IBTEX No. 98 of 2024 **June 14, 2024**

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USD	EUR	GBP	JPY
83.55	89.61	106.40	0.53

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INTERNATIONAL NEWS

Trump Touts 'All Tariff Policy' to Replace Income Tax

The Republican nominee huddled with GOP lawmakers in at the Capitol Hill Club in Washington, D.C. on Thursday to game out a potential second term. At the closed-door meeting, the newly convicted presidential hopeful floated the idea of imposing an "all tariff policy" to replace income taxes in the U.S., according to sources who spoke to CNBC.

The outlet reported that Trump talked about using tariffs as a negotiating chip in conversations with adversaries—a position he has held since imposing Section 301 punitive duties on China-made goods in 2018. President Joe Biden has maintained the Trump-era tariffs as a source of leverage as the enmity between Washington and Beijing continues to deepen.

Trump's pro-tariff stance is nothing new—for months he has threatened to up taxes on Chinese imports by 60 percent or more if re-elected, and has also mused about imposing a 10-percent universal tax increase on goods across the board.

The strategy, he believes, would offset the cost of income tax cuts he has promised to make if sworn in in January. But in a May report, the Peterson Institute for International Economics (PIIE) claims to have disproven that theory. The group wrote that increases in tariffs would only partially pay for the proposed tax cuts, and what's more, the increased duty burden would cost middle-class families at least $1,700 more each year.

"Trump's proposal, if true, would take with one hand, and take even more with the other," American Apparel and Footwear Association (AAFA) senior vice president of policy Nate Herman told Sourcing Journal.

"Instead of giving American workers more money in their pockets, Trump's proposal would amount to a huge tax increase on hardworking Americans, particularly lower- and middle-income Americans who already pay huge, hidden, and regressive taxes on the clothes, shoes and backpacks they have to buy for themselves and their families."

And as inflation lingers, shoppers are simply sick of paying more for the goods they need, he believes. "These remarks come as we are witnessing the most sustained increase in apparel in footwear prices in over 40 years, after decades of deflation," Herman said.

"It's absurd and will result in higher prices for families across the country," California Governor Gavin Newsom tweeted in response to Trump's 10-percent universal baseline tariffs proposal. "This 'plan' will do nothing but raise prices and drive up the deficit."

Kyle Pomerleau, a senior fellow at the American Enterprise Institute (AEI), called Trump's plan "Fundamentally unserious stuff," tweeting that, "A tax on imports is also a tax on exports. Both would fall in response to this policy."

"We would face the economic cost of retaliation, but get no federal revenue from it," he added.

Source: sourcingjournal.com– June 13, 2024

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USDA raises global cotton production & stocks in latest WASDE report

The US Department of Agriculture (USDA) has raised global cotton production and ending stocks in its latest World Agricultural Supply and Demand Estimates (WASDE) report, released yesterday.

It has also increased its projections for the beginning and ending stocks of US cotton. For the 2024-25 season, beginning stocks and consumption of cotton have increased, but the world trade projection remains unchanged.

According to the WASDE report, world ending stocks are projected to be 480,000 bales higher than in May, at 83.5 million bales of 480 pounds each. The forecast for production has been raised by 90,000 bales, to 119.14 million bales, based solely on higher area and yield in Myanmar.

Consumption was raised by 80,000 bales, to 116.94 million bales, with increases in Vietnam and Myanmar offsetting reductions elsewhere. Revisions to the 2023-24 world balance sheet include higher beginning stocks and production, with reduced trade and consumption, raising ending stocks by approximately 500,000 bales. The ending stock was projected to be 83.49 million bales globally.

The 2024-25 US cotton projections show higher beginning and ending stocks compared to last month. Projected production, domestic use, and exports are unchanged. The 2024-25 season average upland farm price is down 4 cents from the May forecast to 70 cents per pound, following a decline in new-crop cotton futures.

Ending stocks are 400,000 bales higher, at 4.1 million, or 28 per cent of use. Revisions to the 2023-24 US cotton balance sheet include a 500,000-bale reduction in exports, to 11.8 million, based on the slowing pace of export shipments, a 50,000-bale increase in domestic use, and a 450,000-bale gain in ending stocks.

Source: fibre2fashion.com– June 13, 2024

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US' small business optimism reaches highest level of year in May: NFIB

The US' small business optimism index reached its highest reading of the year in May, climbing to 90.5, according to the National Federation of Independent Business (NFIB). This represents a 0.8-point increase from the previous month, though it remains the 29th consecutive month below the historical average of 98.

The uncertainty index also rose significantly, jumping nine points to 85, the highest level since November 2020. Despite the rise in optimism, inflation continues to be the predominant concern for small business owners, with 22 per cent citing it as their single most important problem, unchanged from April.

A seasonally adjusted net 18 per cent of owners plan to raise compensation in the next three months, a decrease of three points from April and the lowest reading since March 2021. Additionally, 42 per cent of owners (seasonally adjusted) reported job openings they could not fill during the current period, according to NFIB's monthly jobs report.

Sales trends have also been challenging, with a net negative 14 per cent of owners (seasonally adjusted) reporting higher nominal sales over the past three months. The net percentage of owners expecting higher real sales volumes fell by one point to a net negative 13 per cent (seasonally adjusted).

Inventory levels reflect the cautious stance of small business owners. The net percentage reporting inventory gains fell by one point to a net negative 7 per cent. Not seasonally adjusted, 11 per cent reported stock increases while 15 per cent reported reductions.

A net negative 8 per cent (seasonally adjusted) of owners viewed current inventory stocks as 'too low,' the lowest reading since October 1981. Plans for future inventory investment remained unchanged from April, with a net negative 6 per cent (seasonally adjusted) of owners planning to invest in inventory.

Pricing pressures persist, with a net 25 per cent of owners raising average selling prices, unchanged from April on a seasonally adjusted basis. Inflation remains the most significant problem for 22 per cent of owners.

Unadjusted figures show that 12 per cent reported lower average selling prices, while 40 per cent reported higher prices. Price hikes were most common in the retail (55 per cent higher, 6 per cent lower) and manufacturing (42 per cent higher, 12 per cent lower) sectors. Seasonally adjusted, a net 28 per cent of owners planned price increases in May.

Compensation trends reflect ongoing labour market challenges. A net 37 per cent of owners (seasonally adjusted) reported raising compensation, down one point from April. The percentage of owners planning to raise compensation in the next three months fell to 18 per cent, down three points from April and the lowest reading since March 2021. Labour costs were cited as the top business problem by 10 per cent of owners, while 20 per cent said labour quality was their primary issue, just behind inflation.

