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SAYING NO TO CHILD LABOUR

INTERNATIONAL NEWS

Global freight forwarding market normalises amid soft demand: Report

The global freight forwarding market is continuing to normalise, with demand for air and sea freight forwarding services remaining soft, according to the Global Freight Forwarding 2024 Report from Ti Insight. The report attributes the market contraction to challenges arising from a global economic downturn, shifts in consumer behaviour, and an oversupply surpassing demand, which have led to a 1.3 per cent contraction in real terms (holding prices and exchange rates constant) in 2023.

The performance of the market can be largely attributed to the weakness in air freight forwarding, which shrank by 2.1 per cent in 2023. Sea freight forwarding also underperformed, contracting by 0.6 per cent. The global economic downturn is cited as the main underlying reason for these disappointing results in the forwarding market.

In nominal terms (holding exchange rates constant only), the global freight forwarding market contracted by a significant 45.6 per cent in 2023. This substantial drop is attributed to reduced freight rates for air and sea compared to the previous year. However, the global forwarding market is expected to expand slightly in 2024, with a projected growth of 1.7 per cent in real terms, as per the report.

The Asia Pacific freight forwarding market experienced the third-largest market contraction compared to other regions. Despite this, it remains the largest region, accounting for 35 per cent of the global freight forwarding market. Ti data indicates that the global freight forwarding market will see a real compound annual growth rate (CAGR) of 3.3 per cent over the five years to 2028.

Ti's State of Logistics Air and Sea Freight Forwarding Survey 2024 reveals that 91.1 per cent of freight forwarders are currently experiencing increased pressure on margins. Rising competition and stronger negotiation by clients are identified as the main reasons for this increased pressure. To combat margin erosion, targeting higher-margin clients and offering more value-added services are likely to be the most successful strategies in the next 12 months.

The report also notes that the exceptional market conditions of the past two years have ended, with markets now on a new trajectory. This shift has led to a significant downturn in revenue and profits among freight forwarders in 2023, with results falling back to what might be called normality. All of the top 20 forwarders saw revenue declines in 2023. Despite these challenges, Kuehne + Nagel maintained its position as the leader in the global freight forwarding market, with revenues of €15.988 billion (approximate $17.36 billion) in 2023.

“The market for freight forwarding has reflected the volatility of the wider market for air and sea freight over the past four years. For large freight forwarders especially, the years 2020-22 were a boom, with revenues increasing by half and profits doubling. However, 2023 saw results falling ‘back-to-earth’ with profits and revenues falling as the markets returned to what might be called some sort of normality. However, the market remains complex with exceptional events, such as the effective obstruction of the Suez Canal exerting effects on the market that have specific effects on different types of providers,” said Thomas Cullen, chief analyst at Ti.

Source: fibre2fashion.com– July 28, 2024

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Turkiye's retail confidence index declines by 1.5% in July

In July 2024, Turkiye's seasonally adjusted confidence index for the retail trade sector experienced a notable decrease of 1.5 per cent, dropping from 108.8 in June to 107.1. This decline highlights growing concerns within the retail industry about future business conditions.

The business activity-sales over the past three months have significantly impacted the overall retail confidence. This specific measure fell sharply by 6.2 per cent, from 123.7 in June to 116.0 in July, indicating a considerable slowdown in sales activity, Turkish Statistical Institute Turkstat.

Conversely, the current volume of stock index in the retail sector increased by 2.8 per cent, rising from 89.1 in June to 91.6 in July.

Looking ahead, the business activity-sales expectation over the next three months index showed a marginal improvement, increasing by 0.2 per cent from 113.5 in June to 113.7 in July. This slight uptick indicates a cautiously optimistic outlook among retailers regarding future sales.

Source: fibre2fashion.com– July 28, 2024

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UK manufacturers' optimism dips slightly in July: CBI survey

Optimism among UK manufacturers experienced a slight decline in July, following a brief resurgence in April, according to the latest quarterly Industrial Trends Survey by the Confederation of British Industry (CBI). Output volumes remained steady during the quarter to July, mirroring the previous quarter's performance and falling short of anticipated modest growth.

Nevertheless, manufacturers hold a positive outlook, expecting the strongest output growth since March 2022 over the next three months.

The quarter to July saw output volumes remain broadly unchanged with a weighted balance of -3 per cent compared to a slight increase in the previous three months at +3 per cent. Expectations for the next quarter are optimistic, with a forecast growth balance of +25 per cent, marking the highest since March 2022. Out of 17 sub-sectors, six reported growth, as per the CBI survey.

Total new orders fell in July, continuing the trend from the previous quarter with a balance of -9 per cent from -6 per cent. While domestic orders dropped by -15 per cent from -6 per cent, export orders remained stable at +3 per cent from -14 per cent. Manufacturers expect new orders to stabilise in the upcoming quarter. After a brief uplift in April, business sentiment dipped again in July with a balance of -9 per cent from +9 per cent. Export optimism remained flat at 0 per cent after a positive shift last quarter from +6 per cent.

Investment plans for the year ahead showed improvement. Notably, investment in product and process innovation hit a peak since January 2022 at +18 per cent from +15 per cent, and investments in training & retraining increased to +7 per cent from +1 per cent, and plant & machinery to +6 per cent from +2 per cent. However, investment in buildings is projected to decline to -11 per cent from -3 per cent. Average costs surged in the quarter to July to +52 per cent from +39 per cent, with expectations of continued but slightly reduced cost growth at +36 per cent in the next quarter. Both domestic prices at +15 per cent from +10 per cent and export prices at +22 per cent from +9 per cent increased, though they are expected to decelerate in the following three months to +2 per cent and +6 per cent, respectively, as per the survey

Employment levels remained unchanged in the quarter to July, following a decline in April with a balance of 0 per cent from -6 per cent. A moderate rise in employment is anticipated over the next three months at +16 per cent.

Ben Jones, CBI lead economist, said: “Sentiment among manufacturers has cooled a little over the past few months, as output growth consistently underperformed expectations. But the near-term outlook for the sector remains positive amid an ongoing recovery in the wider UK economy.

“Manufacturers appear confident that output growth will pick up in the quarter ahead, with expectations the strongest in over two years. Firms are looking to increase stock levels to meet expected demand. And the share of manufacturers working below capacity has fallen sharply over the last quarter, feeding through to a more positive outlook for both hiring and investment.

“Last week’s Kings Speech, with welcome measures to reform planning and speed up approvals for major infrastructure projects, has the potential to give businesses the confidence they need to grow, invest and drive economic growth. And as the economy picks up steam, firms will want to see a relentless focus on delivery from the new government, to turn proposed measures into swift and bold action.”

The survey, encompassing responses from 257 manufacturing firms, highlights a complex landscape of challenges and optimism within the UK manufacturing sector.

Source: fibre2fashion.com– July 29, 2024

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Sri Lanka apparel exporters urge govt not to end simplified VAT system

Due to growing stress on the industry, the Joint Apparel Association Forum (JAAF) recently urged the Sri Lankan government to reconsider its decision to abolish the simplified value-added tax (SVAT) system after April 2025.

Export figures are already lower, and if SVAT is done away with without first setting up a viable and efficient refund mechanism, it will drastically disrupt cash flows for all exporters, including those in the apparel industry, the forum said.

“Failure to reconsider this policy will almost certainly exacerbate financial strain on the sector, and further erode Sri Lanka’s export competiveness as funds will inevitably be tied up in refund processes, even in the most efficient systems,” Bandula Fernando, chairman of Sri Lanka Chamber of Garment Exporters, which represents small and medium enterprises (SMEs) with JAAF, in a statement issued by the latter.

Any decision to proceed with abolition of the SVAT scheme in the absence of any tangible progress on speeding up valid VAT refunds would be catastrophic, particularly for the SME sector, Fernando stressed.

“Despite the law requiring for refunds to be made within 45 days, exporters have legitimate VAT refunds due as far back as 2010 and no interest is paid on these delayed refunds.....Such inefficiencies will create insurmountable obstacles for SME apparel exporters, and severely erode cash flows even for larger players,” he noted.

JAAF secretary general Yohan Lawrence said the decision to remove the SVAT scheme had been made on two ‘incorrect assumptions’: the current system creates revenue erosion and the removal of SVAT would enhance the revenue collection for the state.

“This claim has not been substantiated in respect of the formal apparel sector where the SVAT system is used for the sourcing of intermediary goods for the manufacture of apparel. The industry has been on a journey of backward integration whereby supply of raw materials has moved away from being imported to being manufactured locally. Removal of the SVAT system will reverse this trend, leading to more imports," Lawrence was quoted as saying by domestic media reports.

