**IBTEX No. 119 of 2024** **July 19, 2024**

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| USD | EUR | GBP | JPY |
| 83.66 | 91.08 | 108.16 | 0.53 |

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# INTERNATIONAL NEWS

## Global supply chain disruptions continue due to Red Sea situation

The fallout from the ongoing Red Sea situation continues to create significant challenges for global supply chains and customers, according to Maersk's Asia Pacific July Market Update. Since December 2023, industry-wide disruptions have forced vessels to divert around the Cape of Good Hope, causing unprecedented logistical challenges.

Maersk ships are currently rerouting around Africa via the Cape of Good Hope, resulting in longer transit times. The situation has particularly impacted Asian exports, as Asian countries are major global exporters, and routes between the Far East and Europe via the Suez Canal have been directly affected. The disruptions extend beyond these routes, impacting the entire ocean network.

The Oceania network faces significant congestion at Southeast Asian hubs, crucial for connecting Oceania's cargo to Maersk's global network. Equipment shortages and constrained capacity due to Red Sea disruptions have caused delays, posing risks of congestion at Australian ports. The congestion has also affected Northeast Asia and Greater China ports. Asian hubs are experiencing congestion across key ports, causing delays and bottlenecks that ripple through the entire system. Reorganised ocean networks have led to a wider global impact, affecting regions not originally impacted by the Red Sea situation, as per Maersk.

Global cargo demand remains robust, driven by strong Asian exports to North America and Europe. For time-sensitive goods, air freight services, including sea-air solutions, are being utilised.

Capacity remains tight for routes from the Far East to North Europe due to the Red Sea situation, with strong shipment demand. Similar capacity constraints and strong demand are expected to continue into the third quarter (Q3) of 2024 for the Far East to Mediterranean routes. Far East to US coasts routes, despite extra capacity, continue to experience strong demand and tight capacity. Far East to South America routes face tight capacity and strong demand persist. Demand for routes into India and the Middle Eastern market also remains strong, limiting available capacity.

The market remains dynamic with strong demand but limited capacity for Far East to Africa routes. Asia to Australia and New Zealand routes continue to face disruptions due to congestion at major hub ports in Asia. Over the past three months, the total capacity has been reduced as vessels are diverted to higher-demand trade routes.

Demand growth remains robust, with a significant increase in Q1. Routes from Oceania to Europe and the Middle East continue to experience tight capacity supply due to rerouting and port congestion. Market demand into India has significantly increased following the free trade agreement between India and Australia. For Oceania to the Americas, strong demand for routes to the US East Coast and Latin America is indirectly impacted by disruptions in the Red Sea as the demand is expected to remain strong in the foreseeable future.

Intra-Asia routes are also experiencing equipment shortages, particularly out of China. This industry-wide issue initially affected long-haul shipping but has now extended to intra-Asia routes.

The demand for export containers in China places a difficult balance for carriers like Maersk, in deciding whether to prioritise limited vessel capacity in carrying empty containers back to China or laden containers to other destinations, considering increased shipping costs. This decision further contributes to supply chain inefficiencies.

We are faced with these challenges together and we need to make sure that we stay close to them as we handle the new set of circumstances that continues to unfold in front of us.

These disruptions, and the impact they are having on your business, is not something that I, nor any colleagues at Maersk, take lightly. We know it is hard. We know it is difficult for you. We know it puts you under a lot of pressure," said AP Moller, CEO of Maersk.

Source: fibre2fashion.com– July 18, 2024

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# Economy grows at slight to modest pace in most districts: US Fed

The US economy grew at a slight to modest pace in most Federal Reserve (Fed) districts heading into the third quarter (Q3) this year, with seven districts reporting some level of increase in activity and five noting flat or declining activity—three more than in the prior reporting period, the Fed said in its Beige Book survey of regional business contacts.

Wages continued to grow at a modest to moderate pace in most districts, while prices were generally reported to have risen modestly.

Household spending was little changed this period according to most district banks.

Districts reported widely disparate trends in manufacturing activity ranging from brisk downturn to moderate growth, the Beige Book said.

Retail restocking spurred slight growth in transportation activity. Meanwhile, tight capacity in ocean shipping led to a surge in spot rates.

Expectations for the future of the economy were for slower growth over the next six months due to uncertainty around the upcoming election, domestic policy, geopolitical conflict and inflation, it observed.

Employment rose at a slight pace, with most districts reporting employment was either flat or up slightly, while a few districts reported modest employment growth.

Several Fed districts reported declines in employment in the manufacturing sector due to slowdowns in new orders. Skilled-worker availability remained a challenge across all aistricts; however, several districts reported some improvement in labour supply conditions.

Additionally, labour turnover was lower, which reduced demand to find new workers.

Contacts in several districts expect to be more selective on who they hire and not backfill all open positions. Wages grew at a modest to moderate pace in most districts. However, several Districts reported some slowing

of wage growth due to increased worker availability and less competition for workers.

Prices increased at a modest pace overall, with a couple districts noting only slight increases.

While consumer spending was generally reported as showing little to no change almost every district mentioned retailers discounting items or price-sensitive consumers only purchasing essentials, trading down in quality, buying fewer items, or shopping around for the best deals.

Most districts noted that input costs were beginning to stabilise.

Source: fibre2fashion.com– July 18, 2024

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## US' net sales of Upland cotton down 50%, Pima eases 4% this week: USDA

US net cotton sales of Upland, totalling 27,200 RB (running bales, each weighing 226.8 kg or 500 pounds) for 2023-24, were down 50 per cent from the previous week and 76 per cent from the prior 4-week average.

