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IBTEX No. 129 of 2024 **August 05, 2024**

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USD	EUR	GBP	JPY
83.84	91.44	106.79	0.59

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INTERNATIONAL NEWS

Global manufacturing sector sees setback in Jul; new orders decline

The global manufacturing sector witnessed a growth setback at the start of the second half (H1) this year, with July seeing output expand at the weakest rate in the current seven-month sequence of increases, J.P. Morgan global manufacturing purchasing manager's index (PMI) survey data show.

The slowdown reflects weaker expansions in the United States and China, an ongoing downturn in the euro area and a fall back into contraction in Japan.

Declining new order intakes were also a major factor underlying the weaker expansion, as new business fell for the first time since January, S&P Global Market Intelligence, which conducted the survey in association with the Institute of Supply Management and the International Federation of Purchasing and Supply Management, said in a release.

The PMI posted 49.7 in July, down from 50.8 in June and below the neutral 50 mark separating expansion from contraction for the first time in 2024.

Two out of the five PMI components (new orders and stocks of purchases) were consistent with a deterioration in operating conditions, employment signalled no change and the trend in output had a much less positive effect than in recent months.

Although vendor lead times lengthened this was mainly due to supply-chain disruptions as opposed to improving demand for raw materials.

Of the 32 nations for which July PMI data were available, only 15 registered an increase in manufacturing production.

India saw the fastest rate of expansion, while growth was also recorded in China, the United States, the United Kingdom and Brazil.

Although the euro area remained the main source of weakness—with output falling across the currency bloc for the sixteenth month in a row—sharp growth slowdowns in China and the United States alongside renewed contraction in Japan also contributed to the slowdown at the global level.

Manufacturing employment was unchanged over the month in July, as increases in several nations, including the United States and Japan, offset job losses in the euro area and China.

Companies remained reluctant to hire additional staff while cost and cash flow considerations were at the forefront of their decision-making, the release said.

This also contributed to cutbacks in purchasing activity and inventory holdings.

Suppliers' delivery times meanwhile lengthened for the second month in a row, mainly due to ongoing shipping disruptions.

Average input costs and selling prices both continued to rise during July, although rates of increase eased in both cases. Inflation of purchasing costs and output charges was, on an average, still stronger in developed nations compared to emerging markets.

Source: fibre2fashion.com– Aug 04, 2024

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Eurozone's manufacturing sector suffers another setback in Jul 2024

The eurozone's manufacturing sector suffered yet another setback at the start of the third quarter (Q3) this year as a steeper reduction in new orders led contractions in output and employment to accelerate, Hamburg Commercial Bank (HCOB) eurozone manufacturing purchasing managers' index survey data show.

Further declines in purchasing activity and inventories were recorded, while business confidence weakened to a four-month low.

Following a generally benign inflationary environment in the second quarter, July survey data signalled a marked acceleration of cost pressures, as input prices increased at the fastest rate in a year-and-a-half.

Eurozone factories refrained from passing on greater cost burdens to clients, however, as charges for goods leaving the factory gate were broadly unchanged in June.

The PMI, a measure of the overall health of eurozone factories compiled by S&P Global, matched that seen in June, recording 45.8 once again in July.

Albeit unchanged on the month, most of the eight monitored eurozone nations saw manufacturing PMI figures drop compared to June.

Germany and France saw their respective index values drop to three- and six-month lows, respectively. Greece and Spain, which have been the two strongest performers this year so far, also lost growth momentum. Italy and Ireland were the only two countries covered by the survey to see their manufacturing PMI increase, S&P Global said in a release.

For the eurozone as a whole, July survey data indicated a slight acceleration in the factory order downturn that has been ongoing since May 2022. Overall, the pace of contraction was the quickest in three months.

Cross-border sales activity also weighed on demand for eurozone goods at the start of Q3 2024 as evidenced by another solid reduction in new orders from export markets.

To compensate for lower workloads, eurozone manufacturers leaned more heavily on their backlogs as a means to support production.

Outstanding business volumes were depleted at a sharp and quicker rate in July. In fact, the pace of depletion was the fastest since February. Production levels suffered the most marked contraction in the year-to-date.

Net factory employment fell at the start of the third quarter, with workforce numbers decreasing at the fastest pace since last December. This stretched the current sequence of job shedding to 14 months.

Lower staffing capacity coincided with a drop in business confidence, the first time since October last year this has been the case. Overall, expectations for output in the coming year slipped to a four-month low in July.

Eurozone manufacturers trimmed their purchasing activity in July, albeit to a slightly softer extent than in June. Still, the rate of decline was sharp. In turn, pre-production inventories were reduced for the eighteenth month in a row.

The latest survey data signalled a further improvement in supplier performance, but the extent to which delivery times shortened was the weakest in six months.

The PMI data revealed another monthly increase in eurozone manufacturers' operating costs. The rate of input price inflation quickened to a one-and-a-half-year high, but remained below the long-run trend.

Source: fibre2fashion.com– Aug 04, 2024

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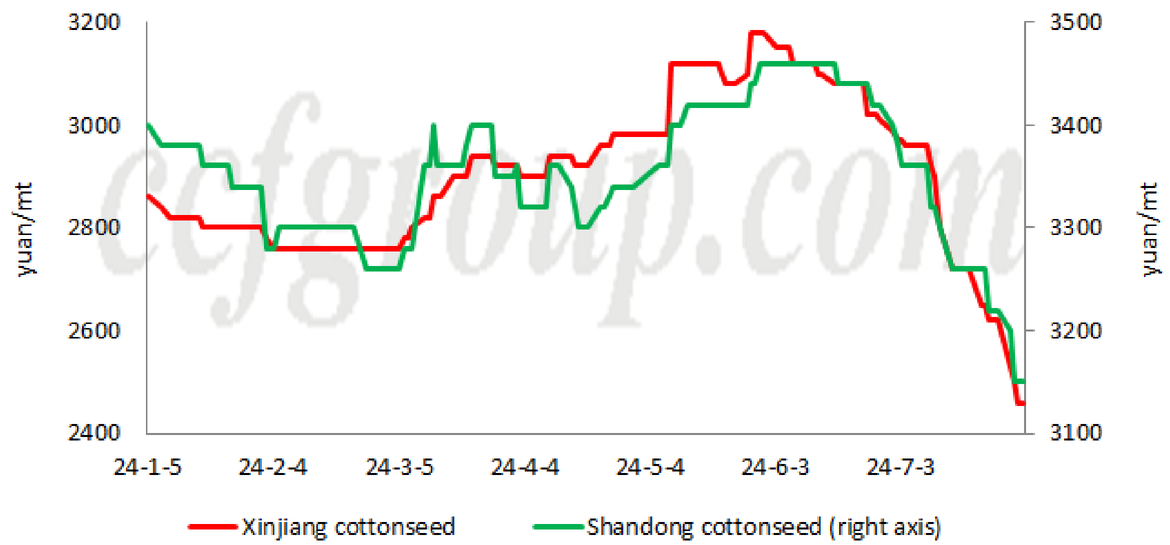
China: Could cotton linter reverse the downtrend?