Under SVAT, apparel exporters could purchase local raw materials without immediate cash outflows for VAT, promoting the use of domestically produced inputs. With the inefficient refund system, the incentive to buy local raw material decreases.

Source: fibre2fashion.com– July 25, 2024

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U.S. Cotton Trust Protocol Boosts Crop Coverage By 2.1 Million Acres

The U.S. Cotton Trust Protocol, a sustainable cotton fiber program offering article-level supply chain transparency, said it has seen a significant bump in participation over the past year.

The program saw an uptick in both enrolled growers and planted acres, with the former increasing by 35 percent and the latter expanding by 31 percent, to 2.1 million acres, since 2023.

The Trust Protocol's Climate Smart Cotton Program also saw an increase in enrollment, with 1,340 of the trust's farming entities applying for inclusion in the initiative. The five-year program focuses on climate-smart agricultural practices such as reduced tillage, nutrient management, improved soil heath, drought- and flood-resistance and lowered greenhouse gas emissions. Members receive benefits such as technological and financial support for incorporating soil fertility-promotion practices.

The program set a goal of enrolling 1,650 farms, including at least 330 from historically underserved communities. Of the 1,340 applying for Level 1 of the program, 282 come from historically underserved communities representing 444,000 acres of cotton crops. Growers in Level 1 can now also apply for participation in Level 2.

"We are proud to see steady increase in grower enrollment for the Trust Protocol for a fifth consecutive year, reflecting a continued commitment to sustainability within the cotton industry," said Daren Abney, U.S. Cotton Trust Protocol executive director.

The Trust Protocol launched in 2020 with the goal of establishing a new standard for sustainable cotton focused on improvement across a number of metrics, including greenhouse gas emissions, water and land use, and energy efficiency. In its 2023 annual report, which was published in February, the voluntary platform revealed that its growers saw an aggregate soil loss of 2.6 tons per acre and an 83 percent improvement in soil organic matter levels. Those members also reported a 14-percent increase in water efficiency, a 27-percent drop in energy use and 21 percent lower greenhouse gas emissions.

The Trust Protocol aims to reduce greenhouse gas emissions by 1.14 metric tons or the equivalent of 4.2 million bales of Climate Smart Cotton.

Along with its farming partners, the program also currently has more than 2,000 supplier members along with 40 brands including Ralph Lauren, Gap, Levi Strauss & Co., Carhartt and J. Crew.

“It is a collective effort that brings more responsibly produced cotton into the market, providing brands and retailers with greater access to sustainable sourcing options,” Abney said.

Source: sourcingjournal.com– July 26, 2024

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Vietnam: Advanced technology helps garment - textile industry adapt to challenges: insiders

Garment and textile enterprises must renew technology, move toward green production and bolster trade promotion, among others, to navigate headwinds, according to insiders.

Although the sector witnessed recovery since the outset of the year, with export revenue during January-April rising 7.5% year-on-year to 12.5 billion USD, challenges remain, including supply chain risks, digitalisation, circular economy and green production, the Vietnam National Textile and Garment Group said.

Vice Chairman of the Vietnam Textile and Apparel Association (VITAS) Truong Van Cam stated that Vietnam gained 44 billion USD from garment and textile export in 2022, which fell to only 39.5 billion USD in the tough year of 2023.

This year, the sector is striving to get back to the 2022 level, he said, adding it will strive toward sustainable development based on digital transformation and green growth by 2030.

Chairman and General Director of Viet Thang Jean Company Limited Pham Van Viet said that to achieve the set goals, enterprises must focus on restructuring and applying advanced technology to improve productivity and product quality, while enhancing multilateral cooperation and boosting the sales of original equipment manufacturer and free on board (OEM/FOB) goods, among others.

He particularly laid stress on the significance of the application of state-of-the-art technology into production and digitalisation, saying fastidious markets like Europe and the US impose strict requirements on green production.

Viet Thang Jean has gone green to better its operation and protect the environment, he said, adding the company invested in a 12.5 million-USD conveyor belt production which does not have negative impacts on the environment.

Besides, automatic fabric cutting machines, nano-dye technology, and Turkish washing technology, among others, have been applied in the company, helping it gain the Oeko-Tex certificate which guarantees Viet Thang products are free from harmful substances, he stressed.

Other firms in the industry have jumped into the bandwagon to switch to modern production models that are friendly with the environment so as to gain advantages while engaging in the global supply chains.

Fadatech fabric dyeing and printing JSC has applied digital printing technology to protect the environment, according to its Director Nguyen Huu Phuc.

He added that costs related to the technology shift are high as the firm has to send its staff abroad for training on new technology.

Viet held that amidst economic challenges, the industry needs more time to seek orders to improve their profits and make technology investment to improve production efficacy.

Source: en.vietnamplus.vn– July 28, 2024

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Bangladesh: RMG exporters in a race against time to offset losses

Local apparel exporters are in a frantic race to recover the losses they incurred during the latest spell of violence centring the quota reform movement and nationwide curfew, with international retailers and brands pressuring them to ensure timely delivery of goods.

Following the shutdown of factories and mills for four days, apparel exporters are planning to keep their production units open on Friday and pay overtime bills to meet lead times as they believe increasing productivity can offset a portion of losses.

Due to the situation over the past week, suppliers had to cancel hundreds of pre-scheduled meetings and factory inspections. They also could not communicate with foreign buyers due to an internet blackout, which began on July 18 and persisted until July 23.

The disruption in production, delivery and shipment took place at a time when the sector is struggling to recover its international trade.

Bangladesh's garment shipments fell 5.2 percent to $33.04 billion in the July-May period of the last fiscal year compared to the same period a year prior, according to data from the Bangladesh Bank.

International buyers are also piling pressure on apparel exporters to ship goods quickly as they have to fill their stores with new designs ahead of Christmas, the biggest retail sales extravaganza in the Western world.

The months of July, August and September are the peak time for the shipment of goods to be sold during Christmas.

"Buyers do not want to hear about any crisis. They want on-time delivery of goods," said a garment exporter who ships T-shirts and polo shirts to the US and Canada.

The global apparel supply chain has been struggling to recover from the severe fallout of the Covid-19 pandemic, the Russia-Ukraine war, and historic inflationary pressure on Western consumers.

It was dealt another blow this year in the form of the Red Sea crisis, which triggered commercial vessel operators to nearly double shipping charges. The shipment of goods from Bangladesh to Europe is taking at least a month more than in previous times due to the crisis, which has forced commercial vessel operators to forgo the traditional route through the Suez Canal and navigate an additional 3,500 kilometres around the Cape of Good Hope in Africa.

As such, in many cases, international clothing retailers and brands are asking for expensive air shipments so goods can reach stores timely.

If a kilogramme of garment is sent to Europe through waterways, it costs around 10 cents or less. But if the same shipment is sent through air from Dhaka airport, it costs more than $4. An apparel exporter, asking not to be named, said: "I have planned to keep my factory open on Friday so I can ship goods timely and avoid work order cancellations and expensive air shipment."

However, another exporter said it would be difficult to cater to the work orders because of a raw material shortage, which happened because goods could not be transported to factories over the past week.

Faruque Hassan, managing director of Giant Group, said his American buyers could not place work orders during the past week. So, he sent two of his officers to the US so that he does not lose business.

It will take more than one month to overcome the losses of one week, he lamented, adding that port, customs and transport services should be expedited so the business can run smoothly.

"My buyers are yet to seek discounts or cancel orders, but I am sure that I have to make a lot of air shipments to meet deadlines," said another major exporter, seeking anonymity.

Overtime is the main measure to recover losses, he said, adding that customers are not willing to accept any delays in shipment as they need goods quickly to prepare for Christmas.

Mohammad Ali Khokon, president of Bangladesh Textile Mills Association, said the primary textile sector, which includes spinning, weaving, dyeing and finishing activities, lost $58.8 million over the last six days because of shutdown and internet blackout, which is about $9.8 million per day.

Although buyers are not cancelling work orders or seeking discounts, they are putting a pause on work orders or delaying them, which is creating a stockpile of yarn and fabrics in mills.

Khokon also sought a government waiver from extra port charges during the shutdown.

SM Mannan Kochi, president of the Bangladesh Garment Manufacturers and Exporters Association, said he would sit in a meeting in a day or two with the international buyers and request them to not cancel work orders or seek discounts.

