



**IBTEX No. 105 of 2024**

**June 26, 2024**

<b>Currency Watch</b>			
<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>JPY</b>
<b>83.54</b>	<b>89.40</b>	<b>105.96</b>	<b>0.52</b>

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## INTERNATIONAL NEWS

### **Global air cargo rates hold firm on strong demand in Middle East, Asia**

Global air cargo rates are standing firm during a traditionally quieter market period, bolstered by continuing strong demand and high spot rates from Asian and Middle Eastern origins, according to latest weekly figures and analysis from WorldACD Market Data.

Although total worldwide tonnages in the June 10-16 week fell by 2 per cent, average rates remained more or less stable at \$2.51 per kilo, up by 8 per cent compared with the equivalent week last year and significantly above pre-COVID levels (42 per cent higher than June 2019), based on the more than 450,000 weekly transactions covered by WorldACD's data.

Combining the figures for the last two full weeks (weeks 23 and 24 this year) reveals a 1-per cent rise in both rates and tonnages compared with the previous two weeks, media outlets in the Middle East reported.

Both tonnages (up by 11 per cent) and rates (up by 8 per cent) are well above last year's levels, thanks to significantly higher demand from all the main worldwide origin regions, led by higher rates (up by 52 per cent) and tonnages (up by 13 per cent) from the Middle East & South Asia (MESA) origins, and higher rates (up by 17 per cent) and tonnages (up by 16 per cent) from Asia Pacific origins.

Looking specifically at Los Angeles International (LAX) airport, where there have been anecdotal reports of cancellations of some freighters due to enhanced customs checks of inbound e-commerce-driven air cargo flights from China, rates have seen similar hikes in the last five weeks, from Asia Pacific as a whole (from \$4.27 in week 19 to \$4.79 in week 24, up 12 per cent) and China (from \$4.52 in week 19 to \$4.87 in week 24, up 8 per cent), taking those prices to 38 per cent and 30 per cent higher year on year (YoY) respectively.

On the demand side, Asia Pacific to LAX tonnages is significantly up YoY (up by 18 per cent in week 24), China to LAX tonnages have been down YoY for most of the last seven weeks.

For China to US as a whole, tonnages are up YoY in each of the last five weeks, although they have also flattened off during that time, standing in week 24 at just 2 per cent above their levels last year.

Source: fibre2fashion.com– June 26, 2024

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## **EFTA & Chile forge stronger economic ties with modernised FTA**

On June 24, 2024, the European Free Trade Association (EFTA) held its annual ministerial meeting in Geneva, Switzerland, where a significant highlight was the signing of a protocol of amendment to modernise the Free Trade Agreement (FTA) with Chile. Chaired by Guy Parmelin, Federal councillor of Switzerland, the meeting marked a pivotal moment in strengthening the economic ties between EFTA States and Chile.

The modernised agreement promises significant economic benefits, including the elimination of duties on all industrial goods, encompassing those currently exported to Chile by EFTA companies.

Additionally, the updated agreement will provide duty-free access to 99 per cent of existing agricultural imports into Chile from the EFTA States and cover 95 per cent of Chilean imports into the EFTA States.

Beyond tariff reductions, the modernised FTA incorporates new chapters on trade and sustainable development, digital trade, and, for the first time, a chapter dedicated to small and medium-sized enterprises (SMEs). These additions reflect a commitment to promoting sustainable economic growth and embracing the digital economy, EFTA said in a press release.

The agreement was signed on behalf of the EFTA States by Thordis Kolbrun Reykfjord Gylfadottir, minister for foreign affairs of Iceland; Dominique Hasler, minister of foreign affairs, education and sport of Liechtenstein; Cecilie Myrseth, minister of trade and industry of Norway; and Guy Parmelin. Alberto van Klaveren, minister of foreign Affairs, signed the agreement on behalf of Chile.

The original FTA between EFTA and Chile was first signed in Kristiansand, Norway, on June 26, 2003, and entered into force on December 1, 2004. The modernisation process, initiated in 2019, was completed in January 2024 after seven rounds of negotiations.

“I am pleased that we managed to conclude a modern and ambitious free trade agreement which will in particular establish better market access for goods.

The strengthened IPR chapter will provide our exporting communities with more legal certainty. I am confident that the EFTA–Chile modernised agreement will create new business opportunities through improved market access and greater predictability and legal certainty for operators from the EFTA States and Chile,” said Federal councillor Parmelin.

“This modernisation offers Chile expanded access to the EFTA markets in goods. We especially value the inclusion of new areas, such as trade and sustainable development, digital trade, small and medium enterprises, and trade and gender. These additions will help us to adapt to the global economic realities and promote more inclusive trade. This modernised FTA aligns perfectly with the political values and principles that we share with EFTA members,” said minister Van Klaveren.

Source: fibre2fashion.com– June 25, 2024

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## **Poland's retail sales see 5% increase in May 2024**

Poland's retail sector showed significant growth in May 2024, with retail sales at constant prices rising by 5 per cent compared to the same month in the previous year, according to recent data by Statistics Poland. This marks a positive turnaround from May 2023, when sales had decreased by 6.8 per cent. However, on a month-to-month basis, retail sales saw a slight decrease of 0.1 per cent from April 2024.

The period from January to May 2024 also saw a year-over-year increase in retail sales by 5.5 per cent, contrasting sharply with the 5.9 per cent decrease recorded during the same period in 2023.

Among the various retail categories, the textiles, clothing, and footwear group, which has a significant share of sales via the internet, experienced a minor decline in its share from 22.6 per cent to 22.5 per cent, as per Statistics Poland.

Overall, internet retail sales showed robust growth, with a 6.8 per cent rise in value at current prices in May 2024 compared to May 2023. The share of internet sales in the total retail sales increased slightly from 8.5 per cent to 8.6 per cent over the same period.

Source: fibre2fashion.com – June 25, 2024

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## **Zara takes live shopping global, from China's catwalks to western clicks**

Zara, the fast-fashion giant, is making waves with its foray into live shopping. After experiencing a 50 per cent increase in product size sales in China thanks to their livestreams, Zara is setting its sights on Western markets. This trend, wildly popular in China, is being cautiously adopted by the brand.

