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IBTEX No. 125 of 2024 **July 31, 2024**

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INTERNATIONAL NEWS

Euro area recovering gradually; modest acceleration projected: IMF

The euro area is gradually recovering, with a modest acceleration of growth projected for 2024, gathering further speed in 2025, according to the International Monetary Fund (IMF).

Increasing real wages along with some drawdown of household savings are contributing to consumption in the zone, while the projected easing of financing conditions is supporting a recovery in investment, IMF noted after its executive board concluded its 2024 consultation with the euro area recently.

Inflation is also coming down as past monetary tightening and the decline in commodity prices are having an effect on prices in the euro area. However, disinflation will continue to be gradual, and the inflation is projected to return to target in the second half of 2025, an IMF release said.

Risks to growth are on the downside while they are two-sided for inflation. Past monetary policy tightening could put a stronger drag on output than expected.

Adverse external developments like intensifying geopolitical tensions or weaker global demand could also hold back growth, the IMF noted.

Were labor markets to weaken, the projected consumption growth may not materialise. Such developments could also drag inflation below the baseline.

However, there are counterbalancing upside inflation risks from stronger-than-expected wage pressures or continued high company profits margins. Renewed commodity price spikes or shipping disruptions could also put upward pressure on inflation, it added.

Source: fibre2fashion.com– July 30, 2024

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US fashion industry faces mounting sourcing risks in 2024: Study

US' apparel and fashion sourcing executives have reported growing sourcing risks in 2024, ranging from navigating an uncertain economy and managing forced labour risks to responding to shipping disruptions and rising geopolitical tensions, according to the 2024 Fashion Industry Benchmarking Study by the US Fashion Industry Association.

Over half of the respondents identified 'inflation and economic outlook in the US' and 'managing forced labour risks in the supply chain' as their top business challenges for the year. Additionally, 'shipping delays and supply chain disruptions' and 'managing geopolitics and other political instability related to sourcing' have newly emerged among the top concerns. About 45 per cent of respondents rated 'protectionist trade policy agenda in the US' as a top challenge, up from 15 per cent in 2023.

While the overall pressure of sourcing costs eased in 2024, with more respondents expecting only a slight cost increase, higher cost pressures from 'labour costs in factories,' 'compliance with factory, social and environmental regulations,' and 'shipping and logistics' were reported. However, the sourcing and business outlook for 2024 showed modest improvement from the previous year. Over 60 per cent of respondents expect growth in their companies' apparel sourcing value or volume, a notable increase from the previous year, as per the study.

Additionally, over half expect profit margins to improve somewhat, and 75 per cent feel optimistic or somewhat optimistic about the next five years, with large-sized companies more optimistic than smaller ones. Over 90 per cent plan to increase hiring over the next five years to support business growth.

US fashion companies are leveraging sourcing diversification to mitigate growing risks and market uncertainty in 2024. Respondents reported utilising 48 countries for apparel sourcing, up from 44 in 2023. Nearly 70 per cent of large companies source from ten or more countries, significantly higher than in past years, and more small to medium-sized companies are sourcing from six or more countries. Nearly 80 per cent of respondents plan to source from the same or more countries through 2026, with varied approaches at the firm level—some plan to work with fewer vendors, while others intend to source from more.

Managing the risk of forced labour in the supply chain remains a top priority for US fashion companies in 2024. Companies have adopted a comprehensive approach to comply with the Uyghur Forced Labor Prevention Act (UFLPA) and mitigate forced labour risks, implementing an average of six distinct practices across their operations.

More than 90 per cent are making efforts to map and understand their supply chain, including the sources of fibres and yarns in finished products. Nearly 90 per cent report mapping their entire apparel supply chains from tier 1 to tier 3, a significant increase from previous years.

Over 80 per cent are intentionally reducing sourcing from high-risk countries, and 75 per cent have banned the use of Chinese cotton. About 45 per cent are exploring sourcing destinations beyond Asia to mitigate forced labour risks, with fewer respondents planning to cut apparel sourcing from Asian countries other than China directly. Respondents call for greater transparency in US Customs and Border Protection's UFLPA enforcement and suggest focusing on ‘bad actors’ only.

