IBTEX No. 100 of 2024 **June 19, 2024**

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USD	EUR	GBP	JPY
83.37	89.51	105.95	0.53

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INTERNATIONAL NEWS

Global manufacturing activity jumps in May: S&P Global, GEP survey

Global demand for raw materials, commodities and components is now trending in line with its long-term average, indicating that global manufacturing is now moving towards an upswing in the business cycle, according to a survey by S&P Global and GEP.

GEP is a US-based procurement and supply chain transformation company.

At the forefront of growth is Asia, led by China, India and South Korea.

The inventory cycle has stabilised, with firms neither building up stocks excessively nor aggressively destocking to improve cash flow and cut costs, S&P Global said in a release.

Global item supply remains robust, with reports of shortages at low levels.

The frequency at which global suppliers reported a rise in their backlogs due to labour shortages was at its greatest in nearly a year-and-a-half, indicating that capacity expansion is required to sustainably meet current and future demand.

Global transportation costs remain stable, close to historically typical levels.

The GEP global supply chain volatility index, which tracks demand conditions, shortages, transportation costs, inventories and backlogs based on a monthly survey of 27,000 businesses, notably increased in May this year to 0.21 from minus 0.18 in April.

Crucially, this was the first time since March 2023 that the index, compiled by S&P Global, is in positive territory, signaling that global vendors are working at capacity and that supply chains are at their busiest for more than a year.

A key factor behind the index's increase in May was a further improvement in global manufacturing demand, leading factories to ramp up their purchases of raw materials, commodities and components.

The index rose to 0.09 in North America from minus 0.30, its highest since February. May data showed stronger demand from manufacturers in the United States and Mexico, exerting more pressure on North American suppliers.

The index rose to minus 0.13 in Europe from minus 0.55, a 14-month high and signaling a substantial reduction in slack across Europe's supply chains. This suggests the region's manufacturing downturn continues to recede.

The index rose to 0.15 in the United Kingdom from minus 0.47. This showed increased capacity pressures at UK suppliers for the first time since January 2023.

The index rose to 0.19 in Asia from 0.07. Suppliers to Asia are the busiest globally, due to particularly strong demand pressures arising from major markets like China, India and South Korea.

Source: fibre2fashion.com– June 18, 2024

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Euro area international trade in goods surplus $16.09 bn in Apr 2024

The euro area saw a €15-billion (~$16.09 billion) goods trade surplus with the rest of the world in April this year compared with a deficit of €11.1 billion (~$11.91 billion) in the same month last year, the first estimates by Eurostat show.

Euro area exports of goods in April were worth €247.6 billion (~$265.7 billion)—an increase of 14 per cent year on year (YoY). Imports from the rest of the world stood at €232.5 billion (~$249.5 billion)—a rise of 1.8 per cent YoY.

The euro area surplus decreased from €23.7 billion in March this year to €15 billion in April, an Eurostat release said.

Between January and April this year, the euro area recorded a surplus of €72.8 billion compared with €20.5 billion in the corresponding period last year.

The euro area exports of goods to the rest of the world rose to €953.0 billion during the first four months this year—a YoY increase of 0.8 per cent, and imports fell to €880.2 billion—a YoY decrease of 8.9 per cent.

Intra-euro area trade fell to €874.9 billion in the four-month period—down by 5.1 per cent compared with the corresponding period last year.

The EU balance showed a €13.9-billion ($14.91 billion) surplus in trade in goods with the rest of the world in April 2024, compared with a deficit of €14.2 billion ($15.24 billion) in April 2023 and a surplus of €22.5 billion ($24.14 billion) in March this year.

The extra-EU exports of goods in April this year was €222.1 billion—up by 14.9 per cent compared with April 2023 (€193.3 billion). Imports from the rest of the world stood at €208.1 billion—up by 0.3 per cent compared with April 2023 (€207.4 billion).

In January-April 2024, extra-EU exports of goods rose to €851.6 billion—an increase of 0.9 per cent YoY, and imports fell to €785.4 billion—a decrease of 10.4 per cent YoY. As a result, the EU recorded a surplus of

€66.2 billion compared with €33.3 billion in the corresponding period last year.

Intra-EU trade fell by 3.9 per cent YoY to €1 370.1 billion in January-April 2024.

Source: fibre2fashion.com– June 18, 2024

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China's Manufacturing 'Overcapacity' Could Imperil Domestic Industry, AAM Warns

Despite Washington's best efforts to stem the unbridled flow of China-made goods into the U.S. market, the wave of imports continues to find a way to consumers' doorsteps.

That could spell calamity for American manufacturers, according to a newly released report from the Alliance for American Manufacturing, which warned that "a deluge of low-cost import competition… could again close tens of thousands of U.S. factories and lay off millions of U.S. manufacturing workers."

According to the group's research, "Overcapacity is a feature, not a bug, of China's model of state capitalism." Amid a national real estate crisis and the softening of its export dominance, the country is pushing hard on state-led manufacturing to drive growth. China saw exports decline by 4.6 percent last year—the first contraction in dollar terms in seven years—with the U.S. leading the pack in the pull-back in sourcing. American imports from China dropped 13 percent in 2023 to $500.3 billion, the steepest decline in 30 years.

China is eager to stop the downward trend. Not even the continuation of Section 301 tariffs—or President Joe Biden's implementation of new duties on solar cells, semiconductors and electric vehicles—is deterring the country from targeting U.S. consumers, AAM wrote.

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"Overcapacity and overproduction are problems across China's vast manufacturing sector, where dedicated state support combines with low rates of household consumption to create an environment where many industries produce far more than the Chinese market will absorb," the report said.

While this imbalance is nothing new, "the result is almost always the same: The excess is exported, often at a loss. It is manufacturers and workers in market economies around the world that receive the sharp end of this largesse."

Meanwhile, the U.S.' traditionally open markets have represented fertile ground for the surpluses of stuff being produced in China. Even now that Washington is evincing a protectionist philosophy when it comes to trade, China is "using other markets as backdoors to ship its excess capacity to the United States," AAM stated. "Countries like Vietnam and Mexico have become routes for Chinese manufacturers to flood the American market with the products they have difficulty sending here directly."

China has shown it has no qualms with subverting U.S. trade objectives to advance its goals. "Chinese economic strategy clearly favors export-led growth over internal consumption, and repeated attempts to tap into U.S. domestic spending programs make clear doing so is a Chinese policy priority," the report stated.

According to AAM, "policymakers' shortsightedness" has also facilitated China's import surges in the past. For example, the Clinton administration—along with a bipartisan Congress—granted China Permanent Normal Trade Relations in 2000. The move allowed the communist country to ascend to the World Trade Organization (WTO) and evade yearly tariff reviews. Throughout the ensuing decades, China has engaged in state-sponsored industrial espionage, allowing it to undermine American industries—but it faced few repercussions.

One pivotal moment that solidified the country's foothold in the U.S. market took place in the wake of the 2008 recession. With U.S. liquidity limited and the government engaged in deploying economic relief, "China saw the opportunity to expand its industrial footprint. And it did," the report said. "Simultaneously snapping up distressed companies and establishing state-owned and -controlled companies in the American market, China played the long game for industrial dominance."

According to Radarlock, an economic research organization, "First, Beijing sought footholds in the U.S. market that would allow Chinese players, through local presence and local influence, consistently to evade U.S. tariff and non-tariff barriers for the long-term."

After establishing those objectives, China worked to acquire technological and material resources cheaply. Then, "Beijing targeted strategic footholds in U.S. infrastructure and supply chains that promised long-term access to American resources and leverage over American systems."

Today, China's ambitions have not changed—if anything, they have deepened. The country "has no plans to turn to domestic consumption as a growth model; heavily subsidized, export-led manufacturing is its tested vehicle," AAM wrote. "Its industries will eagerly sell into foreign markets at a loss to build market share, because it can then exert dominance over those markets. The goal is control."

Moving forward, AAM said the U.S. government must take a more proactive stance in modernizing trade laws and hitting back at China's economic aggression.

The group recommended reinstating Section 421 import surge protection. The provision, which expired 11 years ago, allowed Washington to leverage tariffs and other restrictions against China when imports increased at such a rate to cause U.S. market disruptions and impact American producers. The group also recommended strengthening the legislation to cover third-country production.