According to the export sales report from the US Department of Agriculture (USDA) for the week ending July 11, the increases were noted primarily for Vietnam (6,800 RB, including 600 RB switched from South Korea), China (5,600 RB), Pakistan (5,500 RB), Turkiye (4,600 RB, including decreases of 3,700 RB), and Nicaragua (4,400 RB), which were offset by reductions for Malaysia (4,000 RB) and South Korea (3,300 RB).

For this week, the net sales of 165,600 RB for 2024-25 were primarily for China (32,100 RB), Malaysia (31,700 RB), Pakistan (21,700 RB), India (20,300 RB), and Turkiye (13,200 RB). The exports of 113,100 RB were down 30 per cent from the previous week and 33 per cent from the prior 4-week average. The destinations were primarily China (34,400 RB), Pakistan (13,700 RB), Vietnam (11,900 RB), Mexico (11,200 RB), and Bangladesh (9,200 RB).

The net sales of Pima, totalling 3,800 RB for 2023-24, were down 4 per cent from the previous week and 20 per cent from the prior 4-week average. Increases, primarily for India (2,900 RB, including decreases of 400 RB), Thailand (400 RB), Vietnam (300 RB), Peru (300 RB), and South Korea (200 RB), were offset by reductions for Italy (400 RB). Total net sales of 2,100 RB for 2024-25 were for Peru. Exports of 4,300 RB were up noticeably from the previous week but down 21 per cent from the prior 4-week average. The destinations were primarily India (2,900 RB), Thailand (400 RB), Pakistan (300 RB), Peru (300 RB), and South Korea (200 RB).

As for the optional origin sales for 2023-24, the current outstanding balance is 4,400 RB, all for Bangladesh. For 2024-25, the current outstanding balance is 8,800 RB, all for Pakistan. For 2023-24, exports for own account, totalling 1,300 RB to China, were applied to new or outstanding sales. The current exports for own account outstanding balance of 106,900 RB are for China (80,000 RB), Vietnam (14,700 RB), Pakistan (7,300 RB), South Korea (3,700 RB), and Turkiye (1,200 RB).

Source: fibre2fashion.com– July 19, 2024

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## SE Asia's 2023 e-com GMV up 15% YoY; Vietnam fastest growing market

The total gross merchandise value (GMV) of Southeast Asia's eight leading e-commerce platforms rose by 15 per cent year on year (YoY) to $114.6 billion last year, and Vietnam was the fastest-growing e-commerce market in the region with a total GMV worth $13.8 billion—an increase of 52.9 per cent YoY, according to the 'E-commerce in Southeast Asia 2024' report by Singapore-based consultancy Momentum Works.

Vietnam also overtook the Philippines as the third largest e-commerce market in the region last year. Indonesia was the largest e-commerce market last year, contributing 46.9 per cent of the region's GMV. Its growth rate of 3.7 per cent was, however, the most modest in the region.

In 2022, the region's e-commerce GMV had hit $99.5 billion, half of which was attributable to Shopee. In 2023, Shopee achieved a GMV of $55.1 billion and kept its market share steady at 48 per cent. Lazada and Indonesia's Tokopedia recorded GMVs of $18.8 billion and $16.3 billion respectively last year.

However, TikTok Shop was forced to halt its service in Indonesia after the government prohibited online shopping transactions on social media. TikTok Shop nearly quadrupled its annual GMV to $16.3 billion last year from $4.4 billion in 2022. After taking over Tokopedia from tech group GoTo, TikTok Shop has become the second largest e-commerce platform in the region.

One of the four key trends identified in the region's e-commerce industry was live commerce, which is leading live selling. Key opinion leaders in Vietnam, Thailand and Indonesia have achieved multi-million dollar sales in single live sessions, the report said. TikTok grew its e-commerce feature by leveraging its livestreaming function, where influencers and merchants show all sorts of products to help users make purchase decisions in real time. TikTok and Tokopedia have grown to hold a 39-per cent market share in Indonesia, just behind Shopee at 40 per cent. In Vietnam, TikTok Shop became the second largest player with a 24-per cent market share.

Source: fibre2fashion.com– July 19, 2024

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## European Central Bank keeps 3 key interest rates unchanged

The governing council of the European Central Bank (ECB) today decided to keep the three key ECB interest rates unchanged.

The interest rate on the main refinancing operations and the rates on the marginal lending facility and the deposit facility will remain unchanged at 4.25 per cent, 4.50 per cent and 3.75 per cent respectively.

While some measures of underlying inflation ticked up in May owing to one-off factors, most measures were either stable or edged down in June.

In line with expectations, the inflationary impact of high wage growth has been buffered by profits. Monetary policy is keeping financing conditions restrictive, an official release said.

At the same time, domestic price pressures are still high, services inflation is elevated and headline inflation is likely to remain above the target well into next year, it noted.

The ECB is determined to ensure inflation timely returns to its 2-per cent medium-term target and will keep policy rates sufficiently restrictive for as long as necessary to achieve this aim.

Source: fibre2fashion.com– July 18, 2024

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# UFLPA Enforcement Efforts Must Address Labor Transfer Schemes

The Uyghur Forced Labor Prevention Act (UFLPA) sets out to achieve a task that no other law has attempted: to end the state-sponsored forced labor of Uyghur and other Turkic and Muslim-majority peoples in supply chains.

When passed, the UFLPA codified into law central tenets of the Coalition to End Forced Labour in the Uyghur Region's call to action. The Coalition continues to call on companies across all industries to fully map their supply chains, identify links to Uyghur forced labor inside and outside of the Xinjiang Uyghur Autonomous Region (UAR), and address those links.