### From Douyin to your doorstep

Zara's live shopping journey began in November 2023 on Douyin, the Chinese sister app of TikTok. Their concept: weekly, five-hour long shows featuring models showcasing the latest collections. But Zara's approach is different.

Instead of the fast-paced, product-pushing style common in China, Zara's streams are more akin to fashion presentations. Think catwalks, dressing room glimpses, and even 'behind-the-scenes' peeks at the crew, this curated experience now resonates with Chinese consumers, with their first livestream garnering a whopping 1.2 million views.

### Westward bound, a calculated expansion

Buoyed by the Chinese success story, Zara is taking its live shopping concept global. The brand plans to launch similar shows on its app and website in the US, UK, and Europe by October 2024.

This measured rollout reflects the different e-commerce landscapes. While livestream shopping is booming in China, Western markets haven't fully embraced it, according to PYMNTS.com.

Zara seems to be aware of this. Unlike the fast-paced Chinese model, Zara's streams are reported to be more curated and aesthetically pleasing. However, Zara's success in China suggests there's potential.

The ability to see clothes modelled in a variety of settings and ask questions in real-time could be a game-changer, particularly for younger, tech-savvy demographics.



### Too early to gauge its success

While the Chinese results are promising, predicting Western reception is difficult. Experts like Andrew Lipschultz of HulkApps warn that established online shopping habits and cultural differences might pose a challenge.

However, Zara's brand recognition and focus on a curated experience could give them an edge. Ultimately, the success of Zara's live shopping experiment will depend on their ability to adapt the concept to Western preferences and create a truly engaging and interactive experience for viewers.

Source: fashionatingworld.com– June 25, 2024

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## **Study Tests Ozone Finishing's Effect on Recycled Fibers**

A new study examined the safety of ozone finishing and its compatibility with recycled fibers.

Some of the denim industry's greatest innovations have been finishing technologies. Efforts to streamline processes, while reducing the use of chemicals and natural resources are being widely adopted by brands and it is often where they see their greatest environmental savings.

Ozone finishing, which uses ozone gas to achieve bleaching effects, is one of those solutions. The technique is known for using zero chemicals and less water and energy compared to conventional finishing.

Conducted with Devalia consultancy founder Dalia Benefatto, and in collaboration between Nexia Italy, a manufacturer of industrial and textile laundry machinery, and Institute of Intelligent Industrial Technologies and Systems for Advanced Manufacturing, the study concluded that ozone technology is promising alternative for sustainable denim finishing, with positive environmental effects and no ozone release post-treatment.

It also assessed the mechanical and abrasion resistance of treated fabrics and found that mechanical properties of the treated fabrics must be considered, especially for those containing recycled fibers.

The study analyzed three different fabric compositions: 100 percent cotton; 99 percent cotton with 1 percent elastane' and 71 percent GRS cotton with 29 percent cotton. It tested two ozone treatments—ozone in water without final neutralization and ozone in water with final neutralization.

The fabrics were then tested for the presence of ozone, mechanical resistance, and abrasion resistance using established methods and standards.

The study found that treated samples did not release ozone after treatment. The fabric with recycled content behaved differently, however.

In terms of mechanical resistance, the 100 percent cotton and 99 percent cotton with 1 percent elastane fabrics showed similar abrasion resistance.

The fabric with GRS cotton was less resistant, suggesting that fabrics with a percentage of recycled fibers may require a multi-phase ozone treatment at lower concentrations.

Nexia Italy offers an ozone production system. The company said it would share data from the study with customers to align with recent European regulation requiring that sustainability claims be supported by objective data and the use of the Digital Product Passport. It plans to also recommend to multi-phase ozone treatment for fabrics with recycled fibers.

Source: [sourcingjournal.com](https://sourcingjournal.com)– June 25, 2024

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## **China: Fiber, textile and clothing industry chain export in May**

From the converted export volume data, all categories showed both month-on-month and year-on-year growth, with an overall acceleration in export growth.

### Three main segments

Finished fabric products remained the fastest-growing segment. Yarns and fabrics showed relatively weaker performance. In the key subcategory, notable increase was witnessed in the export of used clothing.

### Overall Trend Gradually Rising

From the trend chart, it is evident that there was a significant rise both year-on-year and month-on-month. Despite some differences among sections, the overall major categories showed similar trends. Seasonal upward trends were relatively evident this year, though shipping delays due to maritime congestion in April-May cannot be ruled out.

### May Export Growth Accelerated

Specifically, in the three main segments, the year-on-year growth rate for the month exceeded the cumulative year-on-year growth rate, indicating an accelerated growth rate in May exports.

From detailed subcategories, most varieties showed some degree of growth both year-on-year and month-on-month.

### Comparison from January to May

For the period from January to May, fabric and other textiles performed the best, fibers and yarns were the weakest (mainly dragged down by polyester filament exports), and apparel was in the middle.

### Specific Subcategory Growth

For cumulative year-on-year changes from January to May, categories with changes exceeding 20,000 tons were selected. It is evident that used clothing showed the most significant increase, followed by synthetic fiber

filament yarn and woven fabrics, with an increase of over 100,000 tons compared to the same period last year. The most significant decline was in synthetic fiber filament yarn, mainly polyester filament.

(Selected categories with changes exceeding 20,000 tons)

A notable mention is the rapid growth trend of used clothing exports over the past few years, which appears to be accelerating. From January to May, the main destinations were Kenya, the Philippines, Angola, Tanzania, and Nigeria.

[Click here for more details](#)

Source: fibre2fashion.com– June 24, 2024

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## **Vietnam's National Assembly ratifies UK's CPTPP accession protocol**

Vietnam's National Assembly today ratified the United Kingdom's accession protocol to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

The United Kingdom has pledged a higher level of commitment on market opening with Vietnam than other countries in the CPTPP, said Vu Hai Ha, chairman of the Assembly's foreign affairs committee.

It has also offered a higher level of commitment in several fields than those in the UK-Vietnam Free Trade Agreement (UKVFTA) that came into force in January 2021.

The United Kingdom will now recognise Vietnam's manufacturing industries operating according to market economy criteria, Ha was cited as saying by a domestic media outlet.