US fashion companies remain concerned about the deteriorating US-China bilateral relationship and plan to further reduce exposure to China. A record 43 per cent of respondents sourced less than 10 per cent of their apparel products from China this year, compared to 18 per cent in 2018. Nearly 60 per cent no longer use China as their top apparel supplier, a significant increase from pre-pandemic levels.

While China remains economically competitive in apparel sourcing, non-economic factors like forced labour risks and geopolitical tensions are driving companies to move sourcing out of China. Nearly 80 per cent plan to further reduce apparel sourcing from China over the next two years, with large companies particularly eager to ‘de-risk.’

US fashion companies are actively exploring new sourcing opportunities, focusing on emerging destinations in Asia and the Western Hemisphere. More respondents reported sourcing from India than Bangladesh for the first time since the survey began, with nearly 60 per cent planning to expand sourcing from India over the next two years. Guatemala, Mexico, and Egypt made the top ten most utilised apparel sourcing destinations list in 2024, with improved utilisation rates.

A record 52 per cent of respondents plan to expand sourcing from Dominican Republic–Central America–US Free Trade Agreement (CAFTA-DR) members over the next two years, with most companies viewing this as part of their overall sourcing diversification strategy. However, 75 per cent identified the lack of sufficient access to textile raw materials as a bottleneck for sourcing more apparel from CAFTA-DR members. The US-Mexico-Canada Trade Agreement (USMCA) has also influenced sourcing decisions, with about 65 per cent of respondents sourcing from Mexico and Canada, up from 40 per cent in 2019-2020.

Respondents underscore the importance of the immediate renewal of the African Growth and Opportunity Act (AGOA) before its expiration in September 2025 and extending it for at least another ten years. This year, respondents reported sourcing from seven AGOA members, an increase from previous years. Over 86 per cent support renewing AGOA for at least another ten years, with none objecting to the proposal. About 30 per cent have already held back sourcing from AGOA members due to the pending renewal and associated policy uncertainty, a figure that could rise to half if AGOA is not renewed by the end of 2024. Additionally, 30 per cent emphasise the importance of maintaining flexible rules of origin in AGOA for sourcing from the region.

Source: fibre2fashion.com– July 31, 2024

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Indonesian textile industry threatened by surge of illegal imports

The Indonesian Filament Fibre & Yarn Producers Association (APSyFI) recently said the domestic textile industry is in a critical condition now, following the release of 26,000 containers containing illegal imports that were stuck at the port.

Thousands of employees have been laid off and factories are still shutting down, it said.

Its executive secretary Farhan Aqil Syauqi blamed coordinating minister for economic affairs Airlangga Hartarto and minister of finance Sri Mulyani for the situation. “This is like legalising illegal imports in Indonesia," he said.

Information regarding the contents of the containers were never made public, he alleged in a statement. The ministers handling the trade and industry portfolios also were not aware of what were in the containers, he said.

The association demanded transparency and clarity regarding the contents of the containers.

“In this increasingly difficult situation, APSyFI expects firm action from the government to protect the domestic textile industry from the onslaught of illegal imported products,” Syauqi added.

Source: fibre2fashion.com– July 31, 2024

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UK government announces trade talks to boost economic growth

Business and trade secretary Jonathan Reynolds has announced the UK government's intention to initiate trade talks with several key global partners, including the Gulf Cooperation Council (GCC), India, Israel, South Korea, Switzerland, and Turkiye. This move underscores the government's commitment to placing economic growth at the forefront of its agenda, aimed at improving the livelihoods of hardworking British people.

Restarting these trade negotiations is the first step towards securing high-quality trade deals essential for providing UK businesses with access to international markets, boosting employment, and driving economic growth. The government is dedicated to leveraging all available tools to help British businesses expand their global footprint.

Free trade agreements (FTAs) are not the only mechanism for stimulating economic growth through trade. The government also plans to publish a comprehensive trade strategy that aligns with its industrial strategy, enhances economic security, and supports the UK's net zero ambitions. This strategy aims to reset the UK's relationship with the EU, support more small businesses in exporting, and dismantle unnecessary trade barriers, thereby supporting jobs and communities across the country, the UK government said in a press release.

The UK's trade programme is designed to secure deals that will benefit the national economy and enhance trade with some of the world's most dynamic economies. For instance, a trade agreement with the GCC represents a significant economic opportunity, with mutual investments already exceeding £19 billion (approximately $24.43 billion) as of 2021. Such an agreement could further boost this investment, allowing British companies to capitalise on a thriving market and offering British consumers greater choice.

