IBTEX No. 113 of 2024 **July 09, 2024**

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USD	EUR	GBP	JPY
83.49	90.40	106.94	0.52

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INTERNATIONAL NEWS

China's textile and apparel exports show strong growth in May

China's textile and apparel exports witnessed significant increase in May 2024, according to converted export volume data. All three major segments – fibers, textiles, and clothing – displayed growth compared to both the previous month and the same period last year.

Finished fabric products led the increase, boasting of the fastest year-on-year growth rate. Yarns and fabrics, on the other hand, displayed a weaker performance. Notably, used clothing exports witnessed a remarkable increase within this segment.

Export volume grows across categories

There was a significant rise in export volume year-on-year (YoY) and month-on-month (MoM) across all major categories. While growth rates varied slightly between segments, the overall trend was positive. Interestingly, the year-on-year growth rate for May surpassed the combined growth rate for the year up to that point across categories. This indicates a significant acceleration in exports specifically for the month of May.

As pointed out, finished fabric products remained the fastest-growing segment, followed by apparel and then yarns and fabrics. In subcategory used clothing exports witnessed a particularly notable increase, both YoY and MoM.

Seasonal upward trends were observed, the year-on-year and month-on-month growth suggests a potential seasonal upswing in exports potentially influenced by shipping delays due to maritime congestion in April and May.

From January to May, fabric and other textiles performed the best, while fibers and yarns (especially polyester filament exports) lagged behind. Apparel growth fell in the middle.

Table: Top 5 subcategory growth from Jan to May

Subcategory	Y-o-Y change (tons)
Used Clothing	+ Significant Increase
Synthetic Fiber Filament Yarn	+ Over 100,000
Woven Fabrics	+ Over 100,000
Knitted Fabrics	+ Positive Growth
Cotton Yarn	+ Positive Growth

Used clothing leads the charge

A detailed analysis of subcategories with year-on-year changes exceeding 20,000 tons revealed a clear leader: used clothing. This category witnessed the most significant increase, followed by synthetic fiber filament yarn and woven fabrics, which both saw a rise of over 100,000 tons compared to the same period in 2023.

Kenya, the Philippines, Angola, Tanzania, and Nigeria were the leading destinations for these exports. Conversely, synthetic fiber filament yarn, particularly polyester filament, experienced the most significant decline.

The report highlights the rapid growth trend of used clothing exports over the past few years, with this trend appearing to accelerate. Overall, China's textile and apparel industry appears to be experiencing a robust period, driven by strong growth across various segments and a surge in used clothing exports. This trend suggests continued positive developments for the industry in the coming months.

Source: fashionatingworld.com– July 08, 2024

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Global air freight rates remain resilient in June 2024: TAC

Global air freight rates maintained a firm tone throughout June 2024, according to the latest data from TAC Index, a leading price reporting agency (PRA) for air freight.

The Baltic Air Freight Index (BAI00), calculated by TAC, ended the four weeks to July 1 down only slightly by 1.2 per cent, leaving it ahead by positive 10.4 per cent over the past 12 months.

The data confirms that the market has remained surprisingly strong through what is typically a low season. The relative strength of the market reflects ongoing robust activity in e-commerce, driven by large China-based exporters.

Additionally, continued disruptions to ocean shipping, made more expensive by ships diverting away from the Red Sea and around the Cape of Good Hope, have significantly increased ocean shipping rates, making air cargo appear relatively less expensive.

These trends are further supported by TAC's data on air freight rates out of China. The index of outbound routes from Hong Kong (BAI30) gained 2.3 per cent in June, putting it ahead by 21.1 per cent year-on-year (YoY). Outbound Shanghai (BAI80) saw a slight decrease of 2.7 per cent month-on-month (MoM), but remained significantly higher by 42.1 per cent YoY.

Rates are also substantially higher YoY from other major Asian markets, notably from India and Vietnam, particularly on lanes to Europe, according to TAC data.

In contrast, the market out of Europe remains somewhat weaker. The index of outbound routes from Frankfurt (BAI20) decreased by 3.4 per cent MoM, resulting in a YoY decline of 18.3 per cent. Outbound London Heathrow (BAI40) enjoyed a rise in the final week of June, pushing it ahead by 6.4 per cent MoM, but it is still down by 27.2 per cent YoY.

From the Americas, the market also ended the month on a weaker note. A significant drop in the final week left the often volatile index of outbound routes from Chicago (BAI50) down by 15.9 per cent MoM and 32 per cent YoY.

As noted last month, the macroeconomic outlook has started to appear somewhat more optimistic. The US economy is slowing down at a gentle rate, with the Federal Reserve aiming for an 'immaculate soft landing'. Europe is beginning to recover from the shock of the Ukraine war, and Japan is experiencing robust growth after years of stagnation.

With the economic outlook not too bad, markets have shifted their concerns to the political outlook. Many elections around the world this year, alongside ongoing conflicts in Ukraine and the Middle East, have added to market anxieties.

Source: fibre2fashion.com– July 08, 2024

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UK's business confidence & conditions improve slightly in Q2 2024: BCC

UK's business confidence and conditions saw a slight improvement in the second quarter (Q2) of 2024, though from a very low base, according to the latest Quarterly Economic Survey from the British Chambers of Commerce (BCC). The survey revealed that 58 per cent of firms expect an increase in turnover over the next year, compared to 56 per cent in Q1. In contrast, 29 per cent anticipate no change, and only 13 per cent foresee a decline.

About 38 per cent of firms reported an increase in domestic sales over the past three months, up from 36 per cent in Q1. Meanwhile, 43 per cent of businesses reported no change, and 20 per cent experienced a decrease. Sectoral differences were noted, with 37 per cent of manufacturers reporting a boost in sales, compared to only 33 per cent of business-to-consumer businesses, such as retail.

With inflation easing towards the target, fewer firms (39 per cent compared to 46 per cent in Q1) expect to raise their prices in the coming months. However, despite these improved trading conditions, most firms are still not increasing investment. Labour costs remain the primary cost pressure, with 67 per cent of firms citing this issue, down slightly from 68 per cent in Q1, as per the survey.

There was also an uptick in firms experiencing increased cash flow, rising to 28 per cent from 26 per cent in Q1. Meanwhile, 47 per cent reported no change in cash flow, and 24 per cent reported a decrease.

