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July 11, 2024

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83.51	90.50	107.38	0.52

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INTERNATIONAL NEWS

UK growth projected at 0.7% in 2024, 1.5% in 2025: IMF

Economic growth in the United Kingdom is projected at a modest 0.7 per cent this year, strengthening to 1.5 per cent in 2025, as disinflation buoys real incomes, monetary policy starts easing and financial conditions become more accommodative, according to the International Monetary Fund (IMF). Fiscal policy has remained tight, continuing to target medium-term debt stabilisation, and inflation is forecast to temporarily rise from around 2 per cent at present to 2.5 per cent by end of the year due to regulated energy price base effects, before returning durably to 2 per cent in early 2025, the IMF executive board said after recently concluding the Article IV consultation with the country.

Longer-term growth prospects remain subdued, due to weak labour productivity growth, population aging and somewhat higher-than-expected inactivity levels due to long term illness, only partly offset by higher migration numbers, an IMF release said. A number of well-conceived measures to boost weak productivity have also been implemented, but these will not be sufficient to lift productivity to close to levels before the global financial crisis, the IMF noted.

Post-Brexit uncertainty has continued to ease, in the context of progress on Irish border arrangements and a careful review of retained EU laws. However, UK firms trading with the EU are still adapting to the post-Brexit arrangement, it said. Risks to growth and inflation are balanced. In the short term, growth could be lower if the anticipated pick-up in consumption from current weak levels does not materialise, or higher in the event of stronger-than-expected second round effects from falling energy prices.

The key downside risk to medium-term growth is that productivity and labour supply disappoint relative to expectations. But bold implementation of ambitious structural reforms and adoption of artificial intelligence present an upside risk to growth.

Source: fibre2fashion.com – July 11, 2024

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The Future of Shopping: Bricks, clicks, and beyond, Forrester Report unveils retail's growth path

Forrester, a leading research firm, has released a report outlining the future of retail, revealing a dynamic landscape driven by both physical stores and online channels. The report, 'Global Retail E-Commerce Forecast, 2024 To 2028,' predicts significant growth in both sectors, with strategic considerations for retailers to navigate this evolving environment.

The rise of retail's powerhouses, online and offline

The report predicts a healthy rise in both online and offline sales. Brick-and-mortar stores, far from being relics of the past, are expected to see sales reach \$4.2 trillion by 2028 in the US alone. This endurance is attributed to the unique advantages physical stores offer: the ability to touch and feel products, experience them firsthand, and receive personalized service.

However, the digital realm isn't going anywhere. Global online retail sales are projected to hit a staggering \$6.8 trillion by 2028, with a projected annual growth rate of 8.9 per cent. This growth is being pushed by the rise of online marketplaces, social commerce platforms like livestream shopping, and the increasing popularity of direct-to-consumer brands.

Forrester identifies a growing trend in click-and-collect purchases, where customers buy online and pick up in-store. This strategy leverages the strengths of both channels – the convenience of online browsing and the immediacy of physical product collection. The report estimates that click-and-collect sales in the US will double by 2028, reaching a significant \$200 billion. This trend underscores the importance of seamless integration between online and offline retail experiences.

The fashion and apparel industry presents a fascinating case study within this evolving retail landscape. While online sales are undoubtedly growing, physical stores remain crucial for fashion brands. The ability to try on clothes, assess the quality of materials, and receive personalized advice from sales staff are all factors that continue to draw customers to physical locations.

Here's a closer look at the trends that will shape fashion retail:

Experience-driven shopping: Physical stores can create a more engaging experience by offering in-store stylists, personalized recommendations, and interactive displays.

Sustainability: Consumers are increasingly concerned about the environmental impact of their clothing choices. Retailers who prioritize sustainable practices and ethical sourcing will attract a loyal customer base.

Livestream shopping: This engaging online format allows viewers to interact with influencers and brands in real-time, driving impulse purchases. However, fashion retailers must adapt to changing consumer preferences. Here's where the strategic drivers come into play:

Omnichannel strategy: Fashion brands need to create a seamless shopping experience across all channels – online stores, mobile apps, and physical stores.

Social commerce: Social media platforms like Instagram and TikTok are powerful tools for fashion brands. Leveraging these platforms for product promotion, influencer marketing, and even live-streamed shopping events can be a significant growth driver.

Data-driven personalization: Understanding customer preferences through data analysis allows fashion brands to personalize their offerings and recommendations across all channels.

The Forrester report highlights the importance of considering regional variations in e-commerce maturity and growth opportunities. Developed economies like the US and South Korea are ahead of the curve, while emerging markets in Asia Pacific and Latin America are catching up rapidly, driven by smartphone adoption and mobile commerce.

The future of retail is not about online versus offline, but rather about creating a seamless and personalized shopping experience that caters to the evolving needs of consumers. Retailers who can adapt to these trends and leverage the strengths of both physical and digital channels will be best positioned to thrive in the years to come.

Source: fashionatingworld.com – July 10, 2024

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How Traceability Takes Cotton Supply Chains from Opaque to Transparent

Cotton supply chains have traditionally been highly opaque, but this is changing as companies adapt to a growing demand for transparency.

The historic lack of visibility stems from the cotton supply chain's complexity, as the fiber changes hands multiple times from field to final product.

Add the incentive to chase lower costs and the pressure of quick manufacturing turnarounds, and it creates a ripe environment for substitutions to occur as companies either accidentally or knowingly try to pass off one type of cotton for another, explained executives from Oritain and Supima during Sourcing Journal's "Is Your Cotton Safe? Pinpointing Supply Chain Risks" webinar.