It also pushed for an update of U.S. antidumping and countervailing duty tools; leveraging Section 301 punitive duties to a greater degree where appropriate; strengthening rule-of-origin laws within new and existing free trade agreements (FTAs); fully enforcing policies that compel U.S. agencies to buy domestic products; incentivizing clean energy projects, and more.

According to a May poll of over 2,000 U.S. adults by Morning Consult, 80 percent believe the federal government should take a stronger stance against unfair trade practices.

"The United States must continually update its policy framework for addressing overcapacity, particularly as China seeks to route its excess production through countries that enjoy beneficial trade relations with the United States," AAM wrote. "While the nature of China's unfair trade practices shifts from time to time, the goals are always clear: to disrupt global norms, weaken American economic security, and seek growth at the expense of others."

Source: sourcingjournal.com– June 18, 2024

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Why EPR for Textiles is Critical to a Truly Circular Fashion Economy

Mandatory fee-based extended producer responsibility policies may be necessary to forge a circular economy for textiles, but not all schemes are created equal, according to a new report from the Ellen MacArthur Foundation.

To put it another way, there is good EPR and there is bad EPR, the sustainability nonprofit said Monday. And good EPR takes into consideration the transnational boundaries of textile waste and the systematic issues that underpin the "leaky system" that is discarded clothing, footwear and household textiles.

The timing of the paper, which is targeted at policymakers, could not be better. The European Council has just agreed to begin its "targeted revision" of the European Union's waste framework directive, including what could shape up to be the world's largest trading bloc's collective push into EPR for textiles. (So far, only France, Hungary and the Netherlands hold textile producers responsible for the collection, reuse and recycling of goods that they unleash into their respective markets.) EPR policy is also being bandied around in Australia and Colombia, where efforts are still voluntary, in Ghana and Kenya, and in California and New York in the United States.

Stemming the problem of castoffs flooding the coastlines of Ghana or piling up in the deserts of Chile requires a "dramatic" scale-up of textile collection infrastructure, most of all in the locales where none currently exists, said Valérie Boiten, senior policy officer at the Ellen MacArthur Foundation. And despite what may feel like growing momentum in the space, EPR for textiles beyond a few pockets of activity is still in a nascent stage, particularly when compared to, say, the beverage industry and its long-running deposit refund system.

One problem is—surprisingly enough—the lack of a universal definition for textiles, even among various governmental agencies, Boiten said. Another is the dearth of clear and reliable data that can suggest even a baseline for what collection rates in various parts of the world look like, let alone reuse and recycling numbers.

The Ellen MacArthur Foundation did its best to parse out what it had. Where information is available, collection rates hover at 14 percent on average and top out at 50 percent, it said. What this means is that even in geographies where separation collection is in place, more than half and as much as 86 percent of textile products made available on the market are discarded as part of the municipal solid waste stream, following which they are either incinerated or landfilled.

Even assessing the state of collected textiles is a tall order. More than 80 percent of reusable clothing gleaned through formal systems, for instance, is exported after sorting. In some cases, the country where the bulk of clothes are sorted for export isn't even the same as the one that originated them, creating a "two-step process" that happens before the garments arrive at their final destination, Boiten said. All of this obscures textile waste's true material flow, the visibility of which is not only important to convince investors that there's something worth investing in but also to set reduction targets.

"What we're seeing across the fashion industry is a huge amount of fragmentation," Boiten said. "People are all doing all sorts of things, in different ways and they're calling it different things. We need mandatory policies to create a common direction, common definitions and legally binding targets that everyone works toward."

The economics of textile collection and recirculation shouldn't work for only the reusable clothing fraction, either. Ultimately, the goal of EPR should be to take in all discarded textiles, including the non-reusable share that's too worn out or damaged for resale.

A reason European textile recyclers—actually collectors and sorters—are struggling has to do with the quality decline in the goods that they're receiving, which translates into lower viability for resale and lower prices, Boiten said. That, coupled with a Red Sea crisis that has jacked up shipping costs and extended delivery times, has put unprecedented pressure on their already-thin margins. Complementary legislation that establishes a minimum bar for the quality, durability, repairability and recyclability of textiles from the outset, such as the EU's ecodesign for sustainable products regulation, a.k.a. ESPR, aims to do, could help with that, Boiten said.

"Governments are not doing nearly enough to really stimulate circular business models and to disincentivize linear ones," she added.

The report doesn't specify what fees EPR schemes should charge, only that they be sufficient to cover the net cost of collection, sorting, reuse and recycling at the minimum and not create a "perverse incentive" to reduce the volume collected to skimp on costs. Beyond that, governments might choose to start adding things that contribute to a more circular economy rather than merely managing waste in a linear one.

"For example, my country Belgium implements an EPR policy, but 80 percent of what that EPR scheme collects is exported out of the country," Boiten said. "The principle of EPR isn't fully effective because you're supposed to fund waste management, but actually these textiles are becoming waste in a different country. And the funding raised here is never reaching those countries."

For countries like Ghana and Chile, which have become the "final sinks" for the world's textile trash because they have neither the infrastructure nor resources to manage it, a regular cash infusion would not only help them cope with the effects of an overconsuming global North but also clean up existing damage.

In their relative domestic markets, EPR policies could also help fund textile-to-textile recycling plants, which are still badly in need of investment. More important, if EPR makes targets on textile reduction legally binding, targets on textile-to-textile recycling also become legally binding, sending a "strong demand signal" that will help such facilities thrive.

Even so, EPR is only a starting point, Boiten said. To transform the textile industry, other policies remain necessary. So is a platform for governments to come together and "talk to one another," she said.

"All these countries are doing different things," Boiten said. "But I think what we're looking at is a mechanism whereby these countries come together on a regular basis and have the opportunity to learn and exchange best practices. Not saying that we need to be moving towards a treaty or anything of the sort in the near future, but I do think we're lacking these consultation mechanisms that include reporting and data generation."

Source: sourcingjournal.com– June 18, 2024

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China's knitted fabrics exports decline by 6.1% in 2023

In 2023, China's exports of knitted or crocheted fabrics declined by 6.1 per cent to 2.4 million tons. In value terms, knitted fabricsexports by the country contracted to $12.9 billion during the year

From 2013-23, 5he total value of China's knitted fabrics exports grew at an average annual rate of 4.2 per cent, with fluctuations noted throughout the period. The highest growth of 35 per cent totaling $14.9 billion was recorded in 2022

Brazil was the primary destination for China's knitted fabric exports, receiving 355,000 tons and accounting for 15 per cent of total exports. This was followed by Argentina and Turkey, with exports of 159,000 tons and 158,000 tons of knitted fabrics respectively. China's knitted fabrics exports to Brazil grew at an average annual rate of 14.7 per cent while those to Argentina increased by 20.5 per cent, and exports to Turkey expanded by 15.2 per cent.

In value terms, Egypt, Mexico, and Brazil emergedas the largest markets, collectively accounting for 31 per cent of total exports. Egypt experienced the highest growth rate in export value at 36.7 per cent, while Mexico and Brazil saw more modest growth.

The average export price of knitted fabric declined by 7.7 per cent to $5, 325 in 2023 from the previous year. Prices varied significantly among major markets, with Mexico at $12,183 per ton and Guatemala at $2,376 per ton.

