.

Data from WalletHub indicates that U.S. consumers paid down $50 billion in credit card debt during the first quarter of 2024, but that they still owe more than $1.26 trillion. The average owed per household is $10, 479, while preliminary results for April reflects a 4 percent increase in debt versus April 2023.

Source: sourcingjournal.com– June 12, 2024

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# EU's T&A exports continue to decline in Q1, FY24

After surpassing pre-crisis levels in 2022 and stagnating in 2023, EU's exports of textiles and clothing continued to decline in the first quarter of 2024. Imports also slowed, although not as drastically as the previous year.

Clothing exports from the region fell by 4 per cent, amounting to €9.3 billion, according to customs figures processed by the InstitutFrançais de la Mode. This decline did not impact Asia, as the European Union increased its shipments to the region by 12 per cent, while shipments to the Mediterranean dropped by 9 per cent.

Imports by EU's largest customers, including Switzerland, the United Kingdom, and the United States, declined during the quarter. However, exports to China, Hong Kong, and Macao rose, with Japan remaining stable. Clothing exports to United Arab Emirates, Ukraine, and Vietnam also increased during the quarter.

On the other hand, textile exports from the region declined by 6 per cent to €6.6 billion. Exports to Asia increased by 11 per cent during the Jan-Mar'24 period. The United States reported a 3 per cent decline in exports, the United Kingdom registered a 13 per cent decline while exports to China increased by 22 per cent. India reported a 38 per cent increase in imports from the EU, Vietnam 24 per cent, and the United Arab Emirates 18 per cent.

Clothing imports by the EU declined by 14 per cent during the quarter to €19.2 billion.Imports from China declined by 10 per cent while from Bangladesh by 21 per cent, Turkey 14 per cent and India 22 per cent. EU also noted a significant drop in imports from Myanmar, Indonesia and Switzerland.

Textile imports by EU decreased by 11 per centduring the quarter to €7.4 billion. Imports from Asia dropped 12 per cent, China 6 per cent, Turkey 6 per cent and Pakistan 18 per cent. However, Tunisia and Morrocco reported a minimal decline in exports to the EU with imports from Tunisia declining by just 1 per cent while imports from Morocco rose by 1 per cent.

Source: fashionatingworld.com– June 12, 2024

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## Fast Fashion's Foray into Luxury: A Stitch in Time or a Bridge Too Far?

The glittering world of luxury fashion and the fast-paced, trend-driven realm of fast fashion seem like polar opposites. One whispers exclusivity and craftsmanship, the other shouts affordability and instant gratification. So, can a fast-fashion brand ever truly penetrate the luxury market?

The Antithesis: Why luxury and fast fashion clash

Luxury thrives on scarcity and heritage. Think meticulously crafted Italian handbags with decades of tradition woven into each stitch. Fast fashion, on the other hand, is all about churning out trendy pieces quickly and cheaply. The materials are often synthetic, and the focus is on replicating runway looks for a fraction of the cost.

“Luxury fashion is about quality, craftsmanship, and heritage," says Professor Natalie Berg in Journal of Brand Management study. "Fast fashion is about speed, trend, and affordability." This fundamental difference creates a chasm that seems difficult to bridge. Would a luxury customer, accustomed to impeccable quality and exclusivity, ever be satisfied with a fast-fashion take on luxury? This inherent contradiction makes a full-fledged transition for a fast-fashion brand unlikely.

Strategies for a hybrid approach

However, there are ways for fast fashion to tap into the luxury market's allure. Here are a few strategies:

Limited edition collaborations: Fast-fashion giants like H&M have found success with capsule collections designed by high-profile luxury designers. These limited-edition pieces offer a taste of luxury at an accessible price point, while the association with a prestigious name elevates the fast-fashion brand's image.

Sustainable and ethical practices: Luxury consumers are increasingly concerned about ethical production and environmental impact, areas where fast fashion has a poor reputation. A shift towards sustainable materials and ethical labor practices could be a game-changer. "There is a growing consumer demand for transparency and accountability throughout the fashion supply chain," says Livia Firth, Founder, The

Green Carpet Challenge, in a Business of Fashion interview. Fast fashion brands that can demonstrate a commitment to these values might find a foothold.