Profitability confidence also rose, with 51 per cent of companies expecting profits to increase in the next year, compared to 48 per cent in Q1. In contrast, 32 per cent expect no change, and 17 per cent believe their profits will fall.

While inflation remains the biggest external worry among businesses, concern levels have significantly decreased. Approximately 49 per cent of firms are more concerned about inflation than in the last quarter (58 per cent in Q1), a level of concern last seen in 2021 and significantly lower than the 84 per cent reported in Q2 2022, at the peak of the inflation crisis.

Additionally, 39 per cent of respondents are concerned about competition, and 36 per cent about tax. With an interest rate cut likely in the coming months, the percentage of firms raising the cost of borrowing as an issue remains relatively stable at 34 per cent in Q2, compared to 35 per cent in Q1.

Despite the boost in business confidence and conditions, investment levels continue to struggle. Only 25 per cent of firms reported an increase in investment, compared to 24 per cent in Q1. Meanwhile, 61 per cent said investment levels had remained the same, and 14 per cent reported a decrease.

Sectoral disparities in investment levels were noted, with 42 per cent of transport and logistics firms increasing investment, compared to just 19 per cent of retail companies.

David Bharier, head of research at the British Chambers of Commerce, said: “The latest results from our Quarterly Economic Survey show that both business conditions and business confidence have improved, albeit from a relatively low base. The last four years have seen SMEs deal with one crisis after the other, from Covid lockdowns to supply chain breakdowns and new trade barriers with the EU. As some of these crises have ebbed, more SMEs are regaining confidence and reporting increased sales and cash flow.

“The data also show that concern about inflation among businesses has dropped to levels last seen in 2021 as fewer firms expect to raise prices. A Bank rate cut later this year will help bring down borrowing costs.”

Source: fibre2fashion.com– July 08, 2024

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UK government urged to use tech to tackle garment industry slavery

The new UK government should prioritise the use of digital technology to tackle modern slavery and labour exploitation in garment manufacturing and the fast fashion industry, according to a newly published article by academics from the University of Manchester. The article, authored by Dr Jon Davies, Professor Rose Broad, and Dr Amy Benstead, draws on findings from their interdisciplinary research project, which included interviews with various stakeholders.

The researchers identified several key challenges in the garment manufacturing sector, including poor working conditions, underpayment, long hours without proper breaks, and a lack of job security. These issues contribute to the improper treatment of employees in the industry.

“In severe cases, workers may face threats and coercion, making it difficult to identify and stop exploitation. Additionally, complex supply chains and subcontracting obscure accountability, which can allow unethical practices to develop. Efforts to enforce legislation and ensure ethical standards are often insufficient or inadequately enforced, which contributes to the overall problem,” the academics said in the article.

The findings reveal that many businesses in the sector have limited awareness of how digital technology can help prevent modern slavery and exploitation. In cases where businesses were aware of tools such as Blockchain, these technologies were often dismissed as ‘gimmicks’ that did not address the root causes of modern slavery, such as extensive subcontracting and pressure to minimise labour and product costs. Smaller businesses often lacked the resources or expertise to implement Blockchain, while larger fashion brands were perceived as unwilling to use it due to concerns about reputational damage if exploitation cases were uncovered.

Based on their research, the University of Manchester academics propose several policy recommendations. They advocate for the launch of a government consultation or inquiry involving policymakers, industry, regulators, enforcement bodies, and academia to evaluate the benefits and drawbacks of implementing digital tools like Blockchain in garment manufacturing and the wider fashion industry.

The authors also recommend that businesses be required to avoid 'tech-washing' and associated human rights abuses by being transparent about their use of digital technology. They highlight the Commercial Organisations and Public Authorities Duty (Human Rights and Environment) Bill, proposed by Baroness Young of Hornsey in the last Parliament, as a potential framework for these recommendations if adopted by the new UK government.

Additionally, the academics argue for the creation of a single enforcement body (SEB) to merge key regulatory agencies, such as the Gangmasters and Labour Abuse Authority, the Employment Standards Agency Inspectorate, and the HMRC National Minimum Wage Team. They note that the establishment of an SEB was included in the 2024 Labour Party Manifesto.

Source: fibre2fashion.com– July 08, 2024

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US textile mills hit hardest as manufacturing sector loses 8,000 jobs in June: BLS

Textile mills were the hardest hit as the US manufacturing sector lost approximately 8,000 jobs in June this year, as reported by the Bureau of Labor Statistics (BLS).

Based on a survey of purchasing and supply executives across sectors including textile mills, apparel, leather and allied products, the Institute for Supply Management's latest Manufacturing ISM Report on Business, reveals, not just new orders but production and employment also tightened during the month.

Manufacturing activity in the US contracted at the close of the second quarter, states Timothy R. Fiore, Chairperson, ISM Manufacturing Business Survey Committee. Weak demand, declining output, and accommodating inputs emerged as the key trends during the quarter, he adds.

The Manufacturing PMI stood at 48.5 percent in June, a 0.2 percentage point drop from May. Despite this, the index remained above 42.5 percent for 50 months, except for a dip in April 2020, indicating overall economic expansion over this period, Fiore highlights.

Textile mills reported higher inventories in June, contrary to the broader trend of lower manufacturer-held inventory. Both apparel and leather goods producers, along with textile mills, indicated that customer inventories were 'too high' last month.

The New Orders Index fell to 49.3 percent in June, below the growth threshold but above May's 45.4 percent. Textile mills reported a decline in new orders. 'Panelists' comments noted continued uncertainty and cautiousness as new order levels and customer inventory accounts continue to underperform, adds Fiore.

Order backlogs continued to decline, a trend persisting for 21 months, while the ISM Production Index dropped to 48.5 percent in June from 50.2 percent in May. Textile mills and fabric producers reported lower production, mirroring the broader decline.

Employment also declined to 49.3 percent from May's 51.1 percent. Textile firms were among those reducing employment through hiring freezes, layoffs, and other methods.

Rising raw material prices added to economic pressures, with the ISM Prices Index reflecting six months of growth in June. However, growth slowed from 57 percent in May to 52.1 percent in June.y."

Scott Paul, President, Alliance for American Manufacturing echoes, as seen from the June figures, the combination of an overly strong dollar and high interest rates is dampening the growth in factory jobs. Until the Federal Reserve changes course, factory sector will continue to remain stalled, he adds.