Source: fashionatingworld.com– June 18, 2024

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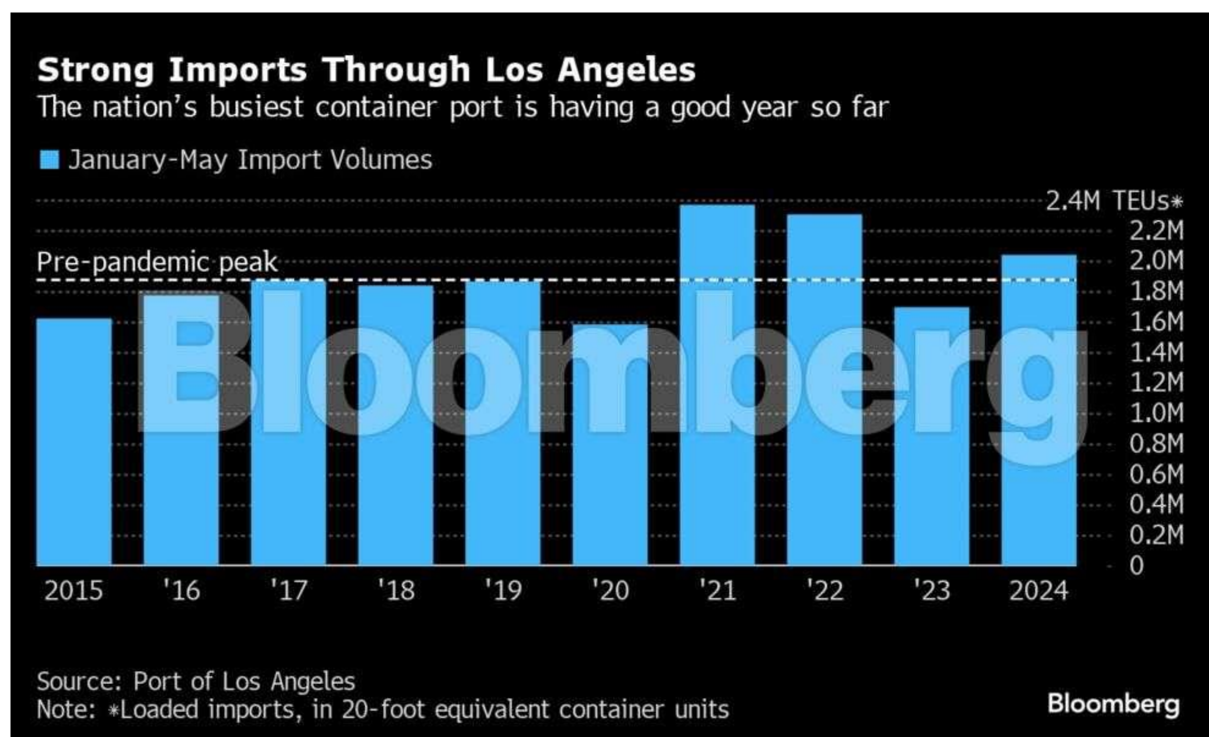
World container shipping rates keep rising amid port congestion

Inflation looks to be easing across the developed world, except for one glaring pocket of hot prices: cargo costs on the high seas.

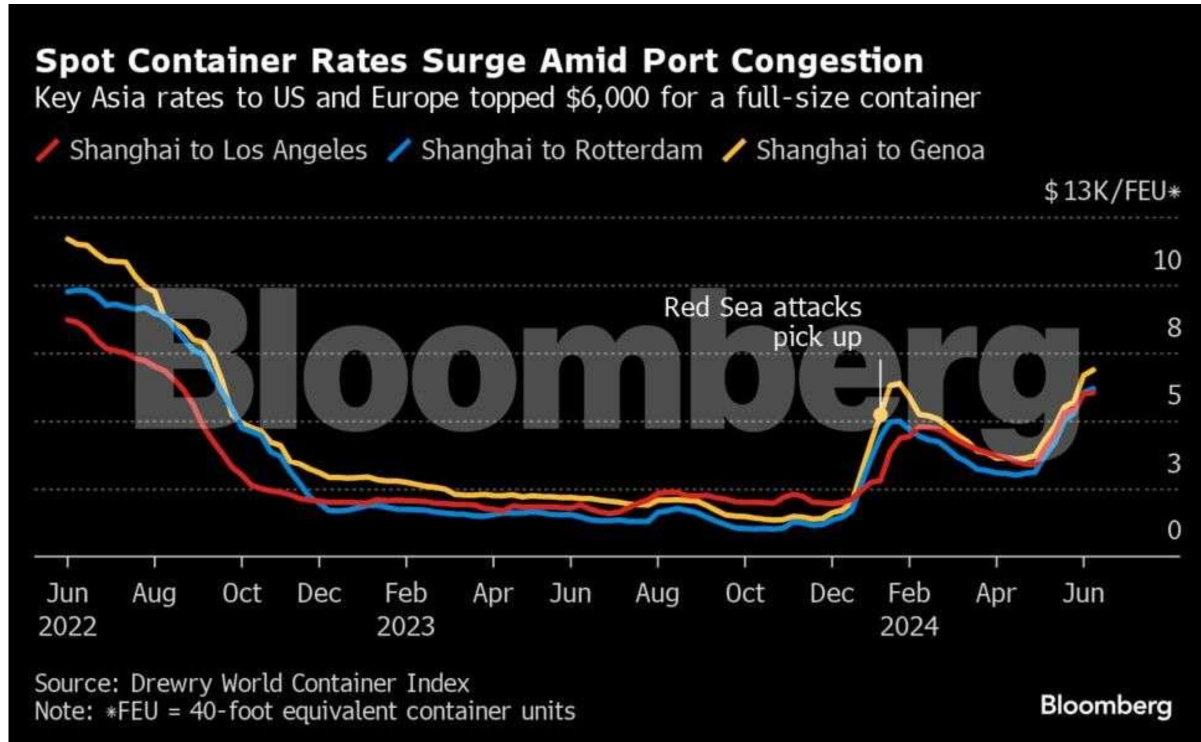
Spot rates for full-size shipping containers to the US and Europe from Asia rose again in the most recent data, with three key routes all topping $6,000 for a 40-foot equivalent unit, according to the Drewry World Container Index, released on Thursday. They've all tripled since the end of 2023, though the pace of increases is moderating.



Nearly six months of regular attacks on vessels in the Red Sea has stretched capacity in an industry responsible for moving about 80% of all international goods trade, disrupting the normal flow and leading to bottlenecks in some of Asia's biggest ports.

Singapore's maritime gateway, among the world's most vital crossroads for seaborne freight, is facing a sustained period of congestion. The waiting time for berth space there is nearing five days, according to industry estimates, and it's ranging from one to four days in the Chinese ports of Ningbo, Shanghai and Qingdao.

On top of stretched supply, demand for goods is solid especially in the US. Imports at the Port of Los Angeles, the busiest seaport in the US, remained above the pre-pandemic peak in the first five months of 2024 despite ticking down in May.



According to Drewry, the cost of a 40-foot container to move merchandise to Los Angeles from Shanghai last week rose 0.8% to $6,025. That was the sixth straight week of gains.

The charge for Shanghai to Rotterdam increased 2.4% to $6,177, the highest level since September 2022.

From Shanghai to Genoa, Italy, in the Mediterranean Sea — among the routes hardest hit by the shipping industry's avoidance of the Red Sea — the rate rose by 3% to $6,862, according to Drewry. That was also the highest since September 2022.

Drewry said it "expects that freight rates from China will continue to rise next week due to congestion issues at Asian ports."

Source: economictimes.com– June 17, 2024

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With E-Commerce on the Rise, So Too is Online Fraud

Despite rumblings about the resurgence of physical retail, shoppers spent nearly four times more on the web than they did in stores last year. Consumers of all ages are fully entrenched in e-commerce—and because it's such a big part of the way they live and shop, they've become savvier than ever, according to research from ClearSale.

"Regardless of generation, they've learned how to navigate online and are willing to shop around" in order to get what they want, from the right price to a positive user experience and a large selection, the group's analysts wrote in a recent report about e-commerce, fraud and consumer experience. According to the fraud management firm, these criteria determine consumer behavior online, from shopping frequency to cart abandonment.

Across generations, free shipping is king. Eighty percent of shoppers said they would wait longer to receive a purchase if shipping was inexpensive or free. Baby Boomers were the most influenced by free shipping (79 percent), with Gen X close on their heels (77 percent). Meanwhile, 71 percent of millennials and 69 percent of Gen Z ranked free shipping second most important on their list, with price taking first place.

While it's not possible for all retailers to offer the fast, free shipping experience that an e-tailer like Amazon provides through Prime without making sizable operational adjustments, businesses that are serious about their web-based sales should optimize shipping processes to determine opportunities to improve costs and delivery times, the group suggested.

There are also key differences in the channels consumers use to browse and buy. Over the past two years, ClearSale's research showed a near-even split between mobile and computer shopping (57 percent and 53 percent), but there's a generational divide in preference that should be considered, the group wrote.

Not surprisingly, Gen Z and millennials gravitate to smartphones and tablets for online shopping, while Gen X straddles the line between mobile and laptops or PCs and Baby Boomers are holding on tight to their computers.

With the younger generations aging into their peak purchasing power, social commerce is "the next frontier" for web-based businesses, ClearSale said. By 2025, online sales driven by social media are projected to exceed $79 billion in the U.S. and $1 trillion across the globe. Over 80 percent of Gen Z shoppers use YouTube on a monthly basis, and a near-equal number turn to Instagram and TikTok. Facebook is still a massive driver of social commerce, with 70 percent of transactions originating on the platform across generational cohorts.