As the law enters its third year of implementation, a key focus of the Forced Labor Enforcement Task Force (FLETF)—an interagency task force chaired by the Department of Homeland Security (DHS)—is making full use of the power of the UFLPA Entity List and, crucially, increasing efforts to identify and include companies that participate in the state-sponsored labor transfers of Uyghur and other Turkic and Muslim-majority peoples outside of the Uyghur Region.

The UFLPA establishes a rebuttable presumption that goods from companies on the UFLPA Entity List are tainted by forced labor and, therefore, prohibited from importation into the United States. The FLETF is tasked with maintaining this list. The government's commitment to addressing Uyghur forced labor is reflected in its robust enforcement. Authorities targeted over $3 billion in imported shipments for possible violations of the UFLPA, encompassing a multitude of industries including apparel and textiles, electronics, solar, automotive, aluminum, and recently, seafood.

The addition of 29 new companies to the Entity List in the last two months signals that there is an increased focus on this enforcement mechanism and demonstrates that resources are being allocated to maximize its impact. A majority of the companies recently added to the Entity List operate outside the Uyghur Region in other parts of China, including cotton wholesalers and the first seafood processor, which sends a strong signal to importers that it is not enough to focus attention on direct sourcing from the Uyghur Region.

Yet more must be done to identify companies participating in labor transfer schemes, in particular outside of the Uyghur Region. There is growing evidence that Chinese government-led programs to transport Uyghurs to other parts of China, where the working conditions strongly indicate forced labor, are increasing. In the context of government control and coercion that Uyghurs and other Turkic and Muslim-majority peoples are experiencing in China, all state-sponsored labor transfers from the Uyghur Region should be considered coerced labor by companies. Individuals who refuse the government's requirements risk being arbitrarily detained, along with their families.

Recent research has documented the government's increased efforts to forcibly transfer Uyghurs outside of the Region, finding that in 2023, "Xinjiang significantly expanded the scale of the Pairing Assistance program, which facilitates cross-provincial labor transfers, aiming to increase transfers to other Chinese regions by 38 percent—levels exceeding those of any year since the mid-2010s."

An investigation published by the Outlaw Ocean Project into the seafood industry, which was recently added as a high-priority sector for enforcement, found that over 1,000 Uyghurs were placed in at least 10 seafood processing facilities after being forcibly transferred thousands of miles from the Uyghur Region. This investigation found those same companies imported over 47,000 tons of seafood into the U.S. between 2018 and 2023. However, U.S. Customs and Border Protection (CBP) can only apply the UFLPA to future shipments if those seafood processors are included on the UFLPA Entity List, which may come as a surprise to some.

To date, much of the focus of the UFLPA has been the rebuttable presumption applied to goods manufactured in whole or in part in the UAR, and rightly so. But as we see the Entity List grow and new research on transfers of Uyghurs to workplaces outside of the Uyghur Region emerge, the extraordinary value of the Entity List is clear.

In fact, the latest three additions to the Entity List were companies that participate in labor transfer schemes. The Outlaw Ocean Project's investigation provides a case study on both the importance of the UFLPA Entity List to adequately combat Uyghur forced labor in supply chains and the need for processes that allow the FLETF to respond swiftly to new research.

Increasing UFLPA enforcement efforts on labor transfers outside of the Uyghur Region would send a strong signal to importers that they must focus attention beyond direct sourcing from the area. Companies should be urgently identifying any suppliers participating in state-sponsored labor transfer schemes of Uyghurs and addressing those ties.

The UFLPA remains the strongest statutory scheme globally to address state-sponsored forced labor of the Uyghur people. U.S. authorities must use every enforcement tool available to the fullest extent possible. This includes building on already robust enforcement efforts and dramatically expanding the Entity List, including prioritizing additions of companies participating in the state-sponsored labor transfers outside of the Uyghur Region. But as noted time and again by government officials, companies should not wait for UFLPA enforcement efforts. This is one of the most egregious human crises facing global supply chains today. It requires immediate attention from all companies in all industries, which the Coalition to End Forced Labour in the Uyghur Region will continue to call on the private sector to do.

Source: sourcingjournal.com– July 18, 2024

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## QIMA: Global Procurement is Climbing, Reflecting Growing Consumer Optimism

In a reflection of increased optimism from Western brands and shoppers, global procurement is climbing. But the supply side of the equation is see-sawing, with some markets trending up and others down, according to QIMA's Q3 2024 Barometer.

The quality control and compliance firm released a report this week showing that brands and retailers are finally restocking after subdued sales in 2023. While this has been a boon to manufacturing locales like Vietnam, Bangladesh and India, which needed a business revival, some markets that showed strength last year, like Indonesia and Cambodia, are backsliding.

According to QIMA analysts, China isn't on the same rollercoaster ride as its Asian counterparts. The country laid the foundations for recovery in 2023, and has built upon that during the first and second quarters, clawing back 1 percent of EU and U.S. market share for QIMA audits and inspections year over year. China now accounts for 51 percent of QIMA business from companies in those regions, up from a low of 49 percent in 2022.

Inspections and audits ordered by German businesses for Chinese suppliers grew 27 percent from the same period a year ago, while the UK also showed a high and growing demand for China sourcing, with inspection and audit commissions up 32 percent.

But the sourcing superpower isn't immune to Western market fluctuations stemming from the continuation of Russia's war on Ukraine, as well as the uncertainties of the upcoming U.S. presidential election. Discussions about the U.S.-China trade relationship—and the escalating tension therein—have been ramping up in recent months, and are likely to remain central to both candidates' platforms in the lead-up to November.