Profit trends remained weak, with a net negative 30 per cent (seasonally adjusted) of owners reporting positive profit trends, three points worse than April. Among those reporting lower profits, 32 per cent blamed weaker sales, 15 per cent pointed to rising material costs, 14 per cent cited labour costs, and 11 per cent mentioned lower selling prices. For those reporting higher profits, 41 per cent credited increased sales volumes, 23 per cent cited usual seasonal changes, and 10 per cent pointed to higher selling prices.

Lastly, financing concerns have risen, with 6 per cent of owners identifying it as their top business problem in May, up two points from April. This is the highest level for this concern since June 2010.

Source: fibre2fashion.com– June 14, 2024

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Australia's business confidence falls into negative territory in May

Australia's business confidence has declined, falling back into negative territory in May, according to the National Australia Bank (NAB) Monthly Business Survey for May 2024. Business confidence decreased by 4 points (unrounded) to minus 3 index points. This drop suggests that the subdued economic activity observed in the first quarter GDP data has persisted into the second quarter.

Confidence dropped significantly in the manufacturing and wholesale. The trend level of confidence remained negative in retail and wholesale. Overall business conditions fell by 1 point to 6 index points, just below the long-run average. Employment improved, rising by 3 points to 5 index points, while trading conditions and profitability both declined by 3 points, as per NAB.

By industry, retail conditions dropped significantly, falling by 7 points. This was partially offset by rises in wholesale (up 9 points) and manufacturing (up 5 points). In trend terms, conditions remained negative in retail, while other industries maintained positive levels.

By state, conditions showed little change in the eastern states but fell sharply in Tasmania, Western Australia, and South Australia. In trend terms, Western Australia and Tasmania remained more elevated, while most states held at reasonable levels. Victoria exhibited the softest trend conditions at +2 index points.

Forward orders saw a slight increase, rising by 1 point to minus 6 index points. Capital expenditure (capex) dropped by 4 points to +4 index points, while capacity utilisation edged up slightly to 83.3 per cent.

Labour cost growth increased to 2.3 per cent in quarterly equivalent terms, up from 1.5 per cent in April. Purchase cost growth also rose to 1.9 per cent, compared to 1.3 per cent in the previous month. Product price growth lifted to 1.1 per cent overall, up from 0.8 per cent. Retail price growth surged to 1.6 per cent from 1 per cent.

Source: fibre2fashion.com– June 14, 2024

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US net cotton sales surge: Upland sales up 28%, Pima sales up 87%

The US net cotton sales of Upland, totalling 177,100 RB (running bales, each weighing 226.8 kg or 500 pounds) for 2023-2024, were up 28 per cent from the previous week but down 2 per cent from the prior 4-week average.

According to the export sales report from the US Department of Agriculture (USDA) for the week ending June 6, the increase in cotton exports was noted primarily for China (77,500 RB, including decreases of 900 RB), Vietnam (28,900 RB, including 1,000 RB switched from Indonesia, 300 RB switched from South Korea, and decreases of 200 RB), Pakistan (16,900 RB), Macau (14,800 RB), and Mexico (6,200 RB). Higher exports to these markets were offset by reductions for El Salvador (1,900 RB).

For this week, net cotton sales of 177,400 RB for 2024-2025 were primarily for Vietnam (73,500 RB), China (67,300 RB), Mexico (11,400 RB), Indonesia (8,700 RB), and Peru (4,800 RB). Total exports of 186,600 RB were up 19 per cent from the previous week but down 3 per cent from the prior 4-week average. The destinations were primarily China (73,400 RB), Turkiye (17,700 RB), Vietnam (16,600 RB), Pakistan (14,000 RB), and Bangladesh (11,400 RB).

As per the USDA report, the net sales of Pima, totalling 3,700 RB for 2023-2024, were up 87 per cent from the previous week but down 29 per cent from the prior 4-week average. Increases were primarily for India (2,800 RB), Peru (400 RB), Italy (100 RB), Thailand (100 RB), and Indonesia (100 RB). Exports of 9,000 RB were up 12 per cent from the previous week and 10 per cent from the prior 4-week average. The destinations were primarily India (3,100 RB), Pakistan (2,300 RB), China (1,300 RB), Vietnam (900 RB), and Thailand (400 RB).

Source: fibre2fashion.com– June 13, 2024

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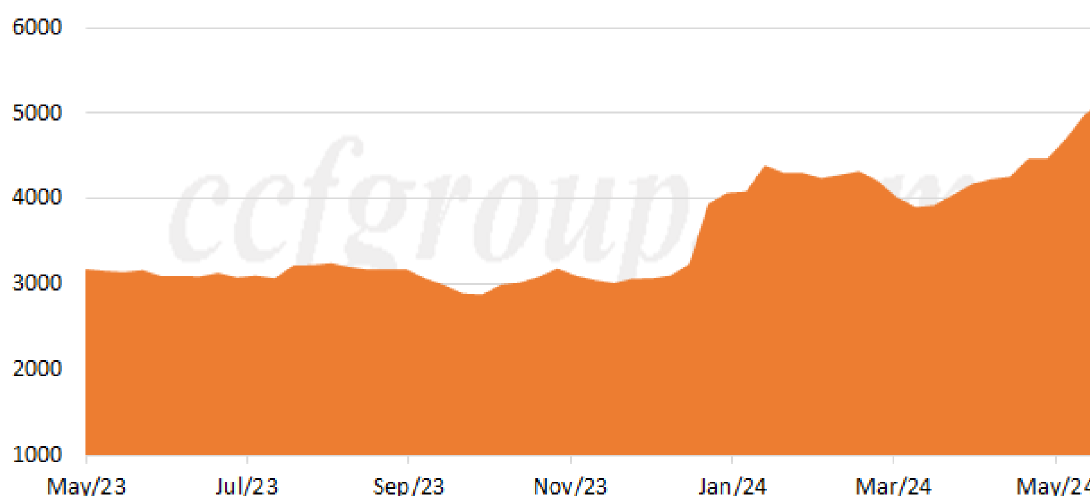
Container marine market: freight rates continue to rise with good transportation demand

By the week of Jun 7th, the Chinese export container shipping market continued to maintain an overall positive trend, with transportation demand continuing to improve, the supply and demand fundamentals remaining solid, and the freight rates for long-haul routes rising, driving the comprehensive index to continue on an upward trajectory. According to data released by the China Customs, China's exports in May increased by 7.6% year-on-year in US dollar terms, with export growth continuing to accelerate. China's exports have remained stable and on a positive trajectory, which will provide long-term support for the stable development of China's export container shipping market. On Jun 7th, the Shanghai Export Containerized Freight Index (SCFI) released by the Shanghai Shipping Exchange stood at 3,184.87 points, up by 4.6% from the previous period.