An upswing in fraud

With these avenues for discovery and purchase on the upswing, fraud is also on the rise. In examining the prevalence of such illicit activity tied to social commerce, ClearSale's research showed that 13 percent of online shoppers across the globe experienced fraud in 2023. About one-fifth of surveyed Gen Z and millennial consumers said they'd been taken for a ride online, while less than 10 percent of Baby Boomers reported being victimized—presumably because they engage less with social commerce.
According to ClearSale, account takeover fraud is among the most prevalent challenges for e-commerce companies, with data breaches becoming increasingly common. Once bad actors get a hold of consumers' stolen data, they can commit identity theft using their information and make unauthorized purchases.

This kind of activity doesn't just harm shoppers—businesses suffer as well, the group said. Fraudulent transactions will result in chargebacks and ultimately lost revenue. What's more, if a data breach occurs on a retailer's website, its reputation will almost certainly take a hit. The vast majority (84 percent) of consumers said an online business that neglects to protect them from fraud would lose their business.

Rising risks have made consumers more aware of the importance of fraud protection. In fact, they are willing to sacrifice certain consumer experience features if it means their information will be safeguarded. The report showed that 90 percent of shoppers would prioritize fraud protection over easy checkout—and some are beginning to prize security over price, with 33 percent of those surveyed saying they'd prefer a safe e-commerce experience over a good deal.

With these trends in mind, more online businesses are turning to fraud detection algorithms and machine learning models to keep shopper information safe. While these tools are undoubtedly helpful, ClearSale

also said consumers are open to communication from businesses to confirm a purchase as a means of fraud prevention. Eighty-one percent of those surveyed said they appreciate purchase confirmation calls from businesses.

“Obviously, businesses and consumers prefer instant decisions about purchases. However, consumers are seeing the value of an extra set of eyes on suspicious orders,” ClearSale vice president Rafael Lourenco said. “They would rather respond to an SMS or wait for a purchase confirmation over being automatically declined or, worse, being the victim of fraud.”

“By openly communicating with customers about potentially fraudulent activities and seeking their confirmation, businesses foster trust and transparency in their operations,” the report continued. “This helps build stronger relationships with customers based on mutual respect and honesty.”

Source: sourcingjournal.com– June 18, 2024

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Brazilian cotton exports set to break records in June

Brazilian cotton exports in June are on track to hit a record high, buoyed by strong international demand and attractive export prices, as per the Centre for Advanced Studies on Applied Economics (CEPEA).

Data from Secretariat of Foreign Trade at the Ministry of Economy (SECEX/ME) reveals that Brazil has already exported 50.34 thousand tons of cotton in the first five producing days of June. This figure is close to the total exports for the entire month of June 2023, which stood at 60.3 thousand tons.

The daily export average has surged to 10.07 thousand tons, a significant increase from the 2.87 thousand tons per day recorded in June last year, marking a rise of 250.5 per cent. Should this export rate continue, June's total cotton exports are projected to reach 200 thousand tons, setting a new record for the month, CEPEA said in its latest fortnightly report on the Brazilian cotton market.

From August 2023 to mid-June 2024, Brazil has shipped 2.4 million tons of cotton, reflecting a 65.8 per cent increase compared to the same period in the previous season, which saw 1.45 million tons exported.

The domestic market also saw considerable activity in early June, with many players sustaining prices. While some buyers are willing to pay higher prices for premium quality cotton, others continue to negotiate for lower prices. Sellers, for the most part, remained firm on their pricing, though a few were more flexible due to international market fluctuations.

Between May 31 and June 14, the CEPEA/ESALQ cotton Index, with payment due in eight days, dipped slightly by 0.27 per cent, closing at BRL 3.8917 (~$0.72) per pound on June 17.

Source: fibre2fashion.com– June 19, 2024

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ICE cotton hits 3-year low as selling pressure continues

ICE cotton witnessed a further free fall as it could not see any respite from slow demand and speculative selling pressure. ICE cotton touched a new three-year low as favourable weather conditions in the US and a strong dollar kept pushing cotton prices down.

According to trade analysts, the US cotton July contract touched a new three-and-a-half-year low during the session before the first notice day. The December contract touched a new yearly low of 70.01 cents but saw some recovery in the late session, settling at 71.77 cents per pound (0.453 kg) on Monday. The dollar index was stronger again yesterday, maintaining a level of 105 and settling with gains, touching a new monthly high. The higher dollar index put extra pressure on cotton prices. Crude oil was also on the upside, supporting cotton prices and leading to some recovery.

Yesterday, US cotton trading volume was good. The final volume was 62,781 contracts, with 44,574 contracts cleared on Friday. Certified stocks began at 137,983 bales, down 264 bales, with 420 new certifications and 684 decertifications. Currently, 2,151 bales are awaiting review. Last week, there were 7,325 new certifications and 1,809 decertifications, leading to a net increase of 5,516 bales. Weather conditions remain favourable across the whole US cotton belt. Beneficial rains were seen in Texas, Oklahoma, and Kansas over the weekend, along with rain in the forecast, leading to pressure on prices.

Currently, there is poor demand for US cotton and stiff competition from Brazil and Australia. Mills are stepping to the sidelines despite price drops due to market weakness. Speculators have been strong in the last two weeks as the market has seen unprecedented selling pressure. The market still needs to wait for a shift in position.

On Tuesday, ICE cotton July 2024 traded 0.31 cents lower at 69.63 cents per pound. Cash cotton traded at 66.98 cents (down 1.37 cents), the October (new crop) contract at 72.98 cents (down 1.37 cents), the December 2024 contract at 71.36 cents (down 0.41 cents), the March 2025 contract at 72.69 cents per pound (down 0.36 cents), and the May 2025 contract at 74.04 cents (down 0.34 cents). Few contracts were seen at the level of the last closing as there was trading noted today.

Source: fibre2fashion.com– June 18, 2024

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Vietnam remains Southeast Asia's bright star: ASEAN specialist

Vietnam remains a "bright star" of the Southeast Asian region despite power shortages and a weakened realty market last year, according to Kai Wei Ang, an ASEAN economist at the BofA Securities Inc., which is previously the Bank of America Merrill Lynch.

In a recent talk on CNBC's Squawk Box, he laid a stress on Vietnam's advantages, including a competitive labour market, and a wide range of signed free trade agreements (FTAs) that facilitate its exports, describing them as fundamental support for the Southeast Asian country to lure investments.

Mentioning the power imbalance last year which was due to scorching weather, he said the Vietnamese authorities have learnt from the experience and made better preparations while carrying out more pre-emptive approaches with hope to prevent the repeat of the shortages.

The specialist highlighted that Vietnam has been a bright star in the region regarding foreign direct investment (FDI) attractions over the past decade, adding foreign investors funneled more than 11 billion USD into the country from the beginning of the year to May 20, and some 8.25 billion USD was disbursed during the time span, up 2% and 7.8% year-on-year, respectively.

Source: en.vietnamplus.vn– June 17, 2024

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Vietnam: Textile, garment industry needs to adapt to changing order trends: analysts

While Vietnam's textile and garment industry is recovering, it is facing new challenges such as customers preferring small, rapid orders and labour shortages, experts have said.

Speaking at a ceremony held to globally launch the Arus overlock machine from China-based Jack Technology in Ho Chi Minh City on June 16, Nguyen Thi Tuyet Mai, Deputy General Secretary of the Vietnam Textile and Apparel Association, said though businesses have large orders, they are facing new challenges.

For instance, customers are more likely to place low-priced small orders with quick turnaround times or demand a more diverse range of products to choose from.

Markets such as the EU and the US have strict requirements in terms of green production, she said.

The industry is also facing a labour shortage, needing around 500,000 people for manual labour, managerial and designing roles.

She said Vietnamese businesses need to streamline their operations, adopt new technologies and apply automation to enhance quality and be able to fulfil small orders.

According to Jack Technology, when textile and garment customers are placing small orders with rapid deadlines, businesses stuck with old production methods will struggle.

Tran Chi Gia, Director of Meko Garment Joint Stock Company, said his buyers are more likely to pay less for manually produced items, and his company has problems hiring young workers while the productivity of older employees is slowly falling.