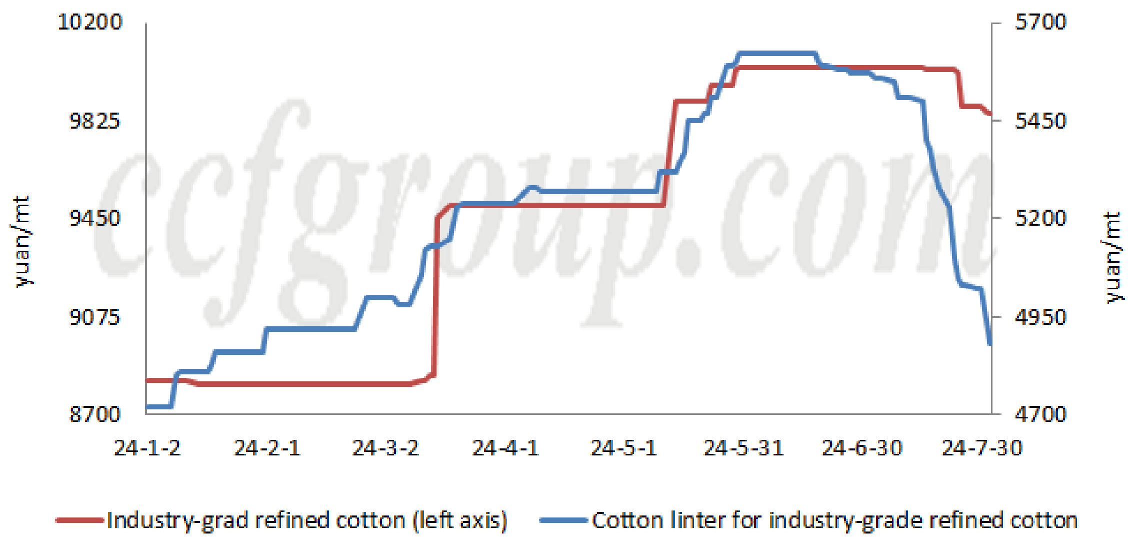
Cotton linter market has gradually weakened since mid-Jun, with a sharp decline accelerating since mid-Jul, totaling a drop of nearly 800yuan/mt, significantly exceeding market expectations. Is it due to weakened downstream demand or collapsed upstream costs.

Cottonseed price trend of china



Due to increased soybean inventories in the U.S. and expectations of abundant production in the new crop year, the overall supply is sufficient, leading to continuous declines in U.S. soybean futures, which have hit new lows. A large volume of soybean has arrived at Chinese ports, pushing inventories to peak levels, highlighting market supply pressure. Recently, prices for soybean meal and soybean oil have plummeted, causing widespread declines in cottonseed meal and cottonseed oil prices.

Cotton linter and refined cotton price trend of China



Cottonseed oil mills are increasing shutdowns and suspending cottonseed procurement, creating a significant oversupply in the cottonseed market. Additionally, increased imports of cottonseed from Australia and the U.S. have intensified the bearish atmosphere in the market. In Shandong and Xinjiang, cottonseed offers have continued to decline, which are 3,150-3,200yuan/mt for Xinjiang-origin cottonseed in Shandong and 2,450-2,500yuan/mt in Xinjiang, down 700yuan/mt since early Jun.

Recently, the oil and meal market has been sluggish, with cottonseed prices experiencing continuous sharp declines, arousing panics in the market. The cotton linter market is characterized by a strong wait-and-see atmosphere, while cotton linter pulp and refined cotton mill are mainly focused on digesting previous stockpiles.

Recent purchasing activities have largely paused or shifted to a just-in-time buying approach. The supply-demand dynamic in the cotton linter market has shifted from tight to relatively loose, with prices under downward pressure. Currently, cotton linter for industry-grade refined cotton in Chinese mainland is around 4,800-4,900yuan/mt, and 4,400-4,500yuan/mt in Xinjiang, with a cumulative decline of 800yuan/mt since mid-Jun.

In summary, due to ample U.S. soybean supply and continued inventory accumulation of Chinese soybean, the supply remains ample. Recently, the oil and meal market has been weak, and under the dual pressure of reduced downstream demand and oversupply, coupled with the upcoming arrival of new cottonseed in Sep, prices continue to fall, triggering panic in the cotton linter market and leading to further price decline. A weak market situation is expected to persist in the short term.

Source: ccfgroup.com– Aug 04, 2024

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July sees 3.3% drop in UK retail footfall as shoppers shift spending

UK retail footfall experienced a significant decline in July, with overall footfall dropping by 3.3 per cent compared to the same period last year, according to the latest BRC-Sensormatic IQ data. This marks a further dip from June's 2.3 per cent decrease, signalling growing caution among consumers amidst economic uncertainty.

High streets showed a slight improvement in their year-on-year footfall, recording a decrease of 2.7 per cent in July, an improvement from the 3.1 per cent decline in June.

However, footfall in retail parks and shopping centres continued to struggle. Retail parks saw a 0.8 per cent decrease in July, compared to a 0.4 per cent decline in June. Shopping centres faced the most significant drop, with footfall down by 3.9 per cent, maintaining the same level of decline as May.

All UK nations witnessed a year-on-year decrease in footfall, with England experiencing the steepest drop at 3.4 per cent. Wales and Scotland followed with declines of 3.2 per cent and 2.3 per cent, respectively, while Northern Ireland saw a 2.2 per cent decrease.

Helen Dickinson, chief executive of the British Retail Consortium, said: “Footfall declined for the twelfth consecutive month, failing to maintain the buoyancy seen in 2022-23.

As summer got into full swing, many people have chosen to increase their spending on holidays and leisure activities rather than shopping. Election week also saw particularly weak footfall, as political electioneering peaked, creating uncertainty for many consumers.