Sea freight: the freight of major routes further rose. The freight from Ningbo to Egypt/SOK increased to US$6000/40HQ, that to Indonesia/Jakarta maintained at US$1300/40HQ, that to Pakistan/Karachi advanced to US$4500/40HQ and that to Bangladesh/Chattogram stayed at US$3500/40HQ (non-stop).



Remark: the freight of different ships and forwarders differs, and the above freight is only for reference.

Route	Description
Europe and Mediterranean	Transportation demand has performed well, and the tight supply of shipping capacity continued to drive up freight rates. On June 7, the freight rate (including shipping and surcharges) from Shanghai Port to the European base ports was $3,949 per TEU. In the Mediterranean route, the market trend remained in sync with the European routes, with spot booking prices on an upward trend. On June 7, the freight rate (including shipping and surcharges) from Shanghai Port to the Mediterranean base ports was $4,784 per TEU.
North America	Since 2024, despite facing a complex situation, trade between China and the United States has continued to grow steadily, which is conducive to the long-term stability of the North American shipping market. By the week of Jun 7, transportation demand remained stable at a high level, with the supply and demand fundamentals solid, driving freight rates upward, although the rate of increase has slowed down.
Middle East	Transportation demand continued to show a stable and positive performance, with a good supply-demand relationship and ongoing increase in spot booking prices.
South America	Continued steady growth in transportation demand has led to a tense situation in shipping capacity supply, driving continuous increases in freight rates.

Freight rates continue to soar! MSC, COSCO, and Wanhai Lines successively open multiple new routes to Northern Europe, the US West Coast, and South America

Due to the continuous rise in freight rates, Mediterranean Shipping Company (MSC), Wanhai Lines and COSCO have successively opened multiple new routes.

On June 7, MSC announced the launch of the BRITANNIA route to further expand coverage between China and Vietnam to the UK and Northwestern Europe mainland. At the same time, the CARIOCA route connecting Asia with the East Coast of South America was also launched.

On June 12, COSCO Shipping Lines and its subsidiary Orient Overseas Container Line (OOCL) launched the China Pacific Northwest to Vancouver loop service (CPV). Additionally, on June 6, COSCO introduced the SEA3 direct service to the US West Coast Long Beach.

Wanhai Lines opened a new route named Asia America 1 (AA1) on Jun 3, connecting Shekou, Qingdao, Ningbo, and Long Beach.

ILA halts negotiations with USMX amid automation disputes, to further increase turmoil in container shipping market

On Jun 10, the International Longshoremen's Association (ILA) announced the suspension of talks with the United States Maritime Alliance (USMX) scheduled for Tuesday, June 11, 2024. This decision arises amidst ongoing negotiations of local agreements under the coast-wide Master Contract, set to expire on September 30, 2024.

The ILA canceled Master Contract talks with USMX after discovering that APM Terminals and Maersk Line are utilizing an Auto Gate system, which autonomously processes trucks without ILA labor. This system, initially identified at the Port of Mobile, Alabama, is reportedly being used in other ports as well.

MSC and ONE container ships attacked, sustaining fire damage

A report from the US Central Command (CENTCOM) on Jun 9 revealed that Houthi militants launched attacks on two container ships over the weekend.

On June 9, Houthi military spokesperson Yahya announced that they targeted the UK vessel (Diamond) with multiple ballistic missiles in the Red Sea, hitting the target accurately. Simultaneously, Houthi naval forces attacked two ships violating the ban on entering an occupied Palestinian port with missiles and drones. The container ship "Norderney" was hit and caught fire, while the container ship "MSC Tavvishi" was damaged by a missile strike in the Arabian Sea.

Massive strikes at all French ports! Facing a month of operational chaos and disruptions

All major ports in France, especially the container hub ports of Le Havre and Marseille-Fos, are threatened with a month-long strike, expected to cause severe operational chaos and disruptions. The strike, organized by unions representing dockworkers and other port workers, plans to hold several one-day strikes and numerous four-hour stoppages in June to protest the government's pension reform increasing the legal retirement age. The first 24-hour strike erupted on June 7th. At Le Havre port, roll-on/roll-off ships, bulk carriers, and container terminals were blockaded by dockworkers, resulting in the cancellation of berthing for four vessels and delays for another 18. Meanwhile, in Marseille-Fos, around 600

dockworkers and other port workers blocked the main entrance for trucks at the container terminal.

Global new ship orders for May reach 62 vessels

According to data released by Clarkson on June 5, there were 62 new ship orders globally for May, totaling 1.8 million compensated gross tons (CGT), representing a 51% year-on-year decrease and a 70% decrease month-on-month. Of these, China received 54 vessels totaling 1.54 million CGT, occupying the top position with an 85% market share; South Korea received 2 vessels totaling 0.17 million CGT, representing a 10% market share and ranking second.

From January to May this year, the global cumulative new ship orders reached 726 vessels totaling 20.12 million CGT, showing a 6% year-on-year increase in CGT. China received 479 vessels totaling 12.3 million CGT, marking a 20% year-on-year growth, with a 61% market share and ranking first; South Korea received 121 vessels totaling 5.61 million CGT, showing a 16% year-on-year growth and ranking second.

As of the end of May this year, the global order book for new ships totaled 133.12 million CGT, increasing by 2.25 million CGT month-on-month. China's order book reached 67.84 million CGT, adding 2.31 million CGT month-on-month and 10.11 million CGT year-on-year, maintaining the top spot with a 51% market share; South Korea's order book stood at 39.07 million CGT, decreasing by 0.2 million CGT month-on-month but increasing by 1.4 million CGT year-on-year, with a 29% market share and ranking second.

Vietnam plans to invest $2 billion in building a large seaport

The southern province of Binh Dinh in Vietnam plans to build a port covering an area of 50 hectares, with an estimated cost of 50.82 trillion Vietnamese dong (approximately $2 billion).