Source: thedailystar.net– July 26, 2024

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Pakistan: Cotton research under siege

Recognizing the economic significance of cotton and the necessity for a robust textile sector, Quaid-e-Azam Muhammad Ali Jinnah established the Pakistan Central Cotton Committee (PCCC) in 1948 under the Cotton Cess Act of 1923. Initially headquartered in Karachi, this institution now operates under the Ministry of National Food Security and Research.

The PCCC's mission was to promote cotton research through funds generated by a cotton cess collected from textile mills, thereby stabilizing the cotton sector. It is important to clarify that the cotton cess is not linked to domestic production but is imposed on the consumption of cotton bales used in mills, as well as on imported and exported cotton.

Historically, the PCCC has provided exemplary services in cotton research both nationally and internationally. From 1948 to 2015, Pakistan's cotton production reached significant milestones: 12.8 million bales in 1991-92, 15 million bales in 2004-05, and a bumper crop of 14 million bales in 2014-15. Concurrently, the number of textile mills grew to over 450, ginning factories multiplied, and per-acre yield soared to 750 kilograms. These advancements created millions of jobs in the cotton sector, driven by relentless research and development.

Innovations in cotton farming practices, integrated pest management, pest scouting, crop management, and harvesting and storage techniques can all be attributed to the PCCC's rigorous research.

During the 1980s, when the cotton leaf curl virus (CLCuV) posed a severe threat, PCCC scientists developed resistant cotton varieties, safeguarding the industry's future in Pakistan. The PCCC's successful cotton varieties have been cultivated on more than 70% of the country's land.

However, since 2016, the situation has drastically changed. About 80% of mills, influenced by the All-Pakistan Textile Mills Association (APTMA), ceased paying the cotton cess, severely hampering cotton research and development. Today, the cotton crop faces critical issues such as climate change, pests like whiteflies and pink bollworms, and diseases including CLCuV, all of which necessitate advanced research and funding.

Due to various pretexts and eight years of continuous litigation against a dedicated research institution, cotton research activities have been severely compromised. This has not only impacted performance but also cast a shadow on the credibility of the Pakistan Central Cotton Committee (PCCC), a crucial national entity.

Influenced by APTMA, the textile industry initiated 65 legal cases against the PCCC, of which the PCCC has successfully defended 63, while 2 cases remain pending in the Peshawar High Court. It is perplexing that despite favorable rulings from both the Supreme Court and the Lahore High Court, the textile industry chose to pursue the matter in a lower court.

Despite the efforts of various private and government institutions in Punjab, Sindh, and Baluchistan, as well as additional efforts from agencies under the Atomic Energy Commission, cotton production has not seen significant improvement. This is primarily due to the lack of a unified effort under a central framework. Thus, addressing the organizational and funding issues of the PCCC is crucial for consolidating research efforts and achieving effective results.

Pakistan’s annual cotton production potential stands at 18 million bales, but since 2016, production has stagnated at around 8 million bales. The performance of any institution should be measured by its available resources and the challenges it faces.

Without resolving the issues of research institutions and investing in research, achieving desired production targets is impossible. Countries like the USA, China, India, Brazil, and Australia exemplify successful models where cotton research thrives with the support of the textile industry and government.

Unfortunately, in Pakistan, despite receiving substantial subsidies and government incentives, the textile industry neither supports cotton farmers nor research institutions. APTMA often laments the lower export rates compared to India, Bangladesh, and Vietnam, yet fails to address the fundamental issues affecting the PCCC.

The PCCC remains the largest research entity in Pakistan, possessing invaluable germplasm collections and a team of experienced Ph.D. agricultural scientists. With necessary administrative reforms and adequate funding, the PCCC can be revitalized to meet international standards.

APTMA is urged to comply with the Cotton Cess Act of 1923 and the 2012 amendments by the ECC, which include a 30% increase in the cotton cess rate every three years. The current rate, which was increased to 50 rupees per bale in 2012, urgently needs to be raised to 200 rupees per bale by 2024.

Furthermore, as a representative body of the mills, APTMA should compile and submit data on inactive or closed mills to the authorities, providing a comprehensive final report. This approach would facilitate an amicable resolution of the cess issue.

The Ministry of National Food Security and Research should take stringent legal action against defaulting mills, impose heavy fines, and ensure compliance with cotton cess payments through the FBR. Ensuring fair collection of cotton cess based on total consumption, imports, and exports of cotton products, and requiring mills to obtain NOCs from the PCCC are necessary steps to restore and sustain the cotton research and development sector in Pakistan.

By implementing these measures, Pakistan can revive its cotton industry, ensuring sustainable growth and stability for the future.

Source: brecorder.com– July 29, 2024

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NATIONAL NEWS

DGFT simplifies Export Promotion Capital Goods Scheme procedures to enhance Ease of Doing Business

The Directorate General of Foreign Trade (DGFT) has announced significant enhancements to the Export Promotion Capital Goods (EPCG) Scheme aimed at simplifying processes, reducing transaction costs and promoting automation to benefit exporters vide Public Notice No. 15 dated 25th July 2024. These changes align with the commitment of the Government to create a more business-friendly environment and improving India's manufacturing competitiveness.

As per the changes, the scheme will now provide exporters an extended period to submit Installation Certificates for imported Capital Goods. This extension reduces pressure on businesses, allowing them to focus more on production and export activities.

Further, a simplified and reduced composition fee structure for extending the Export Obligation (EO) period has been introduced. This change minimises manual intervention, streamlines compliance and speeds up service delivery.

Also, from now all Policy Relaxation Committee (PRC) decisions regarding Export Obligation extensions and regularisation of exports will be implemented with a levy of uniform composition fee making it easier to implement through the system.

Benefits for Exporters:

These updates make it easier for exporters to comply with regulations, reducing the time and effort required to meet DGFT requirements. By expanding automated rule-based processes, DGFT aims to reduce human intervention, mitigate risks and improve overall efficiency in trade facilitation.

Commitment to Modernization and Efficiency:

Since the announcement of the new Foreign Trade Policy in April 2023, DGFT has been actively modernising its systems to expand automated rule-based processes. These initiatives are crucial steps towards fostering a more business-friendly environment and enhancing India's competitiveness in the global market. DGFT has already taken efforts to automate the authorisation issue process, ad-hoc norms fixation process under Advance Authorisation, export obligation extension, automatic status holder certificate issue, among others, in recent days. It is planned that in the coming months, more and more processes will be system driven with minimal or no human intervention to order to facilitate trade and industry.

For more details on these updates, please visit DGFT Website at https://www.dgft.gov.in

Source: pib.gov.in– July 26, 2024

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Government setting up 7 PM MITRA Parks with world class infrastructure to give a boost to Textiles Sector

The Government has approved setting up of 7 (Seven) PM Mega Integrated Textile Region and Apparel (PM MITRA) Parks in Greenfield/Brownfield sites (including a Greenfield project in Virudhanagar Tamil Nadu) with world class infrastructure including plug and play facility with an outlay of Rs. 4,445 cr for a period of seven years upto 2027-28. It is envisaged that each park when completed will generate 1 lakh direct and 2 lakh indirect employments. In order to implement the PM MITRA Scheme in Virudhnagar, a Special Purpose Vehicle (SPV) i.e. 'PM Mega Integrated Textile Regions and Apparel Park, Tamil Nadu Limited' has been incorporated with Government of Tamil Nadu holding 51% stake in the SPV and remaining 49% being held by the Government of India.

The process of obtaining Environmental Clearance as well as layout approval from Directorate of Town and Country Planning has been completed.

The Process of providing Water and Power supply up till the park gate is in progress. Memoranduma of Understanding (MoU) worth Rs 1200 cr for investment in the park have been signed so far.

With a view to increasing investments, generating employment opportunities and boosting exports in textile sector, the Ministry is implementing Scheme for Integrated Textile Park (SITP) to provide support for setting up textile parks with world-class, state-of-the-art infrastructure in textile hubs across the country.

The scheme was in implementation up to 31.03.2021. However, the Scheme has now been subsumed under the umbrella Scheme of Textile Cluster Development Scheme (TCDS) and an outlay of Rs.568.15 Crore has been allotted for completing ongoing projects only. The details of the textile parks in Tamil Nadu under the Scheme are given below:

Click here for more details

Source: pib.gov.in – July 26, 2024

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Commerce Secretary participates in the 14th BRICS Trade Ministers' meeting

Commerce Secretary Shri Sunil Barthwal attended the 14th BRICS Trade Ministers' Meeting held on 26 July 2024 under the BRICS Presidency of Russian Federation. The theme of BRICS this year is "Strengthening Multilateralism for Just Global Development". While congratulating the Russian Presidency for the bringing in proposal on contemporary issues, Shri Sunil Barthwal, welcomed the new members of BRICS (Iran, Egypt, Ethiopia and UAE) and congratulated them on their fruitful participation in discussions, this year.