Elevated materials and construction: Fast fashion doesn't have to mean low quality. By using higher-quality fabrics and employing better construction techniques, fast-fashion brands can create pieces that feel more luxurious and command a higher price tag.

For example, Everlane's the American brand focuses on radical transparency in its pricing model, highlighting the true cost of production and emphasizing ethical sourcing. While not strictly "fast fashion," Everlane offers high-quality basics at a competitive price, appealing to a customer who values both affordability and ethical practices.

A long and uncertain path

While there are potential strategies, a full-fledged fast-fashion brand becoming a true luxury player remains unlikely. The core values are simply too different. However, by embracing limited-edition collaborations, ethical practices, and high-quality basics, fast fashion brands can create a niche for themselves that bridges the gap between affordability and a touch of luxury. The future of this potential bridge remains to be seen, but it will be fascinating to watch these attempts unfold.

Source: fashionatingworld.com– June 12, 2024

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# Vietnam's Jan-May exports up 15% YoY; textile-garment exports up 7.4%

Vietnam's exports rose by 15 per cent year on year (YoY) in the first five months this year. Fashion products, furniture and household appliances led the recovery.

Export turnover of the textile and garment sector during the period reached $12.8 billion—up by 7.4 per cent YoY, Ta Hoang Linh, director of the European-American market department under the ministry of industry and trade (MoIT), said.

Exports in the footwear and handbag sector reached nearly $7.9 billion—an increase of 7.3 per cent YoY.

The textile and garment sector targets an export turnover of $44 billion this year, Tran Nhu Tung, vice president of the Vietnam Textile and Apparel Association (VITAS), was cited as saying by a domestic media outlet. New orders in the sector improved in the five months.

Some businesses did face issues as a few key importing countries kept setting new and more stringent standards related to environment, sustainability, circular production, raw material traceability, safety, business reporting, forest management regulations and chemical use.

Source: fibre2fashion.com– June 13, 2024

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# NATIONAL NEWS

## Domestic market access for SEZs, SOP for trade pacts likely in 100-day plan

The commerce department is chalking out a 100-day action plan that is likely to focus on allowing special economic zones (SEZs) to sell in the domestic market, setting up an all-encompassing trade information platform, standard operating procedures to negotiate free trade agreements (FTAs), and ecommerce export zones.

According to a senior official, the proposed Trade Connect e-Platform, which the department plans to launch as part of its 100-day agenda, seeks to provide information to new and aspiring exporters on non-tariff barriers, identification of products for export, updated tariff schedule of items, and benefits under India's FTAs. It is likely to be on the same lines as electronic platforms in the US and Australia, the official told ET.

Also in the works is a scheme to develop ecommerce export hubs for aggregation of ecommerce supplies. India's ecommerce exports, which go through the postal and courier routes, are pegged at $1.5 billion.

Cross-border ecommerce is expected to touch $800 billion by 2025 and $2 trillion by 2030. The department is also discussing ways to push goods and services exports to $2 trillion by 2030.

In FY24, India's goods and services exports were at an all-time high of $778.2 billion, up by 0.23% from $776.4 billion in FY23.

Commerce and industry minister Piyush Goyal, who has taken charge of the ministry for the second time, has sought more ideas from officials. "We have been asked for innovative ideas across areas, and work has begun on making these plans," said an official.

On Tuesday, standard operating procedures (SOPs) for trade pacts and capacity building were discussed at the meeting that Goyal had with the ministry. This assumes significance as the country has inked trade pacts with Mauritius, the UAE, Australia and European Free Trade Association since 2021, and is in talks with the UK and EU for such pacts.

The official cited earlier said amending the SEZ Act would address the concerns and longstanding demand for these zones to be allowed to sell in the domestic market on payment of duty foregone on inputs, as that would help promote value addition.