His business is focusing on upgrading production, replacing old technologies with new, automating, and investing in product design to help it fulfil small high-value orders.

Vu Duc Giang, chairman of the Vietnam Textile and Apparel Association (VITAS), said the industry targets exports of around 44 billion USD in 2024. As of the end of May, it had already exported over 15.8 billion USD worth, up 4.3% year-on-year, he said.

This was owed to large markets such as the US and Europe being able to control inflation, driving up demand, he said.

Vietnam's textile and garment businesses have also been proactive in diversifying markets and finding new customers.

Source: en.vietnamplus.vn– June 17, 2024

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‘Pakistan can become regional trade hub’

Pakistan stands at a crucial juncture exploiting trade potential in Asia and fostering strong economic ties with neighbouring states can significantly speedup its economic growth.

SAARC Chamber of Commerce and Industry’s former President Iftikhar Ali Malik expressed these views while talking to a trade delegation, led by Muslim Khan Buneri here Sunday. He added that geographically, Pakistan is positioned to serve as a trade conduit between Central Asia, South Asia, and the Middle East, making it an ideal hub for regional commerce. In order to harness this potential, he said, Pakistan must actively engage with countries like China, Iran, and Afghanistan.

The China-Pakistan Economic Corridor (CPEC) is a flagship initiative that demonstrates the benefits of such cooperation, promising infrastructural development and increased trade flow. Similarly, enhancing trade relations with neighbours could unlock immense economic benefits, despite the political challenges. A focus on trade normalisation and tariff reduction can help the region tap into a market of over a billion people.

He said Iran, with its rich energy resources, presents another promising trade partner. Strengthening trade ties with Iran could ensure energy security for Pakistan while providing Iran with much-needed economic diversification. Additionally, a stable Afghanistan opens up avenues for trade and transit routes to Central Asia, facilitating greater regional connectivity.

The European Union and the United States remain significant trade partners, especially for Pakistan’s textile and agricultural exports. Maintaining compliance with international trade regulations, ensuring quality standards, and fostering a stable business environment are crucial for sustaining these relationships. Malik said that Pakistan’s strategy should therefore be multifaceted: deepen regional trade ties while upholding Western trade partnerships.

Source: thenews.com.pk– June 17, 2024

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Pakistan: Textile exports surge 18pc in May

Textile and clothing exports experienced a significant rebound with double-digit growth in May after a slower growth in the previous two months.

According to data compiled by the Pakistan Bureau of Statistics (PBS), exports increased 18 per cent to $1.55 billion in May, compared to $1.32 billion in the same month last year. On a month-on-month basis, exports surged 25.94pc.

However, textile and clothing exports posted a paltry growth of 1.41pc to $15.24bn in 11MFY24 from $15.02bn last year.

The increase in growth was attributed to the release of the stuck orders from previous months. The government has introduced various measures, including increasing the tax rate on exporters' personal income in 2024-25. The impact of these measures will be visible in the coming months.

The PBS data showed exports of readymade garments rose 30pc by value in May and 42.70pc by quantity, while knitwear grew 24.26pc by value and 36.70pc by quantity. Bedwear posted a growth of 37.67pc in value and a growth of 45.67pc in quantity.

Towel exports rose 18.18pc in value and 29.50pc in quantity, whereas cotton cloth went down by 1pc in value but rose 23.75pc in quantity, respectively.

Yarn exports fell by over 35.96pc in May over the same month last year. The exports of made-up articles, excluding towels, increased by 32.54pc, and tents, canvas and tarpaulin went up by 10.85pc in May.

The import of textile machinery declined by 6.04pc in May, indicating that expansion or modernisation projects were not a priority.

The import of synthetic fibre declined by 5.98pc, and that of synthetic and artificial silk yarn by 2.41pc. However, other textile items increased by 60.59pc during the month. The import of raw cotton declined by 46.95pc. However, the import of second-hand clothes posted a growth of 11.07pc.

In the first 11 months of FY24, total exports increased by 1084pc to $28.12bn this year against $25.26bn over the same period last year.

Oil imports

PBS data showed that oil imports dipped by 0.24pc during the first 11 months of FY24 to $15.34bn from $15.38bn a year ago.

During July-May, the import of petroleum products fell by 11.69pc in value and 4.98pc in quantity. Crude oil imports increased by 17.84pc in quantity while the value increased by 12.06pc.

Mobile phones

Mobile phone imports surged by 213.97pc to $1.62bn in 11MFY24 from $516.48m over the same period last year, representing the largest share of overall machinery import value in the first 11 months of FY24. Other mobile apparatus grew 23.97pc to $426.19m in 11MFY24 from $343.79m last year.

Source: dawn.com– June 16, 2024

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RBI optimistic of 7.3% GDP growth in Q1FY25

The Reserve Bank of India (RBI) is quite optimistic that the first quarter (Q1FY25) GDP growth print will be as per its projection of 7.3 per cent even as it expects the current account deficit (CAD) for FY24 to be lower than 1 per cent of GDP.

"If you look at fourth quarter (Q4FY24), the momentum of economic activity was much stronger (GDP grew 7.8 per cent)....The same strong momentum of economic activity has continued in the first quarter of FY25," RBI Governor Shaktikanta Das said in his keynote address at an event hosted by a business channel.

He noted that as per data available with RBI up to June third week, the growth momentum is well sustained.

The Governor said RBI, therefore, is sanguine and optimistic that the GDP print for Q1FY25 will indeed be as per its projection of 7.3 per cent.

"...and there is no reason why the momentum will slowdown," he said.

Das emphasised that the current confluence of various macroeconomic factors are strongly favourable for growth and stability.

"But having said that, I would also like to qualify it by saying that it should not lull us into any kind of complacency or overconfidence. It takes very little time for the cycle to change. Markets keep changing, international developments keep happening, there could be surprises.

"So, one has to be very alert and agile at all times. We need to be watchful of developments in every corner of our own and global economy," Das said.
'Lower CAD'

On the external sector, the Governor highlighted that India's current account deficit (CAD) has remained very low. In the first three quarters of FY24, the CAD was 1.2 per cent GDP.

"Our teams are working on the numbers, but the fourth quarter (Q4FY24) numbers look to be even lower. And... I will not be surprised (next week when we publish the CAD numbers) if the FY24 CAD is even lower than 1 per cent for FY24.

"So, the CAD looks very promising and the reserves have reached $655.8 billion. So, this gives lot of confidence to global investors about the stability of Indian markets," Das said.

He underscored that RBI will continue to build up reserves opportunistically, whenever there is an opportunity, whenever the market allows it.

"We don't shy away from that. Strong reserves help us to curtail volatility in the market and also give confidence to global investors that India will be able to fulfil its external payment obligations," Das said.
Gold purchases

On RBI stepping up gold purchases, the Governor said that its priority is to diversify the deployment of India's forex reserves in more currencies and different kinds of assets, particularly gold.

"Gold prices in the long run have always increased... if you see the long period average, the prices have invariably gone up. Gold, therefore, can be considered as a permanent hedge against external uncertainties.

"So, we do buy gold whenever there is an opportune moment. This is a part of our reserve deployment strategy and we will continue with that. But, we will not mindlessly go on buying gold. We have to also be mindful of international prices," he said.

Source: thehindubusinessline.com– June 18, 2024

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E-commerce hubs: Commerce Department working with revenue dept to sort out duty-free returns issue

With the development of e-commerce hubs to facilitate online exports likely to be prominent on the government's 100-day agenda, the Commerce Department is working with the Department of Revenue on tricky issues, such as the proposal to allow returns without imposing import duties and expediting customs clearances, sources have said.

"The Commerce Department is in discussions with the Department of Revenue on the support to be extended to e-commerce players to expedite export clearances and help in re-imports of rejects. Implementation of the policy on e-commerce hubs may also be announced in the Union Budget if the issues are settled between the two," a source said.

E-commerce hubs are envisioned to serve as pivotal facilitators for export clearances, offering a wide range of services including warehousing, customs clearance, return processing, labelling, testing, and repackaging, per the government.

"It is important to sort out the issue related to the import of rejects, as about 25 per cent of e-commerce sales are returned. These imports need to be duty-free. But the problem is how these items could be identified. Identification is a challenging job," the source said.