The Vietnamese Ministry of Transport recently announced that a consortium comprising the State Capital Investment Corporation (SCIC), Geleximco Group, and the International Transportation and Trading Joint Stock Company (ITC) is looking to upgrade the Cai Mep port project.

The first phase of the project will start in 2024 and end in 2030, with the construction of two berths capable of accommodating ships of up to 250,000 tons. The Ministry of Transport's evaluation indicates that the first-phase project proposed by the consortium aligns with Vietnam's overall seaport development plan in terms of vessel sizes and functions. However, due to the substantial investment amount, the investors need to demonstrate their financial capacity to obtain investment approval.

APL Cargo files for bankruptcy and Lomar shipping exits container shipping

APL Cargo Inc. of Wolcott, Indiana, filed its petition recently in the U.S. District Court for the Northern District of Indiana. The company with 122 drivers and 142 power units recently filed for Chapter 11 bankruptcy protection. The trucking company hauls general freight, fresh produce and meat, according to the Federal Motor Carrier Safety Administration's SAFER website.No reason was given for the filing by APL Cargo, which lists Stefan Trifan as president, but the petition states that the company seeks to reorganize.

Libra Group subsidiary Lomar Shipping has sold its last containership. Lomar has sold more than 90 boxships this decade. The company is looking to focus on innovation and sustainability, while still having some shipowner exposure via its fleet of dry bulk ships and tankers, which number around 30 vessels today. Libra, which is controlled by the Logothetis family, has 20 subsidiaries and is active in maritime, aerospace, renewable energy, real estate, hospitality, and diversified industries.

Views toward market outlook

The freight cost continues to rise. The conflict in Red Sea has become one of the main drivers to the freight rise. The drought has led to a sharp drop in the water level and thus weakening the transport capacity of the Panama Canal. As for the trend of freight cost, the relationship between supply and demand of capacity is still the key.

On the one hand, the economic prosperity of Europe and the United States has improved. The eurozone ZEW index of economic sentiment in April was 43.9 points, up from 33.5 points in March, while the US S & P global manufacturing PMI final reading of 51.3 in May was higher than expected. Many enterprises began to enter the inventory replenishment stage,

shipping demand is expected to continue to rise. On the other hand, the geopolitics are still playing a role. According to the OTI released by the Flexport on May 31, the shipping time after a detour via the Cape of good Hope is extended to more than 60 days for ships from China to northern Europe, 55 days from China to the east coast of the United States, and 36 days from China to the west coast of the United States.

In the backdrop of recent surge in shipping rates, France's CMA CGM, the world's third-largest container shipping company, predicted in its first-quarter results that global shipping capacity would be boosted as the delivery of new ships accelerated, and sea freight rates are expected to fall in the second half of the year.

Source: ccfgroup.com– June 13, 2024

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China's SMEs see slight decline in May business activities

China's small and medium-sized enterprises (SMEs) experienced a slight decline in business activities in May, according to the China Association of Small and Medium Enterprises. The small and medium enterprises development index fell by 0.2 points from the previous month, landing at 89.2. Despite the monthly decline, this figure represents an improvement from the 88.9 recorded in the same period last year.

In May, the sub-indexes for labour force and business capital were both above 100, indicating positive conditions in these areas. However, sub-indexes reflecting sentiment on the macroeconomy, overall business operations, market conditions, investment, and earning performance all remained below 100.

The association highlighted that development confidence and market expectations among China's SMEs have yet to see significant improvement. The index is derived from a survey of 3,000 SMEs across China. The survey revealed that these enterprises are grappling with decreasing demand and high operating costs, according to Chinese media reports.

Source: fibre2fashion.com– June 14, 2024

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China's apparel industry invests abroad weaving a global garment network

China's dominance in the apparel industry changing, while it remains a manufacturing powerhouse, Chinese companies are increasingly looking outward, investing in garment production facilities overseas.

Where is China investing?

Southeast Asia is a prime target for Chinese investments, with Vietnam, Cambodia, Thailand, Laos, and Myanmar attracting a significant chunk of Chinese investment, estimated at over $1.8 billion as per Shenglu Fashion, a textile industry information portal.

This focus on neighboring countries makes logistical sense and leverages existing trade ties. Proximity offers logistical advantages and access to a young workforce. Additionally, reports suggest investments in Africa and North America, indicating a broader global strategy.

This outward investment is driven by several strategic motives. Rising labor costs and increasing competition within China are prompting companies to seek more cost-effective production bases.

The ongoing trade war with the US has incentivized diversification into other markets. Additionally, the Belt and Road Initiative, a Chinese government project aimed at fostering global trade infrastructure, is facilitating these investments in some regions.

Benefits of investing abroad

By shifting production to countries with lower labor costs, and reducing reliance on a single location Chinese companies remain competitive in the global market.

Moreover foreign investments allow Chinese companies to tap into new consumer bases and diversify their export markets. Investments can help secure access to raw materials and ensure a smooth flow of goods. These investments also create jobs in the host countries, fostering positive economic relationships.

Despite the potential benefits, there are challenges to consider. First, varying infrastructure levels and regulations across different countries can pose logistical hurdles. Additionally ensuring fair labor practices in overseas facilities is crucial for maintaining a positive brand image. However, the environmental impact of extended supply chains needs to be addressed by investors.

Chinese outward investment in the apparel sector is likely to continue. As domestic market matures and global competition intensifies, Chinese companies will seek new opportunities and production bases abroad. The success of this strategy will depend on navigating the challenges and ensuring sustainable practices throughout the global garment network.

Source: fashionatingworld.com– June 13, 2024

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Fashion industry under scrutiny as Italian probe exposes labor abuses

In a move that could have major ramifications for the luxury fashion industry, Milan prosecutors and Italian police have launched an investigation into the supply chains of around a dozen fashion brands. This follows the court-mandated takeover of an LVMH unit in Italy that manufactures Dior handbags. The takeover stemmed from allegations of worker exploitation by the unit's subcontractors.

Italian authorities have been investigating recruitment firms suspected of supplying cheap labor to fashion brands for over a decade. This action comes after a probe into four of LVMH's suppliers near Milan uncovered concerning working conditions.

These firms allegedly employed workers illegally, dodging taxes and social security contributions. Reports suggest employees faced long hours, with some even sleeping at their workplaces. Additionally, some workers may have lacked proper employment contracts. The recent LVMH case exposed a potential chink in the armor of luxury brands, raising concerns about their oversight of supplier practices.