Source: fashionatingworld.com– July 08, 2024

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Germany's exports decline 3.5%, imports down 6.6% in May 2024

In May 2024, German exports fell by 3.6 per cent and imports dropped by 6.6 per cent on a calendar and seasonally adjusted basis compared to April 2024, according to provisional data from the Federal Statistical Office (Destatis). Compared to May 2023, exports decreased by 1.6 per cent and imports fell by 8.7 per cent. Germany exported goods worth €131.6 billion (approximately $142.56 billion) and imported goods worth €106.7 billion (approximately $115.62 billion) in May 2024 after calendar and seasonal adjustments. This resulted in a foreign trade surplus of €24.9 billion, up from €22.2 billion in April 2024 and €16.8 billion in May 2023.

Germany exported goods valued at €72.3 billion to the European Union (EU) and imported goods worth €55.7 billion from these countries in May. Compared with April 2024, exports to the EU decreased by 2.5 per cent, and imports from the EU fell by 8.9 per cent.

Exports to euro area countries totalled €50.2 billion (minus 2.7 per cent), and imports from these countries were €37 billion (minus 8.6 per cent). Exports to non-euro area EU countries amounted to €22.1 billion (minus 2 per cent), while imports from these countries were €18.7 billion (minus 9.6 per cent).

Germany's exports to non-EU countries (third countries) totalled €59.4 billion in May 2024, while imports from these countries amounted to €51 billion, after calendar and seasonal adjustments. Compared with April 2024, exports to third countries decreased by 4.9 per cent, and imports from these countries dropped by 4 per cent, as per Destatis.

The US remained Germany's largest export destination in May 2024. However, exports to the US decreased by 2.9 per cent from April 2024, totalling €13.8 billion.

Exports to China fell by 10.2 per cent to €7.6 billion, and exports to the UK declined by 11.7 per cent to €6.5 billion. China was the leading source of German imports, with goods valued at €13 billion, representing a 1.7 per cent increase compared to April 2024. Imports from the US rose by 4.6 per cent to €7.9 billion, while imports from the UK fell by 9.3 per cent to €2.7 billion.

German exports to Russia dropped significantly, by 19.3 per cent to €0.6 billion in May 2024 compared to April 2024. Compared with May 2023, exports to Russia decreased by 22.1 per cent. Imports from Russia fell by 8 per cent to €0.2 billion in May 2024 from April 2024 and were down 35.7 per cent compared to May 2023.

On a nominal basis (not adjusted for calendar or seasonal effects), Germany exported goods worth €129 billion and imported goods worth €107 billion in May 2024. Compared to May 2023, this represents a 3.8 per cent decrease in exports and a 10 per cent decline in imports. The unadjusted foreign trade balance showed a surplus of €22 billion in May 2024, up from €15.1 billion in May 2023.

Source: fibre2fashion.com– July 09, 2024

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Japan to help Cambodia develop deep sea port as logistics hub

Japan and Cambodia recently agreed in principle to strengthen and expand cooperation in infrastructure and maritime security by participating in the design and development of the Sihanoukville Autonomous Port.

Prime Minister Hun Manet met visiting Japanese foreign minister Kamikawa Yoko at the Peace Palace in Phnom Penh.

Kamikawa said Japan would like to cooperate with Cambodia to develop the port as a hub and logistics base for the latter and the region to strengthen maritime connectivity, a Japanese foreign ministry release said.

They also agreed to expand economic cooperation and attract Japanese investment into the latter.

"For the future, the Government of Japan will continue to strengthen and expand relations and cooperation with the Royal Government of Cambodia in both bilateral and multilateral frameworks," Manet posted on social media.

Both leaders discussed ways to further strengthen and expand economic cooperation and attract investment from Japan.

Kamikawa promised to encourage more Japanese investors to invest in Cambodia.

Source: fibre2fashion.com– July 08, 2024

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Study: Young Consumers Link Materials, Quality to Sustainability

The buying habits of young consumers are changing for the better despite gaps in knowledge about sustainable fashion and access to it, according to a new report by IFM – Première Vision Chair, the Institut Français de la Mode and Première Vision.

Based on a survey of 6,000 consumers from France, Italy, Germany, the U.K. and the U.S., the report found that a significant proportion of consumers in 18-24 and 25-34 age brackets are adopting more sustainable practices, favoring brands that respect both the environment and labor conditions.

While they're often making more sustainable purchases than their older counterparts, young consumers' relationships with sustainable fashion differs by region.

In France, the younger the consumer, the more likely they are to buy eco-friendly products. The survey found that 58.9 percent of 18-24 year olds and 55.1 percent of 25-34 year olds have already purchased one.

In Germany, 64.9 percent of 18-24 year olds have bought a sustainable fashion product during the year, compared with 51.4 percent of the general population. In the U.K., 65.7 percent of 18-24 year olds have done so, versus 47.4 percent of the general population.

The intent to shop more sustainably is proving to be multi-generational, however. The report found that almost one in two people in France are making sustainable fashion purchases. In Italy, 52.6 percent of the population already buys sustainable clothing. In Germany it is 51.4 percent.

When it comes to determining the sustainability of a product, material choice ranks as the most important factor, regardless of the country surveyed. In Italy, 46.7 percent of the population consider it as the main lever for a more responsible fashion industry. The U.K. and the U.S. also exceed 40 percent on this criterion.

"The use of higher-quality materials that are less harmful to the environment, or the use of recyclable or recycled materials, are likely to have a strong influence on young consumers' choices across the world and particularly in France," the report stated.

Young consumers in Germany, Italy and the U.S. named product quality as the most important factor in making a sustainable fashion purchase. In Italy, Germany, the U.K. and the U.S. it is the most

important criterion cited when defining preferred brands, according to the report.

In France, it comes second only to price, though young consumers are still more willing to spend more on sustainable fashion than older consumers. The survey found that 18-24 year olds in France are prepared to spend 331 euros ($354) on a sustainable shopping basket for jeans, a T-shirt and sneakers, compared with 208 euros ($222) for the general population.

"This is the case in all of the countries surveyed," the report stated, with U.S. consumers aged 18-24 having the "most generous wallet" for sustainable products. Young consumers in the U.S. are willing to spend 347 euros ($371) versus 313 euros ($335) for the population as a whole.

The main reason for not making a sustainable purchase cited in the U.S. (34.5 percent) and the U.K. (37.4 percent) was the lack of information on the subject. In Italy, not knowing where to buy these products was the main reason 33.8 percent of the consumers surveyed.