The Commerce Secretary expressed the need for strengthening multilateral trading system with WTO at its core, effective functioning of Joint Value Chains, expanding interaction among MSMEs, India's successful story on Digitalization and e-commerce and the relevance of cooperation among Special Economic Zones.

On the strengthening Multilateralism, he reiterated on the collective efforts to find a solution for long pending mandated issues of WTO, in particular, the development aspect and the Special and Differential treatment. He stressed on the urgent need for resolving the issues including the permanent solution to Public Stock Holding, constitution of two-tier Dispute Settlement system, WTO Reform to be based on the principles & objectives of WTO, leading to more responsive to development requirements of emerging economies, invigorating the WTO through "30 for 30" bringing in alt least 30 operational improvements to the WTO before the organization completes 30 years in 2025. He stressed upon strengthening the resiliency of supply chain through decentralization and diversification, furthering co-operation in value chains through G20 generic Mapping framework for GVCs and by enunciating guiding principles for collaboration. In this context, as an initial step towards digitalization, he stressed on paperless trade including digitalization of documents like Bill of lading.

He laid emphasis on collaboration for making access to affordable emerging technologies critical for green transition and climate resilience. On the climate related unilateral measures impacting trade, Commerce Secretary expressed concern as such measures nullify rights and obligations under specialized Multilateral Environmental Agreements and violative NDC Principles, and ignores the CBDR principles.

The Commerce Secretary also mentioned the importance on MSME related developments and their integration with the Global Value Chains. While re-iterating the Jaipur call for action for enhancing access to information for MSMEs issued during India's Presidency in 2023, he lauded the Russian Presidency for carrying forward the initiative by making efforts to compile certain basic information pertaining to MSMEs among the BRICS members. As MSME's are an integral part of the BRICS Members, Commerce Secretary stressed on the importance of cooperation and collective efforts for outcome oriented support for MSMEs. He expressed the need to focus on key areas like, exploring cooperation in the form of Research and Development, Technology transfers and joint Ventures as well as the Business development opportunities.

Commerce Secretary underscored the urgency of accelerating inclusive digital transformation. While referring to India's success story of building up an open source India Stack of Critical Digital Public infrastructure as part of its digital industrialization following the core principles of open access, transparency, trust and respect for data protection and privacy, expressed India's willingness to share its experience with the BRICS countries on the e-revolution in the domains of payments, e-commerce, national identity, banking, education etc,

On the Russian presidency's initiative on cooperation in Special Economic Zones (SEZs), Commerce Secretary acknowledged the transformative impact of SEZs in providing employment, state of art technologies, boosting exports. He underscored the importance of exchanging information and best practices regarding the same.

In conclusion, Commerce Secretary laid stress upon the importance of collaborative efforts and commitment along with resilience, unity and transparency to face challenges under the principles of compassion, empathy and understanding, for a common brighter future of BRICS countries.

The Trade Minister's meeting endorsed the Joint Communique and 6 outcome documents pertaining to various issues mentioned earlier.

Further on the sidelines of BRICS TMM, Commerce secretary had bilateral meetings with the Minister for Economic development Maxim Reshetnikov, Member of the Board (Minister) of Trade, Eurasian Economic Commission Andrey Slepnev, Deputy Minister of Industry and Trade Alexey Gruzdev, and Head of FSVPS, Sergei Dankvert of the

Russian Federation as well as with the Deputy Minister for the Department of Trade, Industry & Competition, South Africa, Zuko Godlimpi and the Minister of State for foreign Trade, UAE, Thani Bin Ahmed Al Zeyoudi, wherein bilateral trade issues were discussed in brief for their early resolution.

Source: pib.gov.in – July 28, 2024

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Lowered customs may improve India's global position in apparel and footwear market

Made-in-India apparel and footwear may become a larger part of the global sourcing for brands like Zara, H&M, Marks and Spencer and Gap with finance minister Nirmala Sitharaman announcing a lot of exemptions on import duties of raw materials for apparel and footwear only when they are further exported. Local manufacturers said this will make the Indian produce price competitive in the global market compared to Bangladesh, Vietnam, Cambodia, China, and Southeast Asian nations.

The winter-wear clothes, that require real down-filling material from duck or goose, are not manufactured much in India. This is because of the lack of raw materials and the cost of production. Due to the lowered customs on these raw materials, industry executives believe that the production, export, and India's stand at the global competition can henceforth improve."By reducing the cost of these raw materials, our exports will become more competitive, and hopefully manufacturing will go up. Secondly, spandex is very largely and commonly used. So that will definitely make our products more competitive and that will open a large opportunity. Thirdly, the duty-free imports of trimmings will again make us much more competitive," Rahul Mehta, president of Clothing Manufacturers Association told ET.

These raw materials cost 5-7% on an average of the total cost of the product to be exported. This move by the government will make the cost of manufacturing cheaper. Mehta said that the cost could be reduced by 2-4% because of the lowered duty.The basic customs duty for Methylene Diphenyl Di-isocyanate (MDI) for use in the manufacture of Spandex Yarn has reduced from 7.5% to 5%. This benefit is for local consumption as well as for exports, while most of the other announcements are for exports specifically like the duty on wet white, crust, and finished leather for the manufacture of textile or leather garments, leather/synthetic footwear, or other leather products, which was 10%, has been waived off.

Other additional accessories and embellishments for the manufacture of textile or leather garments, leather/synthetic footwear, or other leather products also have nil customs now. Customs duty on real down-filling material from duck or goose used in the manufacture of textile or leather garments has been reduced from 30% to 10%.

The export duty on raw hides and skins is still the same, while that on tanned or crust hides of skins, wet blue chrome leather, and crust leather has been lowered from 40% to 20%, raw fur skins to 40%, and tanned or dressed fur skin from 60% to 20%. All these changes are effective from Wednesday.

Mehta added, “Most buyers are now looking for an alternative to China and even Bangladesh. So, India is a favourable destination. But there are certain products where India is just too expensive because of higher wages and higher cost of production. So, these are the products where Indian exporters will stand to gain significantly if they become more competitive.”

India holds about 3.5% of the global trade in the apparel industry. Global brands like Zara, H&M, Marks and Spencer, Walmart, Gap, Next, and Primark currently source apparel and footwear from India.

The basic customs duty exemption on specified goods used in the manufacture of textile or leather garments for export and used in the manufacture of leather or synthetic footwear or other leather products for export, when imported by a bonafide exporter has been extended up to 31st March 2026 in the Budget.

Mehta explained that India's exports are $16 billion, majorly restricted to casual cotton wear. Bangladesh's exports are $40 billion-plus, and China is $120 billion-plus. Since India’s production capacity is smaller than the rest, brands can not tap India for larger orders of the same style.

Due to the ongoing issues in Bangladesh, and increasing wages, a lot of global buyers are now choosing to source from India, said K. M. Subramanian, the president of the Tiruppur Exporters’ Association. He said, “The lower customs duty will help with the ease of doing business. It will make it easy for global brands to source from India. It will help with a good brand name and good qualities, but financially it will not help much.”

The Tiruppur Exporters’ Association exported around Rs. 35,000 crores last year. This year, they are targeting a 10% growth to Rs. 40,000 crores.

Source: economictimes.com– July 25, 2024

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After a long lull, are textile exports seeing 'achche din'?

The Indian textile industry has been facing headwinds for nearly two years. But troubles in Bangladesh and the China+1 sentiment indicate favourable winds for India's textiles.

In November, clothing manufacturers in Bangladesh shut down about 150 factories as labourers demanding higher pay went on a nationwide strike. Despite being a top textile exporter, the country has been facing issues due to rising labour cost and poor economic conditions. The situation appears to be favouring India.

Rakesh Mehra, Chairman of the Confederation of Indian Textile Industry (CITI), says during 2023, Bangladesh's textile and apparel export stood at about $50 billion, about 18% lower from a year ago. "This decline in exports was the highest reported among the top 10 global suppliers of T&A (textile and apparel) to the world." This trend continues in 2024 also, Mehra says.