Follow-up actions

The wider investigation signifies a more aggressive stance by Italian authorities towards potential labor abuses within the fashion industry. Prosecutors have reportedly been investigating recruitment firms suspected of supplying cheap labor through illegal means for over a decade. This investigation aims to uncover similar labor exploitation practices within the industry.

Uncertain future

The outcome of this investigation remains to be seen. It's possible that other fashion brands could face similar court-mandated interventions if evidence of worker exploitation is found. It could lead to significant changes within the fashion industry.

Brands might be forced to implement stricter oversight of their supply chains to ensure ethical labor practices. Additionally, stricter regulations from the Italian government could be on the horizon. This case has the

potential to spark a global conversation about ethical sourcing and worker rights in the fashion industry.

The lack of information regarding the other brands under investigation makes it difficult to predict the full scope of this situation. However, this probe serves as a stark warning to the entire fashion industry, highlighting the potential consequences of turning a blind eye to labor practices within their supply chains.

Source: fashionatingworld.com– June 13, 2024

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Vietnam: Shifts in investment flows for export-oriented industries

The country's textile, garment and footwear industries have long relied on imported raw materials, causing a current trend of foreign enterprises shifting industries to other countries, said insiders.

In response to concerns raised by deputy Phạm Văn Hòa of Đồng Tháp Province at the 15th National Assembly (NA)'s question-and-answer on June 4, Minister of Industry and Trade Nguyễn Hồng Diên said: "Việt Nam is no longer a haven for labour-intensive, land-intensive or low-productivity industries with cheap labour costs."

According to Minister Diên, over the past 10 years, textile, garment and footwear products have accounted for a significant portion of Việt Nam's export structure. The industry has contributed to the nation's growth in export value and helped create jobs and income for workers.

This was more prevalent in the initial phase, about 10 years ago, when it helped restructure the economy.

But the shifting of foreign enterprises in these industries to other countries is now considered normal, as Việt Nam no longer offers the advantages that initially attracted these low-productivity industries.

Going forward, Diên emphasised that all of the country's exporting manufacturers must aim for greater control over raw material supply. Relying on imports would limit profitability, as it is essentially just doing processing work.

To address this, the Ministry of Industry and Trade (MoIT) has recommended the Government implement comprehensive national, sectoral and local master plans. In the industry and trade sector, four national plans have been developed covering energy, electricity, petroleum and mineral resources.

The ministry emphasised that the four national master plans are crucial to providing raw materials for Việt Nam's manufacturing and exports.

These resource-based industries can not only meet the needs of export-oriented manufacturing, but also contribute significantly to local and national budget revenues.

The authority said that all exporting manufacturers, not just in the textiles and garment industry, must strive to utilise domestic raw material sources. By tapping local minerals, these industries can achieve self-sufficiency in raw materials.

This would allow them to move beyond low-cost processing and increase the value-add of their exports, Minister Diên stressed.

Recent customs data shows the textile and garment sector facing challenges, with exports declining 11.4 per cent year-on-year to US$33.3 billion in 2023, while textile fibre and yarn fell 7.6 per cent to $4.4 billion.

As a result, total textile and garment exports reached around $40 billion.

Meanwhile, Việt Nam's leather and footwear export value dropped 14.2 per cent to $24 billion. Footwear exports, which make up the majority of the industry, dipped 15.3 per cent to $20.2 billion, accounting for 5.7 per cent of the country's total exports.

Exports of related products like handbags, suitcases, hats and umbrellas also fell, down 7.8 per cent to $3.78 billion.

On the contrary, the industry still relies heavily on imported raw materials. The import value of raw materials for the textile, garment and leather-footwear sectors reaches tens of billions of dollars annually.

The localisation rate, or use of domestic raw materials, in these export-oriented industries is relatively low, currently estimated at 45-50 per cent, according to the MoIT.

A growing chip manufacturing hub

Southeast Asia and India stand to be net beneficiaries of companies diversifying manufacturing capabilities to complement existing bases in China, a recent report from Jones Lang Lasalle (JLL), a global commercial real estate and investment management company, showed.

Particularly, Việt Nam will grow significantly and be a hub with strengths extending beyond electronics manufacturing. Therefore, the investment wave is now turning to this industry. The country's semiconductor industry is witnessing strong development, with numerous multi-million dollar foreign direct investment (FDI) projects coming to invest. Leading chip makers like Intel, Samsung and Hana Micron have made significant investments in Việt Nam over the past few years.

Intel opened the world's largest chip assembly and testing facility in the country in 2021 as part of around $1.5 billion in total investment. Samsung also revealed plans in 2022 to start producing semiconductor wafers in Việt Nam by late 2023, while South Korea's Hana Micron inaugurated a $600 million manufacturing project in the country in 2023, with plans to invest over $1 billion by 2025.

Amkor Technology, another South Korean semiconductor company, inaugurated a new $1.6 billion factory in Bắc Ninh Province. The facility specialises in the production, assembly and testing of semiconductor materials and equipment.

In early December 2023, a delegation from the US Semiconductor Industry Association (SIA), with top executives from leading US semiconductor companies such as Intel, Synopsys, Ampere Computing, Marvell and ARM, visited Việt Nam to explore investment opportunities and support connections between businesses in the two countries.

Statistic from the Ministry of Information and Communications showed that Việt Nam emerges as major semiconductor exporter to the US, accounting for over 10 per cent of total semiconductor chips imported into the market. It ranks third in terms of semiconductor chip export revenue to the US, trailing only Malaysia and Taiwan (China).

These investments by top global semiconductor firms highlight Việt Nam's growing status as an important hub for high-tech electronics manufacturing and its favourable conditions for attracting more FDI in the industry

Source: vietnamnews.vn– June 14, 2024

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Vietnam to increase T&A exports to $44 billion this year

Vietnam aims to increase its textile and apparel (T&A) exports to $44 billion this year. According to Ta Hoang Linh, Director-European American Market Department, Ministry of Industry and Trade, T&A exports from the country increased by 7.4 per cent Y-o-Y to $12.8 billion during the first five months of this year. Exports in the footwear and handbag sector also increased by 7.3 per cent Y-o-Y to nearly $7.9 billion during this period alongwith the issue of new work orders.

However, a few businesses continued to face issues during this period due to changing new regulations regarding the environment, sustainability, circular production, raw material traceability, safety, business reporting, forest management regulations and chemical use.