Source: sourcingjournal.com– July 08, 2024

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Vietnamese PM urges ministries to strive for 6.5-7% GDP growth in Q3

Vietnamese Prime Minister Pham Minh Chinh recently urged ministries and officials to double efforts to achieve a gross domestic product (GDP) growth of 6.5-7 per cent in the third quarter (Q3) this year.

Growth in the country accelerated to 6.93 per cent in Q2 2024 from 5.66 per cent in Q1, according to the general statistics office.

In the first half (H1) this year, the country's GDP grew by 6.42 per cent compared to 3.84 per cent during H1 2023, a domestic news outlet reported.

Agriculture saw a growth of 3.38 per cent, while in the industry and construction sector, growth was up by 7.51 per cent. Agriculture and industry-construction sectors respectively make up 11.55 per cent and 36.44 per cent of the country's GDP.

The consumer price index in June rose by 0.17 per cent from May and by 4.08 per cent in H1 2024.

Source: fibre2fashion.com– July 09, 2024

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Thailand, Bangladesh to start FTA talks in Aug last week: Thai envoy

Thailand and Bangladesh will begin talks for a free trade agreement (FTA) next month to raise bilateral trade to $2 billion, the former's ambassador to the latter Makawadee Sumitmor recently said.

A high-level Thai trade delegation will visit Bangladesh in August last week to hold talks and explore business potential and investment environment, the envoy told a press conference announcing a four-day Thai food festival this month in Dhaka.

Thai investment in Bangladesh will help reduce the bilateral trade gap, she was cited as saying by Bangladesh media reports.

Prime Minister Sheikh Hasina had visited Thailand from April 24 to 29 this year and held discussions with her Thai counterpart. She had also attended the 80th Session of the United Nations Economic and Social Commission for Asia and the Pacific.

Bangladesh's exports to Thailand stood at $61 million during the July-May period of fiscal 2023-24, according to data from the Export Promotion Bureau of Bangladesh. Annual bilateral trade stands at $1.2 billion.

Source: fibre2fashion.com– July 08, 2024

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Bangladesh: Cut in export incentives to weigh on textile sector

The government's decision to further cut incentives on export receipts will badly hurt the domestic textile sector which bears an investment of $22 billion, a top leader of Bangladesh Textile Mills Association (BTMA) said yesterday.

Moreover, the primary textile sector, which has been working as the garment industry's main backward linkage, will lose its competitiveness in international markets, said BTMA President Mohammad Ali Khokon.

The government needs to formulate a long-term roadmap for the textile and garment sector to survive and grow well into the country's graduation into a developing nation, he said.

Other comparator countries have already devised such plans and those are working well, he told a press conference at the BTMA office in Dhaka.

For instance, India graduated from least developed country (LDC) status in 2004 and still provides a lot of incentives as alternatives to direct cash subsidies for the growth of the textile and garment sectors, said Khokon.

As a result, the difference in the cost of production of a kilogramme of 30 count yarn in Bangladesh and India is currently 22 cents, he said.

Unfortunately, this advantage is leading to 13 percent of Bangladesh's annual demand for yarn being met with imports from India, causing the local primary textile sector to suffer, he added.

Indian yarn sellers are flooding the Bangladesh market with their cheap products and dominating local yarn manufacturers, he said.
Asked whether the BTMA would ask the government to enforce anti-dumping initiatives, Khokon said lodging complaints is not something that the BTMA should take up.

The government will deal with state level issues and in this case, it can be assisted by the apex trade body, the Federation of Bangladesh Chambers of Commerce and Industry, he said.

The BTMA chief also demanded the withdrawal of a Bangladesh Bank circular of June 30 this year.

The circular announced that cash subsidy on use of local yarn had been reduced to 1.5 percent from 4 percent as a part of preparations for the LDC graduation in 2026.

In January, the government had also reduced the cash subsidy on export receipts to some extent.

However, Bangladesh will enjoy trade benefits of the European Union (EU) as an LDC up to 2029 as the EU always offers graduating LDCs a grace period of three years, said Khokon.

Moreover, the 13th ministerial conference of the World Trade Organization (WTO) held in Abu Dhabi in February this year decided to extend the LDC trade benefits to graduating LDCs for three more years, he said.

So, still there is a long time to go until final LDC graduation. The government should continue the trade facilities up to that time for the growth of the economy, the BTMA chief also said.

The government should also formulate a long-term policy support to address challenges in the post LDC graduation period, he added.

Of the major costs behind the production of every kg of yarn in Bangladesh, gas accounts for 27 cents whereas it was 11 cents prior to a price hike, he said.

Similarly bank loan interest accounts for 11 cents whereas it was 8 cents around a year ago, he said.

The mills have been running at 50 percent capacity because of low gas pressure, he added.

The government also increased the price of gas to Tk 31 per unit for the textile sector but kept it at Tk 15 per unit for power plants, which is discriminatory, he added.

Currently, the textile sector needs 3,800 million metre cubic feet of gas per day (MMCFD) but the government can supply 2,631 MMCFD.

Damage inflicted during the recent Cyclone Remal has reduced the gas supply to 2,350 MMCFD, for which the local millers are facing a severe gas crisis.

Regarding cotton imports, the BTMA chief said since Bangladesh does not produce any cotton, the local millers import nearly $4 billion worth of the fibre, helping to turn the country into the second-largest garment exporter after China.

Along with the continuation of cotton imports, the government should also facilitate imports of man-made fibres as the demand for garment items made from artificial fibres has been rising worldwide and an opportunity has been created for the country, he said.

Source: thedailystar.net– July 07, 2024

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NATIONAL NEWS

PM Modi's Russia visit begins on July 8: Trade, tariff likely on agenda

India's trade deficit with Russia continued to widen for the second consecutive year to $57 billion in the financial year 2023-24 (FY24), with Moscow becoming New Delhi's largest source of crude oil imports.

All eyes will now be on Prime Minister Narendra Modi's visit to Russia during July 8-9, where he is set to meet President Vladimir Putin. This will be Modi's first visit to the Kremlin since the Russia-Ukraine conflict began over two years ago.

Trade and economic issues, including a trade balance in favour of Russia, non tariff barriers and payments and logistics-related issues are likely to be taken up during the visit.