Similarly, the UK is negotiating an FTA and bilateral investment treaty with India, which is projected to become the world's third-largest economy by 2027. A trade deal with India would provide UK businesses with improved access to its rapidly growing market of middle-class consumers, expected to expand to over a quarter of a billion by 2050.

Business and trade secretary Jonathan Reynolds said: “Boosting trade abroad is essential to deliver a strong economy at home. That’s why I’ve wasted no time taking stock of progress and getting ready to press on with trade talks with our international partners.

“From the Gulf to India, our trade programme is ambitious and plays to the UK’s strengths to give British businesses access to some of the most exciting economies in the world. Our teams will be entering negotiating rooms as soon as possible, laser-focused on creating new opportunities for UK firms so they can support jobs across the country and deliver the growth we desperately need.”

Source: fibre2fashion.com– July 30, 2024

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Jun global air cargo demand up 14.1% YoY, H1 2024 demand up 13.4% YoY

Total global air cargo demand, measured in cargo tonne-kilometers (CTKs), rose by 14.1 per cent year on year (YoY) in June this year; according to the International Air Transport Association (IATA). The rise was 15.6 per cent YoY for international operations.

This is the seventh consecutive month of double-digit YoY growth, IATA said in a release.

Air cargo capacity, measured in available cargo tonne-kilometers (ACTKs), increased by 8.8 per cent YoY in the month; the rise was 10.8 per cent YoY for international operations.

Total half-year (H1) demand increased by 13.4 per cent YoY, by 4.3 per cent compared to H1 2022, and by 0.02 per cent compared to H1 2021.

Asia-Pacific airlines saw 17 per cent YoY demand growth for air cargo in June—the strongest among all regions. Demand on the Africa-Asia trade lane grew by 37.5 per cent YoY, while the Europe-Asia, within Asia and Middle East-Asia trade lanes rose by 20.3 per cent, 21 per cent and 15.1 per cent YoY respectively. Capacity increased by 10.7 per cent YoY.

North American carriers saw 9.5 per cent YoY demand growth for air cargo in June—the weakest among all regions. Demand on the North America-Europe route saw an increase of 6.7 per cent YoY, while the Asia-North America trade lane, the world's largest, grew by 12.8 per cent YoY—the largest annual increase in five months. June capacity increased by 6 per cent YoY.

European carriers saw 16.1 per cent YoY demand growth in June. Intra-European air cargo rose by 16.7 per cent YoY—the sixth month in a row of double-digit annual growth. Europe-Middle East and Europe-Asia routes saw demand increase by 30.2 per cent and 20.3 per cent YoY respectively. June capacity increased by 9.1 per cent YoY.

Middle Eastern carriers saw a 13.8-per cent YoY demand growth for air cargo in June. June capacity increased by 6.9 per cent YoY.

Latin American carriers saw a 13.1-per cent YoY demand growth for air cargo in the month. Capacity increased 15.5 per cent YoY. Latin America posted the second-highest increase in international demand growth at 17.2 per cent in June—up by 6.3 percentage points compared to the previous month.

African airlines saw a 11.8-per cent YoY demand growth for air cargo in June. Demand on the Africa-Asia market increased by 37.5 per cent YoY, the strongest performance of all trade lanes. June capacity increased by 23.8 per cent YoY.

Source: fibre2fashion.com– July 31, 2024

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UK retail sales decline accelerates in July 2024: CBI survey

Retail sales volumes in the UK fell at an accelerated rate in the year to July, according to the latest Confederation of British Industry (CBI) Distributive Trades Survey. This marks the second consecutive month of declining annual sales, with retailers attributing the downturn to unfavourable weather conditions and market uncertainty.

The survey revealed that retail sales volumes declined more sharply in July compared to June, with a weighted balance of minus 43 per cent, down from minus 24 per cent the previous month. Looking ahead, retailers anticipate the sales downturn to persist into August, although at a slower pace, with an expected decline of 32 per cent.

Retailers have continued to report disappointing sales for this time of year. The weighted balance stood at minus 36 per cent in July, slightly improved from minus 39 per cent in June. Sales volumes are expected to remain below seasonal norms in August, albeit to a lesser extent, with a forecasted balance of minus 21 per cent, as per the survey.