Source: fashionatingworld.com– June 13, 2024

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Pakistan: Aptma terms budget death blow to textile industry

Budget packs dire consequences for employment and external sector stability, APTMA says

The All Pakistan Textile Mills Association (Aptma) has voiced severe concerns about the proposed Budget 2024-25, terming it extremely regressive for the textile sector and exports.

According to Aptma, the budget also packs dire consequences for employment and external sector stability, as well as for overall economic and political stability and security of the country.

After peaking at $19.3 billion in FY22, textile exports plummeted to approximately $16.5 billion in FY23. The trend continued throughout FY24, with monthly exports consistently falling over $600 million below the installed capacity.

This drastic decline highlights the urgent need for governmental intervention to support the sector. No measures have been put forward to resolve the industry-wide energy crisis.

Grid power tariffs have soared to 16.4 cents/kWh and are expected to increase by another 2 cents/kWh following tariff rebasing in July.

This is more than twice the regional average. The cross-subsidy from industrial to other consumers is also expected to rise from Rs240 billion to Rs380 billion, exacerbating the financial strain on textile manufacturers and further eroding their competitiveness.

The budget is based on extremely regressive tax policies. The tax rate on exports has increased from a 1% final tax regime to a staggering 29% on profits, plus a 2% advance tax on export proceeds.

This excessive taxation eliminates incentives for export-oriented activities and drains liquidity from the sector as the 2% advance tax will soak up all liquidity from low-margin high-volume industries like textile.

The elimination of zero-rating for local supplies to export-oriented units will lead to a surge in intermediate input imports since exporters can use import for export schemes to import duty-free and sales tax-free inputs.

This 18% sales tax plus turnover tax will further disadvantage local manufacturers already struggling with high energy costs.

The local manufactures of intermediate products like yarn and cloth have already lost their competitiveness due to prohibitive energy prices, as evidenced by a 600% increase in the imports of yarn between July 2023 and May 2024.

These measures will further erode their competitiveness, causing a huge reduction in domestic value addition in exports and deterioration of the trade balance. Persistent delays in the issuance of sales tax and other refunds have created a severe liquidity crisis within the industry.

Despite regulations mandating automatic refunds within 72 hours, delays extend to several months, with many claims deferred indefinitely. The rising energy costs, high interest rates, and the dysfunctional sales tax refund mechanism have pushed many firms to the brink of bankruptcy.

The FY25 budget places a further strain on the industry's liquidity without any measures to release the liquidity stuck in sales tax and other refunds for many months and years.

The proposed budget contradicts the principles of efficient capital and investment allocation as Pakistan's corporate tax rates remain the highest in the region, dissuading investment in productive sectors and activities.

The failure to rationalize import duties on critical raw materials like Purified Terephthalic Acid (PTA) and Polyester Staple Fiber (PSF) continues to benefit a single obsolete 30-year-old manufacturing facility at the cost of the entire sector's export growth and diversification, maintaining an anti-export bias and hampering the competitiveness of the textile sector.

With 60% of the basic industry already shut down and the remaining on the verge of closure, this budget will hasten the collapse of the textile sector and devastate the entire economy.

The textile sector, responsible for over 50% of export earnings and employing over 40% of the industrial labour force is critical to Pakistan's economic stability.

The widespread closure of firms will significantly reduce export earnings, leading to inability to meet import bills and external financing obligations, increasing the risk of balance of payments crises and sovereign default. It will cause over 4 million workers in the textile sector to become unemployed, in addition to the millions who have already lost their jobs and livelihoods.

The reduced industrial activity will reduce industrial power consumption, causing an increase in unutilized capacity payments and further raising power tariffs for all consumers.

There would be severe deterioration in both foreign and domestic investment prospects, further destabilizing the external sector and overall economic growth for years to come. The Association urged the government to reconsider the FY25 budget and implement measures that address the prohibitive energy costs, rationalize taxation, and provide a conducive business environment to avert an imminent collapse of the textile sector.

Source: thenews.com.pk– June 14, 2024

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FinMin seeks suggestions on direct, indirect taxes from trade & industry bodies

Ahead of the presentation of the full Union Budget for fiscal year 2024-25, the Revenue Department has invited suggestions from trade and industry associations on changes in direct and indirect taxes. The suggestions can be submitted till June 17.

Suggestions can be given for Central Excise and Custom duty under indirect taxes, while in terms of direct taxes, same can be submitted for Personal Income Tax (PIT) and Corporate Income Tax (CIT). Union Budget does not deal with rates and regulations related with Goods & Services Tax, so for that it would be advisable to approach the GST Council. Though, the Finance Bill does propose some changes in GST law, that is based on recommendations by GST Council.

In a communication to Trade and Industry bodies, the Revenue Department said: " You may like to send your suggestions for changes in the duty structure, rates and broadening of tax base on both direct and indirect taxes giving economic justification for the same." Also, suggestions and views may be supplemented and justified by relevant statistical information about production, prices, revenue implication of the changes suggested and any other information to support your proposal.

"The request for correction of inverted duty structure, if any for a commodity, should necessarily be supported by value addition at each stage of manufacturing of the commodity. It would not be feasible to examine suggestions that are either not clearly explained or which are not supported by adequate justification/statistics," the communication said.

Government policy with reference to direct taxes in the medium term is to phase out tax incentives, deductions and exemptions while simultaneously rationalising the rates of tax. Hence, 'it would be also desirable that while forwarding the suggestions/ recommendations positive externalities arising out of the said recommendations and their quantification are also indicated," the letter said. Further, Trade and Industry bodies have also been advised to give suggestions for reducing compliances, for providing tax certainty and reducing litigations.

This year, Interim Budget followed the convention of not making any change in the tax proposal. However, the rule makes it clear that if the government has a full majority on the day of the presentation of the budget with the full confidence of the House, even if the election has not been announced, it can make policy announcements or changes in tax rates or rules in the interim budget itself. It has happened in the past.

However, the convention says, that since the government of the day has majority and confidence of the house for fewer months of the fiscal year, then it should not make provision for the full year.

"As for tax proposals, in keeping with the convention, I do not propose to make any changes relating to taxation and propose to retain the same tax rates for direct taxes and indirect taxes including import duties," Finance Minister Nirmala Sitharaman said while presenting the interim budget on February 1.