Ahead of the official visit, foreign secretary Vinay Mohan Kwatra had said that the issue of 'imbalanced' trade will be a priority for India during discussions with Russia.

Russia till now is India's second-largest import partner after China during FY24, up from fourth and 19th in FY23 and FY22, respectively. Trade deficit with Russia is also the second highest, after China, commerce department data showed.

The growth in outbound shipments from India has been slow, despite continued discussions between New Delhi and the Kremlin to give a push to exports to Russia.

Exports to Russia saw a decent 35.6 per cent growth, although in terms of value, the outbound shipments were worth $4.26 billion only. On the other hand, the value of imports — $61.24 billion — was 14 times higher compared to exports during 2023-24.

The imports from Russia grew by nearly 33 per cent during FY24 compared to the same time period a year ago. Of the $61.24 billion imports from Russia, one-third of the value of goods imported was of crude oil, amid the commodity being sold at a discount.

“India-Russia bilateral trade has seen a sharp increase in FY24. It has since touched close to $65 billion, primarily due to strong energy cooperation between India and Russia.

With Indian exports of $4 billion and imports being close to $60 billion, trade remains imbalanced. This is a matter of priority in our discussions with the Russian side,” Kwatra had said at a press briefing on Friday. Exporters said sorting out the logistics as well as payments system in local currencies can boost India’s exports to Russia.

Ajay Sahai, director-general (D-G) and chief executive officer (CEO), Federation of Indian Export Organisations (FIEO), said exports have started rising although on a low base.

“However, the main challenge exporters have been facing is logistics issues. There are not many shipping lines transporting goods to Russia (due to fear of sanction). But with the new trade route via Chabahar, exporters’ issues may be addressed,” Sahai said.

He added that both the countries are also looking to establish the Chennai-Vladivostok Maritime Corridor. “Rupee trade (between Russia and India) payments have started to show results. If a free trade agreement (FTA) is signed at this point of time, we will be getting better market access and become more competitive,” he said.

An FTA with Eurasian Economic Union — Russian Federation, Kazakhstan, Belarus, Armenia and Kyrgyzstan — has also been under discussion for some time. However, negotiations are yet to be launched officially.

Exporters said a trade agreement with Eurasia will be beneficial as these nations’ industries don’t compete with each other.

Source: business-standard.com– July 08, 2024

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India, UK to hold next round of talks on proposed trade pact this month

With the new government taking charge in Britain, senior officials of India and the UK will hold the next round of talks this month for the proposed free trade agreement to resolve the pending issues and close the negotiations, an official said.

The India-UK talks for the proposed free trade agreement (FTA) began in January 2022. The 14th round of talks stalled as the two nations stepped into their general election cycles.

The official said the two sides are in touch, and the next round would start this month only.

Britain's newly-elected Prime Minister Keir Starmer spoke to Prime Minister Narendra Modi on Saturday and said he stood ready to conclude an FTA that worked for both sides.

The two leaders agreed to work towards the early conclusion of a mutually beneficial India-UK FTA.

There are pending issues in both the goods and services sectors.

The Indian industry is demanding greater access for its skilled professionals from sectors like IT and healthcare in the UK market, besides market access for several goods at nil customs duty.

On the other hand, the UK is seeking a significant cut in import duties on goods such as scotch whiskey, electric vehicles, lamb meat, chocolates and certain confectionary items.

Britain is also looking for more opportunities for UK services in Indian markets in segments like telecommunications, legal and financial services (banking and insurance).

The two countries are also negotiating a bilateral investment treaty (BIT). There are 26 chapters in the agreement, which include goods, services, investments and intellectual property rights.

The bilateral trade between India and the UK increased to USD 21.34 billion in 2023-24 from 20.36 billion in 2022-23.

The Labour Party's election manifesto for the recent polls also committed to clinching the deal.

The new Starmer-led government's new Foreign Secretary David Lammy is also on the record saying that he wants to finish the job on the FTA and plans to visit India within the first month of being elected.

According to the think tank GTRI (Global Trade Research Initiative), the agreement is nearly finalised and with a few minor adjustments like curtailing the number of visas for Indian professionals, the Labour Party is likely to give its approval.

It has suggested that India should focus on two issues - Carbon Border Adjustment Measure (CBAM) and non-traditional subjects like labour, environment, gender, and intellectual property rights - in the pact.

Historically, India has resisted incorporating these topics into FTAs as they often require domestic policy changes.

The GTRI report has stated that even if the UK agrees to eliminate tariffs on sectors like textiles, Indian exports might still need to meet stringent UK sustainability requirements, and this could adversely affect Indian exports, especially in labour-intensive sectors.

Source: business-standard.com– July 07, 2024

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Commerce ministry targets $100 billion electronics, textile exports by FY30

The Ministry of Commerce and Industry held discussions last week on export targets for key sectors for 2029-30 (FY30), with representatives from export promotion councils.

The meeting, attended by Minister of Commerce and Industry Piyush Goyal, Secretary of the Department for Promotion of Industry and Internal Trade, top officials from the Directorate General of Foreign Trade, and others, focused on achieving $100 billion in exports of electronics and textiles, more than doubling exports in pharmaceuticals and organic/inorganic chemical, and achieving sizeable growth in agriculture and allied products.

However, a questionnaire sent to the ministry did not receive any response until the time of going to press.

In electronics, now India's fifth-largest export, discussions with stakeholders aimed to increase exports to $100 billion by FY30, up from $29.1 billion in 2023-24 (FY24), marking a 23 per cent annual increase. The bulk of current exports are in mobile devices, totalling $15.5 billion last financial year.

A senior executive from a mobile phone exporting company believes the $60 billion target for mobile device exports by FY30 is achievable.

The India Cellular and Electronics Association is already working on new targets under the revamped electronics policy (replacing the 2019 policy) under the Ministry of Electronics and Information Technology (Meity), aiming for a steeper target of $150 billion in FY30.

"With Apple Inc pushing to shift 25 per cent of its global production of iPhones to India by 2025-26 (FY26), it is a distinct possibility that we may surpass the $100 billion target," he argued.

Meity's vision document from 2022 aimed for $300 billion in electronics manufacturing and $120 billion in exports by FY26, now adjusted to achieve these export targets by FY30.

The other big push is in textile exports, which include ready-made garments (RMG), cotton, man-made yarns, fabrics, made-ups, jute manufacturing, carpets, and handicrafts. Discussions were aimed at achieving $100 billion by FY30, up from $34.43 billion in FY24.