U.S.-based buyers were a bit more conscientious in their approach to China sourcing in the second quarter, with diversification and de-risking remaining strong priorities and nearshoring and friend-shoring among their continued objectives.

Demand for inspections and audits from U.S. brands and retailers grew by 13 percent in Q2 from the year-ago period, with apparel, toys, homewares and electronics among the leading growth categories. QIMA said the figures could point to a “normalization” effect as consumers become more comfortable with spending and the market rebounds, but China’s significance as a partner for Western companies shouldn’t be discounted given its strong share of their supplier portfolios.

Emerging economies, too, are upping their partnerships with Chinese suppliers; QIMA data showed clients across Central America, South America and Mexico in particular were eager for audits and inspections.

Mexico’s place in the headlines has largely centered on its role as a supplier for U.S. brands interested in bringing business closer to home, but QIMA said inspection and audit data show that it is becoming a more vibrant consumer market, too.

The country’s procurement has been “booming” during the first six months of the year, with China seeing a 69-percent spike in inspections and audit requests from Mexican buyers. Trade with Vietnam and Cambodia, too, has grown.

“While U.S. nearshoring initiatives undoubtedly contribute to this trend, a notable portion of Mexico’s purchasing volumes likely caters to its own domestic market—especially given the evidence that US nearshoring in Mexico may not be expanding as rapidly as anticipated,” analysts wrote.

While American brands and retailers indicated elevated interest in nearshoring in QIMA’s 2024 Sourcing Survey, with nearly two-thirds of businesses across the globe—including 54 percent in the U.S. and 50 percent in the EU—saying nearshoring and reshoring are a part of their 2024 supply chain strategy, demand has actually been tepid, the group wrote. Companies have pointed to the limitations of Mexico’s energy grid as well as governmental bureaucracy as barriers to growth.

Europe’s efforts at nearshoring are going a bit more smoothly, QIMA data revealed.

Over the past two years, European buyers have upped their demand for inspections and audits in Turkey, with demand up 27 percent from 2023. About one-quarter of EU businesses said Turkey was one of their top three sourcing partners. Egypt, Tunisia and Morocco have also seen growth,

along with the Mediterranean, which QIMA said now accounts for more than 8 percent of European buyers' global procurement portfolios.

"The diverse selection of supplier hubs in the region and the effective utilization of well-established trade links may account for the fact that European brands and retailers have been more active in executing their nearshoring strategies compared to their American counterparts," analysts wrote.

Beyond nearshoring and supply chain diversification, one of the biggest factors driving demand for inspections and audits is ESG legislation.

The EU's Corporate Sustainability Due Diligence Directive (CSDDD), finalized in May, has elevated and codified standards for social compliance across the globe, QIMA said.

And China, which has been the subject of much scrutiny over allegations of forced labor, is making "incremental progress," the group added. More than half (59 percent) of China-based factories inspected by the firm were ranked "green," or compliant, marking a five-year record.

However, the number of "red" or critically non-compliant suppliers has held firm over the course of several years, showing a continued resistance to global regulations.

Worse, QIMA's audit results revealed that the frequency of child and youth labor has actually been increasing in recent years, with 6 percent of audits revealing red-level violations in the first half of this year. Worker safety, too, is a "pressing concern"—15 percent of audits showed critical health and safety violations during the first six months of 2024, and more than three-quarters of factories were found to have structural issues or weaknesses in fire or electrical safety.

There's "no room for complacency," even as audits reveal that suppliers are largely on a positive trajectory, the report said. "These findings make clear that despite the notable progress in ethical compliance, continued vigilance and ongoing corrective action are essential to address persistent ESG challenges in global supply chains."

Source: sourcingjournal.com– July 18, 2024

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## China to continue zero-tariff benefits to Bangladesh post-LDC: Envoy

China has agreed to provide assistance worth $2 billion to Bangladesh via grants and interest-free, concessional and commercial loans and will continue to provide zero-tariff treatment on 98 per cent of taxable items to Bangladesh for a transitional period beyond 2026 when the country graduates from the least developed country (LDC) status, Chinese ambassador to Bangladesh Yao Wen recently said.

Yao was briefing media on the outcomes of Bangladesh Prime Minister Sheikh Hasina's recent official visit to China.

The two sides agreed to push forward eight underway projects, including expansion of Teletalk's 4G mobile broadband network, he said.

Chinese enterprises are also willing to proactively take part in the construction of subways, roads, hospitals and other projects in Bangladesh, he noted.

China urged Bangladesh to expand exports of jute, leather and other high-quality special products to the former and the two sides agreed to deepen cooperation in infrastructure and construction projects, including through the public-private partnership (PPP) model, he was cited as saying by a release of the Embassy of China in Bangladesh.

The two sides agreed to launch negotiations on optimising the China-Bangladesh Bilateral Investment Treaty as soon as possible.

The two governments signed 21 MoUs and agreements on trade and investment, digital economy, financial regulation, education cooperation, medical care and public health, infrastructure cooperation, green and low carbon development, agricultural cooperation, hydrological forecasting, and cooperation in radio and television, and announced seven joint projects.

Sixteen MoUs and agreements worth $500 million were also signed by private enterprises of the two countries at a parallel business summit.