Changes in tax rates or provisions may have some impact on collection targets, as mentioned in the interim budget. Gross tax revenue is budgeted to increase by 11.5 per cent in 2024-25, over the revised estimates of 2023-24. This is greater than the estimated nominal GDP growth of 10.5 per cent in 2024-25. Corporation tax and income tax are estimated to grow at about 13 per cent. GST revenue is budgeted to increase by 11.6 per cent.

Source: thehindubusinessline.com– June 14, 2024

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100-day plan: Govt e-platform to spur exports, connect with stakeholders

The commerce department has reaffirmed its plans to launch the 'Trade Connect' e-platform to help exporters connect with stakeholders of international trade, as a part of the new government's 100-day action plan, a senior government official said.

The online platform is being planned at a time when on one hand, export growth has been tepid, while on the other, the government is gearing up to achieve the target of $2 trillion exports by 2030.

Since India has been on a free trade agreement (FTA) signing spree, the platform will offer easy access to benefits under these agreements.

For instance, the details of concessional tariffs, product-specific rules of origin with India's FTA partners will be available on a single platform.

Once launched, 'Trade Connect' will address specific challenges faced by Indian exporters, helped new and aspiring exporters with information on various regulations to access markets, sectors, and export trends.

There will be a facility to address trade-related queries to government officials and associated entities to get expert advice to address trade barriers and trade disputes in export markets.

The services on this platform will provide cost-free country and commodity-specific trade data and intelligence, support for e-commerce export, certification courses to learn export trade, to learn and avail services of state-owned ECGC and Exim Bank, as well as windows to access shipping and logistics services.

Similarly, the exports will have a single go-to website that will have product-wise details of all the export-boosting schemes such as interest equalisation scheme, Remission of Duties and Taxes on Export Products (RoDTEP), and duty drawback, among others.

"The platform will be beneficial for MSMEs, who struggle to get information. Availability of comprehensive information on one platform will help boost their exports," said Ajay Sahai, director general and chief executive officer at the Federation of Indian Export Organisations.

The government official added that after the initial launch, the government will bring in more value-added services such as insurance coverage, and other services on the platform eventually, for which a small fee may have to be paid.

"We can ask ECGC to be onboard on the portal. Its insurance coverage can be availed online, and for which the entire transaction fee may be charged. The portal will also require maintenance, for people/large helpdesks will be needed for monitoring the issues faced by exporters," the official added.

On offer

- Information on key markets for Indian products, trade data and intelligence for key markets
- Reporting issues related to trade barriers faced by exporters and importers
- Trade query resolution system and helpdesk

Source: business-standard.com– June 14, 2024

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How India stands in the apparel & textile industry's China + 1 strategy

The global apparel and textile industry is undergoing a significant shift. The dominance of China as the world's garment factory is facing a challenge – the China+1 strategy.

This strategy sees companies diversifying their manufacturing bases beyond China to mitigate risks and capitalize on new opportunities. Several countries are vying for a piece of this growing pie, with India emerging as a strong contender.

In fact, several countries are vying for a larger piece of the apparel and textile pie. In Southeast Asia Vietnam, Bangladesh, and Cambodia are top contenders, leveraging their low labor costs and established manufacturing infrastructure.

Other potential players include: Ethiopia, Mexico, and some Eastern European countries. For example, Raymond, a leading Indian textile and apparel company, exemplifies the China+1 strategy in action. The company has been diversifying its manufacturing base beyond China to countries like Vietnam to cater to the growing global demand for its products

India's opportunities

A report by India Brand Equity Foundation (IBEF) highlights, the Indian textile and apparel industry is expected to reach $223 billion by 2023. A large and growing domestic market of over 1.4 billion people makes India a lucrative destination for both domestic and export-oriented production. This demand surge presents a lucrative opportunity for Indian manufacturers.

Coupled with this government initiatives like the Production Linked Incentive (PLI) scheme offer financial incentives to attract investments in the textile sector. Moreover, India is a major producer of cotton and other natural fibers, giving it a cost advantage in sourcing raw materials. Overall India boasts of a well-established textile industry with a strong presence across the entire value chain, from fiber production to finished garments.

Strengths to leverage

To its advantage, India has a strong position and many strengths. To begin with it offers cost competitiveness. Though labor costs in China are rising, India still offers a cost advantage, especially for labor-intensive segments of apparel production.

India has a large pool of skilled labor in the textile and garment industry, with a strong vocational training system. And the government has implemented various initiatives like the Scheme for Integrated Textile Parks (SITP) to attract investments and modernize the industry.

India's core strength lies in textiles, particularly in fibers like cotton and man-made fibers (MMF) and yarn production. The country is the world's largest cotton producer and a major player in MMF. However, the apparel sector has immense potential for growth, with the government aiming to increase its share in global apparel exports to 10 per cent by 2030.

However there are numerous challenges also that need to be overcome.

Infrastructure bottlenecks: India needs to improve its infrastructure, including logistics and power supply, to ensure smooth and efficient production.

Policy inconsistencies: Frequent policy changes and a complex regulatory environment can deter investments.

Skill gaps: While there is a large workforce, skill gaps exist in specific areas like design and high-tech garment manufacturing

Indeed, the China+1 strategy presents a great opportunity for India's apparel and textile industry. By addressing infrastructure and skill development challenges, India can become a major player in the global textile landscape. With its strong textile base and growing domestic market, India is well-positioned to seize this opportunity and become a leading force in the ever-evolving apparel and textile industry.

Source: fashionatingworld.com– June 13, 2024

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India to remain fastest growing Asia-Pacific economy, says Moody's

Fuelled by domestic demand growth, India is expected to remain the region's fastest-growing economy in the Asia-Pacific region in the second half of the year 2024, said credit rating agency Moody's Ratings on Thursday.

“India will remain the region's fastest-growing economy, sustaining last year’s domestically driven momentum. We anticipate policy continuity after the general election, and a continued focus on infrastructure development and encouragement of private sector investment,” the credit rating agency said in its latest report.

The report also noted that India, Indonesia, and the Philippines were the key growth outperformers in the first half of the year 2024.

“[They] led the way and should continue to outperform pre-COVID growth numbers on the back of rising exports, local demand, and government spending on infrastructure,” the report reads.

On the banking front, the report noted that the Indian banking system is on a positive outlook because of good economic growth and healthy corporate credit quality. Regarding the possibility of rate cuts in the region, it notes that the pace of monetary policy normalisation will be uneven across Asia-Pacific (APAC) and the region's central banks are unlikely to move before the US Federal Reserve, meaning cuts will not come until the second half of 2024 or early 2025.

