TEXTILE INTELLIGENCE CENTRE
IBTEX
INFORMATION BUREAU TEXPROCIL
TEXPROCIL NEWS CLIPPINGS
An ISO 9001:2015 CERTIFIED COMPANY
ISO 9001:2015
TÜVRheinland CERTIFIED
www.tuv.com ID 9105079408

The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 133 of 2024 August 12, 2024

Currency Watch			
USD	EUR	GBP	JPY
83.96	91.69	107.23	0.57

INTERNATIONAL NEWS	
No	Topics
1	CPI for garments rise slightly in June in US: Cotton Inc
2	China's goods trade surges 6.2% in Jan-July 2024
3	Dutch manufacturing output down 4.9% YoY in Jun: CBS
4	USDA records 11,500 RB net sales of upland cotton during MY'25-26
5	Seasonally-adjusted Italian exports up 0.5% MoM, down 6.1% YoY in Jun
6	Vietnam outperforms ASEAN peers, remains prime FDI destination: HSBC
7	Vietnam: Textile-garment exports exceed 4 billion USD in July
8	Indonesia extends safeguard tariffs for 3 years to protect TPT sector
9	Bangladesh: Businesses hit by drought of cash supply
10	Bangladesh's Garment Industry on the Mend: Factories reopen, but challenges persist

NATIONAL NEWS	
No	**Topics**
1	India's garment & knitted fabric sector experiencing some 'uncertainty' due current situation in Bangladesh, says FM Sitharaman
2	US recession fears hyped, but any slowdown may impact India's economy.
3	Weak Consumption: The Achilles Heel of India's economic growth
4	Punjab textile industry feeling the chill wind of Bangladesh crisis
5	India pavilion to shine with cotton at Yarn Expo Autumn 2024
6	Cotton sector urged to focus on value addition
7	Bihar eyes opportunity as Bangladesh factories consider relocation

SAYING NO TO CHILD LABOUR

INTERNATIONAL NEWS

CPI for garments rise slightly in June in US: Cotton Inc

The US economy continues to send mixed signals as various economic indicators reveal both resilience and emerging concerns. In June, the consumer price index (CPI) for garments experienced a modest increase of 0.3 per cent month-over-month, while year-over-year retail prices rose by 0.8 per cent, as per Cotton Inc.

In contrast, the average import costs for cotton-dominant apparel declined by 1.0 per cent month-over-month and were down by a significant 7.2 per cent year-over-year, suggesting a potential easing in supply chain pressures.

Consumer confidence showed a slight uptick in July, as the Conference Board's Index of Consumer Confidence climbed from 97.8 in June to 100.3. Despite this improvement, the index remains within a lower range that has been typical for the past two years, indicating cautious optimism among consumers, Cotton Incorporated said in its Executive Cotton Update – U.S. Macroeconomic Indicators & the Cotton Supply Chain - August 2024.

Consumer spending, a key driver of the US economy, demonstrated continued growth. Overall spending increased by 0.2 per cent month-over-month and 2.6 per cent year-over-year. Notably, spending on clothing surged by 1.1 per cent month-over-month and an impressive 4.7 per cent year-over-year, marking the strongest annual growth rate for apparel sales since early 2022, when stimulus payments were still influencing spending patterns.

However, financial markets faced heightened volatility, driven by a selloff in technology stocks and concerns about the U.S. economy's strength following the release of the latest employment data. The labour market, which has been a pillar of the economy's post-pandemic recovery, is showing signs of slowing. The unemployment rate increased from 4.1 per cent to 4.3 per cent in July, partly due to a 420,000 person increase in the labour force. While the unemployment rate remains low by historical standards, this rise has contributed to concerns about a potential recession.

Wage growth also decelerated, with the year-over-year rate of change in average hourly wages slowing to 3.6 per cent in July, continuing a downward trend that began in March 2022 when wage growth peaked at 5.9 per cent. Despite this slowdown, wage growth remains above the overall inflation rate, which was 3.0 per cent higher year-over-year in June.