"Cotton is a commodity market, and so that means that inevitably, there's a drive to source cotton at the lowest cost," said Kate Jones, senior science advisor at Oritain. "That means it's vulnerable to potentially unethical practices, and that's both on the cultivation side and also in the processing side."

But now, the industry is starting to "peel back the onion" on transparency as the repercussions of getting sourcing wrong rise, said Jason Thompson, vice president of brand development at Supima.

For one, legislation on forced labor and due diligence—including the Uyghur Forced Labor Prevention Act (UFLPA)—requires companies to have a better grasp on where their goods come from. Consumers are also asking more questions and becoming more skeptical of claims, requiring proof that products are legitimate.

Providing authentication of product provenance, Oritain uses forensic testing to identify environmental markers specific to where plants or animals were grown or raised. Everything from the climate to the soil leaves behind trace elements, creating a unique profile that Oritain calls an Origin Fingerprint.

Oritain has taken samples from farms worldwide covering about 90 percent of all cotton growing regions, allowing it to compare cotton in fiber, yarn or textile forms to this reference database of Origin Fingerprints to determine if it is a match. Unlike DNA testing that is focused on verifying that a product is a certain type—such as Pima instead of Upland cotton—Oritain’s tests tell where something is grown.

Ideally, testing happens throughout the supply chain to weed out issues before a product is finalized, preventing companies from losing sales on fully manufactured goods. Although Oritain’s verification alone is not a “silver bullet” in contesting a detention from Customs and Border Protection (CBP) since it does not provide insight into labor practices and how goods were manufactured, it is a “critical piece of compliance” in proving provenance, explained Jones.

Supima, the brand for American-grown Pima cotton, has had a longstanding partnership with Oritain to verify that products licensing its trademark are actually made with materials that originated in the U.S. Per Thompson, the benefit of Oritain is that the testing is based on the fiber’s inherent qualities does not rely on additives like markers. Together, they have been able to build farm- or state-specific sourcing and verification programs, allowing brands and retailers to have a direct relationship with cotton growers.

Last year, Supima introduced the AQRe Project (which stands for Authenticity, Quality and Responsibility), combining Oritain’s authentication with TextileGenesis’ transactional traceability. Both panelists noted that while there is a place for chain of custody tracking, there is a need for physical authentication to validate the data entered in these systems. Otherwise, Jones noted, it could lead to a “garbage in, garbage out system.”

“[TextileGenesis is] so much more elevated than a paper-based system transactionally,” said Thompson. “But again, it’s only as good as the information that is being fed.”

Having a clear picture of a product’s origin enables companies to more confidently talk about sourcing and sustainability claims without having to worry about greenwashing accusations. Some of Oritain’s customers are deploying consumer-facing communications like QR codes that tell the story of how something was made. “It’s not just about compliance and regulation; it is about trying to have a more sustainable sourcing and

supply chain and actually telling that story [to] consumers as a point of difference,” said Jones. “Customers are really engaging in that story, with both their purchase and also their brand loyalty.”

Aside from supporting compliance and product claims, transparency also adds value to products, which has an upstream impact—all the way to the farmers that grow the cotton. “If we can shift the discussion towards value and away from cost, then we can see a benefit throughout the entire supply chain,” said Thompson.

Source: sourcingjournal.com– July 10, 2024

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ICE cotton slips again on stronger dollar & Texas rains

ICE cotton dropped again yesterday in the absence of bullish momentum. The US cotton market remained bearish due to a large crop. A stronger dollar, weaker crude oil, and favourable rains in the Texas plains were the immediate reasons for the market's downturn. Traders are awaiting the upcoming USDA monthly supply and demand report due later this week.

Yesterday the ICE cotton December contract settled at 70.55 cents per pound (0.453 kg), down by 0.50 cent. The March 2025 contract was down 0.43 cents to reach 72.84 cents, according to trade analysts.

Crude oil recovered from lower levels and settled with a gain. An increase of 0.2 per cent in the dollar index made US cotton purchases unattractive for foreign buyers. Crude oil remained bearish and slipped more than one per cent, losing nearly 4 per cent from its recent high.

The USDA's weekly crop growth report released on Monday showed a decline in the growth rate of US cotton from 50 per cent to 45 per cent over the past week. This was a bullish factor as crop conditions deteriorated further. However, recent rain in the Texas plains dampened market sentiments.

The US Commodity Futures Trading Commission (CFTC) reported that speculators reduced their net short positions in ICE cotton futures and options by 7,848 lots to 38,744 lots for the week ending July 2.

Cotton traders are closely watching the USDA monthly supply and demand report due on Friday, which is expected to provide more insights into the market dynamics.

On Wednesday, ICE cotton for December 2024 traded 0.19 cents lower at 70.36 cents per pound. Cash cotton traded at 63.13 cents (down 0.36 cents), the October contract at 69.10 cents (down 0.03 cents), the March 2025 contract at 72.24 cents per pound (down 0.17 cents), the May 2025 contract at 73.65 cents (down 0.16 cents), and the July 2025 contract at 74.80 cents (down 0.15 cents).

Source: fibre2fashion.com – July 09, 2024

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Egypt's RMG exports to grow to \$3 billion by 2024

Egypt's readymade garments exports are likely to grow to \$3 billion by the end of 2024. As per projections by the Readymade Garment Export Council, this ambitious target will be supported by continuous efforts to enhance production capabilities, improve product quality, and expand market reach.