Orders placed with suppliers also fell at a much faster pace in the year to July, with a significant drop to minus 40 per cent from minus 14 per cent in June. Retailers predict that this reduction in orders will continue into next month at a broadly similar pace, expecting a decline of minus 38 per cent.
Stock positions have reached their highest levels since June 2023, with a balance of 32 per cent, up from 3 per cent in June. Retailers expect these high stock levels to persist in relation to expected sales next month, with a forecasted balance of 21 per cent.

Wholesale sales volumes also contracted at a firm pace in the year to July, with a balance of minus 21 per cent, compared to minus 12 per cent in June. This trend is expected to continue, with wholesale sales predicted to fall at a broadly similar rate next month, with an anticipated balance of -19 per cent.

"July marked a disappointing month for the distribution sector, with retailers feeling the sting from a harsh mix of unfavourable weather conditions and ongoing market uncertainty. While the downturn in sales volumes is set to continue next month, some firms expressed hope for an improvement in market conditions post-general election. The sector will now look for the new government to deliver on its bold reform agenda outlined in the King's Speech to supercharge growth to effectively aid households' finances and offer market stability," said Martin Sartorius, principal economist, CBI.

Source: fibre2fashion.com– July 30, 2024

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NATIONAL NEWS

Government plans 12 new industrial parks and multiple mega textile parks: Piyush Goyal

The government is setting up 12 new industrial parks across the country and has 5-6 mega textile parks lined up, Minister of Commerce and Industry Piyush Goyal said on Tuesday.

He urged the private sector to take advantage of these initiatives.

Speaking at a conference organized by the Confederation of Indian Industry (CII), the Minister asked industry leaders to help the government identify policies and compliance issues faced by businesses and offered to reduce compliance burdens and decriminalize business-facing laws.

Noting the government's achievements in the last 10 years, he said that businesses and people recognize the transformation in the Indian economy.

"The GDP has doubled, Foreign Exchange Reserves have more than doubled, and the current account deficit has come down significantly, reflecting how a good government can make a massive difference," he said. The minister said that countries around the globe want to have FTAs with India and expand relations.

Goyal noted that by 2047, India will be a USD 35 trillion economy, owing to the young, aspirational population of the country.

He said that the government's work is centered around various principles, including minimum government - maximum governance, skill development, speed & scalability, transparency, and digitization.

Going ahead, the Minister said, "The government also focuses on monitoring and prioritising issues and ensuring time-bound execution of projects within the cost. This is an outcome-oriented nation, ready to take on the challenges of the future."

Addressing the gathering, Jayant Chaudhary, Minister of State (Independent Charge) for Skill Development and Entrepreneurship and Minister of State for Education, Government of India, said that the Union

Budget is very forward-looking and not just a statement of accounts, with the FM emphasizing entrepreneurship, youth, education, and skilling. We need to facilitate and build an ecosystem that makes skills aspirational for our youth, he noted.

Chaudhary went on to state that creating a vibrant middle class and an economy that truly values innovation is when the real social churn will become visible.

"The Government is going to work towards these aspects. South Korea took 15 years to transition towards a knowledge economy. Given India's legacy system and pace of change, our country could take a little longer. There is a lot to do on India's knowledge index; however, we are progressing with key drivers," he added.

Source: economictimes.com – July 31, 2024

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755 applications approved across 14 sectors, investment of Rs. 1.23 lakh crore attracted under PLI Scheme till March 2024

Keeping in view India's vision of becoming 'Atmanirbhar', Production Linked Incentive (PLI) Schemes for 14 key sectors have been announced with an outlay of Rs. 1.97 lakh crore (over US$26 billion) to enhance India's Manufacturing capabilities and Exports.

The 14 sectors are: (i) Mobile Manufacturing and Specified Electronic Components, (ii) Critical Key Starting Materials/Drug Intermediaries & Active Pharmaceutical Ingredients, (iii) Manufacturing of Medical Devices (iv) Automobiles and Auto Components, (v) Pharmaceuticals Drugs, (vi) Specialty Steel,(vii)Telecom&NetworkingProducts,(viii)Electronic/TechnologyProducts,(ix) White Goods (ACs and LEDs), (x) Food Products, (xi) Textile Products: MMF segment and technical textiles, (xii) High efficiency solar PV modules, (xiii) Advanced Chemistry Cell (ACC) Battery, and (xiv) Drones and Drone Components.