“Volatile commodity prices elevate risks to this time scale, given most countries in the region are net food and oil importers. The Bank of Japan will remain an outlier, but financial conditions will stay accommodative this year,” the report says.

Earlier this week, the World Bank retained its growth forecast for India at 6.6 per cent for FY25, while maintaining that India is poised to remain the fastest-growing of the world’s largest economies, although its pace of expansion is expected to moderate.

Source: thehindubusinessline.com– June 12, 2024

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Red Sea crisis makes Zara and others hop on to belly space of passenger aircraft

Tension in the Red Sea region has led to a change in the export route for goods headed to the US and Europe, with fast fashion and electronics exporters opting for air transport via Gulf nations.

Major companies like Zara have been using freighters, while other exporters are now also opting for the belly, or cargo space, in passenger aircraft for deliveries. Even garment exporters from Bangladesh are using Delhi airport for faster cargo transport, with DIAL facilitating more freighters.

Due to increased shipping time and costs via the longer sea route around the Cape of Good Hope, exporters are exploring quicker options, especially when buyers demand speedy deliveries.

An official from Fieo said, "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."

Despite the higher cost, air cargo has become more favored due to the extended shipping duration, attributed to heightened demand. The Apparel Export Promotion Council has raised concerns about Bangladesh garments occupying freighter and aircraft capacity, urging customs authorities to reconsider allowing these shipments via Delhi airport.

Government officials shared that approximately 20% of such cargo is transported in the aircraft's belly, with the remaining 80% carried by freighters. At Delhi airport, the monthly belly capacity was around 95,000 tonnes, with 20-25% utilized from January to March. However, cargo originating from Bangladesh only accounted for around 4% of the capacity at IGI airport.

Amidst discussions, a source mentioned, "It is possible that there is more pressure in planes heading to Europe, with higher capacity utilization. The government has suggested exporters collaborate to hire freighters, and DIAL is open to providing slots for this purpose."

As exporters navigate challenges in the shipping industry, a combination of sea and air transport has become essential for efficient and timely deliveries to meet market demands. With the evolving dynamics in trade routes, strategic solutions and collaborative efforts are key to optimizing cargo transport operations.

Source: economictimes.com– June 13, 2024

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India likely to present Budget on July 22

Union Budget 2024 is expected to be presented on July 22, sources told ET. This will mark the first full Budget of the Modi 3.0 administration.

The main policy priorities for Prime Minister Modi's government will focus on addressing challenges in the agriculture sector, generating employment, maintaining the momentum of capital expenditure, and boosting revenue growth to adhere to the fiscal consolidation trajectory. Simplifying GST and reducing tax compliance burdens are also expected to be prominent on the agenda.

The upcoming Budget is anticipated to include components of the 100-day plan that Prime Minister Narendra Modi instructed his team to develop. Furthermore, the government plans to extend its production-linked incentive (PLI) schemes to encompass more sectors that generate significant employment, such as the leather industry.

Finance Minister Nirmala Sitharaman's last Budget presentation was a vote on account due to Lok Sabha elections scheduled between April and May. This will be Sitharams's seventh budget presentation in a row.

Earlier in the February interim budget, the government focused on economic policies that foster growth, facilitate inclusive development, improve productivity, and create opportunities for various sections, while noting that it will pay utmost attention to the eastern region, including the states of Bihar, Jharkhand, Chhattisgarh, Odisha, and West Bengal, to make them growth engines as part of the goal to make India a developed country by 2047.

Source: economictimes.com – June 14, 2024

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Ministry of Textiles approved Startups in Technical Textiles to boost innovation: Textiles Secretary

Ministry of Textiles approved Startups in Technical Textiles to boost innovation and sustainability and to foster transformative developments that will shape the industry's future.

This was stated by Smt. Rachna Shah, Secretary, Ministry of Textiles, while chairing the 7th meeting of the Empowered Programme Committee (EPC) of National Technical Textiles Mission (NTTM) here today.

NTTM's Grant for Research and Entrepreneurship across Aspiring Innovators in Technical Textiles (GREAT) encourages young innovators, scientists/technologists, and startup ventures in the field of Technical Textiles to translate their ideas into commercial technologies/products and make India self-reliant. GREAT supports individual entrepreneurs or start-ups for functional prototypes or commercialization of their technologies for Technical Textiles, she said.

The Empowered Programme Committee (EPC) has approved 7 startup proposals under the GREAT scheme. GOI is providing a maximum fund support of INR 50 lakhs per startup. As of date, 8 startup proposals have been approved under NTTM, focusing on sustainability, composites, high-performance textiles, meditech, and smart textiles, driving significant advancements in these crucial areas.

Some of the start-ups which were approved by EPC and can go a long way in driving technology-oriented manufacturing in India are 'developing and manufacturing Braided Composites for Military applications, Radmone Integrated IFF Antenna, Surgical Stimulations models made-up of composites for training doctors, Nano-fibre infused textiles for energy generation and sensing.'

Additionally, the EPC has approved a grant of approximately INR 6.4 crores to IIT Guwahati to introduce new papers/subjects in technical textiles and upgrade laboratory infrastructure in its Civil Engineering Department. The grant has been provided under NTTM's 'General Guidelines for Enabling of Academic Institutes in Technical Textiles- for Private & Public Institutes'.

By enhancing its laboratory infrastructure and expanding its capabilities in technical textiles, especially geotextiles, IIT Guwahati, a premier institute in North East Region, would be better equipped to address the unique geographical and environmental conditions of the region.

The grant would catalyze the institute to become a key enabler of NER's development by offering technical consultancy and necessary support.

Source: pib.gov.in– June 13, 2024

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Textile industry skills sets to be imparted

A skill development training programme in textiles is proposed under the Textiles department through the Tamil Nadu Skill Development Corporation. Given the prominence of the textile industry in the economy and its capacity for employment generation, a special programme to equip youth with industry-relevant skills in various aspects of textile manufacturing and production has been proposed.

According to the administration, through a “comprehensive curriculum and hands-on training, participants will be given insights and practical experience enabling them for a career in the textile sector.

The training will be imparted to both women and men by the South India Training and Research Society (SITRA). Those seeking training may register on https://tntextiles.tn.gov.in/jobs

Further details may be ascertained from the Regional Deputy Director, Textiles Department, 1 A - 2/2 Sankari Main Road, Gugai, Salem -06; phone - 0427-2913006.

Source: thehindu.com– June 13, 2024

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