Source: fibre2fashion.com– July 19, 2024

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# Pakistan: FY2023-24: textile exports up by around 0.93pc to $16.655bn

The country's textile group exports increased by around 0.93 percent during the fiscal year 2023-24 and remained at $16.655 billion as compared to $16.501 billion in 2022-23, the Pakistan Bureau of Statistics (PBS) said. The data of exports and imports released by PBS revealed that the country's exports in the fiscal year 2023-2024 totaled $30.677 billion (provisional) against $27.724 billion during the corresponding period of last year showing an increase of 10.65 percent.

Textile group exports witnessed a decrease of 3.91 percent in June 2024 on a year-on-year basis and remained at $1.414 billion when compared to $1.471 billion during the same month of last year. On a month-on-month (MoM) basis, the textile group registered a 9.23 percent negative growth compared to $1.558 billion in May 2024. Cotton yarn exports registered 13.17 percent growth in the fiscal year 2023-24 and remained $955.510 million compared to $844.283 million during the same period of the last year.

According to the provisional figures compiled by the Pakistan Bureau of Statistics, exports in June 2024 were $2,560 million (provisional) as compared to $2,839 million in May 2024 showing a decrease of 9.83 percent over May 2024 but increased by 8.66 percent as compared to $ 2,356 million in June 2023. Pakistan rice exports in 2023-24 reached a milestone. During July-June rice exports touched to 6.018 million tons. In the same period last year, it was around 3.718 million tons. Rice exports record an increase of 82.94 percent. Rice exports fetched $3.931 billion, during 2023-24 compared to $2.149 billion during the same period of last fiscal year.

The main commodities of exports during June 2024 were knitwear (Rs119,053 million), readymade garments (Rs90,445 million), bed wear (Rs65,290 million), rice others (Rs55,876 million), cotton cloth (Rs37,626 million), rice basmati (Rs28,705 million), towels (Rs24,272 million), madeuparticles (excl towels and bedwear) (Rs16,598 million), fruits (Rs13,571 million) and cotton yarn (Rs12,618 million).

Source: brecorder.com– July 19, 2024

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# NATIONAL NEWS

## India's GDP growth projected at 7% in FY25: FICCI survey

India's annual median GDP growth is forecast at 7 per cent for fiscal 2025 (FY25), according to the latest round of the Federation of Indian Chambers of Commerce & Industry (FICCI) Economic Outlook Survey. The industry sector is anticipated to grow by 6.7 per cent in the current fiscal. According to the survey results, the median GDP growth is estimated at 6.8 per cent and 7.2 per cent for the first and second quarters of FY25, respectively.

The median forecast for CPI-based inflation is projected at 4.5 per cent for FY24, with a range between 4.4 per cent and 5.0 per cent. Regarding the Reserve Bank of India's (RBI) policy actions, economists believe that a cut in the repo rate is expected only in the latter half of the current fiscal as the RBI maintains a cautious approach while closely monitoring the inflation trajectory. The policy repo rate is forecast to moderate to 6.0 per cent by the end of FY25 (March 2025).

With the Union Budget FY25 set to be announced next week, the participating economists shared their expectations for the first major public policy announcement of the new government. They anticipated continuity in policy and further momentum in reforms already being undertaken by the government.

On fiscal management and expenditure, the economists commended the government's deft handling of the fiscal side and expected such prudence to continue to ensure macro-economic stability.

They suggested that the government could leverage additional resources from robust tax collections and the Reserve Bank of India's dividend transfer to increase spending on social sector schemes, particularly to support the rural economy, as per the survey.

While the target for capital expenditure could be increased, no significant deviation from the ₹11.1 trillion (approximately $132.72 billion) figure indicated in the interim budget for FY25 is expected.

Survey participants indicated that the forthcoming budget could focus on several key priorities. For manufacturing, the budget is expected to create a more conducive environment for industrial growth, including a review of the PLI Scheme to include more labour-intensive sectors and component manufacturing, the creation of large SEZ-like clusters with liberal land and labour laws in the domestic tariff area, and expediting labour law reforms to increase flexibility and competitiveness.

Regarding employment generation and skill development, economists expect the budget to introduce comprehensive measures to boost employment and enhance workforce capabilities. Sustainable development is also expected to remain a focus, with incentives green hydrogen production and energy transition support being key requests from participants.

Support for micro, small, and medium enterprises (MSMEs) remains critical, with suggestions including leveraging the Account Aggregator framework for MSME lending and extending the NPA Classification Period from 90 to 180 days to provide financial breathing room. The surveyed economists emphasised the need for MSMEs to grow in scale and size, highlighting the importance of continued support for this sector.

Source: fibre2fashion.com– July 19, 2024

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## Commerce Department to fix exporters' GST woes

The Commerce Department has decided to take up with the GST Council and the Finance Ministry the GST related problems faced by exporters, such as issues of compliance, refunds and audits, to ensure speedy redressal of grievances, sources have said.

Exporters have been complaining about receiving show-cause notices from GST authorities, either suo moto or based on audit objection, to pay GST on overseas bank charges, along with interest and penalty, despite the GST council earlier agreeing that it should be paid by the Indian banks.

90-days time

With the Red Sea crisis slowing down shipments, exporters also want more than the 90-days time allowed right now for EGM filing for merchant exporters when procuring goods for exports at 0.1 per cent concessional GST.

"The Commerce Department has sought inputs from various export bodies on their GST related woes so that these could be collated, analysed and presented before the GST Council and Finance Ministry for action," a source told businessline.

Exporters' body FIEO has also separately submitted to Finance Minister Nirmala Sitharaman the problems faced by the exporting community under the GST regime and sought solutions.

On the notices being received by exporters for non-payment of GST on overseas bank charges, the letter pointed out that the matter was discussed in the GST Council meeting in June 2022 wherein it was decided that GST on such charges should be paid by the Indian bank as they are availing the services of the overseas bank.