The target for RMG alone is $43 billion by FY30, compared to $14.53 billion in FY24. Cotton yarn, fabrics, and made-ups aim to increase from $11.68 billion in FY24 to $27 billion by FY30.

Pharmaceutical exports are targeted to double to $55 billion by FY30, from $27.84 billion in FY24, focusing on drug formulations and biologicals.

In organic and inorganic chemical, the target is $65 billion by FY30, up from $29.38 billion in FY24. The agriculture and allied sector aims for $85 billion in exports by FY30, compared to $50 billion in FY24.

Source: business-standard.com– July 07, 2024

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RBI's draft trade norms envisage more discretion for Ads

Last Tuesday, the Reserve Bank India (RBI) placed on its website, new draft regulations and directions for export and import of goods and services that will come into effect later, with amendments, if any, based on the feedback they get from the exporters, importers and authorised dealer banks (ADs).

At first glance, what is striking is the brevity of the proposed regulations and directions. The draft regulation (872 words) is less than a quarter of the present export regulations (3,700 words). The proposed directions to ADs on exports and imports (2,284 words) is about a twelfth of the current master directions for exports of goods and services (16,122 words) and imports of goods and services (10,828 words) put together.

Exporters and importers who are used to detailed RBI guidelines will now have to await the guidelines from the ADs, who have been asked to put in place a comprehensive, well-documented policy as approved by their Board of Directors within six months for handling payment transactions related to export/import of goods and services and merchanting trade.

The present system of monitoring the payments and receipts for imports and exports respectively through the Import Data Processing and Monitoring System (IDPMS) and Export Data Processing and Monitoring System (EDPMS) would continue.

Exporters would be required to give the value declaration in the prescribed form that would also include the undertaking to realise the export proceeds within the stipulated time limit of 9 months, applicable in the draft regulations for all types of export transactions. Conspicuous by their absence are the provisions for waiver of such declarations for exports of samples, free of cost replacements or supplies, gifts, goods sent abroad for testing etc

The draft directions allow ADs to grant more time where an exporter has not been able to realize export proceeds for reasons beyond his control, and also where the exporter has not been able to fulfill the export obligations against export advance.

In case of imports also, the ADs can grant extension for making payments. The normal period for making payments for imports would be the period specified in the contract between the buyer and the seller. Exporters taking advances from the buyers must fulfil their obligations within the contracted time limit. ADs may allow set-off of export receivables against import payables in respect of the same counterparties but cannot allow set-off of export receivables for goods against import payables for services and vice versa. ADs can permit reduction in the full export value in bonafide cases but all cases of reductions of over 25 per cent in the full export value of exports must be put up to their Boards for post-facto ratification.

An exporter can be 'caution listed' in the EDPMS if payment against export is outstanding for more than two years after the due date for realisation of export proceeds, including extensions granted, if any. ADs would give the defaulting exporter a notice and an opportunity of being heard before putting his name in the caution list. ADs will handle the documents of a 'caution listed' exporter only against full advance payment from the buyer or irrevocable letter of credit.

The draft regulations and directions envisage more discretion to ADs on operational matters relating to imports and exports. Much depends on how they respond.

Source: business-standard.com– July 07, 2024

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India Budget: Textile sector wants raw material at competitive prices

Almost four months into the fiscal 2024-25 (April-March), the Indian textile industry remains hopeful for significant support from the upcoming Union Budget. Scheduled for presentation on July 23 by Finance Minister Nirmala Sitharaman, the budget is eagerly anticipated by industry stakeholders, particularly those in the spinning sector.

Key demands include the assurance of fibre supplies such as cotton, polyester, and viscose at internationally competitive prices and global standards. Additionally, the industry is seeking subsidy support to aid in technical upgradation.

RK Vij, emeritus president of the Textile Association of India (TAI) and secretary general of the Polyester Textile and Apparel Industry Association (PTAIA), told Fibre2Fashion, "The government should ensure raw material supply at international prices and quality, so our garment industry stays competitive with suppliers from other exporting countries." He said that the Finance Minister should raise duties on garments to discourage imports of finished products.

Vij also said that the Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme should be extended beyond September 2024 when it is set to end. He highlighted the problem of the inverted duty structure of GST. Although it will not be part of the Union Budget, he emphasised the need to streamline the tax rates of various textile products. The tax rate should be higher on downstream products.

Rakesh Mehra, chairman of The Confederation of Indian Textile Industry (CITI), expects the new government to formulate policies that ensure the availability of raw materials at internationally competitive prices. The industry needs a scheme similar to Technology Upgradation Fund Scheme (TUFS) for the revival of investment. There is significant potential to revive investment in the processing and value-addition stages of the textile sector.

Mehra also demanded a second version of the Production Linked Incentive (PLI) scheme for more products. He is also of the opinion that the government should expedite negotiations to conclude free trade agreements (FTAs) with important countries like the UK and the EU.

Dr. SK Sundararaman, chairman of The Southern India Mills' Association (SIMA), said that the Indian textile industry is currently facing unfair disadvantages, particularly in light of preferential trade taxation and tax exemption policies that benefit competitors from other countries. He called for the availability of high-quality cotton at prices 10 per cent lower than the international market.

He further added that the government should remove import duty on cotton and allow the free availability of international cotton in the Indian market. Additionally, the government should take steps to double cotton production in the country by boosting the yield per acre, making cotton cultivation more financially rewarding for farmers.

Sanjay Garg, President of Northern India Textile Mills' Association (NITMA), said that the Finance Minister should impose minimum import price (MIP) for all types of fabric in the coming budget. MIP on selected HSN codes has failed to restrict flooding of fabric imports in the country, as it has opened the door to manipulation in declaration and actual imports. Likewise, the implementation of quality control order (QCO) on man-made fibres and polyester yarn has also encouraged flooding of polyester fabric imports. Since there is no QCO on fabric and garments, they are being imported in large quantities.

Garg also reiterated the industry's demand of removal of duty on imported cotton. He said that Indian industry is lagging behind due to costly cotton. The government is increasing minimum support price (MSP), which is raising prices of Indian cotton. Currently, "our cotton is at least 10 per cent costlier than global rates. Earlier, domestic prices were 10 per cent lower than the global market. Therefore, there is no meaning to continue import duty on cotton imports."