“With the election now over, many retailers will be making decisions about how and where to invest in the coming years. Retailers welcomed Labour’s promises to reform both business rates and planning laws – two major factors that often hold back much needed local investment. If Labour can address these effectively, they could help breathe new life into retail destinations.”

Andy Sumpter, retail consultant EMEA for Sensormatic Solutions, commented: "Despite a warmer and drier month compared to the wash-out that was June, July's footfall faltered with shopper traffic falling back to the same levels we saw in May.

As we approach a full year of seeing footfall yo-yo in its ongoing recovery, it's clear the longtail of the cost-of-living crisis is continuing to rattle consumer confidence and is likely to prompt spending caution for some time to come, making each in-store conversion all the harder won. With election fever now over and the school holidays now in full swing, retailers will be hoping that spells a positive outlook for store performance in the months to come."

Source: ccfgroup.com– Aug 04, 2024

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Dramatic rise in ocean freight container shipping spot rates: Xeneta

Ocean freight container shipping spot rates have dramatically increased in recent months, but the long-term market has been insulated from this volatility in comparison, perhaps until now, according to Xeneta.

The Xeneta global shipping index (XSI), which covers all valid long term contracts in the market, reached 151.5 points in July.

While this is still 4 per cent lower than December last year, it represents a month-on-month (MoM) increase of 2.5 per cent from June, the Norway-based ocean and air freight rate benchmarking and market analytics platform said in a release.

More notably, the underlying XSI sub-index for Far East exports, which includes the world’s biggest fronthaul trades to Europe and the United States, increased by 12.6 per cent in July to 178.8 points.

This coincides with short term rates on major trades from the Far East to the United States and Europe beginning to soften in July from the massive increases seen over recent months, Xeneta noted in a release.

“Long term ocean container shipping rates remained subdued despite massive increases on the short term market in May and June – but that is starting to change,” Xeneta senior shipping analyst Emily Stausboll said.

“This is a pivotal time for the market. Shippers will be hoping the spot market crashes back down hard and fast, while carriers will be doing everything possible to keep short term rates elevated for as long as possible,” she observed.

Long term shipping rates on the major fronthauls from the Far East to Europe and the United States may now be showing signs of upward pressure, but the backhaul trades remain subdued in July.

The Far East export sub-index of the XSI increased by 12.6 per cent in July to 178.8 points. While this is significant given the importance of the major fronthaul trades involved, developments on the long-term market are still a long way from matching the massive spike in spot rates.

The sub-index for Far East imports fell to 94.1 points in July—15.7 per cent lower than June and the lowest this sub-index has been since the first quarter of 2020.

The XSI for US imports rose for the second month in a row in July, this time growing by 6.4 per cent from June to bring the index to 161.3 points. July's figure is down by 30.4 per cent YoY, but up by 9 per cent from May 2024, when the sub-index bottomed out at 147.9 points.

The sub-index for US exports fell by 10.2 per cent in July—the biggest MoM drop since April 2023. It now stands at 108.8 points, and its lowest level since October 2021.

The sub-index for European Imports rose to 167.5 points in July—a 2.7-per cent increase following two months of declines. This leaves the index down by 9.6 per cent YoY.

The sub-index for European exports fell by 4.8 per cent in July, making it five consecutive months of decline. It now stands at 114.6 points—the lowest it has been since January 2021.

Source: fibre2fashion.com– Aug 05, 2024

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Italy's retail trade sees slight decline in June 2024

In June 2024, Italy's seasonally adjusted index for retail trade recorded a slight decrease of 0.2 per cent in both value and volume compared to the previous month, according to the Italian National Institute of Statistics (Istat). The second quarter (Q2) of 2024 showed mixed results, with the value of sales inching up by 0.1 per cent, while the volume of sales declined by 0.1 per cent compared to the previous quarter.

On a year-on-year basis, the retail trade value in June 2024 decreased by 1 per cent, and the volume of sales dropped by 1.8 per cent. Within the non-food product category, significant variations were observed. Shoes, leather goods, and travel items experienced the largest decline, falling by 5.1 per cent. Furniture, textile items, and household furnishings followed closely with a 5 per cent drop.

Large-scale distribution saw a slight year-on-year increase of 0.5 per cent in June 2024, contrasting with a 2.0 per cent decline in small-scale distribution. Non-store retail sales also fell, showing a decrease of 4.2 per cent. Notably, online sales continued their downward trend for the second consecutive month, contracting by 3.9 per cent compared to June 2023, as per Istat.

Source: fibre2fashion.com– Aug 05, 2024

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Sri Lanka's reforms led to growth, low inflation, more revenues: IMF

Sri Lanka's economic reforms have continued to support the recovery with three consecutive quarters of real gross domestic product (GDP) growth, low inflation, increased revenue collection and a build-up of external reserves, according to the International Monetary Fund (IMF).

Growth accelerated to 5.3 per cent year on year (YoY) in the first quarter (Q1) this year. Inflation remains contained below the Central Bank of Sri Lanka's (CBSL) 5-per cent target and domestic borrowing rates have declined.

Gross international reserves increased by $1.2 billion during the first half of 2024 and reached $5.6 billion.

Decisive progress on the reform agenda is necessary to ensure a broad-based and stable economic recovery benefitting the masses, IMF said after its mission recently concluded its visit to the country to discuss macroeconomic developments and progress in implementing economic and financial policies under the authorities' economic reform programme backed by the IMF's Extended Fund Facility (EFF) arrangement.

"With Sri Lanka's knife-edged recovery at a critical juncture, sustaining the reform momentum and ensuring timely implementation of all programme commitments are critical to cement the hard-won economic progress to date and put the economy on a firm footing," Senior mission chief Peter Breuer said in an IMF release.

Maintaining macroeconomic stability and restoring debt sustainability require further efforts to raise fiscal revenues, IMF noted.

The 2025 Budget needs to be underpinned by appropriate revenue measures and continued spending restraint so as to reach the medium-term primary balance objective of 2.3 per cent of GDP—a key requirement for restoring Sri Lanka's debt sustainability, it said.

Source: fibre2fashion.com – Aug 05, 2024

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6 SE Asian nations to grow at 5.1% avg annual rate in 10 yrs: Report

Six top economies in Southeast Asia— Singapore, Thailand, Indonesia, Vietnam, the Philippines and Malaysia—are projected to grow at an average annual rate of 5.1 per cent over the next decade, a recent report by the Development Bank of Singapore (DBS), consulting firm Bain & Company and the non-profit Angsana Council said.