"The revenue department has agreed to most amendments and a draft cabinet note was prepared on the same earlier," said another official. Another proposal pertains to allowing domestic companies to make payments in rupee for services obtained from the SEZ units. At present, while domestic firms are required to pay in foreign exchange for services rendered by a SEZ unit, it is not applicable for sale of goods, for which payments could be made in rupees.

Source: economictimes.com– June 13, 2024

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# India may sign FTA with Oman in first 100 days of PM Modi's third term

India may be finalising a Free Trade Agreement (FTA) with Oman within the first 100 days of Prime Minister Narendra Modi's third term, according to a report by Hindustan Times.

The news comes after Modi announced on Tuesday that the strategic ties between the two nations are 'set to reach new heights', a sentiment echoed during a review meeting chaired by Commerce Minister Piyush Goyal.

The Sultan of Oman, Haitham bin Tarik congratulated Modi on his third term, to which PM Modi responded on X (formerly Twitter) saying, "Thank His Majesty Sultan Haitham bin Tarik of the Sultanate of Oman for his call and deeply appreciate his warm felicitations and words of friendship. The centuries-old India-Oman strategic ties are destined to scale new heights."

FTA negotiations between India & Oman

The FTA discussions between India and Oman gained momentum following a meeting between Modi and Sultan bin Tarik in New Delhi on December 16, 2023. The proposed Comprehensive Economic Partnership Agreement (CEPA) was a focal point of their talks. Subsequently, Commerce Minister Piyush Goyal and Oman's Trade Minister Qais Bin Mohammed Al Yousef agreed to establish dedicated desks in Invest India and Invest Oman to enhance bilateral trade and investment.

Negotiations for the FTA were also nearly complete during Modi's previous term. However, the enforcement of the model code of conduct (MCC) on March 16, following the announcement of Lok Sabha poll dates, delayed the signing.

Two officials privy to the matter have now indicated that the deal is now close to conclusion, awaiting a nod from both sides, HT reported.

The report stated that preparatory work for the India-Oman FTA was well underway with officials confirming that draft documents were being prepared, and progress was ongoing.

Implications of India-Oman FTA

The impending FTA with Oman will mark the first significant bilateral deal of Modi's third term as Prime Minister of India.

The agreement with Oman is expected to bolster India's energy security and facilitate a cheaper supply of fertilisers, alongside boosting foreign investments. It will also lower the prices of Indian exports to Oman, including rice, tea, coffee, spices, dairy products, meat, apparel, steel products, and machinery.

According to the Commerce Ministry, bilateral merchandise trade surged by 82.64 per cent in 2021-2022, reaching $9.99 billion. This figure climbed to $12.39 billion in 2022-2023, with India exporting $4.48 billion worth of goods to Oman and importing over $7.9 billion in merchandise.

Source: business-standard.com– June 12, 2024

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# IIP data: India's industrial output grows 5% in April

India's industrial production grew 5 per cent in April this year mainly due to good show by mining and power sectors, according to official data released on Wednesday.

The factory output measured in terms of the Index of Industrial Production (IIP) witnessed a growth of 4.6 per cent in April 2023.

India's Index of Industrial Production grew by 5 per cent in April 2024, an official statement said.

The data released by the National Statistical Office (NSO) showed that the manufacturing sector's output grew 3.9 per cent in April 2024 against 5.5 per cent in the year-ago month.

In April this year, mining production rose 6.7 per cent and power output increased 10.2 per cent.