The CPTPP is a free trade agreement in force between 11 countries—Canada, Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

The United Kingdom officially applied for CPTPP membership on February 21, 2021. Accession negotiations concluded on March 31, 2023. The UK signed the Protocol of Accession on July 16, 2023.

Vietnam is the seventh CPTPP member to ratify the trade pact alongside Canada, Australia, Japan, Mexico, New Zealand and Singapore.

Source: fibre2fashion.com— June 25, 2024

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## **Bangladesh: Utilise national logistics policy properly to boost economy**

National Logistics Policy 2024 is a wonderful step towards developing Bangladesh's economy and enhancing its position in the global market and therefore it needs to be properly utilised, said speakers at a seminar yesterday.

"We don't have a sort of a standard in our logistics system," said Mohammad Tofazzel Hossain Miah, principal secretary to the prime minister in the Prime Minister's Office (PMO).

"But the policy has provided scope to develop the logistics system to grow businesses," he told the seminar titled "National Logistics Policy 2024 of Bangladesh: From Policy Framework to Execution".

The Foreign Investors' Chamber of Commerce and Industry (FICCI) organised the event at The Westin Dhaka.

"So, now we need efficiency to utilise technology to reduce the cost of trade and business. So, I feel that this is what needs to be executed first. So, you should bring about much more foreign partnerships," said Tofazzel.

He also suggested bringing changes in management teams through advanced technology and software.

The policy is aligned with the target to become a "high-income country" and evolve into a "Smart Bangladesh" as per "Vision 2041", he said.

According to him, the logistics policy aims to lower business costs, boost exports and integrate the local markets with the global value chain.

Mohammad Sohail, chairman of Chittagong Port Authority, said this was Bangladesh's first-ever national logistics policy.

"By putting this policy into action effectively, we aim to develop a top-tier, up-to-date, and high-performing logistics network," he said.

He also said foreign investors were interested to provide \$3 billion to \$4 billion to set up a Bay Terminal.

An extension of the Chattogram port, the terminal is scheduled to be set up on an around 6-kilometre stretch of land from the back of Chattogram Export Processing Zone to Rasmonighat on the Bay of Bengal.

Once up and running, the Bay Terminal would be a game changer for the Chattogram port, he said.

Zaved Akhtar, president of the FICCI, said new monitoring mechanisms and councils would ensure the logistics policy's success.

He hoped that the formation of a national logistics development council and a national logistics development and coordination committee would help to provide necessary guidelines and coordination to ensure effective and efficient implementation of the policy.

"These measures, along with the performance monitoring and regular engagement with the private sector, are crucial for ensuring an efficient logistics sector," he said.

In a keynote presentation, Nihad Kabir, former president of the Metropolitan Chamber of Commerce and Industry, said the policy would act as a catalyst in drawing private investment in vital areas like ports and railways.

She said the policy would attract investment, create jobs and build up new skills, reflecting a joint effort by the private and public sectors.

Kabir also said the policy would enhance logistics, increase competitiveness, and boost productivity.

The seminar was moderated by M Masrur Reaz, chairman of the Policy Exchange Bangladesh.

Source: thedailystar.net– June 26, 2024

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## **Bangladesh records 9.85% drop in RMG exports to EU during Jan-Apr'24: Eurostat**

From Jan-April'24, Bangladesh's RMG exports to the European Union fell by 9.85 per cent to €6.01 billion from €6.67 billion in the same period of 2023, according to Eurostat, the statistical office of the European Union.

While managing to mitigate the negative growth in its apparel exports to the EU, Bangladesh still underperformed compared to its competitors. The country attributed the lag in its performance to a severe energy crisis, high utility costs, increased production costs, long lead times, and cumbersome customs procedures, similar to the challenges faced in the US market.

Bangladesh's apparel exports to the EU were further impacted an overall decline in apparel imports by the EU due to the global economic slowdown, as per Eurostat data. From Jan-Apr'24, Bangladesh's knitwear exports to the EU fell to €3.38 billion from €3.88 billion in the same period of 2023. Similarly, woven garment exports dropped to €2.64 billion Y-o-Y from €2.79 billion.

Clothing imports by the EU from various countries declined by 6.28 per cent to €26.41 billion in January-April 2024 from €28.19 billion in the same period of 2023.

The EU imported apparel worth €6.54 billion from China in January-April 2024, a slight decline of 1.81 per cent from €6.66 billion in 2023. Imports from Turkey decreased by 11.84 per cent to €3.03 billion from €3.44 billion. India's exports to the EU fell by 10.74 per cent to €1.53 billion from €1.71 billion. Vietnam's exports to the EU dropped by 6.25 per cent to €1.17 billion from €1.25 billion.

Additionally, Bangladesh experienced a significant decline of over 14 per cent in apparel exports to the US, the country's largest export destination, earning \$2.30 billion in the January-April period of 2024, according to the US Department of Commerce's Office of Textiles and Apparel.

Source: fashionatingworld.com – June 25, 2024

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## **Pakistan: Modest business on cotton market**

The local cotton market on Tuesday remained steady and the trading volume remained low.

Cotton Analyst Naseem Usman told Business Recorder that there is no trading of Phutti in the market because cotton ginners across the country have gone on an indefinite strike to protest against new taxes and an “exorbitant” rise in the power tariff for ginning units.

He also said that the rate of new cotton in Sindh is in between Rs 18,500 to Rs 19,000 per maund.

The rate of Phutti in Sindh is in between Rs 8,000 to Rs 8,500 per 40 kg.

The rate of cotton in Punjab is in between Rs 19,000 to Rs 19,500 per maund. The rate of Phutti in Punjab is in between Rs 9,000 to Rs 9,200 per 40 kg.

Approximately, 200 bales of Shahdad Pur and 400 bales of Tando Adam were sold at Rs 18,500 per maund.

The Spot Rate remained unchanged at Rs 18,000 per maund. The rate of Polyester Fiber was increased by Rs 8 and was available at Rs 375 per kg.

Source: breccorder.com– June 26, 2024

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## NATIONAL NEWS

### **Commerce Ministry seeks inputs from industry for India-Malaysia CECA review**

Saddled with a high trade deficit more than a decade after implementing a free trade agreement with Malaysia, India is set to begin a review process of the pact in a joint commission meeting to be held soon with its trade partner to expand and diversify the trade basket and make it more balanced, sources have said.