Vietnam, Indonesia and the Philippines were projected to grow faster, with Vietnam continuing to stay ahead.

Analysts predict that the six economies will benefit from the region's consumer market of over 600 million and strong ties with major trading economies, the report, titled 'Navigating High Winds: Southeast Asia Outlook 2024-34', said.

Increasing protectionism in developed markets and widespread deindustrialisation due to shifting competitive dynamics may, however, affect these economies, Vietnamese media outlets cited the report as saying.

For Vietnam, positive drivers include a well-positioned export-oriented economy, highly diverse sources of foreign direct investment, productive inter-provincial competition and high-quality workforce and education levels.

Negativities like credit weakness, energy and water shortages, and slow movement on green infrastructure remain however.

Source: fibre2fashion.com – Aug 04, 2024

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Vietnam's manufacturing PMI remains strong at 54.7 in July 2024

Vietnam’s manufacturing purchasing managers' index (PMI) remained steady at 54.7 in July 2024, indicating a continued significant strengthening of business conditions in Vietnam's manufacturing sector, according to S&P Global. This growth rate is the highest since November 2018. Notable improvements were observed across consumer, intermediate, and investment goods categories.

New orders increased for the fourth month running in July, with the rate of expansion only slightly slower than the near record posted in June. Where new business rose, panellists linked this to stronger market demand and an increase in customer numbers. New export orders also rose, albeit at a much softer pace than total new business. Some firms reported that export demand had been hampered by high shipping costs.

With new orders rising sharply, manufacturers ramped up production in July. Moreover, the rate of expansion in output quickened from that seen in June and was the second-fastest on record, just behind that seen in the opening month of data collection in March 2011, as per S&P Global.

Despite the sharp increase in output, firms needed to dip into existing stockpiles to help meet new order requirements. Stocks of finished goods were depleted to the second-largest degree on record, behind only that seen in February 2014.

Firms made efforts to expand capacity by increasing both their purchasing activity and employment at the start of the third quarter. Input buying rose markedly, and at the fastest pace since May 2022. Staffing levels, on the other hand, increased only modestly and at a softer pace than in June. Meanwhile, backlogs of work accumulated for the second consecutive month.

Manufacturers were helped in their desire to secure materials by a second successive monthly shortening of suppliers' delivery times, although the degree of improvement in vendor performance was only marginal amid some reports of delays to sea transportation.

Stocks of purchases decreased for the eleventh month running, and at a solid pace that was the sharpest since April.

Input costs continued to increase sharply during July, with the pace of inflation only marginally weaker than the two-year high seen in June. Suppliers had reportedly raised their charges, while increased shipping costs was also a factor.

Rising costs for raw materials and shipping meant that manufacturers increased their own selling prices for the third month running in July. The rate of inflation was solid, albeit softer than that seen in the previous survey period.

Expectations that new orders will continue to rise over the coming year supported confidence in the outlook for production. Around 40 per cent of respondents expressed optimism, but sentiment eased to the lowest since January and was weaker than the series average.

Source: fibre2fashion.com– Aug 04, 2024

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Made in Pakistan?

Prime Minister Shehbaz Sharif has set an ambitious goal of achieving $60 billion in exports for Pakistan within the next three years.

Picture this: It's 2027, and Pakistan's exports have met the required target. We're no longer just shipping out raw cotton and basic textiles. Instead, our exports range from advanced auto parts to cutting-edge software, from gourmet processed foods to high-end sportswear. Sounds like a fantasy? Not if we play our cards right with global value chains (GVCs).

Let's face it: our export performance has been underwhelming – at around 10.4 per cent of GDP. We've been stuck in a rut, relying on the same old products, struggling to compete with our more dynamic neighbours. But here's the thing: GVCs could be our ticket to an export boom.

First off, what exactly are these GVCs everyone's buzzing about? Think of them as the global assembly lines of the modern world. Your iPhone isn't made entirely in China; it's a global effort, with parts and processes spread across dozens of countries. That's a GVC in action.

Now, here's where it gets interesting for Pakistan. We don't need to build entire industries from scratch to boost our exports. Instead, we can plug into existing GVCs, starting with what we're good at and gradually moving up the value ladder.

Take textiles, our export bread and butter. Instead of just exporting yarn or basic fabrics, we could be producing high-tech sportswear for global brands. Imagine Pakistani factories crafting the next generation of moisture-wicking, temperature-regulating athletic gear. This is not science fiction -- it's happening in countries like Vietnam and Bangladesh. Why not us?

Or consider our budding IT sector. We've got talent, but we're mostly sticking to basic outsourcing. Through GVCs, we could be designing software components for cutting-edge applications, or providing specialized services like AI development or cybersecurity. Our tech whizzes could be integral parts of global teams creating the next big tech innovations.

Even in agriculture, GVCs offer huge potential. Instead of just exporting raw mangoes or rice, we could be sending out premium processed foods. Pakistani frozen meals in Tesco? Gourmet mango products in Whole Foods? It's possible, if we link up with the right global food supply chains.

Now, I can hear the sceptics already -- "We've tried to diversify exports before. What's different this time?" Fair question. But the global economic landscape is shifting in ways that create unprecedented opportunities for countries like Pakistan.

For starters, US-China trade tensions have companies scrambling to diversify their supply chains. Then there's the post-Covid push for resilience, with firms looking to spread their bets across multiple countries. And let's not forget the sustainability drive, which is forcing companies to rethink their entire supply chains.

All of this adds up to a golden opportunity for Pakistan. We've got the labour cost advantage, a sizeable domestic market, and a strategic location. If we play our cards right, we could become a key node in the GVCs of the future.

But -- and it's a big but -- we need to seriously up our game.

First, we need to fix the basics. Our logistics costs are way too high, our energy supply too unreliable. We need to slash the red tape that makes exporting a nightmare. The good news? The government's recent focus on ease of doing business is a step in the right direction. But we need to move faster.

Second, we need to improve our skills. Big time. Our workforce isn't ready for the high-value tasks in modern GVCs. We need a major overhaul of our education and vocational training systems. Coding bootcamps, advanced manufacturing skills, quality control expertise -- these should be our new national priorities.

Third, we need to get smart about economic policy. Our current approach, let's be honest, is a bit of a mess. We protect some industries to death while neglecting emerging sectors. We need policies that encourage innovation, support integration into global supply chains, and attract the right kind of foreign investment.