The purpose of the PLI Schemes is to attract investments in key sectors and cutting-edge technology; ensure efficiency and bring economies of size and scale in the manufacturing sector and make Indian companies and manufacturers globally competitive.

These schemes have the potential of significantly boosting production, increase manufacturing activities and contribute to economic growth over the next five years or so. As on date, 755 applications have been approved across14sectors.Investment of Rs. 1.23 lakh crore have been realized till March 2024 resulting in employment generation of around 8 lakhs.

The criteria employed in the selection of beneficiaries under PLI Schemes includes but not limited to willingness to making required investment, production of approved product categories under respective Scheme, eligible net worth, domestic value addition, etc. as mentioned in Scheme Guidelines issued by the implementing Ministries/ Departments.

PLI Scheme for Automobile and Auto Components (PLI-Auto) and; PLI Scheme on National Programme on Advanced Chemistry Cell (PLI-ACC) Battery storage are being implemented by the Ministry of Heavy Industries. Under both Schemes, expenditure incurred by the beneficiary firms on Research and Development is considered as an eligible Investment, to enable them to adopt latest technology in implementation of their projects.

This information has been provided by the Union Minister of State for Commerce and Industry, Shri Jitin Prasada in a written reply in the Lok Sabha today.

Source: pib.gov.in– July 30, 2024

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Shri Goyal urges industry to use QCOs to raise quality, competitiveness

Union Minister of Commerce and Industry, Shri Piyush Goyal during his session at the 'Journey Towards Viksit Bharat: A Post Union Budget 2024-25 Conference' organised by the Confederation of Indian Industry (CII) here today said that unlike the previous governments, Narendra Modi government has signed four good Free Trade Agreements (FTAs) till now and has concluded the negotiations after undergoing extensive stakeholder consultations.

Shri Goyal said that India took a bold decision to walk out of RCEP as it was never a good decision to be a part of those negotiations.

Noting the Government's achievements in the last 10 years, Shri Goyal said that businesses and people recognize the transformation in the Indian economy. The GDP has doubled, Foreign Exchange Reserves has more than doubled and the current account deficit has come down significantly, reflecting how a good government can make a massive difference, he said.

Shri Goyal emphasised that the India-EFTA FTA signed under PM Modi have a $100 bn-investment commitment linked to concessions. Shri Goyal urged the industries' cooperation to move faster on FTAs and use the Quality Control Orders (QCOs) to their benefit and also to raise their standards. "QCOs will help with better market share and ensure that substandard goods don't flood the market", the Union Minister said.

Shri Goyal further urged the industry participants to provide inputs on ways to reduce compliance burdens, processes and procedures and urged them to make use of Rs 1 lakh crore of 'Anusandhan Fund' for private-sector driven research and development.

Shri Goyal added that the Government is setting up 12 new industrial parks across the country and has 5-6 mega textile parks lined up and also stated that Indian investors should be forthcoming in supporting startups and MSMEs by utilising benefits provided by the Government. "Let's be the change and make the difference we want to see in India", said the Commerce & Industry Union Minister.

Speaking of the governments before 2014, Shri Goyal asserted that Shri Narendra Modi inherited an economy struggling with high inflation and lower growth rates in 2014. The Union Minister asserted that the Modi government has managed to convert a fragile five economy at the time of UPA into a top five economy.

Source: pib.gov.in – July 30, 2024

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Govt takes several steps to promote business, boost exports and manufacturing

The Central Government has undertaken several key initiatives and policy measures to boost exports, attract investments and to promote ease of doing business from time to time.