The US economy added 114,000 new jobs in July, but revisions to previous months' data revealed a less robust job market than initially reported. With the labour market softening and inflationary pressures easing, there is speculation that the Federal Reserve may consider lowering interest rates gradually to prevent an economic contraction.

Source: fibre2fashion.com– Aug 12, 2024

HOME

****

China's goods trade surges 6.2% in Jan-July 2024

China's total goods imports and exports saw a year-on-year increase of 6.2 per cent in yuan terms during the first seven months of this year, according to the General Administration of Customs. The country's exports grew by 6.7 per cent, while imports rose by 5.4 per cent over the January-July period.

In US dollar terms, China's foreign trade in goods amounted to $3.5 trillion from January to July, with exports contributing $2.01 trillion and imports reaching $1.49 trillion.

During this period, the country's trade surplus expanded by 7.9 per cent year-on-year, reaching $518 billion, according to Chinese media reports.

Source: fibre2fashion.com– Aug 11, 2024

HOME

****

Dutch manufacturing output down 4.9% YoY in Jun: CBS

Calendar-adjusted Dutch manufacturing output in June this year was 4.9 per cent lower year on year (YoY), according to Statistics Netherlands (CBS). YoY output also contracted in the preceding eleven months.

More than half of all industrial sectors produced less than they did one year previously. Among the eight larger industrial sectors, output fell the most sharply in the repair and installation of machinery.

When the figures are adjusted for seasonal effects and the working-day pattern, manufacturing output rose by 0.8 per cent in June month on month.

Dutch manufacturers were slightly more negative in July than they were in June, a CBS release said. They were more negative about their current stock levels, in particular. However, they were more positive about their expected output.

Source: fibre2fashion.com– Aug 11, 2024

HOME

****

USDA records 11,500 RB net sales of upland cotton during MY'25-26

The US Department of Agriculture (USDA) estimates, net sales of 11,500 running bales (RB)_ of upland cotton were recorded during the Marketing Year (MY)'25-26, with Mexico (4,700 RB), Costa Rica (3,500 RB), El Salvador (2,000 RB), and Japan (1,300 RB) being the primary buyers.

As per USDA, net sales of upland cotton reduced by 949,600 RB during for MY'24-25. These reductions were offset by increases primarily from India (43,600 RB, including decreases of 8,800 RB), Mexico (40,400 RB, including decreases of 900 RB), Costa Rica (25,900 RB), Turkiye (15,100 RB, including decreases of 800 RB), and Guatemala (5,000 RB). However, significant reductions were observed, primarily from China (603,200 RB), Pakistan (372,200 RB), and Vietnam (111,800 RB).

Exports for the period ending July 31 totaled 738,100 RB, bringing the accumulated exports for the year to 11,070,400 RB, reflecting a 6 per cent decline compared to the previous year's total of 11,777,500 RB. The primary export destinations included China (273,400 RB, with 245,300 RB reported late), Vietnam (121,900 RB, with 94,500 RB reported late), Pakistan (102,300 RB, with 93,700 RB reported late), Bangladesh (52,700 RB, with 40,500 RB reported late), and Mexico (41,500 RB, with 33,000 RB reported late).

Regarding Pima cotton, net sales of 7,700 RB for the MY'24-25 were reported, with Vietnam (2,200 RB), India (2,100 RB, including decreases of 500 RB), China (1,600 RB, including decreases of 200 RB), Pakistan (1,100 RB, including decreases of 400 RB), and Egypt (400 RB) being the main buyers.

A total of 29,100 RB of Pima cotton sales were carried over from the MY'23-24, which ended on July 31. Exports for the period ending July 31 totaled 1,700 RB, bringing the accumulated exports to 321,800 RB, a 6 per cent increase from the previous year's total of 305,000 RB. The primary export destinations included India (1,400 RB), Turkiye (100 RB), Thailand (100 RB), and Taiwan (100 RB).