Fourth, our businesses need to step up. Too many of our firms are happy in their comfort zones, shielded from global competition. To thrive in GVCs, they need to professionalize, invest in technology, and build international partnerships. It's adapt or die in the world of global trade.

The good news? We're not starting from zero. We've got success stories to build on. Our surgical instruments already feature in global medical supply chains. Some of our textile companies are moving up the value chain, producing for top global brands. Our IT exports are growing, with Pakistani developers contributing to major international projects.

These pioneers show what's possible. Now we need to scale these successes, replicate them across sectors, and weave them into a coherent national export strategy.

Will it be easy? Heck no. We face stiff competition from countries already well-established in GVCs. We have to overcome perceptions about security and stability that often deter international partners. And let's be real: we need to tackle the corruption and inefficiency that have long held us back.

But the potential payoff is enormous. A Pakistan deeply integrated into GVCs would be an export powerhouse. We would be less vulnerable to commodity price swings, more resilient to global shocks. We'd create better jobs, spur innovation, and maybe even stem our brain drain.

So here's the bottom line: global value chains aren't just some fancy economic jargon. They are our best shot at an export revolution. It'll take hard work, smart policies, and a willingness to change. But isn't a future where 'Made in Pakistan' is a global mark of quality worth fighting for?

The world is rewiring its supply chains. There's a seat at the table for us. The question is: are we ready to grab it?

Source: thenews.com.pk – Aug 05, 2024

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Pakistan: Weekly Cotton Review: Prices rise amid low business volumes

Cotton prices have risen by Rs 500 to Rs 1000 per maund, with Rs 600 per maund increase in spot rates. However, business volume remained relatively low due to rainfall.

Cotton production has reached eight lac and forty four thousand bales, which is five lac and eighty four thousand bales (40.90%) less than last year's production of more than fourteen lac and twenty nine thousand bales.

All Pakistan Textile Mills Association (APTMA) has called for a reduction in interest rates and energy prices. The government has hinted at reviewing power purchase agreements with Independent Power Producers (IPPs). Cotton yarn exports have seen a 13% increase.

The local cotton market experienced gains during the previous week. However, business volume remained relatively low due to reduced cotton supplies after rainfall. The international cotton market also remained sluggish, facing persisting issues of cotton supply and demand. Furthermore, most ginners are facing problems of payments and settlements.

The rainy season in Sindh, Balochistan, and Punjab is impacting business activities, and the quality of cotton is also being affected. The quality issue is expected to persist for a few days. It is anticipated that there will be some improvement in cotton trade after August 15.

On the other hand, there are varying opinions about the cotton situation in the country, and there are question marks over production. It's too early to say anything for now, but there are concerns that cotton farmers are facing losses due to low prices. It may be possible that farmers don't made efforts for increasing the cotton crop, resulting in further damage to the crop.

Apart from this, there is no good news regarding the country's industries, especially the IPPs issue, which is creating a serious situation day by day. The textile sector is also affected and suffering greatly due to this, and its effects are being seen on cotton trade, as well. The government has hinted at reviewing the IPPs agreements. Although the State Bank of Pakistan

(SBP) has reduced the interest rate to 19.5% but it seems that the trade has not been positively affected and thus demanding a further reduction.

In Sindh province, the cotton price per maund ranged from Rs 17,300 to Rs 17,500, while the phutti price per 40 kg was in between Rs 6,700 and Rs 7,400.

In Punjab province, the cotton price per maund ranged from Rs 17,900 to Rs 18,300, while the phutti price was in between Rs 7,200 and Rs 8,300 per 40 kg.

In Balochistan province, the cotton price per maund ranged from Rs 17,200 to Rs 17,400, while the phutti price was in between Rs 7,000 and Rs 7,400 per 40 kg.

The Karachi Cotton Association's Spot Rate Committee increased the spot rate by Rs 600 per maund, closing at Rs 17,600 per maund.

Karachi Cotton Brokers Forum Chairman Naseem Usman has said that the international cotton market experienced an overall decline. According to the USDA's weekly export and sales report, more than ten lac and eighty five thousand bales were sold for the year 2023-24. China topped the list with five lac and ninety seven bales, followed by Pakistan with more than three lac and sixty nine bales, and Vietnam is on number third with two lac and fifteen thousand bales.

For the year 2024-25, more than thirteen lac and fifty five thousand bales were sold. China again led the list with six lac and fifty thousand bales, followed by Pakistan with four lac and nine thousand bales, and Vietnam ranked third with two lac and fifteen thousand bales.

Pakistan Cotton Ginners Association (PCGA) has released cotton production data up to July 31, which shows that more than eight lac and forty four thousand bales were produced in the country.

The report shows a decrease of more than five lac and eighty four thousand bales (40.90%) as compared to more than fourteen lac and twenty nine thousand bales produced during the same period last year.

In Punjab, cotton production stood at more than two lac and ninety two thousand bales, a decrease of 96,013 bales (24.71%) compared to last year's production of more than three lac and eighty eight thousand bales.

In Sindh, cotton production was more than five lac and fifty one thousand bales shows a decrease of more than four lac and eight thousand bales (46.96%) compared to last year's production of more than ten lac and forty thousand bales.

During this period, exporters purchased 400 bales, a decrease of 7,100 bales (94.67%) compared to last year's 7,500 bales.

Textile mills purchased more than seven lac and forty thousand bales shows a decrease of more than five lac and forty thousand bales (42.09%) compared to last year's more than twelve lac and eighty four thousand bales.

Ginners have a stock of 99,774 bales, a decrease of 36,545 bales (26.81%) compared to last year's more than one lac and thirty six thousand bales.

During the last two weeks, cotton arrivals were more than four lac and two thousand bales, a decrease of more than one lac and sixty eight thousand bales (29.51%) compared to last year's more than five lac and seventy thousand bales.

Currently, 268 ginning factories are operational, a decrease of 100 factories compared to last year's 368 factories.

Naseem Usman, Chairman of the Karachi Cotton Brokers Forum, commented on the report, saying that this year's cotton crop was relatively low and weather conditions were unfavourable, resulting in reduced production. He said that some unregistered trades may have taken place. However, interestingly, the Punjab Agriculture Department's Crop Reporting Service Wing has reported cotton production in Punjab up to July 31 as more than four lac and fifty thousand bales, which is one lac and fifty seven thousand bales more than the PCGA's reported figure of more than two lac ninety two thousand bales.