- New Foreign Trade Policy has been launched on 31st March, 2023 and came in to effect from 1st April, 2023.
- Interest Equalization Scheme on pre and post shipment rupee export credit has also been extended upto 31-08-2024 with total allocation of Rs. 12788 crores.
- Assistance is being provided through several schemes to promote exports, namely, Trade Infrastructure for Export Scheme (TIES) and Market Access Initiatives (MAI) Scheme.
- Rebate of State and Central Levies and Taxes (RoSCTL) Scheme to promote labour-oriented sector export has been implemented since 07.03.2019.
- Remission of Duties and Taxes on Exported Products (RoDTEP) scheme has been implemented since 01.01.2021. With effect from 15.12.2022, uncovered sectors like pharmaceuticals, organic and inorganic chemicals and article of iron and steel has been covered under RoDTEP. Similarly, anomalies in 432 tariff lines have been addressed and the corrected rates have been implemented with effect from 16.01.2023.
- Common Digital Platform for Certificate of Origin has been launched to facilitate trade and increase Free Trade Agreement (FTA) utilization by exporters.
- Districts as Export Hubs initiative has been launched by identifying products with export potential in each district, addressing bottlenecks for exporting these products and supporting local exporters/manufacturers to generate employment in the district.
- Active role of Indian missions abroad towards promoting India's trade, tourism, technology and investment goals has been enhanced. Regular monitoring of export performance with Commercial Missions abroad, Export Promotion Councils, Commodity Boards/ Authorities and Industry Associations and taking corrective measures from time to time.

Government has taken various steps to boost domestic and foreign investments in India. These include the introduction of Goods and Services Tax, reduction in corporate tax, improving ease of doing business, FDI policy reforms, measures for reduction in compliance burden, measures to boost domestic manufacturing through public procurement orders, Phased Manufacturing Programme (PMP) and QCOs (Quality Control Orders), to name a few. Further, keeping in view India's vision of becoming 'Atmanirbhar', PLI Schemes for 14 key sectors have been announced with an outlay of Rs. 1.97 lakh crore to enhance India's Manufacturing capabilities and Exports.

With the objective to improve Ease of Doing Business and Ease of Living, The Government has taken initiatives to Simplify, Rationalize, Digitize and Decriminalize Government to Business and Citizen Interface across all the States/UTs. So far, more than 42,000 compliances have been reduced and more than 3,800 provisions have been decriminalized.

National Single Window System (NSWS) is a unified platform for applying for all G2B clearances from various Central Ministries/Departments and State Departments. All 32 in-scope Central Ministries/Departments are integrated on NSWS. A total of 277 Central approvals can be applied through NSWS. Information pertaining to more than 661 approvals is available to investors via the Know Your Approvals (KYA) module. Jan Vishwas (Amendment of Provisions) Act, 2023 was introduced to further the trust-based governance and enable de-criminalization of minor offences and compliance-based laws and requirements. The Act decriminalized 183 provisions under 42 Acts administered by 19 Ministries/Departments.

Click here for more details

Source: pib.gov.in – July 30, 2024

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Ministry of Textiles approves 19 research projects under National Technical Textiles Mission

The Mission Steering Group under the chairmanship of Union Minister of Textiles has approved 19 research projects of value appox. INR 21 Cr. across different fields of Technical Textiles under the National Technical Textiles Mission.

The research projects were approved across key strategic areas of composites, geo textiles, smart textiles and machineries etc. in the 9th Mission Steering Group meeting. The approved projects were proposed by eminent research bodies and institutions including Indian Institute of Technology, National Institute of Technology, and Council of Scientific & Industrial Research etc.

The Union Minister also reviewed the progress on R&D, promotion and market development, export promotion and education, training and skill development under the Mission.

The Union Minister reviewed 27 applications from 16 public and 11 private institutes which were earlier approved for introducing papers on technical textiles, procuring lab infrastructure and training of trainers across different application areas. He also reviewed Internship initiatives and skilling initiatives taken by the Ministry under the Mission.

Member NITI Aayog, Principal Scientific Adviser, Chairman ISRO, and senior officials from Department of Science & Technology, Department of Agriculture & Farmers' Welfare, Ministry of Road Transport and Highways, Ministry of Micro Small and Medium Enterprises, Department for Promotion of Industry and Internal Trade, Ministry of Heavy Industries, Ministry of Skill Development and Entrepreneurship, Ministry of Health and Family Welfare, Railway Board, Ministry of Water Resources, Ministry of Defence, and eminent members from industry and associations attended the meeting.

Source: pib.gov.in – July 30, 2024

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India's T&A market to expand at 14.59% CAGR from 2022-28: IBEF

India's textile and apparel market is projected to grow at a CAGR of 14.59 per cent to $387.3 billion by 2028 from $172.3 billion in 2022, as per a report by the Indian Brand Equity Foundation (IBEF) established by the Ministry of Commerce and Industry.