Source: fashionatingworld.com– Aug 10, 2024

HOME

****

Seasonally-adjusted Italian exports up 0.5% MoM, down 6.1% YoY in Jun

Seasonally-adjusted Italian exports increased by 0.5 per cent month on month (MoM) and decreased by 6.1 per cent year on year (YoY) in June this year, while imports remained unchanged MoM and dropped by 9.6 per cent YoY.

Exports increased by 1.5 per cent MoM for European Union (EU) countries and decreased by 0.5 per cent MoM for non-EU countries. Exports declined YoY for EU and non-EU countries by 7.2 per cent and 4.9 per cent respectively in June.

Imports increased by 2.6 per cent MoM for EU countries and decreased by 3.4 per cent MoM for non-EU countries. Imports fell by 9.2 per cent YoY for EU area and by 10.1 per cent YoY for non-EU area in the month, a release from Istat said.

Over the last quarter, seasonally-adjusted data, compared to the previous one, were stationary for exports and rose by 1.1 per cent for imports.

In June, Italy's trade balance registered a surplus of €5,065 million—€1,045-million deficit for EU countries and €6,110-million surplus for non-EU countries. Excluding energy, trade balance surplus was €8,646 million.

Source: fibre2fashion.com– Aug 11, 2024

HOME

****

Vietnam outperforms ASEAN peers, remains prime FDI destination: HSBC

A latest report by HSBC says favourable fundamentals have positioned Vietnam as a prime destination for foreign direct investment (FDI) as the country outperforms its peers among the Association of Southeast Asian Nations (ASEAN).

The nation has sustainably enjoyed FDI inflows well above 4% of its GDP, being among the highest in ASEAN, the report titled 'Vietnam at a glance: FDI—Back to the basics' said.

As the country's claimed advantages may now be challenged by other players that are part of the global value chain (GVC), its manufacturing ecosystem needs to evolve to the next stage to address these challenges, Vietnamese media outlets reported citing the HSBC document.

This needs proactive steps aimed at upskilling in technical fields and improving existing infrastructure to facilitate and accommodate additional FDI inflows, the document noted.

Manufacturing wages in the country are lower than those in China and other regional peers and the nation has signed several economic agreements with major trading partners. These have facilitated greater FDI, it observed.

Vietnam has a competitive position relative to its peers with a 20-per cent statutory corporate income tax rate. In addition, some firms have used lengthy tax breaks and holidays to reduce the effective rate further.

Measures such as further leveraging digitalisation to streamline trade processes, securing reliable and green energy, and facilitating goods transport through better infrastructure are factors that are likely to affect investment decisions of multinational corporations in future, the HSBC report added.

Source: fibre2fashion.com– Aug 11, 2024

HOME

****

Vietnam: Textile-garment exports exceed 4 billion USD in July

Vietnam earned 4.29 billion USD from exporting textile and garment products in July, up 12.4% from the same period last year.

This is also the first month in the year the sector's exports have exceeded the 4 billion USD mark, the highest figure since August, 2022.

The first seven months of the year witnessed export revenue of the garment and textile sector surge by 5.9% on-year to 23.9 billion USD.

Furthermore, fibre and yarn exports during the January to July period rose by 3.5% on-year to 2.53 billion USD, while that of fabrics also soared by 18% to 458 million USD.

Currently, Vietnam exports textile and garment products to 113 countries and territories. The main export markets for Vietnam's textile and garment industry are the US, the EU, Japan, the Republic of Korea (RoK), and China.

The country's garment and textile exports reached 39.5 billion USD in 2023, an annual drop of 10%. This year the sector has set an export turnover target of 44 billion USD.

Source: en.vietnamplus.vn – Aug 10, 2024

HOME

****

Indonesia extends safeguard tariffs for 3 years to protect TPT sector

Indonesia recently extended safeguard tariffs on imports of textiles, carpets and other fabric coverings for three more years to protect and improve the competitiveness of the domestic textile industry.