According to data released by the US trade administrative body, the Office of Textiles and Apparel (OTEXA), Bangladesh's apparel exports to the US declined by 14.44% year-on-year to $2.31 billion in the first four months of 2024 compared with $2.70 billion in the corresponding period last year. Additionally, the combined textile and garment exports from Bangladesh to the US fell 14.15% to $2.38 billion.

"This gap is being partially fulfilled by India. Our exports to the US have increased significantly by 16.9%, 12.2% and 9.6% during April, May, and June 2024, respectively, as compared with 2023," Mehra says.

India's textile exports have been declining since FY22. During 2023, Bangladesh's textile and apparel export stood at about $50 billion, about 18% lower from a year ago, said CITI's Rakesh Mehra.

It will be difficult for Bangladesh to stop the decline in exports due to issues around labour costs, wage protests, social welfare, and inflation. Experts point out that apart from these, the country is seeing a saturation in demand and its manufacturing capacity is maxing out. This situation, along with reasons such as stabilisation of cotton prices, is making India a favourable destination for global importers. So, the domestic textile industry is seeing better days after two years of decline in exports.

Positive signs

According to the latest numbers by CITI and the Ministry of Commerce, India's textiles and apparel exports increased 4.08% year-on-year to $8.79 billion in April-June FY 2024-25.

As far as textile exports are concerned, it jumped 6.04% to $4.94 billion in April-June of FY 2024-25 from $4.75 billion in the corresponding period of the previous fiscal year, while apparel exports have registered a growth of 4.20% during the same period.

The report also showed that exports of cotton yarn, fabrics, made-ups and handloom products saw a 5.71% year-on-year jump to $2.92 billion in April-June 2024-25. The shipment of man-made yarn, fabrics, and made-ups increased by 0.37% to $1.17 billion, and carpet exports increased by 11.41% to $263.37 million during this period.

While the increase is small, Goenka says that India has for long been an attractive destination for global importers and so this trend would see more acceleration.

CITI's Mehra is also optimistic. India's T&A exports had hit a high of $43.4 billion in 2021-22 and has been declining since then. In FY22-23, the exports declined to $37 billion and went down to $35.9 billion in FY23-24. So, the rise being seen in the past few months is a sign of recovery for the sector, he explains.

"This positive trend is attributed to increased demand for Indian T&A products in major markets like the US. Industry is highly optimistic about the continuation of this growth trajectory in the months to come," he says.

India's textile and apparel exports saw a considerable jump in the Q1 of FY25 compared to the same period last year. Experts are highly optimistic and believe the trend to continue in the following months.

India was an attractive T&A destination for global importers until a few years ago, before Bangladesh lured some of these players with cheaper labour. Around 2016, the eastern neighbour overtook India to become the second-largest textile exporter in the world.

Dipali Goenka, CEO and MD of Welspun Living , also sees India's country's textile and apparel sector returning to a growth trajectory. "Bangladesh, although still a major player in the textile industry, is experiencing rising labour costs and capacity constraints.

Faced with persistent gas shortages and erratic exchange rates, numerous textile mill owners in Bangladesh are resorting to selling their factories due to escalating losses arising from dwindling production. This shift is driven by geopolitical factors and rising production costs in China. India, with its vast raw material base, skilled labour, and government incentives, is well-positioned to capitalise on this trend," she says, adding that leveraging robust policy support, India can attract global brands seeking stable and sustainable manufacturing partners.

India is the world's second-largest producer of textiles and garments and the sixth-largest exporter of textiles (apparel, home, and technical products). It has a 4.6% share of the global trade in T&A.

Saturation point

Anand Ramanathan, Partner, Consumer Industry Leader, Consulting, Deloitte India, says Bangladesh is getting saturated in size and scale, and facing concerns about availability of resources such as land and labour. "Bangladesh has done a good job when it comes to growth, poverty alleviation and all that. But in terms of human competitiveness or labour, it has taken a slight turn for the worse. Further, availability of land for expansion, finding the right talent, and social and even environmental reasons are why Bangladesh is not as attractive as it used to be. Also, the demand from Bangladesh is getting saturated," he says.

Rakesh Mehra, Chairman, CITI.

These are some of the reasons why India and Sri Lanka have become more lucrative manufacturing and sourcing destinations for global players. Sri Lanka has just recently recovered from an economic crisis and is becoming more competitive, he says. "Some of the large players were already present in Sri Lanka. So just an incremental capacity expansion can help Sri Lanka become a better source. In India, we have more land and more cheap labour and these factors are a major draw. Along with the whole China+1 sentiment, there is a much bigger demand-side equation happening for India," Ramanathan explains.

Bangladesh had largely focussed on exports of ready-made garments (RMG). Brands tend to be wary of its name being associated with countries seeing such troubles. So the recent wage protests by garment workers had a direct impact on its image at the international level. This makes the outlook for Bangladesh's garment sector bleak, says CITI's Mehra.

Protests continue to rock the country as students are out on the streets against quotas imposed on government jobs. Bangladesh's Supreme Court has scrapped most of the quotas after violence killed about 140 people. The government had even declared a nationwide curfew.

Other factors

Mehra points out that the US, one of the major markets for Bangladesh's RMG exports, has already warned the country about labour rights. So has the European Union, another large importer.

Globe Textile India Pvt Ltd's manufacturing facility in New Delhi. Bhavin Parikh, the MD & CEO, says they are getting more export enquiries now than a while ago.

The CITI chairman says the country will also have to deal with another unfavourable situation. "Bangladesh is set to achieve the status of a developing nation in 2026. When that happens, it would lose the benefit of duty-free market access to major RMG markets. That will also affect its exports."

All these indicate that major foreign buyers would not continue to look at the country as favourably as earlier.

Any impact on its exports will directly benefit India's T&A industry, he says. "This, along with the China+1 sentiment, will definitely benefit the Indian industry and will help it regain its position as the second-largest T&A exporter," says Mehta.

Indian exporters are also enthused by an improvement in economic conditions at key export markets. Some of the western markets had reduced consumption because of inflation and depressed economic conditions. This had affected T&A exports over the past three years, says Ramanathan, adding that the economic conditions in these key export markets are also improving.

Helping hand of stability

Bhavin Parikh, MD& CEO of Delhi-based Globe Textile India Pvt Ltd, says they are getting more export enquiries now than a while ago. The China+1 sentiment and the various tariffs imposed on China by countries like the US and some European countries are also boosters for the sector. “Chinese goods are becoming more expensive for importers in the US. So, they are looking at India.” He also says that consumers are spending more on shopping again after two years of lull; consumer demand was low for textiles due to inflation.

Stability in commodity prices and its availability are also helping the domestic T&A players. For about two years, cotton prices had been incessantly high, and raw material availability had become unreliable.

Favourable government policies and programmes have given the sector a boost, says Goenka. The CEO of Welspun Living is of the view that programmes like SAMARTH, the National Technical Textile Mission and PM-MITRA Parks have the potential to further strengthen infrastructure and workforce capabilities.

“The Production Linked Incentive (PLI) scheme has attracted fresh investments and created employment opportunities. The sector’s strategic focus on man-made fibres, home textiles and technical textiles has unlocked new growth avenues. Commitments from major retailers like Walmart, Tesco, and Target to source from India are significant growth drivers. Free trade agreements (FTAs) are also enhancing market access,” she says.

Opportunities and obstacles

While the tide is turning for textiles, industry observers say the government should address certain factors to make sure Indian players can make the best of the situation.

CITI’s Mehra points out that the relatively higher domestic fibre prices impact the cost competitiveness of downstream industries, adversely impacting the entire value chain. “The prices at which the important fibres are available to the Indian industry today are 20% to 38% higher than what our competitors pay. This cost differential percolates down the value chain, resulting in the erosion of cost-competitiveness of garments and made-ups,” he says.

Dipali Goenka, MD and CEO, Welspun Living

There is also a need for schemes to incentivise capacity building in the downstream segment. The flagship Technology Upgradation Fund Scheme (TUFS) had been instrumental in incentivising investment in this sector. However, it was phased out on March 31, 2022. A large majority of MSME units can benefit if a similar scheme is introduced. “Though the government has announced schemes like PLI, which are aimed at creating global champions, the majority of the industry, especially MSMEs, need schemes like TUFS with upfront capital subsidy and simplified application procedures. This can ensure capacity building in the value chain,” he says.

Goenka points out that there is competitive pressure from countries like Vietnam because of lower production costs and favourable trade agreements. To remain competitive, Indian exporters must focus on product diversification, quality enhancement and sustainability initiatives.