Source: thehindubusinessline.com– June 12, 2024

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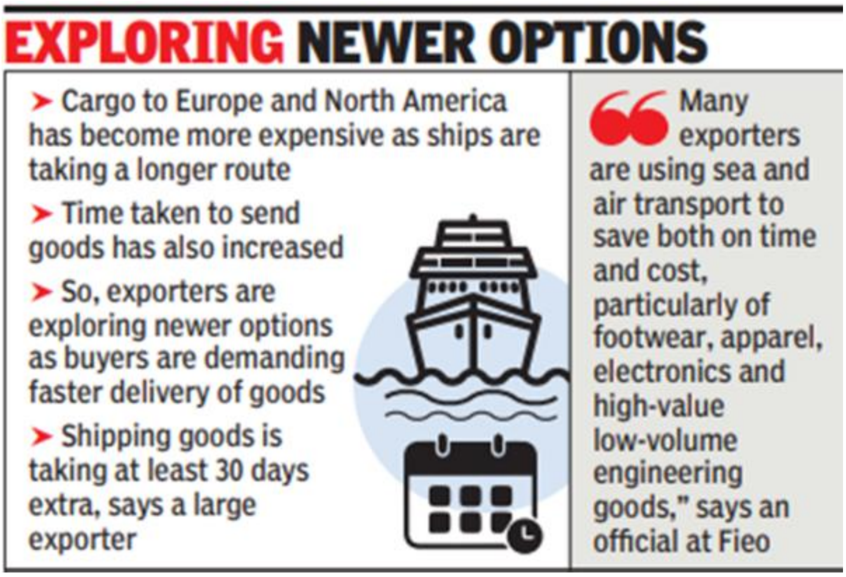
# Exporters take air route to tackle Red Sea crisis

NEW DELHI: Tension around the Red Sea has prompted several exporters, such as those in fast fashion and electronics, to take the air route to deliver goods to the US and Europe, often routing it via Gulf nations.




While companies such as Zara have been using freighters, exporters are now also using the space in the belly of passenger aircraft for the purpose.

Even Bangladesh-based garment exporters are using Delhi airport, with DIAL open to allow more freighters to transport cargo faster.

While cargo headed to Europe and North America is not just more expensive because ships are now taking a longer route, around the Cape of Good Hope, but the time taken to send the goods has also increased, prompting exporters to look at newer options, especially where the buyers are demanding faster delivery of goods. Shipping goods takes at least 30 days extra, said a large exporter.

"Many exporters are using sea and air transport to save both on time and cost, particularly of footwear, apparel, electronics and high-value low-volume engineering goods," said an official at Fieo, the lobby group representing exporters. Even earlier, gems and jewellery were transported by air with some large buyers using freighters to collect their goods.

But the higher cost of goods and the time taken has made the deal more favourable for air cargo, although exporters claimed that the cost has increased due to more demand.

Exporters led by Apparel Export Promotion Council have also complained that garments from Bangladesh were eating into a part of the space in freighters and aircraft and urged the customs authorities to reverse the decision to allow these shipments from Delhi airport.

Govt officials said that around 20% of this type of cargo goes in the belly of the aircraft, while around 80% goes via freighters. At Delhi airport, the monthly capacity available in the belly of the aircraft was estimated at 95,000 tonnes with an estimated 20-25% used during Jan-March. While capacity utilisation may have gone up, cargo originating from Bangladesh was estimated to be using around 4% of the capacity available at IGI airport.

"It is possible that there is more pressure in planes that are headed to Europe and the capacity utilised on those aircraft is much higher. Govt has suggested that exporters could pool in resources to hire freighters and DIAL is willing to provide slots for that," said a source familiar with the discussions.

Source: timesofindia.com– June 13, 2024

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# Panel on rejigging GST rates due for another revamp, to meet before Budget

The Goods and Services Tax (GST) council, at its meeting before the full Budget for 2024-25 (FY25), is expected to once again change the composition of the group of ministers on rate rationalisation. The group has to submit a final report on rationalisation of the GST regime, following up on its interim report of June 2022.

The meeting will be held at a time when the council is expected to assess states' progress in implementing changes to their laws on taxation of online gaming, levying 28 per cent GST on the full face value for online money gaming, casinos, and horseracing. The six-month review window ended on March 30.

The council, the all-powerful body governing the GST regime and which is headed by Finance Minister Nirmala Sitharaman, is expected to meet before the Budget is presented in the middle of July.

The group of ministers on rate rationalisation is headed by Uttar Pradesh Finance Minister Suresh Khanna and includes the finance ministers of Goa, Kerala, Karnataka, West Bengal, Rajasthan and Bihar. It was first formed in 2021 at the GST Council's meeting to look into rationalisation of rates and address the so-called inverted duty structure.