One way out of the problem could be to do customs bonding for e-commerce exports. "There are options that are being looked into by both the Commerce Ministry and the Department of Revenue. Hopefully it will be sorted out soon," the source said.

The broader objective is to ensure that returns of goods do not face a lot of scrutiny and small-value, high-frequency returns, particularly, do not face issues, the source added.

The DGFT is focussing on promoting e-commerce exports from India, as the sector holds a lot of promise. India's e-commerce exports annually are estimated at around $2 billion, while global e-commerce trade is valued at $800 billion.

The DGFT is also working with the postal department and the RBI on various measures that could be adopted to ease the operations of e-commerce players.

Source: thehindubusinessline.com– June 18, 2024

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New EU rules seen to restrict exports of textiles, footwear

NEW DELHI: The European Union's new ecodesign regulation, setting stringent sustainability requirements for all products in the bloc, is expected to hit Indian exporters, particularly smaller businesses, as it bans the destruction of unsold textiles and footwear, which could limit orders.

The guidelines issued a few weeks ago has mandated product durability, reusability and energy efficiency, and is in line with a series of steps, including carbon border adjustment mechanism and the deforestation regulations that have been put in place. CBAM is seen as a unilateral move that may be challenged at the WTO. The ecodesign regulations are to kick in 24 months after its publication in the official journal.

The European Commission can introduce similar bans for other products in the future, an official statement said. "There are certain products that must comply with minimum requirements related to energy efficiency. These are called ecodesign requirements and the aim is to reduce the negative environmental impact throughout the product's lifecycle," EU explained on its website.

"While industry is adjusting to the new ESG (environmental, social and governance) norms, these kinds of changes that come up suddenly particularly affect small players," said Mithleshwar Thakur, secretary general at Apparel Export Promotion Council. Thakur, who heads the secretariat at the industry body, suggested that govt should take it up as part of the bilateral talks with EU.

Another industry player described it as a non-tariff barrier and said govt should flag the concern even during the free trade negotiations as these norms would negate the impact of any tariff cut that is being sought. The adoption of the regulations by the European Council has temporary exclusions for SMEs, but they are not seen to be sufficient.

"This new regulation replaces the existing ecodesign directive and broadens its scope to encompass all goods placed in the EU market, beyond just energy products. To encourage the public purchase of green products, ecodesign criteria will be applied in public procurement. It will also align with the Digital Services Act for products sold online," the EU statement said.

The regulation applies to a wide array of products, with exceptions, like cars and defence-related items. It introduces new requirements including product durability, reusability, upgradability, reparability and energy & resource efficiency, it added. There are norms regarding substances that restrict circularity, recycled content, remanufacturing, recycling, and environmental footprints.

Source: timesofindia.com– June 18, 2024

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Textiles, apparel exports grew 9.7% in May

Textiles and apparel exports registered a 9.7% growth in May this year compared with the same period in 2023 and apparel exports saw a year-on-year (YoY) decline of 16% in April, giving a boost to the domestic industry.

Exports in May were worth $3,089.19 million rising from $2,816.1 million last May. While textiles exports grew 9.59% YoY in May, apparel exports rose by 9.84%.

Import of textile yarn, fabrics and made-ups declined 0.45% in April-May 2024, against the same period last year. Apparel imports fell 16% in April compared with last April and for the period January to April, apparel imports were 18.4% lesser than January-April, 2023.

According to the Confederation of Indian Textile Industry secretary general Chandrima Chatterjee, there is a slight improvement in global demand leading to better exports of Indian textiles and apparel.

On the import front, Bangladesh and China are two major countries from where India imports garments. Better demand from the western markets and higher production costs in Bangladesh could be reasons for the fall in imports. However, it needs to be seen whether this trend will continue in imports, she said.

Source: thehindu.com – June 15, 2024

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Late demand from Bangladesh seen pushing Indian cotton exports up 67%

India's cotton exports for the 2023-24 season, ending in September, are projected to increase by over two-thirds due to rising demand from mills in Bangladesh. The Cotton Association of India (CAI) expects shipments to reach around 26 lakh bales (of 170 kg each) — a 67.7 per cent increase from the previous season's 15.5 lakh bales.

"Bangladesh mills, which are running hand-to-mouth, are buying Indian cotton as their import shipments from the US and Brazil have been delayed. Monthly about 1-1.5 lakh bales are being exported to Bangladesh," said Atul Ganatra, President, CAI. By road, Bangladesh gets Indian cotton delivered in about 5 days.

CAI, in its recent meeting, has revised the pressing estimates for 2023-24 at 317.70 lakh bales, up from 309 lakh bales in February. The increase has mainly come from Central India, where farmers are seen off-loading their old stocks. However, the pressing estimates for the current season are still lower than previous year's 318.9 lakh bales.

Ganatra attributed the increase in pressing figures to the carry forward stocks coming into the markets. As of May-end, about 296.53 lakh bales have been pressed.

Imports up

Imports of the natural fibre are estimated at 16.4 lakh bales (12 lakh bales). Of this, 5.5 lakh bales have already arrived into the country till May-end. Including the opening stocks, imports and the pressing estimates, the total supply is seen at 363 lakh bales, which is higher than previous season's 355.4 lakh bales.

CAI estimates demand at 317 lakh bales (311 lakh bales). Demand from the non-MSME segment is estimated at 201 lakh bales (280 lakh bales), while the consumption from MSME is pegged higher at 100 lakh bales (15 lakh bales). Non-textiles consumption is seen flat at 16 lakh bales. Ganatra said the changes in consumption figures is because of the regrouping of consumption data in new categories decided by the COCPC.

The average capacity utilisation of spinning mills is estimated at around 90 per cent, with mills in Central India and North India running at 100 per cent capacity and 80 per cent in South. CAI sees closing stocks for current season by end September lower at 20.50 lakh bales against previous year's 28.90 lakh bales.

Source: thehindubusinessline.com – June 18, 2024

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A blueprint for boosting exports

India's foreign trade, valued at $1.63 trillion in financial year 2023-24, constituted 41 per cent of its gross domestic product (GDP), underscoring its vital role in the nation's economy and job creation.

The sector faces significant internal and external challenges. Here are nine suggestions for the new government to boost trade and economic growth.

Revive labour-intensive exports: Exports in most labour-intensive sectors were lower in 2023 compared to 2015. Key product categories include garments, textiles, fabric, yarn, fibre, carpets, leather products, footwear, diamonds, and gold jewellery. These sectors generate more jobs per unit of investment compared to others.

Bangladesh and Vietnam, relying on imported fabric to make garments, have outpaced India through focused measures over the last two decades. The production-linked incentive (PLI) scheme for textiles is a non-starter and might be better scrapped.

Technology is not the issue. An honest appraisal of the sector, rather than consultant reports promising distant rosy futures, is needed. If the export slide does not stop, we will see imports in these sectors rise.

Diversify service exports: Three-fourths of India's service export earnings come from software & IT and business services. In these two sectors, India has a high 9.0 per cent global share.

This category accounts for 36 per cent of global services exports. Services other than these two represent a large 64 per cent of world services exports, where our share is a low 1.9 per cent.

A few such services, along with India's global share in the category, are transport and travel (2.4 per cent), maintenance and repair (0.24 per cent), insurance and pension services (1.38 per cent), financial services (1.30 per cent), and charges for the use of intellectual property (0.23 per cent). India needs to work to enhance its share in these sectors to achieve a stable service export performance.

Cut critical dependence on China: It accounts for an average of 30 per cent of India's global imports in industrial products. Here are a few products with China's share of India's imports.

Telecom and smartphone parts (44 per cent), laptops and PCs (77.7 per cent), digital monolithic integrated circuits (26.2 per cent), assembled photovoltaic cells (65.5 per cent), lithium-ion batteries (75 per cent), diammonium phosphate (40.9 per cent), radio transmission and television apparatus parts (68.5 per cent), antibiotics (88.4 per cent).

From 2019 to 2024, India's exports to China have stagnated at around $16 billion annually. Meanwhile, imports from China have surged from $70.3 billion in FY19 to over $101 billion in FY24, resulting in a cumulative trade deficit exceeding $387 billion over six years.

The US and EU are cutting imports from China by imposing higher tariffs. Australia is asking China-linked investors to divest shares in Australian rare earth mines as the sector becomes strategic for green energy and defence.