Ramanathan suggests that a way forward would be to focus on specialising at scale. “If you look at China, you will see entire clusters that focus on some specialised product such as socks or innerwear. They do it on a large scale — in a sense, you will have a whole city manufacturing just one product. That makes you cost competitive. Therefore, we really need to look at bringing in specialisation. And capital investment support is required to fund such investment,” he says.

The flagship PLI Scheme has already approved 64 applications with a proposed investment of Rs 19,798 crore and a projected turnover of about Rs 2 lakh crore, says Mehta. New investments are also coming in under the PM MITRA parks, which encourage the creation of integrated textiles value chains.

Such policies can be a tailwind to Indian T&A manufacturers who are trying to take advantage of the changes in global trade winds.

Source: economictimes.com– July 25, 2024

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India creates legroom to sign UK, EU FTAs with Customs Act amendments

To create legroom for signing free trade agreements (FTAs) with developed nations such as the UK and European Union, the Union Budget 2024 has introduced amendments in the Customs Act, liberalising compliance with value-addition norms that typically guard against misuse of concessions agreed in a trade pact.

Value addition norms guided by 'rules of origin' assume special significance at a time when India is signing a slew of FTAs. Rules of origin are the criteria needed to determine the national source of a product. While trade agreements help boost trade volumes with partner countries, it often risks a third country benefiting from the concessions resulting in a loss of revenue if rules of origin are breached. The government on Tuesday amended Section 28DA of the Customs Act, 1962 substituting 'certificate' of origin with 'proof' of origin. The fine prints of the Budget defined "Proof of origin" as a "certificate" or "declaration" in accordance with a trade pact.

Tax experts explained that the amended Customs Act now enables the acceptance of "proof" of origin (if India decided so in an agreement) which is a wider term that includes a certificate of origin as well as a self-declaration in line with global Customs norms. However, they also expressed concerns over the implementation as allowing self-certification could result in a breach and require a high degree of integrity in the exporting country without which India could lose Customs revenue.

'Amendments to impact future FTAs'

Former Chairman of Central Board of Indirect Taxes & Customs (CBIC) S Ramesh explained that the amendments in the Customs Act would affect future trade agreements including the one signed with the European Free Trade Association (EFTA) which has a provision allowing self-certification that can be activated in the future. Notably, China is Switzerland's third-biggest trading partner after the US and the European Union. Switzerland is a member of EFTA. The two countries signed FTA in 2013. Earlier this year, China and Switzerland signed a joint declaration agreeing to deepen their partnership.

"The developed countries have good tracking systems, and the self-certification mode has already come into play in those countries for the FTAs they sign. India is still insisting on authority to sign a certificate of origin, because we had a bad experience of goods being diverted from China and other countries through Indonesia and Vietnam among others," Ramesh, former CBIC Chairman and current MD, Price Waterhouse & Co LLP said.

The amendments came ahead of British Foreign Secretary David Lammy's two-day visit to India to galvanise negotiations for the India-UK FTA. Lammy began his visit on Wednesday. Moreover, India is also set to resume talks with the EU after a pause during the general elections.

Rules of origin breach

While the amendments give Indian trade negotiators a choice as to which geography they wish to allow self-certification by foreign exporters, India has seen various instances of breaches in rules of origin.

A report by the think tank Global Trade Research Initiative (GTRI) said that a nearly 60 times jump in silver imports during the last financial year from the United Arab Emirates (UAE) is unusual since the West Asian country does not produce silver and the import jump may be indicative of a breach in rule of origin finalised by India and UAE under the FTA.

In fact, India introduced stringent rules of origin verification norms, CAROTAR, in 2020 after the Ministry of Commerce and Industry said it had found "few instances of re-routing of goods through the countries" with which India has FTAs. Several Southeast Asian countries such as Thailand subsequently raised concerns against CAROTAR norms in the India-ASEAN FTA review.

Despite stringent rule of origin norms, the India-ASEAN trade gap in FY23 surged to $43.57 billion in favour of bloc countries, growing sharply by over 40 per cent compared to $25.75 billion in FY22. "Circumvention of rules of origin has been happening regularly and enforcement of rules of origin and even the CAROTAR has been a problem. Such is the nature of integration and supply chain that it requires a robust Customs administration to do the due diligence. And the problem is that you get caught between ease of doing business and regulating trade," Biswajit Dhar, Professor of Economics at JNU said.

Query mailed to the Commerce Ministry on Wednesday afternoon remained unanswered until the time of going to press.

Source: indianexpress.com– July 25, 2024

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Need to find solution for long-pending mandated issues of WTO: Commerce Secretary

While participating in the 14th BRICS Trade Ministers' Meeting, Commerce Secretary Sunil Barthwal emphasised the need for strengthening the multilateral trading system with the WTO, the Ministry of Commerce and Industry said in an official release on Sunday.

The Commerce Secretary stressed the need to find a solution for long-pending mandated issues of the WTO.

Barthwal highlighted the urgent need for resolving issues including the permanent solution to Public Stock Holding, the constitution of the two-tier Dispute Settlement system, and WTO Reform based on the principles and objectives of the world trade body.

Public Stock Holding is a policy tool that governments use to buy, store, and distribute food grains to ensure food security for their populations.

The Commerce Secretary also expressed the need to boost the effective functioning of Joint Value Chains, expand interaction among MSMEs, highlight India's successful story on Digitalisation and e-commerce, and emphasise the relevance of cooperation among Special Economic Zones.
He attended the 14th BRICS Trade Ministers' Meeting held on July 26, 2024, under the BRICS Presidency of the Russian Federation.

He emphasised strengthening the resiliency of the supply chain through decentralisation and diversification, furthering cooperation in value chains through the G20 Generic Mapping Framework for GVCs, and enunciating guiding principles for collaboration.

In this context, as an initial step towards digitalisation, he stressed the importance of paperless trade, including the digitalisation of documents like Bills of Lading.

The Commerce Secretary also advocated for collaborations to make access to affordable emerging technologies critical for green transition and climate resilience.

On climate-related unilateral measures impacting trade, the Commerce Secretary expressed concern, noting that such measures nullify rights and obligations under specialised Multilateral Environmental Agreements, violate NDC Principles, and ignore the CBDR Principles.

During the meeting, he underscored the urgency of accelerating inclusive digital transformation.

The Commerce Secretary, while referring to India's success story of building up an open source India Stack of Critical Digital Public infrastructure as part of its digital industrialisation, expressed India's willingness to share its experience with the BRICS countries on the e-revolution in the domains of payments, e-commerce, national identity, banking, education etc,

Barthwal, while reiterating the Jaipur Call for Action for enhancing access to information for MSMEs issued during India's Presidency in 2023, lauded the Russian Presidency for carrying forward the initiative by making efforts to compile basic information pertaining to MSMEs among the BRICS members.

Source: economictimes.com– July 28, 2024

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Rising freight costs, container shortages paralyse global trade recovery

The global shipping industry is experiencing disruptions similar to those seen during the Covid-19 pandemic, significantly affecting various sectors. Spot freight rates have surged by approximately 105 per cent in the last three months, and a severe container shortage is impacting industries ranging from agriculture to automotive, according to a report by The Economic Times.

Supply chain issues have been exacerbated by the Red Sea crisis, which has also disrupted food shipments. JSW Infrastructure anticipates some relief from rising freight rates within 4-6 weeks, while Adani Ports and Special Economic Zone (APSEZ) forecasts continued challenges throughout the coming season.

According to Drewry's World Container Index (WCI), spot freight rates have climbed to $5,806 per 40-foot container as of July 25, although this is still lower than the pandemic peak of $10,377 per 40-foot container in September 2021, the report claimed.

Companies report that the high consumer demand, supply chain disruptions, and equipment shortages are reminiscent of the pandemic. The auto sector is particularly affected by the container shortage.

The business daily cited Rakesh Sharma, executive director of Bajaj Auto, on the severity of the current situation. He noted, "In the last six months, freight rates to most destinations in Latin America and Africa have doubled. Availability of containers is also an issue." Bajaj Auto exports to nearly 100 countries across South Asia, Southeast Asia, Africa, and Latin America.

Meanwhile, Tyre manufacturer CEAT experienced a 3-percentage-point decline in profit margin in the June quarter due to increased input costs. The rising prices of natural rubber, critical raw material for tyre production, have particularly impacted the company, as India imports half of its natural rubber needs. Higher freight and container rates have further exacerbated the situation, the report added.