It was reconstituted in November, when its head, Basavaraj S Bommai, lost the Karnataka Assembly elections. It needs another change because one of its members, Vijay Kumar Chaudhary, is no longer the finance minister of Bihar.

Meanwhile, top sources say the GST Council's fitment committee, which consists of Central and state officials, has begun the rate rationalisation exercise afresh, examining the possibility of dropping some of the rates, particularly the 12 per cent slab, to achieve a revenue-neutral structure.

The GST regime could see an overhaul in FY25, with a switch to a three-slab structure from the existing four, according to a senior official with direct knowledge of the matter.

The group of ministers on rate rationalisation is expected to submit its recommendations and make a final report in three to four months.

The current rate structure consists of the standard rates of 5 per cent, 12 per cent, 18 per cent, and the highest of 28 per cent.

Source: business-standard.com – June 13, 2024

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## Changing terms of trade

The beginning of a fresh term of the government provides an opportunity to revisit policy issues and make interventions to achieve higher, sustainable growth in the long run. One such area is trade. It is well established that international trade significantly drives aggregate demand, and no country can achieve rapid growth without expanding exports. Higher exports will reduce India's dependence on foreign savings while creating much-needed jobs for its growing workforce. This will help stimulate domestic demand and generate a multiplier effect.

For comparison, India is on course to become the third-largest economy in the coming years. However, its share in global merchandise exports, according to the World Trade Organization data, was just 1.8 per cent in 2023.

The comparable levels for the US and China were 8.5 and 14.2 per cent, respectively. The target for India should be to increase its share of global merchandise exports to a comparable level. In 2023-24, India's merchandise exports declined 3.09 per cent.

India will need to thoroughly review its trade policy to attain higher sustainable export growth. It has high tariffs, which hampers the export competitiveness of domestic manufacturers, especially micro, small, and medium enterprises.

Further, India is not part of any significant regional or preferential trade agreements, which would have reduced input costs and helped India become part of the global value chain. India decided to stay away from the Regional Comprehensive Economic Partnership (RCEP) — a significant trade agreement in one of the world's most dynamic regions — primarily due to concerns over China's dominance.

However, it has not helped reduce dependence on Chinese imports. Although India has signed free-trade agreements with individual countries, it may not help it integrate into global value chains. Further, India must prepare for increasing concerns about climate. Measures like the European Carbon Border Adjustment Mechanism (CBAM) could significantly increase restrictions for Indian exports.

On the services side, India has done well over the years and efforts should be made to sustain the momentum. India is the seventh-largest exporter of services and has shown greater resilience amid global uncertainty. In fact, India’s services sector has evolved from mere outsourcing to developing capabilities and research centres.

As recent research by economists at the Reserve Bank of India highlighted, compared to 2015-16, the number of global capability centres in India increased by 60 per cent in 2022-23, highlighting India as a favoured destination for multinational companies. However, despite the strength, services exports registered a three-year low growth rate of 4.9 per cent in 2023-24 and this deceleration must be studied carefully.

To boost services exports, India must invest in human capital. Since services rely heavily on skilled personnel, significant investment in basic and advanced education, professional training, and research and development is essential. Additionally, diversifying services export destinations will help.

The US and Canada account for more than half of India’s services exports, making the country vulnerable to economic fluctuations. At a broader policy level, India must aim to substantially increase its merchandise export share in the coming years and make interventions accordingly. Given the geopolitical conditions, multinational corporations are looking to diversify away from China, and this presents an opportunity for India to attract investment and expand its manufacturing base, which will also increase India’s export competitiveness.

Source: business-standard.com – June 12, 2024

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# Labour Codes: Secy to meet officials to take stock of state rules

As the BJP-led NDA government gears up to firm up the road map for implementing the four labour codes, labour secretary Sumita Dawra will chair a meeting of labour secretaries and labour commissioners of all states on June 20 to take stock of the state rules and suggest changes if they do not meet the benchmark of model rules framed by the Centre.