“The Commerce Department has sought inputs from various industry bodies and export promotion councils on the tariff and non-tariff barriers they face in Malaysia, the regulatory issues that are acting as hindrances and the measures that could help trade facilitation.

These would be part of India’s agenda in the joint commission meeting for reviewing the India-Malaysia free trade pact. The idea is to increase exports and bridge the trade deficit,” a source tracking the matter told businessline.

The free trade pact or CECA (Comprehensive Economic Cooperation Agreement) between Malaysia and India was implemented in July 2011 covering trade in goods, services, investments and economic cooperation. In the area of goods in the CECA, both countries offered tariff liberalisation beyond the India-ASEAN FTA commitments on items of mutual interest for both.

#### Trade deficit

However, like in the case of the India-ASEAN FTA, India’s trade deficit increased with Malaysia after the implementation of the CECA.

In 2010-2011, when the India-Malaysia CECA was signed, India’s trade deficit with Malaysia was at \$2.65 billion with its exports valued at \$3.87 billion and imports at \$6.52 billion.

The trade deficit widened to \$5.49 billion in 2023-24, with India’s exports to Malaysia at \$7.26 billion and imports at \$12.75 billion.

The government has asked various sectors to list out products where tariffs in Malaysia are still high and could lead to greater market access if lowered. “Information has also been sought on any non tariff barriers being faced by Indian exporters, for instance those related to sanitary & phytosanitary standards and technical barriers to trade,” the source said.

The two sides may also work on PSR (product specific rules of origin) to give flexibility to some products in the determination of where they originate from, the source added. Rules of origin are the criteria needed to determine the national source of a product.

Major exported items from India to Malaysia include petroleum products, aluminium products, buffalo meat, organic chemicals and electric machinery & equipment.

Major items imported by India from Malaysia include vegetable oils, electrical machinery, equipment and parts, petroleum products, nuclear reactors, boilers, machinery, and mechanical appliances and chemicals.

Source: thehindubusinessline.com– June 25, 2024

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## **Exporters' body seeks 5-year extension of interest subsidy scheme, more marketing funds**

In a pre-Budget meeting with Finance Minister Nirmala Sitharaman on Tuesday, exporters body FIEO has sought five year extension of the interest subsidy scheme on loans, increase in tax deduction for R&D spends, more funds for marketing and establishment of an Indian shipping line of global repute to reduce dependence on foreign shipping lines.

“The interest equalisation scheme is helping exports a lot. We request the scheme which is valid till June 30, 2024 may be extended for a period of 5 years,” FIEO President Ashwini Kumar, who participated in the meeting with FM, pointed out.

He also made a case for restoring the subvention (subsidy) rate from 3 per cent to 5 per cent for manufacturers in MSMEs and from 2 per cent to 3 per cent for all other exporting the 410 identified tariff lines. The argument is that this was needed as interest rates had risen consequent to increase in repo rate from 4.4 per cent to 6.5 per cent in the last 2 years.

Pointing out that R&D and innovation were key to sustain exports, FIEO noted that 35 out of 38 OECD countries provided either lower tax or higher deduction on R&D expenditure. “We request that the weighted tax deduction under Section 35(2AB) may be increased to 250-300 per cent and the benefit under Section 35(2AB) may also be extended to Limited Liability Partnership (LLP), partnership firms and proprietary firms, as MSME units largely fall in these categories,” Kumar said.

### Shipping lines

On the lines of the government initiative for facilitating container manufacturing in the country to become ‘atma nirbhar’, which has stabilised container charges in the country, FIEO requested that a similar focus should be on developing an Indian shipping line of global repute. “We remitted over \$ 109 billion as transport service charge in 2022. As the country moves towards the goal of \$ 1 trillion, this (transport service charge) will touch \$ 200 Bn by 2030. A 25 per cent share taken by the Indian shipping line can save \$ 50 billion year on year basis. This will also reduce arm twisting by foreign shipping lines, particularly of our MSMEs,” FIEO pointed out.

The exporters' body also called for increase in marketing support provided through the Market Access Initiative (MAI) scheme of the government to ₹500 crore from ₹200 crore to better showcase Indian products at global platforms.

The full budget for 2024-25 is expected to be announced next month.

Source: thehindubusinessline.com– June 25, 2024

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## **Piyush Goyal to meet exporters Thursday**

Commerce and industry minister Piyush Goyal will meet exporters and industry on Thursday to take stock of India's exports and deliberate ways to push outbound shipments from the country. Issues related to container shortage, Red Sea crisis and export targets are likely to be discussed, officials said.

"It is a review meeting to on state of exports and export promotion," said an official.

India's goods exports in FY24 were \$437.1 billion and imports were \$675.4 billion.

The ministry has been developing standard operating procedures to negotiate free trade agreements with other countries and could come up for discussion, said another person aware of the meeting.

Exporters are also likely to take up the issue of extending the Production-Linked Incentive (PLI) scheme to leather intensive sectors such as leather and footwear.

Exporters have already raised with the finance ministry the issue of high import duty on wet blue leather which is used in making high-end luxury goods.

Separately, gems and jewellery exporters on have sought a reduction in import duty on gold, silver, and platinum bars to 4% in the forthcoming Budget from 10-12.5% now.

Source: [economictimes.com](https://economictimes.com) – June 25, 2024

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## **DBS Group sees India GDP growth at 7.1% in 2024**

Singapore-headquartered DBS Group expects India's GDP growth to moderate, but stay resilient at 7.4 per cent in April-June 2024. For the entire calendar year 2024, DBS Group has now pegged the GDP growth estimate at 7.1 percent.

In January-March 2024, GDP growth had touched 7.8 per cent, led by non-farm output and investment growth.

The modest slowdown in GDP growth in April-June 2024 is mostly led by deterioration in industrial production, credit, freight traffic and government capital expenditure, according to DBS Group's Nowcast.

Meanwhile, farm tractor, commercial vehicle sales and external trade in goods and services likely improved during the April-June quarter. "Based on a firm 1Q (Jan-Mar) and 2Q24(April-June) reading in calendar year 2024, we expect full year growth at 7.1 percent in CY24", Radhika Rao, Senior Economist, DBS Group Research said.