According to Marie Louis, Head, Readymade Garment Export Council, exports from the clothing sector amounted to approximately \$1.08 billion during this period, compared to about \$912 million in the same period last year. This marks a substantial year-on-year increase of 19 per cent.

Egypt's RMG exports to the European Union countries increased by 25 per cent to \$254 million from January to May 2024. This growth underscores the strong demand for Egyptian textiles in Europe and the competitive edge of Egyptian manufacturers in this market.

Exports to the United States rose by 10 percent, totaling \$444 million during the same period. The steady growth in the US market highlights the sustained appeal and reliability of Egyptian ready-made garments among American consumers.

Export revenue from the Arab countries grew by 38 per cent to \$217 million during this period. Within this category, exports to Saudi Arabia surged by a staggering 74 per cent to \$64 million. This significant increase reflects the strengthening trade relations and rising demand for Egyptian clothing in the Gulf region.

Several strategic initiatives contributed to this growth trajectory. These include government policies aimed at boosting the textile sector, investments in modernising manufacturing facilities, and efforts to open new markets through trade agreements and promotional activities.

The textile industry is a cornerstone of Egypt's economy, providing employment and driving economic growth. The recent increase in exports not only reflects the sector's resilience but also its capacity to compete on a global scale.

Source: fashionatingworld.com – July 10, 2024

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OECD labour markets remain tight, employment above pre-pandemic levels

The Organization for Economic Cooperation and Development (OECD) labour markets continue to exhibit tightness, with total employment surpassing pre-pandemic levels and the unemployment rate nearing its lowest point since at least 2001, according to the OECD's Employment Outlook 2024. Although job growth has decelerated, real wages have only returned to pre-2020 levels in 19 of the 35 OECD countries with available data, despite some improvement in recent quarters.

The outlook estimates that OECD-wide employment, which reached 662 million in May 2024—an increase of approximately 25 per cent since 2000—is projected to grow at about 0.7 per cent per annum over 2024-2025. The unemployment rate across the OECD stood at 4.9 per cent in May 2024, with a slight projected increase. The rate was 0.2 percentage points higher for women than for men.

Real wages have been making up for losses incurred in 2022 and early 2023. By the first quarter of 2024, annual real wage growth was positive in 29 of the 35 OECD countries with available data, averaging an increase of 3.5 per cent across all countries.

The analysis suggests a reversal of recent trends where profits grew faster than wages. Currently, wages are recovering, with profits having room to support further wage growth due to significant profit increases over the past two to three years, as per OECD.

Minimum wages are above 2019 levels in real terms in nearly all OECD countries. As of May 2024, the real minimum wage was 8.3 per cent higher than five years earlier at the median across the 30 OECD countries with a national statutory minimum wage, driven by significant nominal increases to support the lowest-paid workers during the high inflation period of the past few years.

This year's Employment Outlook also examines the impact of ambitious climate change mitigation packages aimed at achieving net-zero greenhouse gas emissions by 2050 on labour markets and millions of workers worldwide.

While the short-term aggregate employment effects of the climate transition are expected to be limited, significant shifts and disruptions are anticipated. Jobs will be lost in greenhouse gas-intensive industries, while many new positions will emerge in low-emissions sectors.

About 20 per cent of the OECD workforce is employed in green-driven occupations that will likely benefit from the climate transition. These jobs directly contribute to emissions reductions or produce intermediate goods and services for environmentally sustainable activities. High-skill green-driven jobs typically offer higher-than-average wages, but low-skill green-driven jobs tend to have poorer job quality compared to other low-skill positions, making them less attractive to low-skilled workers.

Workers in shrinking high-emissions industries—responsible for 80 per cent of all greenhouse gas emissions but only 7 per cent of employment—face 24 per cent larger earnings losses on average during the six years following a mass layoff than those in other industries.

To address these challenges, policies should facilitate job transitions and help workers seize new opportunities in green-driven jobs while mitigating earnings losses for displaced workers. Suggested measures include early intervention, effective training programmes, and targeted in-work support approaches such as time-limited wage subsidy schemes, the OECD added.

Source: fibre2fashion.com – July 11, 2024

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US' small business optimism reaches highest point of 2024 in June

US' small business optimism Index climbed to its highest level of the year in June, reaching 91.5, a one-point increase from May, according to the National Federation of Independent Business (NFIB). The last time the index was higher was in December 2023 when it reached 91.9. Despite this increase, the index has remained below the historical average of 98 for 30 consecutive months. Inflation continues to be the top concern for small businesses, with 21 per cent of owners citing it as their single most important problem, down one point from May.

In NFIB's monthly jobs report, a seasonally adjusted 37 per cent of small business owners reported job openings they could not fill, down five points from May. Among the 60 per cent of owners who were hiring or trying to hire in June, 85 per cent reported few or no qualified applicants for the positions they were trying to fill.

Sales figures showed a net negative 12 per cent of all owners (seasonally adjusted) reported higher nominal sales in the past three months. The net percentage of owners expecting higher real sales volumes remained unchanged at a net negative 13 per cent (seasonally adjusted), as per NFIB.

Inventory levels saw a slight improvement, with the net percentage of owners reporting inventory gains rising four points to a net negative 3 per cent. Not seasonally adjusted, 17 per cent reported increases in stocks, while 16 per cent reported reductions. Additionally, a net negative 2 per cent (seasonally adjusted) of owners viewed current inventory stocks as 'too low' in June, up six points from May, marking the lowest reading since October 1981. A net negative 2 per cent (seasonally adjusted) of owners plan inventory investment in the coming months, up four points from May.