The meeting is aimed at pushing through the codes at the state level to ensure readiness among states before their nationwide rollout, a senior government official told ET.

"The Centre wants to ensure there is no divergence in rules among states and the central rules, and that all of them are in sync with the central rules. This will ensure uniformity and help in smooth implementation of the codes," the official said, requesting anonymity.

Labour reforms, which were put on hold to avoid any backlash before the general elections, are part of the 100-day agenda of the government as they are pending since 2020 and are being seen as a prerequisite to enhance ease of doing business and to attract investments into the country.

In order to improve the ease of doing business and move towards universal social security, the government had consolidated 29 central labour laws into four labour codes. These are the Code on Wages, 2019, the Industrial Relations (IR) Code, 2020, the Code on Social Security (SS Code), 2020 and the Occupational Safety, Health and Working Conditions (OSH&WC) Code, 2020.

At least 22 states and union territories have framed rules across all four codes while six of them have made rules across three codes.

However, eight states-Meghalaya, Nagaland, Tamil Nadu, West Bengal, Lakshadweep, Sikkim, Andaman & Nicobar Islands and NCT of Delhi-have not so far pre published draft rules under one or more labour codes. Besides, the upcoming meeting will also see the Centre and states deliberate on the cess collected by states under the Building and Other Construction Workers' Act, 1996 to firm up a roadmap for better utilisation of this for the welfare of the unorganised sector workers.

As per the government estimates, over 50 million building and construction workers are registered by the state welfare boards across India.

The cess collected under the scheme, at the rate of 1% of the construction cost, stands at over Rs 75,000 crore. Of this, more than 50% has been spent on welfare of the construction workers, with a huge chunk of it spent during the pandemic.

Source: economictimes.com– June 13, 2024

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# Exports from India's SEZs up 4% YoY to $163.69 bn in FY24

Exports from India’s special economic zones (SEZs) witnessed a rise of over 4 per cent year on year to $163.69 billion in fiscal 2023-24 (FY24) even though total shipments dipped by more than 3 per cent, commerce ministry data showed.

Exports from SEZs were worth $157.24 billion in FY23 and $133 billion in FY22.

SEZs contributed over a third of the country's total outbound shipments in FY24, a news agency reported.

India has approved 423 SEZs, out of which 280 were operational as of March 31 this year. Five thousand seven hundred and eleven units were approved in these zones till December 31, 2023.

As of December 31 last year, over ₹6.92 lakh crore have been invested in these zones and a total of 30.70 lakh people were employed there.

Major export destinations include the United States, the United Arab Emirates, the United Kingdom, Australia and Singapore.

Source: fibre2fashion.com– June 13, 2024

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# Sustainability symposium drives India's next-gen for Circle Back

A symposium on Enabling Circularity and Sustainability in Textiles held in New Delhi recently engaged the next generation to expand the reach of the Circle Back campaign. It brought together industry experts, students from esteemed schools and colleges in Delhi alongside entrepreneurs, and researchers to share lessons and knowledge to tackle post-consumer textile waste.

Textile waste, responsible for enormous water, energy and chemical footprints, is a mounting issue in India and requires all stakeholders to come together to address it.

This requires a shift from fast fashion to sustainable and mindful consumption. The potential for recycling and upcycling textile waste can catalyze a new green economy of jobs and startups, aligning with India's SDG (Sustainable Development Goals) targets.

Approximately 81 per cent of all fast fashion garments end up in landfills (either due to a short life cycle after consumer use or due to excess stock) and approximately 50 per cent of fabric ends up as waste during manufacturing. To meet the enormous demand for apparel, the textile industry consumes 4 per cent of the world's water. Producing a t-shirt takes around 2,700 litres of water, which equals the amount of drinking water needed by one person in 2.5 years.

The Circle Back Campaign began in November 2023 in collaboration with the ministry of textiles, government of India, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), India, and knowledge partner Vertiver, and the symposium brought together the activities and their outcomes that were launched at the beginning of the campaign.