"...the recommendation of the Fitment Committee makes it very clear that IGST on such services has to be discharged by the service recipient for which recipient is entitled to ITC (input tax credit) that can be utilised to set off tax liability. The domestic banks could avail ITC of tax paid by them on reverse charge," it said.

The GST Council agreed with the same and recommended accordingly, the letter added. FIEO asked the FM to direct the CBIC to suitably clarify to the GST authorities so that the show cause notices/demand can be stopped.

Shipping space

Another issue faced by exporters, largely owing to the Red Sea crisis and lack of containers and shipping space, is not being able to meet the 90 days time period given for exports and EGM filling in cases where the merchant exporter procures the goods from a manufacturer at 0.1 per cent concessional GST.

“..we request that the 90 days’ time period may be extended, on merits, by another 60-90 days by the jurisdictional authorities. This will help the exporters who, despite their best efforts, are failing to complete exports within the 90 days time limit,” the letter stated.

Source: thehindubusinessline.com– July 16, 2024

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## $100 bln Indo-Russia bilateral trade achievable by 2030, trade gap no worry: GTRI

New Delhi: India's aim to clock bilateral trade of $100 billion with Russia by 2030 seems achievable, think tank Global Trade Research Initiative (GTRI) said Thursday, adding that increasing exports, making local currency trading workable and a free trade agreement with the Eurasian Economic Union will help boost trade. It said that India's main concerns are containing the $57.1 billion trade deficit and finding an effective payment mechanism for transactions with Russia.

The current bilateral trade is at $65.7 billion in FY24 of which India's exports to Russia were $4.3 billion with the share of crude oil and petroleum products in imports being 88%.

"India should not worry over the trade deficit, as it is getting crude petroleum oil at cheaper than market rates from Russia and it is also cutting India's overall oil import bill," GTRI said.

As per the report, export during FY21 and FY24 grew 59%, while imports surged about 8300%. Trade deficit rose to $57.2 billion now from $2.8 billion before the war in FY21.

It said that the import surge is solely due to India's strategic procurement of crude oil from Russia influenced by favourable trade terms and Russia's need to find new markets amidst Western sanctions.

India exports a diverse range of products to Russia including smartphones, shrimp, medicine, meat, tiles, coffee, parts of airplanes and helicopters, chemicals, computers, and fruits.

"India has competitive advantage in these products and hence the potential to export more to Russia. India should prepare a product-level strategy to promote exports,"GTRI Founder Ajay Srivastava said.

On local currency trade, the think tank said that trade cannot be settled in rupee due to limited international use of the Indian rupee and Russia's reluctance to accumulate it beyond a limit.

The US has imposed sanctions on Russia, not allowing it to use SWIFT (Society for Worldwide Interbank Financial Telecommunication) pipeline for dollar transactions.

The key question for India is finding the best way to pay Russia the amount equal to $60 billion in trade deficit.

Noting that local currency trading would be the best solution for which India needs to establish a transparent and open currency exchange, GTRI said: “This exchange would provide clear, market-determined exchange rates between local currencies like Indian rupee and other currencies such as the Russian rouble, Malaysian ringgit, Thai baht, or Chinese yuan”.

Moreover, countries with currency surpluses, like Russia with its Indian rupee surplus from oil exports to India, could exchange their surplus for other currencies more efficiently in such a multi-currency exchange platform.

It also suggested making functional the International North-South Transport Corridor (INSTC) which is a 7,200-kilometer multi-modal route linking India with Iran, Azerbaijan, Russia, Central Asia, and Europe.

It would reduce transit time between India and western Russian ports from 45 to 25 days and cut freight costs by 30% compared to the Suez Canal route. INSTC, despite these advantages, has limited use due to underinvestment in infrastructure, according to GTRI.

Source: economictimes.com– July 18, 2024

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## Budget 2024: Govt may revive technology mission on cotton, allocate ₹500 cr to roll out 5-year scheme

The Centre is likely to announce a revamped cotton technology mission in Budget, aiming to bring in latest technologies to help farmers get better yield. Details are currently being worked out jointly by the Textile Ministry and Indian Council of Agricultural Research (ICAR), sources said.

The Technology Mission on Cotton (TMC) was launched in 1999-2000 as a three-year programme, but got extended from time to time until it finally ended in 2013-14. The Centre spent ₹421 crore under TMC during 2000-10. From 2014-15, the government has included cotton under the National Food Security Mission (NFSM), which some experts believed was a dilution of the importance of the fibre crop.

Under the TMC, there were two main components mini mission I and mini mission II, which the government now focusses on to revamp in next five years, official sources said.

While MM I deals only with research, the MM II is related to extension work including making a linkage between farmers and industry, officials said.

ICAR plea

The Finance Minister may announce certain amount of funding for the revamped TMC for a five-year period as ICAR has communicated that funding for any cotton research project should be at least for four years to expect some results, sources said.

Union Textile Minister Giriraj Singh is believed to have taken a keen interest to roll out the revamped TMC as soon as possible, which was on discussion for quite some time. Singh has been directly in touch with top agriculture scientists in cotton as well as with ICAR DG Himanshu Pathak, the sources said.

Though it is yet to be worked out, official sources said at least ₹500 crore should be allocated for the five -year period to get some results. While there is some resistance to provide any subsidy, the government is keen to facilitate easy credit from banks to farmers without the burden of

repayment which will be taken care by private industry and will be adjusted against sales of cotton, the sources said.

New Bt cotton?