Moreover, APTMA has demanded a significant reduction in interest rates to 6-7% to boost the textile industry. It says that high interest rates and exorbitant energy costs have led to the closure of over 30% of textile mills and production cuts in others. Textile exports have declined from $19.33 billion in FY22 to $16.5 billion in FY23, despite the government's ambitious export target.

APTMA attributes the rising production costs to an unfavourable business environment and calls for an export-friendly policy framework.

The association criticises the government's energy policy, particularly the high cost of electricity due to Independent Power Producers (IPPs). It opposes the government's plan to cut off gas supply to captive power plants.

Pakistan has recorded a 13% annual increase in cotton yarn exports. According to the Pakistan Bureau of Statistics, the country's cotton yarn exports totalled $956 million in the fiscal year 2024, up from $844 million in the previous fiscal year.

In June, cotton yarn exports amounted to $45 million, a 58% decrease from the same month last year when exports were worth $107 million. Compared to May, June saw a 29% monthly decline in cotton yarn exports, from $64 million to $45 million.

It is worth noting that the total exports of the textile group in the fiscal year 2024 stood at $16.656 billion, a 0.9% increase from the previous fiscal year's $16.502 billion.

Source: brecorder.com– Aug 05, 2024

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5th meeting of ASEAN-India Trade in Goods Agreement Joint Committee held in Jakarta

The 5th AITIGA Joint Committee and related meetings for review of ASEAN-India Trade in Goods Agreement (AITIGA) were held in ASEAN Secretariat, Jakarta, Indonesia from 29th July to 1st August 2024, marking a significant milestone in enhancing economic cooperation between ASEAN and India. The meeting was co-chaired by Shri Rajesh Agrawal, Additional Secretary, Department of Commerce, India and Ms. Mastura Ahmad Mustafa, Deputy Secretary General (Trade), Ministry of Investment, Trade & Industry, Malaysia. Delegates from all 10 ASEAN Countries and India participated in the meeting.

AITIGA Joint Committee had initiated discussions for review of AITIGA in May 2023 and after finalising its Terms of Reference and Negotiating Structure, AITIGA JC and its Sub-Committees started negotiations in February 2024. The first 2 rounds of negotiations were held in February 2024 in New Delhi and in May 2024 in Putrajaya, Malaysia. During the 3rd round of negotiations in Jakarta, Indonesia, all 8 Sub-Committees dealing with 'National Treatment and Market Access', 'Rules of Origin', 'Standards, Technical Regulations and Conformity Assessment Procedures', 'Sanitary and Phytosanitary', 'Legal and Institutional Issues', 'Customs Procedures and Trade Facilitation', 'Trade Remedies' and 'Economic and Technical Cooperation' met alongside 5th AITIGA JC and held substantive discussions making significant progress during this round. All the Sub-Committees reported the outcomes of their discussions to the 5th AITIGA JC which provided them further guidance to steer their future work.

The Indian lead of delegation held bilateral meetings with his counterparts from Malaysia, Singapore, Indonesia and Vietnam on the sidelines of 5th AITIGA JC meeting to develop a common understanding on the issues being discussed in the AITIGA review. Separate meetings were also held with ASEAN Secretary General Dr. Kao Kim Hourn as well as ASEAN Deputy Secretary General Mr. Satvinder Singh to discuss the possibilities in enhancing economic cooperation between India and ASEAN through review of AITIGA.

Indian delegation interacted with Indian businesses in Jakarta on 31st July 2024 over a dinner arranged by Embassy of India in Jakarta and listened to the experiences of industry and their expectations from AITIGA review.

ASEAN is an important trade partner of India with about 11% share in India's global trade. The review of AITIGA, signed in 2009, will help create further opportunities for businesses on both sides to enhance the level of India-ASEAN trade. The next meeting of AITIGA Joint Committee will be held in India from 19-22 November 2024.

Source: pib.gov.in– Aug 03, 2024

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Customs, banking reforms, incentives at par with China key to boost e-com exports to $350 bn: GTRI

New Delhi: Reforms in certain customs and banking rules, access to credit, and incentives at par with China will be key for India to boost its exports through e-commerce medium to USD 350 billion by 2030, think tank GTRI said on Monday. The Global Trade Research Initiative (GTRI) report also suggested creation of separate regulations and ecosystems to support two different types of e-commerce exports - direct export and overseas warehouse models; supporting firm to open warehouses in key foreign cities; export incentives at par with physical shipments; marketing support; and creation of regional hubs for MSMEs.

"Over 60 per cent of Chinese e-commerce exports (USD 330 billion in 2023) use foreign warehouses for faster delivery. They have special rules and support systems that help their e-commerce sector grow. If we do not adopt similar measures, our e-commerce exports might only reach USD 25 billion by 2030, despite having the potential to reach USD 350 billion," GTRI Founder Ajay Srivastava said.

The global cross-border e-commerce exports are projected to grow from USD 1 trillion in 2023 to USD 8 trillion by 2030 on account of the ability of online firms to deliver overseas products to consumers within 1-2 days, matching the speed and convenience of local supplies.

India's e-commerce exports could grow from USD 5 billion to USD 350 billion by 2030, thanks to strengths in customized products, traditional crafts, and a growing base of over 100,000 sellers.

At present, the domestic sector is facing different issues and as successful e-commerce policies in China, Korea, Japan, and Vietnam have helped many firms sell globally, India too needs to publish an e-commerce export policy and these steps.

It said that Indian regulations primarily cater to the direct export model, and separate regulations need to be introduced for meeting the needs of the warehouse model which has several benefits such as over 50 per cent savings in freight, no customs delays, and faster delivery.

Warehouses can be established by the government, private sector, or e-commerce firms and efficient warehouse management including using foreign warehouses will immediately boost India's e-commerce exports, the report said.

Currently, over 60 per cent of China's global cross-border e-commerce exports use overseas warehouses.

Recommending nine customs reforms, Srivastava said that there is a need to set up a green channel for e-commerce shipments; single window system; complete digital submission of documents; and implementation of 24-hour automated inspections.

"Create a dedicated green channel for e-commerce shipments across express, post, air cargo, and ocean cargo channels. This will ensure faster and more efficient clearance for e-commerce exports," the report suggested.

On banking reforms, it said that most banks are not geared to cater to the small packet, low-value e-commerce requiring quick and low-cost processing.

"Key issues include reluctance to process forex through alternative channels, high and multiple processing fees, incorrect allocation of purpose codes, limitations in the RBI's EDPMS (Export Data Processing and Monitoring *System*), and penalties imposed on exporters for banks' inefficiencies," he said.