These activities include behaviour change workshops conducted by Vertiver on Cut-Put-Li (Cut Fast Fashion, Put the Planet first and Live sustainably), seminar and poster paper contest at the Indian Institute of Technology, Delhi and a series of upcycling and design innovation projects with the National Institute of Fashion Technology, Delhi.

"For any change to happen, we must equip our stakeholders with information. What we communicate and how we communicate, plays an important role. The key lies in understanding our consumers. And these consumers don't mean some remote third person, it includes all of us. The choices we make, and how we make those choices and what are the reasons we make them," said joint secretary, ministry of textiles, Prajakta Verma.

"GIZ is not in the business of manufacturing things or promoting things. It's in the business of ideas," Farhad Vania, portfolio management advisor, GIZ, India, said.

"We are so excited to have seen the impact Taanka and Cut-Put-Li is having on students-this is what we had envisioned with the campaign," Chhaya Bhanti, founder, CEO and creative director, Vertiver, said.

The symposium also marked the launch of a new exhibition on Circle Back showcasing students' creatively upcycled products from NIFT-Delhi, IIT-Delhi, Dr BR Ambedkar School of Specialised Excellence, Sanskriti School and The Mother's International School. The students shared their experiences and lessons learnt in the Circle Back Campaign with all participants of the symposium.

"We try to tell the youth of the country, what the importance of reducing and reusing is. Till the time we don't inculcate a sense of pride in the student that they are doing a great service to society by reducing waste, we won't be able to generate ownership in them with respect to circularity," Himanshu Gupta, secretary of CBSE, said.

Source: fibre2fashion.com– June 12, 2024

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# Tiruppur's labour woes deepen as UP attracts textile workers

India's knitwear production hub Tiruppur is grappling with an unprecedented shortage of workers as it faces unexpected competition from Uttar Pradesh (UP).

The garment and power loom units in Tiruppur are struggling to retain their workforce, with many workers opting to stay in their native Uttar Pradesh, drawn by promising new opportunities in the state's emerging textile clusters in the Gorakhpur and Bundelkhand regions.

The Uttar Pradesh government is making significant efforts to attract investors from other parts of the country and from abroad to develop its modern textile industry.

The state has a rich tradition of textile centres and is working to establish not only textile clusters but also a PM MITRA park as soon as possible. Historically, these workers migrated to Tiruppur due to limited opportunities in their home state.

According to industry sources, workers went to their native places in April and May for seasonal agricultural work and to vote in the recently concluded general elections. They were expected to return to Tiruppur and other clusters in Tamil Nadu. However, only about 50 per cent of the workers have returned to their factories. Employers are trying to entice them back by offering higher wages.

K M Subramanian, president of the Tiruppur Exports Association (TEA), told Fibre2Fashion, “The exporters are offering better wages and other facilities to their workers on their return. But garment units are still facing a shortage of workers as many have not yet returned. These units are heavily dependent on workers from Uttar Pradesh, Bihar, Odisha, and West Bengal.”

According to estimates, around 150,000-200,000 workers are employed in the textile cluster. Very few workers from Tamil Nadu are engaged in the industry. It is believed that the state government’s welfare schemes are more attractive than the jobs offered in textile units.

TEA is witnessing a surge in inquiries from garment importers in the United States and Europe, a notable rebound after years of weak demand. However, there are growing concerns that the ongoing worker shortage could impede their ability to fulfil these export orders. Typically, importers place their orders between May and July in preparation for the upcoming winter season, particularly targeting the Christmas market in the US, Canada, Europe, and other Western countries.

According to industry sources, lower wages are also unattractive for these workers. They have to work 12-hour shifts to increase their monthly take-home pay as the wages for an 8-hour shift are insufficient to provide a decent income. A trade source from Tiruppur said that factory owners will have to offer better wages than what the workers are getting in their native state. Additionally, workers are more inclined to work in their own state rather than in Tamil Nadu.

Source: fibre2fashion.com– June 12, 2024

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