Pricing trends indicated that the net percentage of owners raising average selling prices rose by two points from May to a net 27 per cent (seasonally adjusted). Unadjusted, 12 per cent reported lower average selling prices, while 41 per cent reported higher prices. Price hikes were most frequent in the retail (49 per cent higher, 8 per cent lower) and wholesale (46 per cent higher, 17 per cent lower) sectors. Seasonally adjusted, a net 26 per cent plan price hikes in June.

Compensation trends showed that a seasonally adjusted net 38 per cent of owners reported raising compensation, up one point from May. A seasonally adjusted net 22 per cent plan to raise compensation in the next three months, up four points from May. Labour costs remain a significant issue, with 11 per cent of owners citing it as their top business problem, up one point from May and just two points below the highest reading of 13 per cent reached in December 2021. Nineteen per cent said that labour quality was their top business problem, making it the second most important issue after inflation.

Profit trends remain concerning, with the frequency of reports of positive profit trends at a net negative 29 per cent (seasonally adjusted), one point better than May but still very poor. Among owners reporting lower profits, 34 per cent blamed weaker sales, 17 per cent cited rising material costs, 12 per cent blamed labour costs, and 9 per cent cited lower selling prices. For owners reporting higher profits, 37 per cent credited sales volumes, 27 per cent cited usual seasonal changes, and 20 per cent cited higher selling prices.

“Main Street remains pessimistic about the economy for the balance of the year,” said NFIB chief economist Bill Dunkelberg. “Increasing compensation costs has led to higher prices all around. Meanwhile, no relief from inflation is in sight for small business owners as they prepare for the uncertain months ahead.”

Source: fibre2fashion.com – July 11, 2024

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Australia's consumer sentiment dips in July amid inflation concerns

Australia's consumer sentiment index dropped by 1.1 per cent to 82.7 in July from 83.6 in June, according to the latest Westpac–Melbourne Institute.

The dip reflects growing concerns over persistent inflation and potential further interest rate hikes, overshadowing the expected boost from the 'stage 3' tax cuts and other fiscal support measures that took effect from July 1. Many consumers have yet to experience any cash flow benefits from these measures due to payment cycles for incomes and expenses being fortnightly or monthly.

The latest sentiment dip is largely centred around family finances. The 'family finances vs a year ago' sub-index saw the sharpest decline, dropping 8.4 per cent and nearly erasing last month's promising 9.7 per cent lift. At 63.5, this sub-index remains at extremely weak levels.

Additionally, consumer expectations for their finances worsened, with the 'family finances, next 12 months' sub-index falling 4.5 per cent to 92.1, the weakest reading since the end of last year. Combined, the two sub-indices tracking finances have hit their lowest level since November.

In contrast, other components showed slight improvements. Consumers are somewhat less pessimistic about the economic outlook and their attitudes towards spending.

The 'economic outlook, next 12 months' sub-index rose 3.6 per cent to 81.4, while the 'economic outlook, next 5 years' sub-index edged up 0.5 per cent to 94.5. The 'time to buy a major item' sub-index increased by 3.1 per cent to 82.1 but remains well below its long-run average of 124, as per the Westpac–Melbourne Institute.

Job security concerns remain relatively low among consumers. The unemployment expectations index improved marginally, declining 3.3 per cent to 128.6 in July.

Lower readings on this index indicate fewer consumers expect unemployment to rise over the coming year. Overall, sentiment around jobs is close to long-run average levels, indicating subdued but stable labour market conditions rather than a sharp decline.

The 'time to buy a dwelling' index saw a 4 per cent increase to 75.7, reversing most of the decline observed in June. However, the index continues to hover around extreme cycle lows. By state, buyer sentiment is slightly less pessimistic in New South Wales, averaging 78.6 over the past three months, but remains much weaker in Western Australia and South Australia, with averages of 67.2 and 62.7, respectively.

Source: fibre2fashion.com– July 11, 2024

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Pakistan: Exports to US dive on poor performance by textile sector

Pakistan's merchandise exports to the United States fell 10.65 per cent to \$4.989 billion in the first 11 months of outgoing 2023-24 from \$5.484bn over the corresponding period last year.

The fall is mainly attributed to a dip in exports of textiles and clothing to North America, according to data compiled by the State Bank of Pakistan.

Contrary to this, Pakistan's exports to China increased by 42pc to \$2.553bn in July-May FY24 from \$1.889bn over the corresponding period last year. It is estimated that during FY24, Pakistan's exports to China will reach \$3bn by the end of June this year.

According to PBS data, Pakistan's exports to the US stood at \$5.17bn in FY23, down 23.28pc from \$6.74bn in the previous fiscal year. In FY24, Pakistan's exports to China stood at \$2.22bn, down 30pc from \$3.18bn in FY22. The US remained Pakistan's biggest export destination in FY23.

According to the finance ministry report on top export destinations, the US remained Pakistan's most significant market in 9MFY24. Exports to the USA moderately decreased to 17pc in 9MFY24, compared to 19pc last year. Similarly, the Chinese export share increased to 9pc during the period under review.

Meanwhile, the export share to the United Kingdom stood at 7pc, followed by 5pc in Germany, the UAE and Spain during the months under review. The share in export proceeds remained relatively stable for these countries during the months under review compared to the previous year.