“The cotton farmers need to be provided short-term crop loan with higher limit than current ₹3 lakh at same subsidised interest rates so that they invest in improving infrastructure and adopt best management practices, besides buying latest technologies,” said a cotton seed expert.

Last week, Singh had said a new variety of technologically advanced Bt cotton might be allowed soon for commercial cultivation to help Indian textile industry in a bigger way. He said in order to overcome labour problem in the textile sector, efforts were on to utilise members of Self-Help Group (SHG) in a big way.

“Trial of HT (Herbicide Tolerance) Bt (also referred as BG III) cotton is going on. Upon completion of assessments by ICAR (Indian Council of Agriculture Research) and necessary approval is obtained, then its commercial cultivation can be permitted,” Singh told businessline. Such a variety could bring down the cost of production for farmers while also lead to bigger area coming under of cotton sowing and help the textile industry.

Source: thehindubusinessline.com– July 18, 2024

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## 2-day Textile Investors' Meet begins in city

Patna: Aimed at making the state a textile hub, the state government, in association with the Union ministry of textiles and Apparel Export Promotion Council began a two-day Textile Investors' Meet here on Thursday. This comes just months ahead of Bihar Business Connect 2024, a Global Investors' Summit, to be held in December.

Industry and tourism minister Nitish Mishra said the meet is aimed at making the state a textile hub, which in turn would go a long way in employment generation and development of the state's very own resources. "The meet intends to showcase the state's vast potential in the sector to the investors gathered from across the country. Investments in textile will further lead to employment opportunities for the local people," said Mishra.

He added that majority of youths working in textile sector were from Bihar. "If the investors set up their units here, then our people would not need to migrate to other places. And even women can be part of the workforce," the minister said.

Mishra further said the investors would find a readily available market here and that the state govt was prepared to provide all possible help to them, including land for setting up their units. "Thirty-one districts already have industrial area and there is scope for land acquisition in the rest seven districts. Land can also be made available to the investors for setting up industrial units even in the 31 districts having designated industrial area," said Mishra.

Altogether 90 investors, including 70 big companies of the country, are attending the two-day meet. Around 25 of them went on a tour of Bela Industrial Area in Muzaffarpur on the first day, said the officials, adding, even investors related to Jeevika and Mukhyamantri Udyami Yojana are participating in the event.

The second day will consist of technical and plenary sessions, where investors will be given detailed information regarding Bihar govt's policies in the sector. Union minister of textiles Giriraj Singh, along with several officials of the central govt, are expected to attend the second day of the event on Friday.

Source: timesofindia.com– July 19, 2024

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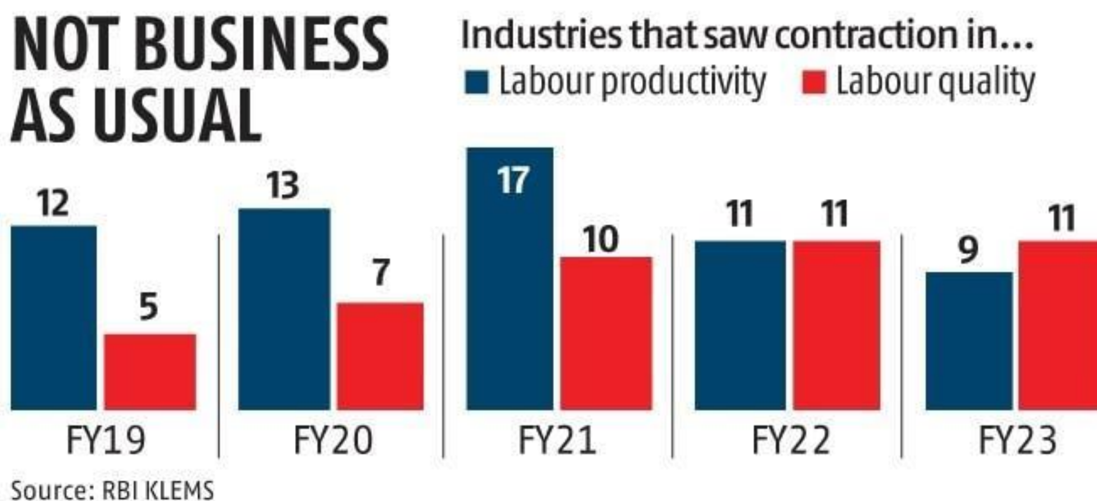
# Labour productivity shrank in 9 industries during FY23: RBI's KLEMS data

As many as nine out of 27 industries saw their labour productivity contract in FY23 compared to the preceding year, with eight of these industries belonging to the manufacturing sector, thus highlighting India's lack of competitiveness in industrial sectors, an analysis of the latest KLEMS (Capital, Labour, Energy, Material and Service) database released by the Reserve Bank of India (RBI) showed.

Labour productivity is an important metric in an economy as it measures the efficiency with which inputs are used to produce goods and services, and it offers a measure of economic growth, competitiveness, and living standards within a country.

The data shows that textiles, leather & footwear industry saw the highest contraction (-14.2 per cent) in labour productivity. This was followed by chemical products industry (-12 per cent), rubber & plastic products industry (-11.8 per cent), electrical equipment industry (-7.1 per cent), and manufacturing & recycling industry (-5.8 per cent).




On the other hand, hotels & restaurant industry (35 per cent) saw the highest increase in labour productivity during FY23, followed by coke, refined & petroleum products (16 per cent) and posts & telecommunication (15 per cent).