In India, imports from China are set to increase with the entry of Chinese firms into India through joint ventures or standalone operations. India needs to do a strategic reassessment, work to diversify import sources, and enhance domestic production capabilities.

Ensure FTAs do not aggravate the inverted duty structure: An inverted duty structure occurs when import duties on finished goods are lower than on raw materials.

For example, if copper scrap (raw material) and copper pipes (finished goods) have a 5 per cent tariff, and a free trade agreement (FTA) reduces the tariff on pipes to zero, local production of pipes becomes less competitive. This discourages local manufacturing as firms prefer cheaper imports.

Earlier, budgets were used to correct such anomalies. However, the increasing number of FTAs has complicated the issue by allowing zero-duty imports on most industrial products. Higher import duties on raw materials from non-FTA countries and duty-free finished goods from FTA partners incentivise imports over local purchases.

Publish data on FTA performance: India has 14 comprehensive FTAs and six smaller scope preferential trade agreements. The government should publish the data to see whether the FTAs have met expectations or if course correction is needed. The learnings will also aid ongoing trade negotiations.

Counter effects of European climate regulation: The EU's deforestation regulation, carbon border adjustment measures (CBAM) regulation, foreign subsidies regulation, and German Supply Chain Due Diligence Act will hurt and add uncertainty to India's exports. Unconfirmed reports from the EU say less than half of Indian exporters have filed data with the EU for CBAM compliance.

When fully implemented, CBAM will result in a 20-35 per cent import tax on Indian firms. A firm has to share all plant and production details with the EU. Also, firms may need to run two production lines to compete effectively: One, an expensive yet greener products for exports to EU countries, and another for standard products for the rest of the world. It is time to prepare a plan to counter EU regulations and hit imports from the EU in equal measures.

Improve quality systems: Recent concerns raised by Hong Kong, Singapore, and the United States about the quality of spices from top Indian brands highlight the need for urgent action. Indian food and agricultural exports often face rejection from the EU and the US due to exceeding maximum residue limits (MRLs) of pesticides and other quality issues.

India should align its quality standards with international norms to reduce rejections, expand farm-to-fork blockchain tracing for major exports such as vegetables, spices, and dairy products, issue quality control orders after consulting with industry, and sign mutual recognition agreements with key export partners to boost global acceptance of Indian products.

Enhance ease of doing business: We need to transform the government-business interface to be business-centric and not government-department centric. Currently, exporters have to deal with various government organisations separately. Creating a user-friendly online National Trade Network for all compliance processes would allow businesses to file all compliance in one place. This change could enable at least 100,000 small firms to start exporting within a year.

Other export promotion measures: Automate customs processes to reduce delays and costs, invest in modern ports, efficient logistics, and digital systems. Export high-value goods to existing markets, help small businesses boost their global presence, improve small firms' access to finance, promote e-commerce exports, and work to reduce non-tariff barriers in key markets.

Economists suggest that to boost export growth, a country should lower import tariffs, sign FTAs, and integrate into global value chains. However, these strategies will only be effective if the country first reduces costs and improves its business environment. Lowering tariffs without improving the ease of doing business could result in increased imports replacing local manufacturing and jobs.

Source: business-standard.com– June 18, 2024

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Centre developing mechanism to validate refund claimed under RoDTEP

The government is developing a 'verification mechanism' to validate the refund claimed by exporters under Remission of Duties and Taxes on Export Products (RoDTEP). This will ensure that countries don't retaliate against the scheme claiming that the reimbursements paid are subsidies. The scheme came into effect over three years ago to refund the embedded non-creditable central, state and local levies paid on inputs to exporters to boost India's exports.

However, last year, countries, including the United States (US), imposed countervailing or anti-subsidy duty on a few Indian products as retaliation against RoDTEP.

India has been strongly defending the subsidy allegation and has been trying to convince the US that the reimbursements claimed under the scheme do not violate the global trade rules as the government only refunds the un-refunded taxes and duties.

It is learnt that the US has now questioned India whether it has an 'official mechanism' to verify the taxes claimed by exporters under RoDTEP.

A official said the government is trying to put in place a verification mechanism, which can validate the rates.

Till now, the government relied on the former commerce secretary GK Pillai-led committee's report on the RoDTEP reimbursement rates. The US, however, does not recognise the Pillai committee report.

"India needs to have an official verification mechanism to ascertain or verify that the rates which exporters are getting are actually within the level of duty, which they are paying. If an exporter is paying duties and taxes worth ~100, then the (refund) outgo should be ~100 or less," a senior government official told Business Standard.

The finance ministry's department of revenue as well as the commerce department are in consultation to put in place an institutional mechanism for the verification process.

"The mechanism will have a format and there will be teams at the field level. The commerce department is now seeking the suggestion of the revenue department regarding the composition of the team and the do's and don't list. An institutional mechanism needs to be set up," the official said.

Ajay Srivastava, a former trade official, said regular checks based on actual inputs should be conducted.

This will ensure compliance with WTO rules and prevent excess payments.

"For this, establish the WTO Agreement on Subsidies and Countervailing Measures (ASCM) prescribed verification mechanism for monitoring consumption of inputs and associated taxes. This has already been done for the Advance Authorisation scheme," Srivastava said.

According to Srivastava, perfect WTO compatibility is a complex matter. "WTO rules demand that each exporter's transactions be reconciled individually. This involves scrutinising the detailed accounts of firms for every transaction, which is administratively burdensome," he added.

Source: business-standard.com– June 17, 2024

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The global spin on India's cotton, a tale of strengths, weaknesses, and an uncertain future

India's cotton industry, a leader for years, finds itself under the watchful eye of the international trade fraternity. While acknowledged as a major player, its future trajectory remains a subject of debate.

India boasts of several advantages. Fertile land, ideal climatic conditions, and a long history of cotton cultivation, make it a natural producer, explains Arjun Khanna, President of the Cotton Association of India (CAI). This translates to a diverse range of cotton varieties, catering to various market demands. As per a report by the Textile Ministry of India, India is the world's largest cotton producer, accounting for roughly a quarter of global production. This on ground means a reliable domestic supply chain, a key factor for international buyers. And as veteran cotton trader Amitabh Roy states, "The sheer volume of Indian cotton is a magnet. Buyers know they can find the quantity they need here."

Unravelling yarn

However, challenges loom large. Yields in India are significantly lower compared to major competitors like the US and China. A 2023 report by the International Cotton Advisory Committee (ICAC) highlights lower yields compared to major competitors like China and the US. This inefficiency is compounded by fragmented landholdings and inadequate infrastructure, leading to higher production costs. As textile industry analyst Lisa Wang observes, while India has the raw material, translating that into competitive pricing remains a hurdle.

India has a growing niche in organic cotton production. This sustainable alternative is gaining traction internationally. The 'Sustainable Better Cotton Initiative' (BCI) reports a significant rise in Indian BCI cotton production. However, the lack of standardized certification processes and limited processing facilities create bottlenecks.
Weaving a brighter future

The future of the Indian cotton industry hinges on its ability to address these challenges. Investment in research to improve yield and fiber quality is crucial. Additionally, widespread adoption of sustainable practices is essential to cater to a growing global demand for eco-conscious textiles. Modernization, quality focus, and a commitment to sustainability are the

threads needed to weave a brighter future. Government initiatives like the 'Textile Mission' aim to modernize infrastructure and improve farm productivity.

The international trade fraternity views the Indian cotton industry with a mix of admiration and apprehension. While the potential is undeniable, overcoming existing hurdles is crucial to realizing its full potential. Through focused investments in infrastructure, improved farm practices, and a commitment to sustainability, India's cotton industry can weave a successful future.

Source: fashionatingworld.com – June 17, 2024

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Trade trapeze: On India's exports

After a rough 2023-24, when India's merchandise exports tanked 3.1% to around $437 billion, trade tides appear to be turning. The last two months have recorded an expansion in outbound shipments with the momentum picking up from a 1.1% rise in April to a 9.1% uptick in May. Some of this reversal had begun in the January to March quarter, when exports grew 4.9% to a seven-quarter high of over $120 billion, belying worries about the disruptions in the Red Sea route since late 2023.

Imports as well as exports have risen in four of the last five months now. With the European Central Bank slashing interest rates this month after a long hawkish stance post-COVID-19, exporters and trade officials are hopeful that its peers in key markets would follow suit and help shore up demand for their produce. But with prices of some industrial commodities such as metals as well as food items rising in recent months, those hopes need to be tempered. The U.S. Federal Reserve has scaled back expectations, stating that only one rate cut is likely through this calendar year.