The decision followed the textile and textile product (TPT) sector's struggle to return to pre-pandemic levels due to declining domestic and export demand and increasing competition.

The sector witnessed a drop in jobs, with the workforce dropping from 3.98 million last year to 3.87 million this year.

Added to the problem is the influx of textiles from abroad, particularly China, prompting government action to protect the industry.

The regulations to protect the sector have been formulated after taking inputs from stakeholders, including relevant ministries, industry associations and trading partners, in line with World Trade Organisation guidelines.

The Indonesian Filament Yarn and Fibre Producers Association said around 30 textile factories have shut down Bandung and Surakarta, causing 10,800 layoffs between January and May this year, up from 7,200 in 2023.

The Confederation of Indonesian Workers reported nearly 50,000 layoffs in the TPT industry from January to early June 2024.

West Java and Central Java, home to the largest concentration of factories in the sector, have seen the highest number of layoffs.

Several companies, however, are reluctant to disclose layoffs to avoid affecting their relationships with banks and buyers, an Indonesian media outlet reported.

Source: fibre2fashion.com– Aug 10, 2024

HOME

****

Bangladesh: Businesses hit by drought of cash supply

Businesses in Bangladesh, especially those that mostly deal with cash transactions, yesterday said they are contending with a liquidity crunch as the country's central bank has placed a limit on daily cash withdrawals from banks.

On Saturday, banks were told to disallow daily cash withdrawals of more than Tk 2 lakh per account. The banking regulator had limited daily cash withdrawals to Tk 1 lakh per account from last Thursday before deciding to raise the ceiling.

The central bank took the decision due to security concerns as police are yet to return to work fully after attacks on around 450 police stations following the uprising that led to the fall of former prime minister Sheikh Hasina.

However, many customers were not even given the stipulated amount because of a cash crisis at banks. This is because cash cannot be regularly transported to ATMs and branches amid the lack of security.

"I repeatedly requested the official as I urgently needed Tk 40,000 for a family emergency. But they denied my request. I do not know how I will manage the rest of the amount," lamented a frustrated school teacher in Dhaka's Dohar, who was given the scope to withdraw only Tk 10,000.

Some businesses said they might be able to manage, at least for this week. But if the cash crisis lingers and restrictions remain next week, they will be in a tough situation, especially as their operations have ground to a halt since the second half of July, when violence erupted centring the quota reform movement by students.

Abu Bakar Siddique, an oil wholesaler in Karwan Bazar, one of the largest kitchen markets in Dhaka, said his bank would not allow more than Tk 1 lakh to be withdrawn.

"This is a big problem. As a result, the normal pace of business is being disrupted," he added.

Siddique informed that most business transactions are now mostly being conducted through bank-to-bank transfers or real-time gross settlements.

Taslim Shahriar, deputy general manager at Meghna Group of Industries, a major commodity importer and processor, said not all businesspeople accept cheques.

"We have to pay in cash too but now, transactions are only taking place through bank-to-bank transfers and cheques. The sooner this problem is resolved, the better for us," he added.

Abul Hashem, president of the Bangladesh Sugar Traders' Association, said: "I am not getting the amount of cash that I am supposed to be able to withdraw. This is a big problem."

A senior official of another major commodity importer and processor, on condition of anonymity, said: "I could not send the money I was supposed to dispatch to my factory today [Sunday]. I needed Tk 10 lakh, but I could only withdraw Tk 2 lakh in cash.

"As such, I am unable to pay the full salaries to those who are daily wage earners. I told the workers to wait this week as there is no way I can manage cash now," the official added.

The official also said daily wage earners such as day laborers are now facing a very difficult situation.

"It's inhumane for them. If this situation persists for long, it will be very difficult to conduct business," the official added.

Riad Mahmud, managing director of National Polymer Group, said they were facing trouble in making payments to local raw material suppliers as they do not have bank accounts.

"Small vendors and local dealers do not maintain bank accounts. So, we have to pay them in cash. But we are facing cash shortages due to the withdrawal limit," he said.