The Shanghai Containerised Freight Index (SCFI), which tracks container freight rates from China to global markets, including India, tripled to around $3,700 per twenty-foot equivalent unit (TEU) last month from approximately $1,000 per TEU before the Red Sea crisis.

India relies heavily on the Suez Canal for 35 per cent of its foreign trade with Europe, North Africa, and the Americas, predominantly in containers. The Red Sea crisis has forced ships to reroute around the Cape of Good Hope, increasing freight rates and insurance premiums.

The foodgrain and perishable goods sector has also been disrupted, affecting low-value freight, which accounts for 10 per cent-15 per cent of total volumes. Maulesh Desai, director at CareEdge Ratings, predicted an 8 per cent growth in container volumes to 342 million metric tonnes during this financial year. However, he believes that rising shipment costs are further eroding already thin profit margins.

Ajay Sahai, director general of the Federation of Indian Export Organisations (FIEO), stated that exporters, especially those dealing in fashion apparel, footwear, and high-value perishables, are shifting to air cargo due to the maritime impact. This shift is causing a demand-supply mismatch in the air cargo segment, with insufficient freighters to meet the demand surge and delays in cargo pickup. Companies have different opinions on when the situation will improve.

What is the Red Sea crisis?

Since November last year, Houthi militias in Yemen have carried out multiple attacks on cargo ships in the Red Sea. This area, the fastest marine route connecting Asia with Europe via the Suez Canal, has become increasingly unsafe. Consequently, freighters are now taking the longer route around the Cape of Good Hope at the southern tip of Africa.

This detour has increased both shipping costs and delivery times, exacerbating the challenges faced by global trade, which is still recovering from the pandemic, the Russia-Ukraine war, and a global economic slowdown.

The Red Sea, vital for 30 per cent of the world's container traffic, is currently in the midst of an unprecedented shipping crisis. The recent conflict in West Asia has led to attacks on commercial vessels, significantly reducing maritime activity. By the end of March 2024, traffic through the

Suez Canal and Bab El-Mandeb Strait had decreased by 50 per cent, while navigation via the Cape of Good Hope had doubled.

Source: business-standard.com– July 27, 2024

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Economic Survey pessimistic on export growth prospects

The Economic Survey, tabled in Parliament last Monday, is not too sanguine about exports growth driving the economy forward and so recommends measures to boost domestic consumption which in turn can bring in more private investment. To quite an extent, the Budget speech and the proposals in the Finance Bill reflect the same view.

Global trade is getting fragmented with major trading powers increasing their share of imports and exports within their block. Established supply chains are getting distorted with more countries trying to source from friendly or nearby countries. The sea routes have become longer with Suez and Panama canals carrying very little cargo.

More countries are resorting to resource nationalism and trying to raise tariff and non-tariff barriers on imports. Any development model has to take into consideration substantial funds to be diverted for fighting climate change.

All these developments mean that globalisation, which helped China rise in the last three decades, has run its course. It may not be reversed fully; it has peaked, says V Anantha Nageswaran, the chief economic advisor (CEA) to the government and the author of the Economic Survey. So, for realising India's aspirations, despite the changed circumstances, a good place to start is to acknowledge and recognise that the terrain has changed to be able to traverse through it and reach the destination, says the Economic Survey.

On the role of technology and especially, the advent of artificial intelligence, the Survey says that its productivity enhancing potential is beyond doubt, but the social impact of labour market disruptions and labour displacement is barely understood.

It quotes a report by Capital Economics which argues that artificial intelligence could lead to a slowing down of India's services export growth, cutting it by 0.3-0.4 percentage points a year over the next decade. The Survey gives a surprising finding that India is moving up the global value chains (GVCs), with the share of GVC-related trade in gross trade rising to 40.3 per cent in 2022 from 35.1 per cent in 2019.

Another surprising statement is that China is now more aggressive in export of labour-intensive low-cost products. The CEA boldly says that to boost Indian manufacturing and plug India into the global supply chain, it is inevitable that India plugs itself into China's supply chain. Whether we do so by relying solely on imports or partially through Chinese investments is a choice that India has to make.

In the future, the changing composition of India's export basket, enhancement in trade-related infrastructure, enhanced quality consciousness and product safety considerations in the private sector, and stable policy environment are expected to play a significant role in driving India's rise as a global supplier of goods and services. Ultimately, India needs to focus on improving its competitiveness in many product areas. Fostering stronger regional trade ties and adding more markets for Indian goods will help mitigate global demand fluctuations.

In an era when global economic growth is likely to be buffeted by geopolitical tensions and protectionism, growing India's exports of goods and services will be a stiffer challenge than before, says the Survey.

Overall, the Survey is quite realistic and forthright in its assessment and outlook. Its prescription to look inward to boost growth has won the attention of the government, as the Budget proposals show.

Source: business-standard.com– July 28, 2024

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Indian textile exports rise on demand from CIS, South Asian markets

Indian textile exports have increased 4.15% in the first quarter of the current fiscal year, driven by rising demand from Commonwealth of Independent States (CIS) and South Asian markets.

According to the latest data from the commerce ministry, textile exports grew to $8.78 billion in the first quarter of FY25 compared to $8.43 billion in the same period last year.

This assumes importance given that the domestic apparel and textile industry contributes about 2.3% to the country's GDP, 13% to industrial production, and 12% to exports. India is the world's sixth largest exporter of textiles and apparel.

The CIS region, including nations like Russia, Armenia, Belarus, Kazakhstan, and Kyrgyzstan, recorded a growth of 113.33%, increasing to $64 million in the quarter compared to $30 million in the corresponding months of the last fiscal year.

South Asia also saw a significant increase of 35.65%, reaching $898 million.

Exports to Latin America increased by 15% to $346 million in the first quarter due to strengthened trade relations and rising demand for Indian textiles in Latin American markets.

However, regions like North East Asia (NEA) and Africa witnessed a decline in exports, highlighting the need for strategic adjustments to address market-specific challenges.

Textile exports to NEA contracted by 28%, decreasing to $298 million in the first quarter. Similarly, exports to Africa contracted 15.74% to $423 million.

Industry insights

"The first quarter of FY25 is showing some upward movement in the exports of apparel, which is a welcome departure from the downward trends observed in the last couple of years," said Rahul Mehta, chief mentor, Clothing Manufacturers Association of India (CMAI).

"This is largely due to the slightly improved sentiments in the US economy as well as the shift desired by buyers from China and Bangladesh," Mehta said.

However, one must keep in mind that the growth is minimal and on a low base, he said.

CMAI is an industry body representing textile manufacturers and exporters and advocates for the clothing industry's interests.

According to a Crisil report, India's textile industry is expected to grow in the calendar year 2024, driven by a consistent improvement in domestic demand, gradual recovery in exports, and lower cotton prices.

The main buyers of Indian ready-made garments are European nations led by Germany, the Netherlands, Italy, Poland, and Denmark.

The textile and apparel market is projected to grow at a CAGR of 14.59%, expanding from $172.3 billion in 2022 to $387.3 billion by 2028, according to the Indian Brand Equity Foundation (IBEF), established by the ministry of commerce and industry.

The textile industry is India's second-largest employer after agriculture, providing direct employment to 45 million people and 100 million people in the allied sector.

Source: livemint.com– July 26, 2024

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Indian State of Andhra Pradesh to See Investment Benefiting the Textile and Apparel Sector

The newly re-elected Indian government announced its first union budget on Tuesday. The textile and apparel industry has been watching keenly in the lead-up to the reveal.

Now, it's parsing the budget to see how it stacks up to pre-election promises. After the huge machinery of the Indian general election, which took place from April to June this year, the sector has been eager to see whether conversations held at Bharat Tex in New Delhi this past February would translate into more financial support.

The apparel and textile industry in India has been on the back burner in recent years. While India is the sixth largest exporter of textiles and apparel globally, textile and apparel exports declined by a combined 3.24 percent between April 2023 and March 2024. While textile exports increased by 2.62 percent during that time, apparel exports took a significant hit, falling 10.25 percent.

The union budget announcement increased the allocation for the textiles sector of 44.17 billion rupees ($527.73 million), up from last year's 34.43 billion rupees ($411.35 million), an increase of 9.74 billion rupees ($116.36 million). Post-budget analysis has revealed a series of disappointments and gains, including greater raw material availability, with both cotton and man-made fibers accessible at internationally competitive prices.