It recommended raising the export realization variation limit from 25 per cent to 100 per cent; waiving bank charges and automate processes; define a time limit for banks to complete all small export-related requests; and exempting shipment value up to USD 1000 per shipment from monitoring till single window is implemented.

It also said that access to credit is a significant challenge for small e-commerce exporters in India and unlike B2B (business to business) exporters, who enjoy multiple financing options due to their priority status with banks, e-commerce exporters face several hurdles.

It added that e-commerce exporters do not receive the same priority status as B2B exporters as they face higher interest rates (12-15 per cent) compared to B2B exporters (7-10 per cent).

"Treat e-commerce exports on par with B2B exports. Include loans for e-commerce exports in priority sector lending. Provide easy credit access as it will allow small firms to expand operations, invest in new inventory, and improve their competitiveness in global markets," Srivastava said.

Further e-commerce export shipments cleared through express courier mode do not get export incentives like Duty Drawback, RoDTEP (Remission of Duties and Taxes on Export Products), export promotion capital goods scheme (EPCG), and advance authorisation, creating a disparity compared to B2B offline exports.

"India should extend existing export incentives to all e-commerce exporters, besides matching the incentive provided by Chinese provinces to e-commerce exporters," he added.

Source: economictimes.com– Aug 05, 2024

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Monetary Policy: RBI likely to keep interest rate unchanged at 6.5%, say experts

Reserve Bank of India (RBI) is likely to keep the key interest unchanged at 6.5 per cent on Thursday, and wait for more macroeconomic data before taking a call on rate cut in line with expectations, experts said. The US Federal Reserve has decided to maintain a status quo on its interest rate for now and indicated there could be monetary policy easing in the coming months.

Amid persisting inflationary pressures, RBI will be closely tracking the US monetary policy trajectory before changing its stance on interest rate, which has remained unchanged since February 2023, experts opined.

The Monetary Policy Committee (MPC) may also refrain from rate cut as economic growth is picking up, notwithstanding the elevated interest rate of 6.5 per cent (repo rate).

The meeting of the Reserve Bank Governor Shaktikanta Das headed MPC is scheduled for August 6 to 8. Das will announce the decision of the rate-setting panel on August 8 (Thursday).

The central bank last hiked the repo rate to 6.5 per cent in February 2023 and since then it has held the rate at same level in its last seven bi-monthly monetary policy reviews.

"We do expect a status-quo position to be adopted by RBI in the forthcoming credit policy. Inflation remains high even today at 5.1 per cent and while this will come down numerically in the coming months, it will be more due to the base effect," said Madan Sabnavis, Chief Economist, Bank of Baroda.

He further said growth is on the stable path which means that the present interest rate situation does not militate against business.

"The RBI would rather wait and be sure that inflation is on the downward path on a durable basis before taking any action. While we do not expect any change in GDP forecast, there is a possibility of new guidance on inflation numbers," Sabnavis said.

Aditi Nayar, Chief Economist, ICRA, said that high growth in FY2024, combined with the inflation of 4.9 per cent in first quarter of the current fiscal are unlikely to shift the voting pattern of the four members who voted for a status quo in the June 2024 meeting towards a change in stance or rate cut in the August 2024 meeting itself.

"If the food inflation outlook turns favourable on the back of a normal distribution of rains in the second half of the monsoon season, and in the absence of global or domestic shocks, a stance change is possible in October 2024. This could be followed by a 25 bps rate cut each in December 2024 and February 2025, with an extended pause thereafter," she said.

Last month, Governor Das had said the question of change of stance on interest rate is quite premature given the gap between current inflation and 4 per cent target.

Pradeep Aggarwal, Founder and Chairman, Signature Global (India), too said that the central bank is expected to maintain the status quo on the interest rate for now as retail inflation continues to pose challenges.

"We hope central bank would shift towards a more supportive stance later.

"The likely change in stance, as and when it happens, would offer borrowers a sigh of relief, and housing loan offtake, which is showing early signs of moderation, would probably again start seeing the uptick. This shift, combined with achieving the 4.9 per cent fiscal deficit target, will benefit the overall economy, including real estate, and the sooner it happens, the better," Aggarwal said.

Puneet Pal, Head- Fixed Income, PGIM India Mutual Fund, also opined that the RBI would keep the rate unchanged.

"We think that the upcoming MPC policy's undertone may be relatively dovish given that fiscal consolidation is well on track with the fiscal deficit number printing below 5 per cent and the global monetary easing cycle well and truly underway with rate cut by Bank of England after the rate cuts from ECB and Bank of Canada," Pal said, and added the last US Fed meeting earlier in the week also had dovish undertones.

The MPC is entrusted with the responsibility of deciding the policy repo rate to achieve the inflation target of 4 per cent, keeping in mind the objective of growth.

The panel consists of three external members and three officials of the RBI.

External members of the rate-setting panel are Shashanka Bhide, Ashima Goyal, and Jayanth R Varma.

In an off-cycle meeting in May 2022, the MPC raised the policy rate by 40 basis points and it was followed by rate hikes of varying sizes, in each of the five subsequent meetings till February 2023. The repo rate was raised by 250 basis points cumulatively between May 2022 and February 2023.

Source: economictimes.com– Aug 04, 2024

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Indian economy to grow at 7-7.2% in current fiscal year: Deloitte

India's economy is expected to grow at 7-7.2 per cent in the current fiscal year driven by robust economic fundamentals and continuity in domestic policy reforms, Deloitte India said on Monday.

The August update of Deloitte's India Economic Outlook said several initiatives in the Union Budget 2024-25 toward improving agriculture productivity, creating jobs for the youth, and in manufacturing and addressing the challenge of access to finance for micro, small, and medium enterprises (MSMEs), would help improve supply-side demand, curb inflation, and prop up consumer spending, especially in rural areas.

Deloitte India Economist Rumki Majumdar said, India will witness robust growth in the second half after a period of uncertainty in the first six months of the year.

"Key contributing factors include the continuity in domestic policy reforms, reduced uncertainties in the US post-elections, and more synchronous global growth within a low inflation regime.

"Additionally, improved global liquidity conditions, as central banks in the West ease their monetary policy stance, will enhance capital flows and drive higher investments, particularly in the private sector," Majumdar said.

Observing that strong economic fundamentals would drive GDP growth between 7 per cent and 7.2 per cent in FY25, the Economic Outlook report said effectively addressing the urban-rural consumer spending gaps, inflation, and employment concerns can significantly enhance the affordability of aspirational rural consumers.