As per CRISIL report, in 2024, growth in the Indian textile industry will be driven by consistent domestic demand improvement, a gradual recovery in exports, and lower cotton prices.

Driven by a rising demand from the Commonwealth of Independent States (CIS) and South Asian markets, India's textile exports increased by 4.15 percent in Q1, FY25.Data from the commerce ministry indicates, India's textile exports rose to $8.78 billion from $8.43 billion during the quarter from the corresponding quarter last year.

Exports to the CIS region, including countries such as Russia, Armenia, Belarus, Kazakhstan and Kyrgyzstan, the CIS region grew by 113.33 per cent to $64 million during the quarter from $30 million in the same period last fiscal year. Exports to the South Asian markets also increased significantly by 35.65 per cent to $898 million.

India's textile exports to Latin America grew by 15 per cent to $346 million in the first quarter. This increase can be attributed to strengthened trade relations and heightened demand for Indian textiles in Latin American markets.

However, exports to North East Asia (NEA) and Africa declined by 28 per cent and 15.74 per cent to $298 million and $423 million respectively, indicating the need for strategic adjustments to tackle specific market challenges.

The first quarter of FY25 shows some upward movement in apparel exports, a welcome shift from the downward trends seen in recent years, says Rahul Mehta, Chief Mentor, Clothing Manufacturers Association of India (CMAI). Mehta attributes this to slightly improved sentiments in the US economy and a shift in buyer preference away from China and Bangladesh. However, the growth remains minimal and from a low base, he cautions.

The apparel and textile industry contributes approximately 2.3 per cent to India's GDP, 13 per cent to industrial production, and 12 per cent to total exports. India stands as the world's sixth-largest exporter of textiles and apparel.

Source: fashionatingworld.com– July 30, 2024

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Share of fashion-apparel in India's retail leasing 39% in H1 2024

Retail leasing in India in the first half (H1) this year rose by 7 per cent year on year (YoY) to 3.1 million sq ft across eight cities—a five-year high—with the share of the fashion and apparel product segment remaining 39 per cent, CBRE South Asia Pvt. Ltd said in a new report.

The absorption was led by Bengaluru, followed by Chennai and Delhi National Capital Region.

In the next few quarters, the influx of investment-grade mall supply will influence primary leasing trends, while leading malls across key cities will continue to see strong demand for secondary spaces.

India also attracted global retailers like Charles Tyrwhitt, Maison Margiela and Franck Provost during the six-month period. Other major global retailers from Switzerland, the United States and Japan have also expanded their presence in India, the report noted.

"Leasing in strategic locations is expected to remain steady, with a healthy mix of primary and secondary leasing projected to continue at a consistent pace," it said.

Around 0.5 million sq ft of retail space was added across tier-I cities in H1 2024. Tier-II cities saw an overall space take-up of 0.4 million sq ft during the period, with the absorption dominated by Indore and Kochi, accounting for a joint share of 56 per cent, followed by Lucknow and Chandigarh, each with a 17 per cent share.

Source: fibre2fashion.com– July 31, 2024

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Global trade trends and Budget initiatives

The Budget announcement last week of a reduction in some Customs duties and the simplification of rules for the utilisation of free trade agreements (FTAs) are positive trade policy measures. It is important that this momentum be maintained and the promised review of tariff rates in the next six months lead to an overall reduction of the average applied most favoured nation (MFN) tariffs, especially on manufacturing sector inputs. This would be useful in navigating a global trade context that is becoming increasingly nuanced. Recent updates from the UN Trade and Development or UNCTAD (July 2024) and the World Trade Organization (April 2024) highlight the emerging global trade trends with the following standing out.

First and foremost, global trade has been resilient despite the many shocks emanating from the pandemic, the ongoing Russia-Ukraine and Israel-Hamas wars, politically motivated trade instruments such as the Inflation Reduction Act (IRA) and Carbon Border Adjustment Mechanism (CBAM), and the US-China tariff and technology competition. While undoubtedly these events have led to fluctuations in the rate of growth, the dips have been short-lived. The rebound in 2021 following the sharp fall in 2020 in the immediate aftermath of Covid was quick and sustained, leading to a record high level of trade growth in 2022.