The primary factor hindering exports was the slowdown in major importing economies, exacerbated by stringent monetary policies responding to high inflation and the ongoing Russia-Ukraine conflict. It said home textile exports have dropped due to lower demand in the European Union, the US, and the UK.

Source: dawn.com – July 11, 2024

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Bangladesh: Actual export, NPL data to be available from now: governor

The actual data on exports and non-performing loans (NPLs) will be available from now onwards as the central bank emphasises releasing real figures, said Bangladesh Bank Governor Abdur Rouf Talukder yesterday.

The comments from the governor came a week after the central bank corrected the export figure, which showed that actual shipments in July-April of fiscal year 2023-24 were nearly \$14 billion below the sales value published by the Export Promotion Bureau (EPB). The magnitude of the data mismatch took many by surprise. "The export data has been corrected. Now the release of accurate export figures will continue," said Talukder in a meeting.

Speaking about NPLs, the governor said there was window dressing on the part of banks that made attempts to hide the actual bad loans. "However, we don't want that, and we want the truth to come out," a meeting source quoted the governor as saying. The governor was speaking at a consultation meeting with different stakeholders at the central bank headquarters in Dhaka as the BB is preparing to unveil the monetary policy for the first half of the new fiscal year, which begins on July 1.

According to Talukder, soon after joining the central bank in July 2022, he noticed the gap between the export figure reported by the EPB and the actual receipts. He claimed that he had complained to the prime minister and the finance minister that exporters were not bringing in export receipts to the country despite enjoying significant benefits.

"Then, we found out the real reason for the gap," he said.

The central bank discovered six types of statistical wrongdoing that inflated export data. Anomalies range from serial duplication errors to miscalculations of the value of fabrics to repeated miscounts of sample items as exports. A new methodology has been developed by the EPB, the National Board of Revenue (NBR), and the BB to report the actual export earnings.

The government has initiated moves to introduce a platform to publish real-time data on exports in order to ensure data accuracy and make policies evidence-based.

Under the planned platform, the NBR will supply the daily export data to the EPB, and the BB will compute it on the basis of the real-time exchange rate. This is because the customs department sends the figures on the volume of exported goods in the local currency, and the EPB converts them into US dollars.

"Now, we will get the actual figure," the governor said. The governor said that the banking regulator has put pressure on banks so that they report the actual defaulted loans, the source said. In March, the total disbursed loans stood at Tk 16,40,855 crore. Of which, Tk 1,82,295 crore were default loans, the highest in history. This means around 11 percent of the loans have turned sour.

Talukder said banks in Bangladesh make long-term loans on the basis of short-term deposits whereas large borrowers in other countries go to the stock market to raise funds while they turn to the banking system for working capital. "Both happened in Bangladesh," said the governor. "If we can't get out of this, it will be difficult to reduce the NPLs."

The central bank has unveiled a roadmap to reduce the bad loans.

The BB has fixed a target to reduce bad loans at the state-run banks to 10 percent by 2026. The target for private commercial banks is 5 percent.

The meeting source said that the central bank is going to announce a contractionary monetary policy again to lower the inflation rate to 6.5 percent. The BB has taken some measures to curb price pressure, but the steps are yet to yield the expected results. Thus, inflation averaged 9.73 percent in the just-concluded fiscal year, meaning it remained above 9 percent for the second year in a row.

Selim RF Hussain, managing director of BRAC Bank, Md Afzal Karim, managing director of Sonali Bank, Sayema Haque Bidisha, a professor of the economics department under the University of Dhaka, representatives from the business community and the Economic Reporter's Forum, and senior officials of the central bank were present at the meeting.

Source: thedailystar.net– July 11, 2024

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Bangladesh: Rising shipping costs hit global trade hard

The significance of the Red Sea shipping route for global trade is enormous. But for over six months now, Houthi militias from Yemen have been attacking ships in the region for their owners' or operators' ties to Israel. The attacks come as Israel executes its war against the militant group Hamas in Gaza following its massacre of Israeli citizens on October 7 of last year.

On June 20, for instance, the Houthis, who say they are fighting for the Palestinian cause, sank a coal ship with a drone strike.

In response to the Houthi attacks, US and British military vessels have repeatedly targeted militia positions in Yemen over the past several months. Additionally, warships from two international coalitions are operating in the region to secure maritime traffic along the Yemeni coast. The German Navy, for one, is part of the EU naval mission Aspides.

Shipping costs are rising again

Global trade has been under immense pressure since the Israeli-Hamas war broke out in October. The offshoot conflict in the Red Sea has meant higher freight costs and increased expenses for insuring commercial trade goods.

Shipowners are confronted with higher insurance premiums as the risk of losing a vessel has dramatically increased, above all, in the Red Sea. Moreover, moves to avoid the Suez Canal for safety reasons and instead navigate around the Cape of Good Hope, have greatly increased travel times and led to significantly higher fuel consumption.

The Drewry World Container Index, which monitors the freight market, reported that within the third week of June alone shipping prices for a 40-foot standard container jumped 7% — up a staggering 233% compared with the same time a year ago.

Searching for safer routes

Simon MacAdam, an analyst at the London-based financial consulting firm Capital Economics, says shipping companies are being forced to become more flexible.

"The shipowners have seemingly adapted quite well to the situation, considering the limitations on using the Suez Canal," he told DW, adding that costs briefly dropped this spring "after skyrocketing in January."

But now "they are starting to rise again," suggesting there is no reason to expect any cost relief.