Announcements in the budget for states like Andhra Pradesh, which have stepped in to play a big role in the newly formed coalition government by Prime Minister Narendra Modi in June, were also expected. Manufacturers and mill owners in the state have been abuzz due to the fact that commitments to Andhra Pradesh were made on Tuesday.

Chief Minister Chandrababu Naidu's return to power in the state this June was saluted by spinning mills as well as the cotton and textile sector. He has often been referred to as a "CEO Chief Minister," having completed four previous terms in the same role.

There are big implications for the state's infrastructure, which was divided 10 years ago into Telengana and Andhra Pradesh, sharing a common capital of the progressive city of Hyderabad. This time of division came to an end in June, and Hyderabad has become the capital of Telengana. Chief Minister Naidu has proposed a new capital city of Amravati.

Among other commitments to the state, Finance Minister Nirmala Sitharaman noted, “Our government has made concerted efforts to fulfill the commitments in Andhra Pradesh Reorganization Act.”

“We are recognizing the state’s need for a capital. We will facilitate special financial support through multilateral development agencies. In the current financial year, 150 billion rupees ($1.7 billion) will be arranged with additional amounts in future years,” she said on Tuesday.

“The local industry is expecting that Andhra Pradesh will bounce back,” T. Rajkumar, former chairman of Confederation of Indian Textile Industry (CITI), told Sourcing Journal as Chief Minister Naidu took office.

He said spinning mills have endured tough times. “There are 3.3 million spindles in Andhra, yet approximately 20 percent of the mills have closed, and 30-40 percent have been facing acute financial stress.”

According to Rajkumar, a 25-billion-rupee ($299.6 million) allocation of incentives spending was agreed upon but is yet to be given to the mills. “They are expecting that Chandrababu Naidu will clear these and that he will get special financial packages for Andhra Pradesh from the central government.”

Several of the mill owners told Sourcing Journal that they are “waiting for times to change.”

So too are many small- and medium-sized businesses, as well as top companies from the state like Gokuldas Garments, NRKR Textiles, Trading Yarns Exports, Mohan Spintex Home Textiles, Fabrics & Yarns, NSL Textiles, Fabrics & Yarns, Ravali Spinners, NRKR Textiles and Trading Yarns Exports.

Sri Lanka based Brandix Apparel Limited is one of the leading companies in the state as well, with Brandix India Apparel City (BIAC) located in the Andhra Pradesh Special Economic Zone at Achyutapuram, near Visakhapatnam.

"The 1,000-acre, infrastructure-rich, fully serviced and environmentally compliant manufacturing park was inaugurated in May 2010, and has been one of the foremost investors in the state," the Minister of State for Textiles, Panabaaka Lakshmi, noted at the inauguration of the unit.

She said at the time that the ministry had been making serious efforts to attract Foreign Direct Investment (FDI) into the Indian textile industry and that BIAC was "a shining example" which could motivate large-scale FDI players.

It has clearly worked well for the state. "Over the past decade, we have grown into a comprehensive textile ecosystem, employing over 20,000 people, generating over $350 million in annual exports, and producing more than 150 million garments each year," Suchira Surendranath, director of strategy and investment at BIAC told Sourcing Journal.

"The city offered excellent infrastructure and a large pool of workers. The absence of major apparel companies presented both advantages and challenges. On the positive side, it allowed us to train the workforce with the right culture from the ground up," he said.

"However, it also meant we had to attract companies to supply essential materials such as packaging and trim," he added, noting that the company was now entering "a new phase" of its journey.

"We are aiming to double that output and further enhance the infrastructure and capabilities at BIAC over the next five years," he said. "We feel buoyant about the new investments coming to the park, both from India and abroad."

Naidu announced after his election that that business would grow "significantly" with both infrastructure and development speeding up.

How his agenda can help the industry has been a subject of growing speculation, as he has been looking at including industrial parks, a mega textile park, a green energy corridor and the Ramayapatnam port, all of which needs funding. While some spinners and manufacturers were concerned that they may not get the kind of focused help they need, many analysts believe that it's only a matter of time.

“Naidu has always been a man for the industry,” Rajkumar pointed out. “He drove the IT sector in Hyderabad. The industry in Andhra Pradesh is buoyant that he will do something. He will make sure there is value added for the textiles sector.”

As India itself shows sign of some recovery. In June, textile and apparel exports saw an increase of 1.63 percent over June 2023, and apparel was up by 3.68 percent from the same period a year prior. The states are expected to be big contributing factors in the growth, according to figures from the Ministry of Commerce.

Meanwhile, India has a new Textile Minister, Giriraj Singh, who noted last month that the ministry is framing a roadmap to move ahead of China in the sector.

“The market for Indian textiles and apparel is projected to grow at a 10-percent CAGR to reach $350 billion by 2030, with apparel exports expected to reach $100 billion,” he said.

Source: sourcingjournal.com– July 26, 2024

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Indian retail landscape transforms data privacy reigns supreme

A new report, 'Voice of the Consumer Survey 2024' by PwC India, reveals a seismic shift in the Indian consumer landscape. As digitalization accelerates, consumers are becoming increasingly discerning about where they spend their money and whom they trust with their personal data.

The survey, based on responses from 1,000 Indian consumers, underscores the growing importance of trust, sustainability, and personalized experiences in the retail sector. While online shopping is gaining traction, physical stores continue to hold a strong appeal, with 56 per cent of consumers frequently purchasing non-grocery items in-store. However, the in-store experience needs an upgrade. Retailers must leverage technology like augmented reality and mobile payments to create engaging and seamless shopping journeys.

Trust as the new currency

Data privacy emerges as a paramount concern. Almost 82 per cent of Indian consumers consider data protection crucial for building trust. This sentiment is particularly pronounced in the context of social media, the least trusted channel despite being a primary platform for product discovery. Brands must prioritize transparent data handling practices to gain consumer confidence.

Ravi Kapoor, Partner and Leader – Retail and Consumer sector, PwC India, emphasizes the importance of authenticity in building trust. "Brands need to stay authentic to earn consumer trust and ultimately build loyalty," he said.

The rise of conscious consumerism

Indian consumers are increasingly conscious of their impact on the environment. The survey revealed that 46 per cent consumers view climate change as a significant threat, driving a surge in demand for sustainable products. A remarkable 60 per cent are actively seeking out environmentally friendly options, with 75 per cent actively seeking information on food sustainability.

"Our survey reveals three main drivers of building trust; firstly, how well do brands make life easier for their consumers; secondly, how well they connect with their consumers and finally how do they ensure inclusiveness with their consumers," said Kapoor.

The fashion and apparel sector, a major contributor to environmental concerns, is at a crossroads. Brands must integrate sustainability into their core business models, from sourcing to production and packaging. Offering transparent information about sustainability practices, such as independent sustainability scores, can significantly enhance brand reputation.

The survey highlights the influence of social media in the fashion industry. A whopping 77 per cent of consumers discover new brands through social media, emphasizing the importance of effective digital marketing strategies. However, trust remains a challenge, with 76 per cent of consumers expressing concerns about privacy on social media.

To thrive in this evolving landscape, businesses must adopt a holistic approach. This includes prioritizing data privacy, incorporating sustainability into core operations, delivering exceptional customer experiences, and leveraging technology responsibly. "Indian consumers' optimistic sentiment shines through the survey with a whopping 75 per cent of consumers saying that they will increase spends in the clothing/footwear/grocery and health and beauty categories in the next six months," noted Kapoor.

By understanding and responding to these consumer trends, businesses can build lasting relationships and drive growth in the dynamic Indian market.

Source: fashionatingworld.com– July 26, 2024

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Madhya Pradesh signs agreements for development of ELS cotton

The Madhya Pradesh Government has signed new agreements with the Tiruppur Exporters' Association (TEA), the Southern India Mills' Association (SIMA), and the Indian Cotton Federation (ICF) to encourage the cultivation of Extra Long Staple (ELS) cotton.

Madhya Pradesh is known to grow the best kind of ELS, says J Thulasidharan, Chairman, ICF. Most of its ELS is sold in the Tamil Nadu market. The federation also aims to establish a Cotton Development Boardto boost cotton productivity and acreage in the state, he adds.

SIMA also plans to establish demonstration farms for certain kinds of cotton seeds pursue commercial distribution of the crop.

The TEA will encourage the development of cotton crop in Madhya Pradesh by facilitating more investments in the industry. It will also work on the skill-development facilities in the state and provide consultancy, assistance with plug-and-play facility setup, and boost the designing of garment clusters design.

Source: fashionatingworld.com– July 27, 2024

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