Besides, the data also shows that 11 out of 27 industries also saw a contraction in the labour quality during FY23, with rubber & plastic products industry (-5 per cent) seeing the highest slide, followed by chemical products industry (-4.4 per cent) and printing & publishing industry (-2.9 per cent).

Rituparna Chakraborty, co-founder, Teamlease Services, said that the decline in labour productivity is a direct fallout from the fall that has been seen in labour quality over the years, as a result of the dysfunctional ecosystem of education, skilling and employability that currently exists.

"India has always had one of the lowest labour productivity around the world and the opportunity that presents itself today to attract foreign investment is being slowly squandered due to the lower labour productivity. It is not just about working longer hours, skilling plays a very important role in one's ability to complete the task.

This data should ring some bells among policymakers as the government should increase investment focus on education, health and skilling of workers," she added.

Labour productivity was even worse during the Covid-hit FY21, when 17 out of 27 industries had seen labour productivity contract, followed by 11 industries seeing contraction in productivity during FY22 as well.

The database released last week showed that the total number of employed people as a ratio of the total population increased to 44.2 per cent in FY24 from 34.7 per cent in FY18, with the workforce growing by 168 million to 643.3 million during the period.

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

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# Container shortage hits textile exports

Ahmedabad: Textile deliveries have been hit by a shortage of containers and increased freight costs. The situation is affecting domestic and export orders.Denim exporters are staring at piled up shipments with manufacturers forced to stock around 500 containers of the fabric ready for export in warehouses due to the shortage.

Similar is the situation for yarn manufacturers.Industry experts say that new orders are not coming in as manufacturers have been unable to deliver past ones.

Vinod Mittal, a denim manufacturer in Ahmedabad said, “The denim industry witnessed a revival in the last quarter of FY24 but times have been challenging after that. There is a steady offshore demand but we are unable to export due to container issues. As a result, demand for godowns to store the stock has gone up and so have their rents as different sectors are facing a similar situation. Until we deliver earlier orders, we do not get new ones.”

According to industry estimates, only the denim sector has seen a stock pile-up of around 500 containers (20 tonnes each) in Gujarat. This has reduced capacity utilization of units to 60-70% from around 90% around three months ago.

“Exporters are not able to ship their manufactured goods due to unavailability of containers. Consequently, godowns available for hire are high in demand. This attracts an additional cost at a time when payment cycles are stretched. As a result, manufacturers are facing working capital shortage,” said Kumar Agarwal, a denim manufacturer in Ahmedabad.

Jayesh Patel, senior vice president, Spinners' Association Gujarat (SAG) said, “Exports have become costlier due to the Red Sea crisis. Also, shipping companies get better pricing from China, so they prefer taking containers from China. This has reduced the availability of containers here and affected our competitiveness in the global market. We are observing higher stockpiling with full godowns. Also, payment rotation has been affected.”

Source: timesofindia.com– July 19, 2024

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# EY-Assocham report advocates raising e-commerce export ceiling to $50,000

India should increase the consignment limit of a courier exported through the e-commerce channel to $50,000 (around Rs 41 lakh) from the current limit of $12,000 (Rs 10 lakh), Ernst & Young (EY) and Associated Chambers of Commerce and Industry of India (Assocham) said in a report. "Due to increasing e-commerce operations, this limit is now insufficient. E-commerce exports exceeding $12,000 are mandated to follow the cargo mode, leading to longer clearance and delivery times due to increased scrutiny," the report titled 'Enabling E-Commerce Exports from India' said.

The report also advocated extending the export promotion schemes to e-commerce exports to allow courier exporters to claim all export promotion incentives. It also urged states to come up with their own state-wise e-commerce export policy by identifying the districts to set up E-Commerce Export Hubs (ECEHs), identifying the products to create manufacturing clusters, expanding the scope of ECEHs by integrating training centres within ECEHs and facilitating development of ECEHs in or near air cargo terminals, with a custom official stationed there to clear shipments for exports.

"Moving forward, the government should endeavour to include cross-border e-commerce trade as a separate provision in all bilateral dealings with other countries to boost India's e-commerce exports," the report added.

The report said to enhance the global competitiveness of the exporters and offset the cost disabilities, the government of India should introduce a special credit package with fiscal incentives for the e-commerce export sector. "Moreover, access to cheaper finance should also be enabled by including e-commerce exports under the priority sector lending category of the Reserve Bank of India (RBI)," it added.

Current RBI guidelines mandate that the seller receive export proceeds in convertible foreign exchange within nine months of the export shipment. The report said this may not always be feasible for exports made through e-commerce platforms in certain situations.

"Flexibility needs to be provided by either removing the said time limit or extending the same up to 18 months for exports made through e-commerce mode following the guidelines," the report explained. Furthermore, the report suggested redefining the responsibility of the seller and the e-commerce operator by letting the seller concentrate on producing goods for export and the e-commerce operator shoulder the entire responsibility regarding regulatory compliances and payment conciliation.

Bipin Sapra, Tax Partner, EY India, said, "The government and other regulators need to take cues from other developed e-commerce export markets to iron out the kinks in the current law and processes to help the MSMEs gain access to global markets efficiently and easily."

The report said India's share in the global e-commerce market is roughly 1.5 per cent at present, which is projected to remain below 2 per cent for the foreseeable future.

The global B2C e-commerce market is expected to grow from $5.7 trillion in 2022 to $8.1 trillion by 2026 at a Compound Annual Growth Rate (CAGR) of 9.1 per cent, the report said. Meanwhile, India's B2C e-commerce market was valued at $83 billion and is expected to reach $150 billion by 2026 growing at a CAGR of 15.9 per cent.

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

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