"Another driver seems to be that importers are currently moving up orders to ensure they have enough goods in stock throughout the year. But with ships being rerouted around the Cape of Good Hope further price spikes are more likely," the Capital Economics expert said.

More ships needed

Jan Hoffmann, a trade expert at the United Nations Conference on Trade and Development (UNCTAD), also blames longer travel times around Africa for rising costs.

"The detour around South Africa requires more ships to maintain supply. The average travel distance for a container in 2024 is 9% further than it was in 2022," he told DW.

As ships spend more time at sea, more shipping space is needed, he said. That means shipping companies have to charter or buy more vessels and hire more personnel. "And since these ships do not yet exist, freight prices will rise."

Hoffmann also pointed to another unwelcome side-effect of longer shipping routes: rising greenhouse gas emissions. "Ships have increased their speeds, which has led to a rise in emissions, for example, by 70% on the Singapore-Rotterdam route."

Trouble in Central America

Apart from safety concerns in the Middle East, global trade is also being hampered by low water levels in the Panama Canal, said Hoffmann. That means the waterway cannot be fully utilized. As a result, US shippers have had to integrate what he calls a "land bridge" into their sea routes with East Asia, meaning they have to transport goods across the US by rail or road from West Coast ports to those on the US East Coast.

Shipping bulk commodities like wheat or liquefied natural gas (LNG) across the US is economically unviable, he added, leaving shippers with no alternative to the very long and dangerous detour route around Cape Horn on the southern tip of South America.

But Simon MacAdam nevertheless sees some light at the end of the tunnel as far as a return to normal Panama Canal shipping is concerned. Water levels in the canal, he told DW, have "recovered somewhat" in recent months, and the La Nina weather phenomenon should "further ease the situation soon." A slight rise in water levels in the Panama Canal has already increased freight transport there, added MacAdam.

Red Sea to stay dangerous, making global shipping crisis 'even worse'

According to Bloomberg, around 70% of Red Sea trade is still being rerouted around Africa.

Simon MacAdam believes a prolonged crisis could overwhelm shipping companies and significantly boost freight rates further.

"Building ships takes many years, and 90% of new containers are built in China. Higher capacities cannot be achieved overnight," the Capital Economics expert told DW, warning that the crisis in the industry could get "even worse."

Source: thefinancialexpress.com.bd– July 09, 2024

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NATIONAL NEWS

India, Austria reaffirm support for ongoing talks on India-EU trade pact

Prime Minister Narendra Modi and Austrian Chancellor Karl Nehammer reaffirmed their strong support for the ongoing India-EU trade and investment negotiations and the early implementation of the EU-India Connectivity Partnership, in their bilateral discussions in Vienna on Wednesday.

The two countries also identified new opportunities to further strengthen cooperation by preparing a blueprint for cooperation over the coming decades.

Key areas

“This is not limited to economic cooperation and investment alone. We will work to combine our strengths in areas such as infrastructure development, innovation, renewable energy, hydrogen, water and waste management, artificial intelligence and quantum technology,” Modi said in his press statement at a joint press conference with Nehammer.

The two leaders emphasised that India and the EU have the largest and most vibrant free-market space in the world, and noted that deeper EU-India ties will be mutually beneficial as well as have a positive global impact, per a joint statement issued following the bilateral meeting between the two leaders.

“Chancellor Nehammer and Prime Minister Modi agreed to support various initiatives to bring India and the EU closer. In this context, they reaffirmed their strong support for the ongoing India-EU trade and investment negotiations and the early implementation of the EU-India Connectivity Partnership,” it said.

Modi also met Austrian President Alexander Van der Bellen and discussed ways to further expand bilateral cooperation in several sectors, including environment and combating climate change. “Had a very good meeting with Federal President Alexander Van der Bellen and discussed ways to expand India-Austria cooperation,” Modi said in a post on social media platform `X` after the meeting.

“The two leaders discussed bilateral and global issues. They also exchanged views on environmental sustainability, global warming and climate change action,” Ministry of External Affairs Spokesperson Randhir Jaiswal said in a post on X.

Startup Bridge

Modi and Nehammer also welcomed initiatives to link the innovation and start-up ecosystems of the two countries through the ‘Startup Bridge’ set up during the visit of the Austrian Minister of Labour and Economy to India in February 2024 and the successful visit of a group of Indian start-ups to Austria in June. They encouraged relevant agencies of both countries to work to deepen further similar exchanges in future, including through frameworks such as Austria’s Global Incubator Network and the Start Up India initiative.

The convening of the first-ever high-level bilateral business forum with the participation of the CEOs of several companies in Vienna during the visit was welcomed by both leaders. “The two leaders addressed the Business Forum and encouraged business representatives to work towards new and more dynamic tie-ups across different sectors,” the joint statement noted.

Source: thehindubusinessline.com– July 10, 2024

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Goyal to visit Switzerland to work on \$100-billion FDI goal under India-EFTA pact

Commerce & Industry Minister Piyush Goyal will travel to Switzerland on Sunday to meet investors from European Free Trade Association (EFTA) countries—Switzerland, Norway, Iceland and Liechtenstein – to “kickstart” discussions on their investment plans in India in line with the \$100-billion investment commitment made in the India-EFTA Free Trade Agreement (FTA).

Discussion on ratification of the India-EFTA FTA will also take place between the two sides during the visit, Goyal said on the sidelines of a FICCI event on Tuesday.