DBS Group's growth forecast of 7.4 per cent for April-June 2024 quarter is higher than the Reserve Bank of India's (RBI) GDP growth projection of 7.3 percent for this quarter.

Meanwhile, DBS Group Research said it does not expect an increase in the scale of borrowings via-a-vis what was outlined back in the interim budget. It highlighted as to how onshore markets are focused on the start of the bond index inclusion later this week and likely timing of the final budget next month.

Debt markets have taken a bigger piece of the action attracting \$7.7 billion in inflows in 2024 yet far as investors front run the index inclusion. "Beyond the index inclusion, supply -demand dynamics will be under watch when the FY25 Budget is tabled", Rao added.

On India's current account deficit narrowing to - 0.7 percent of GDP (\$23 billion) from -2.0 percent of GDP (\$67 billion) in FY23, Rao said that it was shade better than DBS Group forecast of -0.8 percent.



This follows current account surplus of \$ 5.7 billion (+0.6 percent of GDP) in the last quarter of FY'24 (Jan-Mar 2024), driven by an improvement in the goods trade balance and a stronger pickup in the services trade surplus.

This year (FY25), the current account deficit is expected to widen to -1 -1.2 percent of GDP, factoring in a wider trade deficit and flatter service receipts, but financed well by strong portfolio flows and loans under the financing item, DBS Group has said.

Meanwhile, Joanne Goh, Senior Investment Strategist, DBS Bank, said that the incumbent NDA coalition is expected to follow through with policies that were kickstarted in the previous term, including expanding the manufacturing footprint and capex push.

“With much of the recent emphasis on supply-driven reforms, we think authorities may begin to explore consumption driven stimulus,” Goh said.

With the near doubling of public capex in the government’s agenda, capex recovery is likely to continue driving economic and corporate earnings growth for equity markets in the near future, Goh added.

Source: thehindubusinessline.com– June 25, 2024

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## **Industry should work in hub and spoke model to enhance textiles manufacturing: Textiles Minister**

Union Minister for Textiles, Shri Giriraj Singh inaugurated the 71st edition of the India International Garment Fair (IIGF) at Yashobhoomi Convention Centre today. Delivering his inaugural address, the Union Minister emphasized that the India International Garment Fair (IIGF) offers a unique marketing platform for micro, small, and medium exporters, showcasing India's latest trends and diverse offerings to the rest of the world. Shri Giriraj Singh further said that developing world class manufacturing facilities is a must for realising the Prime Minister's vision of "Make in India" with "Zero Effect; Zero Defect" at each level of the value chain.

Shri Singh also called for the adoption of the 'hub and spoke' model to enhance domestic manufacturing, encouraged industry collaboration and underscored the importance of establishing Indian brands. The ministry is also poised to revive the Scheme for Integrated Textile Parks (SITP) to create internationally standardized parks.

Shri Giriraj Singh stated that, "Today, India is one of the fastest growing economies in the world with a GDP growth rate of 7.2% and is expected to be 3rd largest economy by 2027-28."

The convergence of a positive domestic outlook with a growth-oriented political establishment has provided a conducive ecosystem for business in India. Several measures have been taken by the Government of India to enhance the infrastructure sector and ease of doing business, he added.

Further, the Minister stated that, the Indian Apparel and textiles market is of the size of 165 billion USD which has to touch 350 USD billion; a target, which has been fixed after industry consent. I request you to take it to 50 billion USD by 2030. Prime Minister made a roadmap to promote technical fiber and Geo textile, which is providing huge options for growth.

"I have said that my challenge is not Bangladesh. I would like to take ahead of China in time to come. Bangladesh water and raw material charges are going high. Further Shri Singh suggested that we will make small clusters for smaller players in India to boost RMG exports".

Textiles Minister Giriraj Singh announces the expansion of the Rs 10,000 crore PLI scheme to the garment sector to boost domestic manufacturing and exports. Addressing the India International Garment Fair, Singh emphasizes revamping textile parks, and promoting green textiles will be our focus.

Shri Sudhir Sekhri, Chairman AEPC during his address underlined, “the global headwinds negatively affected Indian apparel exports. But despite these adverse scenarios, the Indian apparel export industry was able to hold its own and contain the damage to quite an extent.

Shri Mithileshwar Thakur, Secretary General said that there is a greater chance for Indian apparel exporters to expand its footprint across developed countries in coming years. The Indian apparel industry must encash this opportunity and start dreaming big.

Knowledge sessions are also being organised on the sidelines on the 25th and 26th June’2024 covering various topics like Navigating Global Trade: Challenges and Opportunities for the Industry, The Efficiency Advantage: Driving Manufacturing - Excellence in Apparel and Sustainable Fashion: From Concept to Reality.

This fair being organised by the Apparel Export Promotion Council (AEPC) through the International Garment Fair Association (IGFA), in association with three major garment Associations of India namely, Clothing Manufacturers Association of India (CMAI), Garment Exporters & Manufactures Association (GEMA) & Garment Exporters Association of Rajasthan (GEAR), is a testimony of the collective spirit, team-work and synergies built by these associations to achieve greater goal. More than 600 buyers from 50 countries participated in the event. 71st Edition will also host two fashion shows each day, from 25th to 27th June’2024, showcasing the best of the collections exhibited during the show.

Source: pib.gov.in– June 25, 2024

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## **Trade routes in turmoil: Why Indian exports are piling up in Colombo and Singapore**

The Houthi attack on bulk cargo carriers and container ships in the Gulf of Aden and the Red Sea since November last year has significantly crippled shipping routes, causing port congestion and container shortages across major shipping routes. Now, the ramifications of the nearly eight-month saga are dealing a body blow to maritime trade.

Closure of the Red Sea route has meant capacity shortages when there has been an unusual increase in demand, primarily from the US, which has, in turn, driven up spot prices. This has resulted in a cascading effect on global trade, particularly ahead of the peak season, in many of the world's major buying markets for India. According to the latest data released by the ocean and freight rate benchmarking and intelligence platform Xeneta, the ocean freight container shipping market is set to surpass the Red Sea crisis peak, reaching levels not seen since the COVID-19 pandemic.