"Besides, we pay our casual staff in cash every week, so we need cash in hand regularly," he added.

Mahmud said he believes the situation will hamper business if the situation persists.

However, it will not substantially hinder activities if it lasts a short time, he added.

Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), said some investors alleged they are facing difficulties due to the sudden decision.

However, he said that while it should not affect salary payments, any sudden expense, such as for purchasing spare parts, or other immediate needs would cause trouble.

Mohammed Amirul Haque, managing director of Premier Cement Mills Limited, said this decision would create a short-term liquidity crisis.

On the issue, Finance and Planning Adviser Salehuddin Ahmed yesterday told reporters that the limit on cash withdrawals was required given the current situation.

Mohammad Ali, managing director and chief executive officer of Pubali Bank Ltd, said it is better to make electronic transactions in light of the current situation.

"The culture of electronic transfers needs to be created. Everyone needs to understand that it is safe," he said while adding that it is a good initiative that the central bank imposed the limit for the sake of security.

"It is not credible for a person receiving payments of Tk 50,000 to Tk 100,000 to not have a bank or bKash account. So, it is absurd if someone like that says they don't have either," Ali added.

Source: thedailystar.net– Aug 10, 2024

HOME

****

Bangladesh's Garment Industry on the Mend: Factories reopen, but challenges persist

The whirring of sewing machines fills the air once more in Bangladesh's garment factories, signaling a cautious return to normalcy following a period of political turbulence. The industry, which contributes a staggering 83% to the nation's export earnings, has been grappling with the fallout of widespread protests that led to the ousting of Prime Minister Sheikh Hasina.

Resumption of prduction and the road to recovery

"We lost a total of four days," laments Miran Ali, Vice President of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). "It is too early to make an estimate of the loss. There was little physical damage to factories, but the disruption has been significant." The BGMEA estimates that the four-day shutdown has cost the industry upwards of $1 billion in lost production.

Factories supplying major Western brands such as H&M, Zara, and Carrefour were forced to close their doors during the unrest. H&M, which sources from around 1,000 factories in Bangladesh, has assured its suppliers that it will not seek discounts due to the delays. "We welcome the steps that have been taken toward greater stability in Bangladesh," an H&M spokesperson told Reuters. "Our suppliers' factories are gradually reopening."

Workers eager to return

For the millions of garment workers in Bangladesh, mostly women, the reopening of factories is a welcome relief. "We are poor people depending on daily wages and overtime," says Razia Begum, an employee at Urmi Garments in Dhaka. "If we sit back home, how can we run our families?"
Global supply chain disruptions and shifting dynamics

The unrest in Bangladesh has sent shockwaves through the global garment industry. Hula Global, an Indian apparel producer, has announced that it will be redirecting production for the rest of the year from Bangladesh to India to avert risk.

Pankaj Tuteja, head of operations at Dragon Sourcing, a firm that helps companies find suppliers, believes that while major brands like Zara and H&M are likely to stick with Bangladesh, some smaller firms may look elsewhere. "Once the client, then the factories, have invested so much time and money they will not just immediately run back, even when there's political stability," he says. "That can have a long-term impact for Bangladesh."

Opportunities for competitors and long-term implications

The crisis in Bangladesh has created opportunities for other garment-producing nations, particularly India. According to a report by CareEdge, India could gain monthly export orders worth $200-250 million in the short term and around $300-350 million in the medium term. Krunal Modi, Director at CareEdge Ratings, believes that India is well-positioned to capitalize on the situation. "The recent budget announcement on skilling programs and the potential Free Trade Agreements with the UK and the EU will further strengthen India's position in the global RMG market," he says.

The Path Forward: Rebuilding and resilience

While the reopening of factories is a positive sign, Bangladesh's garment industry faces a long road to full recovery. The country needs to restore political stability, ensure worker safety, and rebuild its reputation as a reliable supplier.