“The excitement that I am finding in Iceland, Liechtenstein, Norway, and Switzerland makes me believe that we could actually exceed that (commitment) if we all are more forthcoming. They will look for Indian partners and investors,” he said here at an industry event.

The Minister’s Sunday agenda includes an interaction with the industry “to see what we can do to kickstart investments. Because \$100 billion can’t happen overnight”.

India and the EFTA countries signed an FTA in March this year under which the EFTA countries committed to \$100 billion of investments into India over 15 years that would create 1 million jobs. India committed to eliminating tariffs on a wide range of products to EFTA countries, especially Switzerland. The items include chocolates, watches, bicycle parts, smartphones, garments and olive oil, among various others.

“First time in history, an FTA has gone into investments and jobs. India can withdraw concessions given in the FTA if they (EFTA) do not fulfil the commitments,” Goyal said.

On the proposed India-UK FTA, Goyal said that both sides were deeply committed to it and the initial comments made by the new UK government were very encouraging.

“The Labour Party is deeply committed as is the Modi government (for the FTA),” he said in response to questions by the media on the pact.

Prime Minister Narendra Modi and Britain's newly-elected Prime Minister Keir Starmer in a telephonic conversation last week expressed their willingness to conclude an FTA that worked for both sides. The two agreed to work towards the early conclusion of the pact that could double bilateral trade by 2030, per estimates.

Responding to questions on whether the government was deliberating on lifting the ban on export of some varieties of non-basmati rice, Goyal said these decisions are taken by a Group of Ministers after assessing production, the consumption patterns and price in the retail and wholesale market.

Source: thehindubusinessline.com– July 10, 2024

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EU discusses with India Pillar 2 for tax challenges of digitalisation

European Commission Director General Gerassimos Thomas recently discussed with Indian government representatives the Pillar 2 solution to address tax challenges of digitalisation of the economy. India confirmed its commitment to Pillar 2, which establishes a minimum corporate tax floor of 15 per cent for multinational companies.

Regarding the UN Framework Convention on international tax cooperation, it was mutually agreed that overlap between the different tracks should be avoided.

Thomas led a mission of the Directorate General for Taxation and Customs Union (DG TAXUD) officials early this month to New Delhi. His visit's focus was on the EU Carbon Border Adjustment Mechanism (CBAM).

The CBAM is the EU's tool to put a fair price on the carbon emitted during the production of carbon intensive goods that are entering the EU, and to encourage cleaner industrial production in non-EU countries.

CBAM will apply in its definitive regime from 2026, while the current transitional phase lasts between 2023 and 2025. A gradual introduction of the CBAM from 2026 to 2034 will be aligned with the phase-out of the allocation of free allowances under the EU Emissions Trading System (ETS) acting as a driver for EU companies to decarbonise their production faster.

Thomas welcomed India's plans to decarbonise its economy, underlining the shared commitment to collaborate with India in the latter's decarbonisation efforts, a release from the Delegation of the European Union (EU) to India and Bhutan said.

The EU and India have a long-standing Customs Cooperation (CCMAA Agreement) since 2004. Thomas focussed on the latest challenges of customs: cross-border e-commerce and designer drug precursors. India agreed to reinforce the bilateral ties on this.

Ongoing negotiations for an EU-India free trade agreement include an upgrade of this customs cooperation.

Meanwhile, the Federation of European Business in India (FEBI), the official Chamber of EU businesses in India, held its first annual general meeting in New Delhi recently, formalising the board of directors with 14 elected members and confirmed key office bearers.

Rémi Maillard, president and managing director of Airbus in India and South Asia, will lead FEBI as its first president, with Sanjay Tiwari, public affairs advisor to Maersk India Pvt. Ltd., and Oscar Esteban president of Indo-Spanish Chamber of Commerce elected as vice president and treasurer respectively.

Source: fibre2fashion.com – July 10, 2024

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India-Russia trade target of \$100 billion realistic

India-Russia bilateral trade target of \$100 billion by 2030, set by Prime Minister Narendra Modi and Russian President Vladimir Putin at the recent annual summit, seems “quite realistic” given the current growth trend and efforts will be made to create further favourable conditions to increase India’s exports to Russia to address the existing trade gap, Russian Deputy Chief of Mission Roman Babushkin said at a briefing on Wednesday.

India and Russia were going ahead with the national currency settlement system, as mentioned in the joint statement issued after Modi and Putin’s annual summit meeting on Tuesday, and would also continue with the issues of quick payment for alternative to Swift (international payment network), with a focus on digital instruments, especially digital currencies of central banks, Babushkin said.

“It (alternative payment systems and digital currencies) is a topic also relevant to BRICS declaration. This is a trend along with the de-dollarisation tendencies...that is another example of the multipolarity in our desired, established, independent payment mechanism...,” he added.

The challenges

Referring to the initial hiccups faced by India and Russia in carrying out financial transactions (due to the West’s economic sanctions against Moscow), Babushkin said the increase in bilateral trade, successfully ensured by financial transactions, showed that it was not a big issue any more. “That means by and large we have resolved this financial problem. There is not much that is unresolvable if there is good will from both sides to go ahead to sort whatever problems we are facing to resolve them amicably for the benefit of the nations,” he said.

The Indian PM two-day visit to Moscow on July 8-9, the first since Russia attacked Ukraine in February 2022, was closely watched by Western nations, including the US and the EU, that have been trying to isolate Russia both economically and diplomatically.