Jaikrishna Pathak, President, The Bombay Yarn Merchants Association and Exchange Ltd emphasised on the need to streamline polyester textile value chain. "Costlier fibre and yarn is not good for the downstream industry. The government should restrict imports of fabric to save the domestic industry." He also demanded reduction of GST on raw material to resolve the problem of inverted duty structure.

Source: fibre2fashion.com– July 08, 2024

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Textile industry seeks support for the spinning sector in Union Budget 2024-25

The textile industry is eagerly anticipating significant support, particularly for the spinning sector in the upcoming Union Budget for fiscal 2024-25, slated for presentation on July 23 by Finance Minister NirmalaSitharaman,

Stakeholders in the industry, including RK Vij, Textile Association of India (TAI) and the Polyester Textile and Apparel Industry Association (PTAIA), are emphasising several key demands. These include ensuring a steady supply of raw materials such as cotton, polyester, and viscose at globally competitive prices and standards. Vij also advocates for increased duties on garment imports to boost domestic manufacturing competitiveness.

Furthermore, Vijemphasiseson the extension of the Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme beyond its current deadline in September 2024. He highlights concerns over the inverted duty structure of GST and urges for streamlined tax rates across various textile products, suggesting higher taxes on downstream items.

Reiterating these sentiments, RakeshMehra, Chairman, Confederation of Indian Textile Industry (CITI), calls for policies to ensure competitive raw material prices and proposes a Technology Upgradation Fund Scheme (TUFS) to stimulate investments in textile processing and value addition.

Dr. SK Sundararaman, Chairman, The Southern India Mills' Association (SIMA), emphasiseson the need for fair trade policies and urges for the availability of high-quality cotton at 10 per cent lower prices than international markets. He advocates for removing import duties on cotton to facilitate easier access to global supplies and enhance domestic cotton production.

Sanjay Garg, President, Northern India Textile Mills' Association (NITMA), stresses the imposition of a minimum import price (MIP) on all fabric types to curb imports and prevent manipulation. Garg also advocates for the removal of import duties on cotton to address cost discrepancies compared to global rates.

JaikrishnaPathak, President, The Bombay Yarn Merchants Association and Exchange, underscores the need to streamline the polyester textile value chain and reduce GST on raw materials to rectify the inverted duty structure.

These industry experts collectively seek proactive measures from the government to support raw material availability, enhance competitiveness, and stimulate investment across various segments of the textile sector ahead of the upcoming budget presentation.

Source: fashionatingworld.com– July 08, 2024

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Economic Survey likely to be tabled in Parliament on July 22

The Centre is likely to table the Economic Survey in Parliament on July 22, a day before the Modi 3.0 Government's first full Union Budget is presented on July 23.

The Economic Survey, overseen by Chief Economic Advisor V Anantha Nageswaran, provides an annual review of the Indian economy. This document assumes significance as it provides an outlook on growth, inflation rate and projection, forex reserves and trade deficits. It also highlights the policy initiatives of the Central Government.

Usually, the government does not present a comprehensive Economic Survey before an interim budget (this year the interim budget was presented on February 1). It is presented after the formation of the new government at the Centre post-general elections.

Earlier this year, instead of an Economic Survey, a report titled 'Indian Economy—A Review' was released, providing glimpses of the outlook for the economy. This report was prepared by the office of the Chief Economic Advisor (CEA) V Anantha Nageswaran.

The Budget Session of Parliament will commence on July 22 and will extend till August 12. Finance and Corporate Affairs Minister Nirmala Sitharaman will present her seventh consecutive Budget on July 23.

The Centre is likely to use the Budget as an opportunity to make a big picture statement about the long term economic policy vision over the next several years.

The policy announcements would likely align with the government's development agenda for 2047 (coinciding with centennial of Indian independence). The Budget is widely expected to have a thrust on rural economy, job creation through labour intensive manufacturing, support for MSMEs, skilling and continued focus on services exports.

Source: thehindubusinessline.com– July 08, 2024

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Data analysis and GST policy

Data, it is said, is the new oil. One can argue that data is the nectar that policymakers must drink and digest to make good policy. The recent magisterial study by Arvind Subramanian and his team has brought out the veracity of this assertion on the seventh anniversary of the introduction of the goods and services tax (GST).

One of the findings is that GST revenue performance has been overstated because of considering gross revenues instead of net revenues, given the significant proportion of integrated GST (IGST) refunds paid to exporters (0.7 per cent to 0.8 per cent of gross domestic product, or GDP). Therefore, the GST-to-GDP ratio reached the pre-GST level of 6.1 per cent only in 2023-24. This is a sobering truth. If this had been known earlier, perhaps the GST rate reduction exercise in 2017-2018 and 2018-2019 would have been more tempered, with rate cuts balanced by increases in certain items to maintain revenue neutrality.

The study results bring out one important fact: We have not utilised the rich vein of GST data. It is time now to open this up to all private research outfits and public finance groups in our universities. What are the important areas of research with implications for policymaking?

First, there is the important area of inter-state trade. When GST implementation was debated, it was claimed that by the abolition of entry tax and octroi, the so-called “border taxes”, inter-state trade would increase. The Economist in a recent special report said that inter-state trade as a proportion of GDP rose from 23 per cent to 31 per cent between 2017 and 2021. We need to dive deep into this claim using IGST data and other proxy datasets. It is important to know whether the Indian market has expanded post-GST, and which states have gained.

Another crucial area is the impact of GST on small businesses and the whole process of formalising the economy. Small businesses are not one uniform category, as it is often made out to be. In fact, GST reforms should have boosted the fortunes of all small services companies that would have had the opportunity to utilise blocked credits on taxes paid on capital goods.

While policymakers await this analysis, the question is: How do we bring this “happy ending” to fruition?

First, there is an urgent need for rate rationalisation to improve the buoyancy of GST. The GST study suggests the retention of the cess on “sin goods” by incorporating them within the GST rate structure. The government has constituted a Group of Ministers (GoM) Committee, now headed by Bihar finance minister. The Committee has a difficult task ahead, for it has to balance the twin objectives of maintaining “revenue neutrality” and avoiding “inflationary pressures”. Here are some concrete ideas for the Committee’s consideration.