Xeneta's latest shipping indices show the market is heavily affected by a host of factors, including the ongoing conflict in the Red Sea, port congestions, equipment shortages, and potential labour issues at US ports. This coupled with the fact that shippers are deciding to front-load imports ahead of the traditional peak season in Q3, has overburdened the shipping industry.

Peter Sand, Xeneta's Chief Analyst, says the early arrival of peak season is adding to the uncertainty in the market. "Back at the start of 2024, one could point to the Red Sea crisis as the root cause of spot rate increases, but this time around, it is far more nuanced," he says. He adds ocean freight carriers have tried to remedy the diversions in the Red Sea by increasing transshipments in the Western Mediterranean and Asia, but this has led to severe port congestion in several hubs.

According to Capt. Amrit Singh, Lead Shipping Analyst at LSEG, more vessel diversions via Cape of Good Hope due to the risk of Red Sea attacks on shipping, and the average speed of the large containership fleet remaining below pandemic levels, is adding to the issue "Given the cocktail of these factors coupled with the early onset of the regular peak season in Q3 to avoid supply chain issues whilst ordering for the festive

season, we expect elevated rates in the near term on key trade lanes," he says.

### India's transshipment ports under acute distress

A large part of India's exports is transshipped. According to the Eurostat, "transshipment (sometimes also trans-shipment or transshipment) means the unloading of goods from one ship and its loading into another to complete a journey to a further destination, even when the cargo may have to remain ashore some time before its onward journey."

Colombo, Singapore, and Port Klang, are currently experiencing unusually high congestion.

A significant portion of India's transshipped cargo is handled at ports outside India. Besides strong dependence on Chinese ports, Indian traders primarily rely on the transshipment ports of Colombo (Sri Lanka), Singapore Port, and Port Klang (Malaysia). Traders prefer these ports because of their strategic locations and direct shipping lines between India and other major global destinations. The volume of trade to and from India through these ports is quite significant.

In 2019, ports outside India handled nearly 75% of India's transshipped cargo, with Colombo alone handling approximately 2.5 million TEUs. TEU stands for "Twenty-foot Equivalent Unit" – a standard measurement used in the shipping industry to describe the capacity of container ships.

Singapore is another major transshipment hub used by Indian traders. Port Klang, in Malaysia, is one of the most significant transshipment hubs in Southeast Asia, strategically located along the key shipping routes connecting East Asia, Southeast Asia, and the Indian Ocean. This makes it an ideal transshipment point for cargo moving between India and other regions, allowing Indian exporters and importers to consolidate and redistribute cargo efficiently. Smaller feeder vessels can transport goods from India to various destinations in Southeast Asia and beyond after transshipment. Notably, all these three ports are under huge strain.

Looking at Xeneta's list of the top 10 most congested anchorages, or the one provided by Linerlytica as of June 25th, both Singapore and Malaysia, highlight significant congestion and bunching of vessels at key ports and anchorages popular with Indian traders.

Container congestion at various ports by Linerlytica as of June 25th shows that Shanghai/Ningbo has the highest number of ships at both anchorage and port. Experts further acknowledge Port Klang congestion may cause disruptions in the flow of goods across Southeast Asia. The situation at the Middle East's Jebel Ali Anchorage in Dubai is also no different.

### Return of 'great supply chain crisis'

The bunching of ships at major transshipment ports has severely crippled Indian traders' shipments.

A section of traders say the way things are unfolding, we might end up in a similar situation as we did during the years of the COVID pandemic. Traders anticipate an unusually challenging peak season for container shipping, which typically runs from June to August.

Recalling the days of the 'great supply chain crisis' (a period right after the pandemic days), Sumit Jain, Managing Director of Kanin Originals, a Delhi-based textile company, says, "During the time right after Covid when the freight rates of \$2000 became \$12000. It is almost similar now. My shipments to Africa and the US are experiencing a delay of 2-3 weeks because they are currently held up at Colombo port. From China, prices of whatever we used to import have soared manifold, freight rates that were \$2000 are now over \$8000. Currently, mother vessels from China, which typically dock at Indian and neighbouring ports, are stuck and spread out thinly.

The uncertainty surrounding the Red Sea situation and the geopolitical conflicts escalating by the day make it difficult to predict when the situation will settle down.

Sribash Dasmohapatra, Executive Director of Plexcouncil, explains that the sharp increase in shipping freight rates from China to India (rising from \$1,000 to \$4,500 PMT) has had a major impact on their revenue due to the significantly higher cost of imported raw materials.

"Freight costs have risen by approximately 300-400% and raw material costs have increased by around 15-20% YoY. This price hike, coupled with vessel schedule delays and space shortages, is straining our supply chain, driving up local market prices, and threatening our reliability as an exporter to key markets like Europe, the USA, and the Middle East."



Nikhil K Masurkar, CEO, Entod Pharmaceuticals, says container freight rates have reached levels not seen since the onset of the COVID-19 pandemic. However, certain routes and destinations have witnessed more pronounced rate hikes compared to others.

According to Masurkar, specific regions experiencing heightened rate fluctuations include those in Asia-Pacific, Europe, and North America.

The country's home textile sector, an MSME demand segment, is also bearing the brunt of congested ports and a steep hike in freight and container rates. Industry officials in the textile hubs of Panipat, Tirupur, and Coimbatore highlight the lack of recourse to them. "Since the Red Sea crisis started in mid-November last year, rates have gone up almost three times. Now, there is another 25% increase on top of that. As exporters, we are in medium-term contracts with buyers and cannot ask for higher prices. Instead, we have to absorb the costs at our end," says Sanjay K Jain, Chairman of the ICC National Textiles Committee and MD of TT Ltd.

Arun Kumar Garodia, Chairman of the Engineering Export Promotion Council, opines that malfunctioning equipment and an increase in the number of ships calling at Singapore have caused congestion at Colombo and Singapore ports. Another factor that Garodia highlights could play a role here is that China is shipping large volumes to the US, especially considering the additional import duties that could apply to Chinese goods starting August 1, 2024.

### Crisis to fuel nearshoring

The higher freight rates have hit the bottom line of exporters. Vikas Singh Chauhan, Director of HEWA, says to make matters worse, buyers refuse to bear this extra cost. "Buyers are showing hesitation in booking new orders, resulting in a decline of 20-30%," says the representative of the Ghaziabad-based MSME association.