“We continue to urge India to support efforts to realise an enduring and just peace in Ukraine, based on the principles of the UN Charter, based on upholding Ukraine’s territorial integrity and its sovereignty,” US State

Department's Spokesperson Matthew Miller said on Tuesday responding to questions from the media. He also said that the US was quite clear about its concerns about India's relationship with Russia.

Modi's talks with Putin were historic and game-changing considering the turbulent geopolitical environment, Babushkin said. As the visit was watched by the whole world, it was evident how significant the trip was, he added.

Recognising that it was important to boost India's exports to Russia, which was at \$4 billion in 2023-24 compared to its imports from the country valued at about \$61 billion, the Russian diplomat pointed out that Indian exports had actually posted a growth of 40 per cent over the previous year. "This is a trend and they have expressed the commitment to support the trend and create further favourable conditions for the trend (of India's export growth) to continue....In January-March this year, our bilateral trade grew by 10 per cent. The new target set by leaders of reaching \$100 billion by 2030 seems quite realistic," he added.

Russia remains India's fourth largest trading partners and we have very optimistic scenario that we will continue our successful and mutually beneficial association with India, he said.

Source: thehindubusinessline.com– July 10, 2024

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Govt caps interest equalisation at Rs 1.66 crore per IEC for July-August

The commerce ministry on Wednesday clarified that the interest equalisation will be capped at Rs 1.66 crore per IEC (import-export code) for the July 1-August 31 period. Last month, the government extended the interest equalisation scheme (IES) on pre- and post-shipment rupee export credit for two months to promote the country's outbound shipments.

The scheme, which provides exporters interest benefits, ended on June 30 this year.

In a trade notice, the Directorate General of Foreign Trade (DGFT) said the scheme extended on June 28, 2-24 is applicable only to MSME manufacturer exporters, who are eligible for IES benefit of 3 per cent.

"The Interest Equalisation will be capped at Rs 1.66 crore per IEC for the period from 1st July 2024 to 31st August 2024," DGFT said.

An Importer-Exporter Code (IEC) is a key business identification number, mandatory for export from India or import to India. No export or import shall be made by any person without obtaining an IEC unless specifically exempted.

Source: economictimes.com– July 10, 2024

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Wage hikes, subdued export demand may shrink jute makers' margins: CRISIL report

Operating margins of jute manufacturers are expected to shrink by about 50 basis points (bps) this fiscal due to increase in wages amidst subdued demand in the more profitable export markets such as Europe and the US. That will mark the second consecutive year of decline in profitability.

However, their credit profiles will be stable owing to strong procurement by Government agencies, healthy balance sheets and negligible capital expenditure (capex) debt, CRISIL Ratings said based on the analysis of 10 jute companies, which account for about 30 per cent of the sector's revenues.

Wages of jute mill workers in West Bengal, which produces almost 80 per cent of the country's jute products, have been raised, effective end of last fiscal, following a tripartite agreement between the State Government, mill owners and various trade unions. The extent of the wage hikes depends on workers' experience. Overall, the wage bill of manufacturers is likely to increase 5-6% per annum depending on the level of modernisation of the mills, CRISIL said.

The demand from the US and Europe (which account for over 60 per cent of exports and a third of the sector's ₹12,000 crore revenue) will remain subdued as the end use of jute products is largely discretionary, CRISIL said.

“The impact of wage hike on operating profitability will be limited because of strong demand from Government agencies under the mandatory packaging norms. Such demand accounts for two-thirds of the sector's revenue with pricing allowing for cost pass-through. But subdued export demand will weigh on sales of specialised jute products such as hessian, gift articles and decorative fabrics, which offer better margins. The upshot of all this is that operating margins of players rated by CRISIL Ratings would fall 50 bps this fiscal,” said Rahul Guha, Director, CRISIL Ratings in a statement.

Continued weak export demand will result in low-capacity utilisation of specialised looms and, thus, limit capacity addition.

Jute companies will only undertake maintenance capex, primarily through internal accruals.

Argha Chanda, Director, CRISIL Ratings, said, “Minimal capex outlay will mean limited long-term debt addition for the industry. However, reliance on working capital debt will increase as working capital cycles of jute manufacturers will be stretched, nearing 150 days as they continue to provide extended credit to woo overseas buyers. That said, healthy balance sheets of jute manufacturers will keep debt protection metrics comfortable.”

Source: thehindubusinessline.com– July 11, 2024

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Textile park, institutes proposed for Nagpur

Maharashtra State Textile Minister Chandrakant Patil chaired a meeting in Mumbai with important stakeholders, including MLC Pravin Datke, in a major step towards resolving the long-standing problems of power loom workers.

Datke highlighted the importance of drawing in the younger generation by suggesting the establishment of textile polytechnics, engineering colleges, and skill development initiatives, especially in areas like Nagpur that are predominately textile-based. Take a look

In order to execute welfare programmes for the families of workers, the city MLC proposed to establish a 'Textile Workers' Economic Development Corporation.

Datke also suggested creating a powerloom hub and small textile park on the 35,000-square-foot Empress Mill property in the city.

Datke supported the introduction of an already stated electricity subsidy in order to reduce production costs. This comprises a special grant of Rs1 per unit and a tariff decrease to Rs0.75 per unit for loom operators utilising between 27 HP and 201 HP.

Datke also demanded an instantaneous disbursement of cash for a 5% interest subsidy programme and streamlined online registration for power rate discounts. In common outbuildings, he also suggested installing multi-party metre connections. Patil promised to present the ideas to the cabinet and get prompt government approval.

Source: apparelresources.com– July 10, 2024

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