"The much-desirable policy pivot was evident in the Union Budget presented last month. Reducing the urban and rural spending gap in the coming years will ensure sustained consumer demand from a larger consumer base," it added.

Deloitte India's growth projection is at par with that of RBI, which projected FY'25 growth at 7.2 per cent. It is higher than Finance Ministry's Economic Survey which estimated GDP expansion between 6.5-7 per cent.

The Indian economy grew at 8.2 per cent in 2023-24 fiscal year.

The report further said despite strong growth, private consumption spending has remained modest over the past five years. The pandemic, high global and domestic inflation, consequent tightening of financial conditions, and the effects of poor agriculture output on rural demand seem to have capped private consumption growth in India.

But a Deloitte research showed that India is witnessing distinct and broad-based shifts in consumption patterns. There is a broad-based shift in the composition of consumption towards more non-food and discretionary items, reflecting changing lifestyles and preferences that are here to stay.

According to the Household Consumption Expenditure Survey, spending on discretionary goods and services (including conveyance) has gone up both in rural and urban India, with the former quickly catching up in spending on discretionary durable goods (including automobiles, electric and electronic goods) with the latter in just one decade.

"Demand for processed food has been among the highest in most states, suggesting a shift towards ready-to-eat options. Rapid urbanization, increasing women's participation in the workforce, and enhanced marketing and availability are driving these changing dietary habits," the report said.

According to Deloitte research, if increasing income in states results in a relatively equitable distribution and higher rural spending, businesses can tap into a larger proportion of the state's population that resides in rural areas. This gives businesses access to a large consumer base and a sustainable consumer spending demand, as compared to states with a widening gap.

Source: business-standard.com– Aug 05, 2024

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India free-trade agreement with Oman hits market-access roadblock

After nearly finalising a pact, the proposed free-trade agreement (FTA) between India and Oman has hit a speed breaker, amid differences over market access for petrochemical products, people aware of the matter said.

The main area of contention has been the pressure on Delhi to give greater market access for polyethylene and polypropylene-intermediates used to manufacture plastics, medical devices, electronics and automobile components. These petrochemical products attract 7.5 per cent import duty in India.

Both sides had almost concluded the trade agreement and the process of legal scrubbing of text of the proposed FTA had also started in February.

However, mid-March onwards India shifted its focus towards the Lok Sabha polls that concluded on June 1.

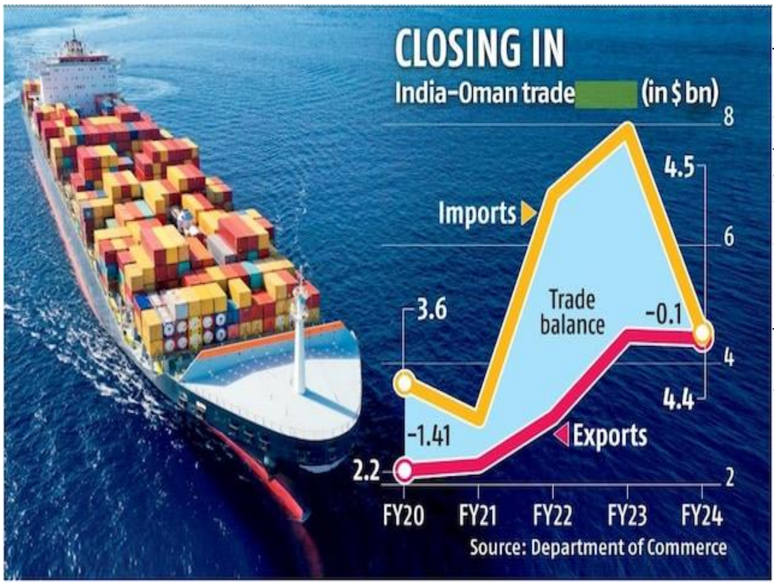
Thereafter, the idea was to sign the agreement as soon as the new government assumed charge, one of the persons cited above told Business Standard.

However, negotiations had to be restarted after the elections amid the domestic industry’s — including public and private — concerns over complete market access to petrochemical products.

West Asian nations have started shifting their focus towards value-added products due to COP28's decision to transition away from fossil fuels. Since India is a large market, with focus on local manufacturing, the industry is worried that a complete market access may hurt domestic investments made by Indian private and public sector oil companies. Besides, it would set a precedent for greater market access for other Gulf nations.

Another challenge is that under the India-United Arab Emirates (UAE) trade agreement, New Delhi had agreed to halve the 7.5 per cent import duty on petrochemicals in a phased manner, coupled with a tariff rate quota or a cap on the volume of imports.

The commerce department did not respond to a query sent by Business Standard.



A comprehensive trade deal with the West Asian nation is a part of India's keenness to improve its relations with West Asian nations, with Oman being India's strategic partner, with trade links of about 5,000 years.

Oman is also a part of the six-member Gulf Cooperation Council (GCC) comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE. Among the GCC nations, India already has a trade agreement with the UAE, signed in February 2022.

The formal commencement of the negotiations started on November 20.

The negotiations on the text of most chapters were concluded by India and Oman by January. Government officials had earlier said that the India-UAE agreement was expected to be replicated in the case of Oman, making it easier for the two countries to negotiate.

Oman is India's 30th-largest trading partner, but the third-largest export destination among GCC countries, after UAE and Saudi Arabia. Bilateral trade between both the countries stood at $8.9 billion in the financial year 2023-24.

Source: business-standard.com– Aug 04, 2024

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MP urges Centre to set up textile park in Puducherry

Member of Parliament (Rajya Sabha) S. Selvaganabathy has requested the Central Government to establish a textile park in Puducherry.

In a release, he said he has brought to the notice of Rajya Sabha the necessity of establishing the park in Puducherry. Attention of the Parliament was drawn to the once flourishing textile industry in the Union Territory. Around 8,000 people used to work in the textile mills here, he said.

Mr Selvaganabathy said the land available with the three defunct textile mills was sufficient for setting up the park. The Centre was requested to include UT under the Pradhan Mantri Mega Integrated Textile Region and Apparel Park scheme for establishing the textile park. The setting up of the park would help in providing job to hundreds of people, the MP said.

The Centre was also requested to set up a Sainik School in UT. The Puducherry government would assist in providing land and infrastructure for the school. The Union Government should start a residential Sainik School in Puducherry, he demanded.

Source: thehindu.com– Aug 03, 2024

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