He asserts that the idea of nearshoring (the practice of sourcing goods locally) is expected to gain momentum now. Explaining his rationale, he says many buyers are preferring local sourcing rather than sourcing from India. Buyers say that at least when dealing locally, they may have to pay more, but they get their goods sooner. "Many buyers are sourcing from Turkey, as their transit time is relatively less. So, buyers' movements have been witnessing a reorientation," says Chauhan.

## Is relief on the horizon?

Industry experts are unsure about the specific timeframe for stabilization in rates. However, they expect some relief in the second half of 2024, with costs potentially decreasing or stabilizing. This outlook, however, is subject to change based on various factors, including changes in global demand, supply chain disruptions, and geopolitical events.

According to the EEPC's chairman, rates may stabilise by late July or early August. However, many MSMEs in the industry are not so optimistic about a quick turnaround.

At least in the case of container prices, Christian Roeloffs, co-founder and CEO of Container xChange, is quite hopeful for a change in the status quo. In his view, the market is showing signs of volatility driven by short-term factors, rather than a sustained increase in demand. "As the initial rush to restock inventories subsides, we anticipate a stabilization or even a decline in container prices in the mid-term," he adds.

To address the crisis, the government and industry stakeholders must take urgent action, assert industry experts. Plexcouncil's Dasmohapatra urges government interventions in negotiating freight rates, investing in port infrastructure, supporting MSMEs financially, stockpiling raw materials, exploring alternative transport modes, and simplifying trade procedures.

Source: [economictimes.com](https://economictimes.com) – June 26, 2024

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## **Cotton consumption second highest in a decade: Textile Ministry**

Cotton consumption by the textile industry in the current marketing season (October 2023 to September 2024) is one of the highest this decade, said a press release from the Ministry of Textiles.

The third meeting of the Committee on Cotton Production and Consumption for this season was held on Monday. Roop Rashi, the Textile Commissioner, said this year will be the second highest consumption out of last ten years with an estimated demand of 307 lakh bales, including 103 lakh bales from the MSME textile units.

Cotton production this season is expected to be 325.22 lakh bales, imports 12 lakh bales, and exports 28 lakh bales. The season is likely to end with 47.38 lakh bales closing stock.

Trade and industry representatives said Indian cotton prices are currently higher than those internationally and are unlikely to rise further.

Textile mills are operating at 75%-80% capacity and if this increases, cotton requirement will go up. Cotton yarn exports have revived to 95-105 million kg per month, while in April-December 2022, it went down to 50 million kg or less a month.

But mill owners said they are unable to see better margins because of higher production costs.

Source: thehindu.com– June 25, 2024

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## **Vision 2030: Can India become a \$100 billion textile and apparel exporter?**

India's ambitious plan to reach \$100 billion in textile and apparel exports by 2030 faces challenges but holds promise. This includes \$40 billion from apparel exports.

As per WTO 2023 statistics, India is the second-largest textile exporter globally (7.4 per cent market share) but the fifth-largest garment exporter (3.1 per cent market share). The status is that the garment exports have stagnated around \$14-17 billion for the past five years, with a 10.2 per cent decline in FY 2023-24. However, the textile sector fared slightly better with a 12.5 per cent decline in exports in 2022.

Indeed, there are many challenges on way to achieving this goal.

**Competitiveness:** Countries like Bangladesh and Vietnam enjoy tariff advantages, making Indian exports less competitive.

**Limited MMF production:** India's strength lies in cotton, but it lags in man-made fibers, a growing segment.

**Skill gaps and labor issues:** Minimum wages are low and poorly enforced, impacting worker well-being and productivity. Additionally, there's a need for skill development in the workforce.

**Disruptions:** The COVID-19 pandemic disrupted supply chains, impacting the industry's recovery.

**Government initiatives**

The Indian government is implementing various schemes to boost the industry.

**Production Linked Incentive (PLI) scheme:** This scheme incentivizes production of man-made fibers and technical textiles.

**PM Mega Integrated Textile Region and Apparel (PM MITRA) parks:** These parks aim to create integrated textile manufacturing facilities with economies of scale.

Free Trade Agreements (FTAs): Recent FTAs with UAE and Australia and ongoing negotiations with UK and EU aim to reduce trade barriers and increase market access.

Rebate schemes: Extensions of schemes like RoSCTL provide financial benefits to garment and apparel exporters.

Table: Stats at a glance

Target: \$100 billion in textile and apparel exports by 2030.

Current exports: \$14.53 billion in garments and \$19.4 billion in textiles (FY 2023-24).

Market share: 7.4 per cent in textiles (world's second largest), 3.1 per cent in garments (world's fifth largest).

Vision 2030 recognizes the growing demand for sustainable textiles. Initiatives include promoting recycling facilities to reduce waste; encouraging resource-efficient processes like zero liquid discharge and use of renewable energy; Promoting adherence to environmental, social, and governance best practices.

Industry leaders emphasize the need for automation and digitalization to improve efficiency; skill development to create a future-ready workforce; embracing global best practices to enhance competitiveness.

Achieving 'Vision 2030', a realistic goal

While the \$100 billion target might be challenging, significant progress is certainly achievable. The government's supportive measures, industry initiatives, and a focus on sustainability can propel India's textile and apparel sector forward.

Success will depend on effectively addressing competitiveness issues, upgrading infrastructure, and ensuring a skilled and fairly compensated workforce. India's rich textile heritage, strong raw material base, and large workforce position it well to become a global leader but achieving Vision 2030 will require a concerted effort from all stakeholders.

Source: fashionatingworld.com– June 25, 2024

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## **Mixed signals from global apparel market, imports slump as India's exports rise: Wazir Advisors Report**

The global apparel market is presents a complex picture with declining imports in major regions like the US and EU, contrasting with a rise in Indian apparel exports reveals Wazir Advisors' June 2024 'Apparel trade scenario in key global markets and India' report.

Falling imports, rising exports, a balancing act

Wazir Advisors' monthly report reveals apparel imports across key markets except the UK witnessed a year-on-year decline in April 2024. This aligns with the decline in retailer inventory data, indicating efforts to clear out existing stock. However, this trend contradicts the rise in US consumer confidence, which could signal pent-up demand waiting to be unleashed. Several factors could have led to this scenario.