Rising geopolitical tensions marked a decline again in early 2023, but trade growth picked up in the final quarter, though with variations across regions and countries. The first-quarter trends of 2024 have been positive for both trade in goods and services, continuing the modest increase of the second half of 2023. The upward trend is expected to be sustained over the next year, given the moderation in global inflationary trends and the consequent rise in real incomes and demand for manufactured goods. However, a plateauing of the growth in trade in services is indicated.

Secondly, trade within deep preferential trade agreements (PTAs) has been observed to be more resilient than trade outside PTAs. In the trade downturn last year, the intra-PTA trade in the US-Mexico-Canada Agreement, the European Union (EU) and to some extent the Regional Comprehensive Economic Partnership performed relatively better. Earlier studies have shown similar trends during the pandemic. Higher order economic integration, lower trade costs, and the convergence of regulatory and investment regimes (see my “Prioritise Deep Trade Agreements”, Business Standard, June 27, 2024) foster dense production networks that provide the necessary mechanism for recovery and resilience during periods of trade volatility.

Thirdly, regarding the impact of geopolitical factors on global trade, friend-shoring, trade concentration, and increased lengths of global value chains (GVCs) have been evident since 2022 and 2023. Some signs of softening of this trend are also evident. Notwithstanding this, as the restructuring of GVCs evolves, it is creating opportunities for GVC integration for emerging market economies (EMEs) in Asia and Latin America.

Global trade interdependence is also getting realigned in line with political proximities, but the shifts are not yet dramatic. Bilateral total trade trends show that US trade dependence on China and that of China on the US has declined, but only by a small percentage. Countries that have experienced increased trade dependence on China include Brazil, Vietnam and India. The most significant reflection of geopolitics is the reduction in Russia's trade dependence on the EU, which is understandable given the energy dynamics between these two and the sanctions following the war in Ukraine. The markedly increased dependence of Russia on China is an outcome of the same context.

Fourthly, sector-wise trends show that traditional sectors like machinery and transport have retained their GVC and trade dynamism. New age and high-tech sectors like artificial intelligence, green transition and semiconductors have seen high demand, though these have also been the target of trade and industrial interventions.

Among these, electric vehicles and solar panels reveal an opportunity for EMEs, as the evident trade reallocation and distribution across more suppliers in these sectors indicate a more competitive market. Battery production, however, continues to be concentrated among a few suppliers. These sectoral developments are still in process and will likely evolve further given the continued geopolitical uncertainty and the growing weakness of the multilateral rules-based trade order.

In this context, the following trade policy measures will assist India in taking advantage of the emerging opportunities.

First, the tariff rates review should be undertaken with the final objective of aligning India's import tariffs in the manufacturing sector with the comparator set of EMEs, such as Asean. A time schedule for achieving this goal should be laid out over the next six months. Lower import tariffs will help enhance export competitiveness, which is the ultimate test of manufacturing competitiveness.

Second, a pre-specified timeline for reducing tariffs will also lend an element of predictability to India's trade policy and help attract export-oriented foreign direct investment (FDI), which is efficiency-seeking. The priority should be to attract FDI from GVC lead firms, which continue to be mainly in advanced economies. Their design and innovation capabilities will assist technological transfer and diffusion, which, in turn, will contribute to enhancing manufacturing productivity.

Third, given that trade in deep trade agreements is relatively more robust in times of crisis, India needs to prioritise the inclusion of deeper provisions in its FTAs. The FTA design and negotiating strategy, however, needs to be context-appropriate. This is necessitated by the growing tendency of regional trade blocs in North America and the EU to secure trade within the region by adopting discriminatory trade instruments/ measures vis-a-vis the rest of the world.

In North America, the US legislated IRA is an explicitly exclusionist trade policy instrument, motivated to enhance intra-regional trade and GVCs as also trade with its FTA partners. India does not have an FTA with the US and the current political dispensation as well as the ongoing Presidential election discourse has given no indication of a change in their trade policy stance. The EU has implemented the CBAM, which is projected as a virtuous trade instrument creating a "global common good" but will potentially increase intra-EU trade while imposing compliance costs on developing economies like India. CBAM is also likely to be adopted by other countries, including the UK. The Asean, in comparison, offers opportunities for enhanced trade dynamism and GVC integration while following the multilateral rules-based trade order.

Therefore, the move towards a more open trade policy in India's Budget 2024 needs to be broadened and deepened in the coming year.

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