It is heartening that 20 of India's top 30 export items have outperformed last May's export tallies this year, compared with just 13 items recording a rise in April. The sectors that recovered in May include employment-intensive ones such as apparel, man-made yarn, and engineering goods. Worryingly, spice shipments slipped by a sharp 20.3%, while marine products tanked again.

Spices and shrimp exports were likely hit by some negative reports in key markets about quality and workplace standards, respectively, and more must be done to counter what has been termed a misplaced narrative. On the other hand, May's import bill hit a seven-month high of $61.9 billion, widening the trade deficit to $23.8 billion, 25% over April's gap.

A record $13.2 billion deficit in petroleum products fuelled this gap, with imports worth $20 billion mostly linked to April's average oil price of $89 a barrel. Oil prices have eased since then, but warrant close monitoring in an import-dependent country. Officials have downplayed concerns about rising deficits, arguing that import demand will outstrip demand for India's exports, as it is growing faster than the world.

Moreover, rising services exports and forex inflows from global investments shall help offset the gap, along with import substitution efforts.

The latter assumption could prove tricky — foreign direct investment inflows have declined for three years, earnings guidance from IT services' majors has been far from optimistic, and private investments to substitute imports remain sluggish. Rather than banking on intangibles and imponderables, the Centre must revitalise its schemes and efforts to prop up goods exports, with enhanced budgetary outlays to boot.

Source: thehindu.com– June 18, 2024

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Centre plans to bring t-shirts, innerwear under PLI scheme for textiles

The Centre may bring more product lines, such as t-shirts and innerwear, under the coverage of nearly ₹11,000-crore production linked incentive (PLI) scheme for the textile sector, according to two people close to the development.

The government will also extend the time provided to an applicant to set up the facility from two years to over three years, the people added.

The Centre plans to tweak the scheme, approved in September 2021, to increase its effectiveness as it has failed to boost India's textile exports, with them declining 11.69% from $16.24 billion in 2018 to $14.34 billion in 2023.

Mint reported in April that the central government is planning a periodic review of the performance of its marquee manufacturing incentive scheme across sectors and make necessary adjustments.

The government is considering restructuring the PLI scheme in sectors with slow progress, and even scrap it in sectors where investor interest is dim and not much progress has been made, the report said.

Industry demand
According to industry stakeholders the scheme would do better by reducing the minimum entry level so that smaller players could also benefit from it.

“If the government is keen to have the garment sector also take advantage of the PLI Scheme, they will have to treat the minimum entry levels differently from the rest of the sector, as the capital required to set up a mega garment unit is substantially lower than that of a textile unit,” said Rahul Mehta, chief mentor at the Clothing Manufacturers Association Of India.

"Textile industry is composed of textile and apparel industries. The current PLI scheme structure with large capital layout is more suited to setting up large textile mills but not apparel factories,” said Pawan Gupta, chief executive and co-founder of Fashinza, a business-to-business global fashion supply chain startup.

"We need a PLI scheme with a lower initial capital requirement for the apparel industry, which is a significant employer compared to mills that are increasingly automated. A substantial base of apparel factories would also act as demand centres for large mills, which might otherwise struggle to sell their products," Gupta added.

Based on industry suggestions, the government plans to implement “corrective measures to support the textiles industry in achieving a positive growth trajectory”, said one of the persons cited above.

Queries emailed to the spokesperson of the textiles ministry remained unanswered till press time.

PLI goal

The Centre launched the PLI scheme for textiles sector with an approved outlay of ₹10,683 crore to promote the production of man-made fibers (MMF) apparel, MMF fabrics and products of technical textiles in the country to enable the industry to achieve size and scale and to become competitive.

Man-made fibers (MMF) consist of viscose, polyester and acrylic, which are chemically derived. On the contrary, technical textiles is a modern textile category utilized in the production of items like personal protective equipment (PPE), airbags and bullet-proof vests. They find applications in sectors such as aviation, defence and infrastructure.

The governement has approved 64 applicants under the scheme, with a proposed investment of ₹19,798 crore, projected turnover ₹1.94 crore and employment generation of 245,362.

The first set of applicants will start recieving incentives from 2025-26.

“Between 2018 and 2023, India's trade dynamics in the garments, made-ups and textiles sectors have shown a mixed pattern of growth and decline. Overall, India’s total exports in these sectors decreased by 7.87% from $37.16 billion in 2018 to $34.24 billion in 2023,” said Ajay Srivastava, the founder of Global Trade Research Initiative (GTRI), a research group focused on climate change, technology and trade.

While exports of garments and textiles fell by 7.59% and 11.69%, respectively, exports of the made-ups segment rose by 3.10%, Srivastava added.

Made-ups are textiles manufactured into a variety of products such as canvas bags, carpets, tapestries, pillow covers, kitchen linens, and other craft items.

At the same time the total imports in these sectors grew by 25.46% over the five years, $7.32 billion in 2018 to $9.18 billion in 2023, he said, citing the commerce ministry data.

India is the world's sixth-largest exporter of textiles and apparel, with the domestic apparel and textile industry contributing about 2.3% to the country's gross domestic product (GDP), 13% to industrial production and 12% to exports.

Source: livemint.com– June 18, 2024

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US cotton body seeks removal of 11% import duty on short staple cotton

New Delhi: US agri trade body Cotton Council International has pushed for the removal of the 11% import duty on shorter staple cotton below the length of 32 mm.

The import duty came into effect in 2021. The US is a key supplier of this cotton to India. CCI is a non-profit trade agricultural trade association that promotes American cotton fiber and manufactured cotton products to more than 50 countries.

“One of the issues that is a challenge to us is the import duty of about 11% which is applied to the imports of cotton coming from the US,” said Marc A Lewkowitz President and CEO, Supima.

Supima allows textile mills, manufacturers, and retailers whose products are made with Supima cotton to become licensed and gain full access to the its brand. CCI and Supima, along with others will discuss topics of mutual interest and chart a path of cooperation with Indian textile companies on Wednesday.

While the government had removed the 10% import duty on cotton with staple length above 32 mm called Extra Long Staple (ELS) cotton, the 11% levy on imported cotton below staple length of 32 mm stays.

“It has been levied since 2021 and we have been successful in having it removed from American PIMA or any imports of cotton that is 32 mm or longer. However, it is still in place for cotton coming in for the shorter staple,” Lewkowitz said, adding that this impacts the domestic textile industry.

India’s textile industry is projected to grow to $350 billion by 2025.

“As India is a key market for U.S. cotton, there issubstantial opportunity to expand our cooperation,” said Bruce Atherley, CCI Executive Director.

Source: economictimes.com– June 18, 2024

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Tiruppur exporters seek government aid as winter orders surge from US, Europe

MP Muthurathnam, president of Tiruppur Exporters and Manufacturers Association, said, “For the last 10 years, the knitwear industry faced various problems. The central government’s economic restructuring measures like demonetisation and GST affected the industry at the beginning of the decade. After that, the sector was affected by Covid-19 outbreak and order flow was reduced significantly. The global economy is bouncing back and orders have started coming to Tiruppur from the US and European countries.”

“In the last decade, around 50 % of SMEs in knitwear manufacturing sector in Tiruppur closed down due to various difficulties. Now orders are starting to come in. Most of them are orders for the winter season. We should take advantage of this. The union and state governments should help us with that. A special financial scheme and also provide unconditional loans to exporters,” he added.

Further, he said, “Currently, the union government has appointed a separate minister for the textile industry. The new minister should expedite measures to help exporters and also domestic production. In particular, import of duty-free ready-made garments from Bangladesh should be banned.”

G Jeevanantham, owner of a job work unit, said, “Three years ago, I closed my job works unit and engaged in livestock husbandry. Recently, I received a call from the contractor who used to place orders. I am planning to open my unit soon.”

KM Subramaniam, president of the Tiruppur Exporters Association (TEA), said, “At present the order flow for Tiruppur knitwear industry is good. We should take advantage of the China-Plus-One strategy of buyers from foreign countries. This will help our sector to travel on the path of growth.”

Tiruppur exports around Rs 35,000 crore worth of goods per annum and produces Rs 30,000 crore worth domestically, sources said.

Source: newindianexpress.com – June 18, 2024

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