The retailer inventory data suggests high inventory levels in previous quarters. For example, the Q1 inventory value of Walmart is \$55.4 billion and the year-to-date (YTD) change is -3 per cent. Similarly Target's inventory value in Q1 is \$11.7 billion and YTD is -7 per cent.

Kohl's inventory value for the same quarter is \$3.1 billion with -13 per cent change. In Gap's case the value is \$2.0 billion with -15 per cent change and VF Corp's inventory value is \$1.8 billion with -23 per cent change. The significant decline in inventory value at major US retailers during Q1 2024 reflects their cautious approach to managing stock levels.

Another factor leading to a drop in imports in key markets is retailers exercising caution amidst global economic uncertainties. Conversely, India's apparel exports in May 2024 showed a significant 17 per cent YoY growth. This positive trend might be driven by increased global demand for Indian apparel, potentially due to competitive pricing or specific product categories. Diversification of export markets by Indian apparel manufacturers.

However, India's apparel exports growth is overshadowed by a decline in exports to Bangladesh, a major competitor. The flat export to China, a dominant market, further complicates the picture.

## Discrepancy in consumer confidence and retail sales

US consumer confidence rose by 5 per cent in April 2024, indicating a potential rise in consumer spending. However, US apparel store sales in May 2024 were estimated to be 1 per cent lower compared to the previous year. This inconsistency suggests consumers might be prioritizing other purchases over apparel. Another reason could be a shift towards online shopping.

While US home furnishing stores experienced a surprising 4 per cent increase in May 2024, apparel stores witnessed a slight decline. Similarly, UK apparel store sales are down. This inconsistency highlights a shift in consumer spending behavior, possibly towards home goods over apparel. However, the strong growth in UK online clothing sales suggests a potential migration towards e-commerce channels.

### Regional variations

The UK stands out with a rise in apparel imports at 14 per cent YoY despite a 3 per cent decline in apparel store sales. This could imply UK retailers are stocking up in anticipation of future demand. There is changing consumer preferences within the UK market. Interestingly,

While US online clothing and accessories sales witnessed a slight decline in Q1 2024, UK online clothing sales experienced a 7 per cent growth. This suggests the e-commerce apparel market might be stabilizing after a period of rapid growth.

The data points towards a global apparel market in transition. Declining imports and high inventory levels indicate a period of adjustment.

However, rising Indian exports and a potential shift towards online shopping suggest opportunities for growth. It's crucial to monitor consumer spending patterns and regional variations to understand the evolving dynamics of this industry.

Source: fashionatingworld.com– June 25, 2024

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## **CCI introduces QR code traceability for cotton bales in India**

The Cotton Corporation of India (CCI) has enhanced transparency in the traceability of cotton produced in India. Each bale of cotton will now be sold with relevant information accessible via a QR code. Lalit Kumar Gupta, chairman and managing director of CCI, announced this initiative at the third meeting of the Committee on Cotton Production and Consumption (COCPC) for the Cotton Season 2023-24, held yesterday in Mumbai.

Gupta stated that every bale is now under QR code traceability, providing information on the village of procurement, the factory where it was processed, and the date of selling. The meeting was chaired by textile commissioner Roop Rashi. Representatives from the central government, state government, textile industry, cotton trade, and ginning & pressing sector attended the meeting. The cotton scenario was deliberated, covering state-wise area, production, import, export, and consumption of cotton.

Addressing a post-meeting press conference, Rashi said the industry would have enough raw material availability. She also informed that cotton consumption has increased, marking the second highest consumption out of the last ten years. The Textile Commissioner further stated, “The industry is on a good path, and we look forward to better consumption statistics.”

According to COCPC, the total supply of cotton is estimated at 398.38 lakh bales of 170 kg, including an opening stock of 61.16 lakh bales, production of 325.22 lakh bales, and imports of 12 lakh bales in the current season 2023-24 ending September 30. Total supply last season was 390.68 lakh bales, including 39.48 lakh bales opening stock, 336.60 lakh bales production, and 14.60 lakh bales of imports.

The closing balance will be 47.38 lakh bales in the current season against 61.16 lakh bales of last season. The total demand will increase to 351 lakh bales this season, compared to 329.52 lakh bales last year. Out of this, exports will increase from 15.89 lakh bales to 28 lakh bales this season.

Source: fibre2fashion.com– June 25, 2024

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## Levi's Opens Its Largest Store in India

Levi's largest store in India is open for business.

The denim brand opened an owned-and-operated 9,150 square foot store in New Delhi's Pacific Mall, which attracts approximately 1 million visitors each month. Featuring Levi's Icon design concept, the store provides consumers with an elevated shopping experience centered around the brand's denim roots. The store boasts indigo ceilings and indigo ombre pillars. Bespoke elements such as LED displays with visual animations are displayed throughout the day.

A comprehensive assortment of Levi's iconic styles like the 501 jean and Trucker jacket are available as well as trend-focused collections for men and women. The store also houses a Levi's Tailor Shop, offering enhanced personalization services such as custom embroidery and distressing, enabling customers to create unique products tailored to their preferences.

Levi's said the store "reaffirms its commitment to enhancing brand expansion and its direct-to-consumer strategy, providing a larger footprint for an extensive display of Levi's products, ensuring both new and returning customers can effortlessly find their favorite styles and explore exciting new offerings."

The store is Levi's largest in a mall globally. It is also the brand's third recent store opening in Asia. In April, the brand landed in Bangladesh opening its first store in the capital city of Dhaka. Levi's also reopened of its store in the popular mall, CentralWorld, in Bangkok, Thailand.

"As we continue to expand our footprint in India, this opening underscores Levi Strauss & Co.'s commitment to a direct-to-consumer approach complemented by elevated shopping experiences for consumers at our stores," said Hiren Gor, Levi Strauss & Co. general manager, South Asia. "With the expanded floor space, fashion seekers and style curators alike visiting our Pacific Mall store can also expect to find a wide assortment of products to achieve their desired top-to-bottom denim lifestyle looks."

Source: [sourcingjournal.com](https://sourcingjournal.com)– June 25, 2024

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