First, the standard GST rate must be brought down from 18 per cent to 16 per cent. This will be an important signal that the government seeks to bring down the cost for both the manufacturing and services sectors. It is important to recognise that in order to reduce the standard rate, the rate on products at both ends of the spectrum must be enhanced.

For example, the rate on sin goods, which contribute 16 per cent of GST revenue, must go up from 28 per cent to 40 per cent after absorbing the cess. The 12 per cent rate may have to be merged with the 16 per cent slab with certain exceptions for textiles and pharmaceuticals. In the case of pharmaceuticals, the rate can be brought down from 12 per cent to 8 per cent, and for textiles, from 5/12 per cent to a uniform rate of 8 per cent. The special rate on gold and jewellery could go up from 3 per cent to 6 per cent to offset losses from reducing the standard rate.

All exemptions have to be phased out and these goods will have to be placed in the 8 per cent rate slab, except for those goods that were value-added tax exempt in the pre-GST era.

Finally, there is a case for reducing the exemption limit for all units under GST. This may sound counterintuitive, but it needs to be understood that exemptions are “poison not panacea” in the GST universe because they deprive businesses of input tax credits.

One other benefit would be the reduction in evasion, for it has been found that fake invoices are often issued in the name of exempted units. Thus, a three-tier GST structure with 8 per cent, 16 per cent, and 40 per cent slabs with fewer exemptions would boost GST revenues and stimulate manufacturing on the demand side through the reduction in the standard rate.

This rate rationalisation exercise would need to be complemented on the supply side by a restructured tariff policy. It is imperative, as mentioned by all leading economists, that the incidence of Customs duty must be brought down from the present level of 18 per cent to 10 per cent or below. Within this, we could have a three-tier structure with the lowest rate on raw materials/components, a slightly higher rate on intermediates, and the highest for finished goods. This will rectify the inverted duty structure and make available critical raw materials and components to our manufacturing industries. These customs tariff changes can be made in the upcoming Union Budget itself.

The GST rate reforms, if done accordingly, can boost the tax-to-GDP ratio from the present level of 18 per cent to 20 per cent (through a combination of rate increase, better compliance and expanded base). The improved tax-to-GDP ratio will help the government boost its expenditure on priority sectors like health and education.

In conclusion, the GST's "happy ending" would be possible if appropriate policy reforms are put in place. It would also spark a manufacturing renaissance, especially in labour-intensive manufacturing, provided that foreign direct investment is encouraged to flow into areas like textiles, footwear, light engineering, and food processing. This could create the Maruti moment in these sectors. Only then can we reap the demographic dividend. Our policymakers owe this to the youth of this country.

Source: business-standard.com– July 08, 2024

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SEZ units set to get refund of cess on imports

New Delhi: The Centre will refund compensation cess levied on imported goods under Goods and Services Tax (GST) to businesses operating in special economic zones and their developers effective 2017.

The Central Board of Indirect Tax and Customs also directed issuance of refunds of 5% GST collected on food packages intended for the public distribution system (PDS). These refunds could total about ₹6,500 crore, people familiar with the matter said. The move follows a recent GST Council decision exempting imports by SEZ units and developers retrospectively from July 1, 2017 -- the date of introduction of GST.

"Cess collected would be refunded and any notices served to SEZ units or developers would be refunded," a senior official told ET. These refunds would be issued within the next six months, the official added.
The GST Council's latest decision assumes significance in the light of Andhra Pradesh High Court ruling this January in a case that held no such exemption was available.

The official cited above said National Agricultural Cooperative Marketing Federation of India Ltd (NAFED), an apex organisation of agricultural produce marketing cooperatives, will also get a refund for GST collected on food packs meant for the supply under PDS.

"The council had clarified that no GST is to be levied on food supplies meant for distribution under the PDS and a refund would be issued soon," the official said.

The GST Council in its 47th meeting in July 2022 decided to impose a GST of 5% on prepackaged and pre-labelled retail packs like wheat and millet rice as many companies were supplying such prepackaged items without brand names, misusing the exemption given to unbranded pre-packaged food.

However, in many instances, field formations sent notices to supplies of wheat, rice, wheat flour and pulses meant for PDS.

Source: economictimes.com– July 08, 2024

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Will Govt roll out scheme to promote high density cotton planting?

The high density planting (HDP) system in cotton crop, which has been talked out for past many years, has thrown some interesting results.

According to the results of the pilot project covering 9,000 hectares in 61 districts of 8 states conducted last year, a cotton farmer has been able to generate on an average ₹10,000 additional net income from each acre with an investment of ₹4,000/acre.

As the textile industry has been requesting the Centre to promote the technology, with a new regular minister in the textile ministry, the issue has gained greater focus, sources said. Textile minister Giriraj Singh is keen to scale up the HDP technology for which his ministry may seek some Budget announcements, sources said.

Under the HDP technology, cotton crop is raised with population density ranging between 1.0 to 3.0 lakh plants (45-60 cm between rows and 10 cm between plants) per hectare as against the normal plant population of 0.18 to 0.20 lakh plants (90-120 cm between rows and 60-90 cm between plants) per hectare, according to Nagpur-based Central Institute for Cotton Research (CICR) under the Indian Council of Agricultural Research.

Scientists said that though chances of pest attack will be more in HDP system due to high density of plants per unit area, still it is advisable as new molecules are currently available to control any pest problem.

According Y G Prasad, director of CICR, which had conducted the pilot project in last Kharif season, the project locations were selected for light soils and medium soils where productivity was less than 350 kg lint per hectare.

“In light soils we had seen at least average 26 per cent yield increase. But we are able to shift the yield range from lower to a higher for majority of the farmers. Even 70 per cent of the farmers reported getting 9-10 quintal (in terms of kapas) per hectare yield after adoption of HDP,” Prasad said. At least 2-3 quintal per acre extra yield they got, he added.

The CICR director also said that according to a case study conducted in two rainfed districts involving 60 farmers, about ₹4,000 rupees per acre additional cost was incurred by them in adopting HDP system whereas they received about ₹10,000 per acre additional net income.

Funded by Union Agriculture Ministry, all stakeholders -- textile industry, seed industry, research -- came together to ensure the success since HDP system has been in practice in many other countries.

Last month, chairman of the Southern India Mills' Association (SIMA) S K Sundararaman had suggested the government to promote HDP among other things as medium-term measures so that farmers get better returns for their cotton and the industry get raw material at competitive prices.

Source: thehindubusinessline.com– July 07, 2024

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