The International Monetary Fund (IMF) expects the ready-made garments industry to account for 90% of Bangladesh's $55 billion annual exports in the financial year 2024. The industry's ability to bounce back from the recent crisis will be crucial for the country's economic future.
A Turning Point for Bangladesh's Garment Industry

The reopening of Bangladesh's garment factories is a step in the right direction, but the industry remains vulnerable. The country needs to address the root causes of the recent unrest and create a stable and secure environment for businesses to thrive. Only then can Bangladesh reclaim its position as a global leader in the garment industry.

Source: fashionatingworld.com– Aug 10, 2024

HOME

****

NATIONAL NEWS

India's garment & knitted fabric sector experiencing some 'uncertainty' due current situation in Bangladesh, says FM Sitharaman

Finance Minister Nirmala Sitharaman on Saturday said that the Indian garment sector is facing a bit of uncertainty due to the Bangladesh crisis. She, however, expressed hope that investments by Indian textile players in Bangladesh are safe. She also expects things in the neighbouring country to settle down soon.

When asked about how India would be impacted because of situation in Bangladesh, she said that she got calls from Indian companies who have invested in the textile sector in Bangladesh Many of them were from Tamil Nadu. The investments were made in good faith and these investors did well having gone there. The exports from Bangladesh also increased.

"So now particularly the garment and knitted fabric sector is seeing a bit of uncertainty. I hope that the investments are all safe," she said during press conference after the RBI post-budget press conference. Further she said that it's too early to assesss what kind of an impact the situation in Bangladesh will have on India's economy.

"You've had the Prime minister's observations coming, a statement by the external EAM in the Parliament and the efforts that are being taken to ensure that our borders are safe. I hope that the interim government will settle things sooner rather than later so that both the people of Bangladesh and India can get back to normalcy," she added.

Crucial component

Bangladesh's textile industry is a crucial component of its economy, contributing to 80 per cent of its exports and constituting 15 per cent of its GDP. The nation predominantly exports textiles to the European Union, the United States, Canada, Australia, and Japan. India plays a vital role as an export partner, supplying 20-25 per cent of the yarn that Bangladesh imports for producing garments.

Earlier this week, Bangladesh plunged into a political crisis when Sheikh Hasina resigned as the Prime Minister and fled the country. Soon after Parliament was dissolved leading to the creation of an interim government.

The 84-year-old Nobel laureate Muhammad Yunus on Thursday took oath as the head of an interim government, replacing Sheikh Hasina who abruptly resigned and fled to India leaving the country in turmoil following deadly protests against her government over a controversial quota system in jobs.

On Friday, Yunus announced the portfolios of his 16-member council of advisors and named a former top diplomat to head the Foreign Ministry. The Nobel laureate's first task is to bring stability to Bangladesh after he responded to a call by student protesters for him to temporarily lead the country following weeks of deadly anti-government demonstrations against the government led by Sheikh Hasina.

Source: thehindubusinessline.com– Aug 10, 2024

HOME

****

US recession fears hyped, but any slowdown may impact India's economy

The jobs data has triggered fears of a recession in the United States but many feel that these apprehensions are exaggerated. Instead, the US economy may slow down or have a shallow recession later in the current year, they believe.

The US Federal Reserve, the central bank, on Monday dispelled the speculation that the economy was in a recessionary freefall. It said rate cuts could be on cards to avoid such a situation.

A recession occurs when there are two straight quarters of decline in gross domestic product (GDP). However, in a broader sense, a recession happens when there is a widespread and prolonged downturn over a few months.

The unemployment rate rose in July for a fourth straight month to 4.3 per cent in the US, nearly a full percentage-point above its January 2023 low and the highest since October 2021. However, many believe that unlike past recessions, the rate rose due to immigration of labour and slow response of the economy to such demand.

MAPPING TIES WITH US

GOODS TRADE	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25*
Exports ($ bn)	53.1	51.6	76.2	78.5	77.5	14.2
Growth in exports (%)	1.3	-2.8	47.5	3.1	-1.3	13.6
% of total goods exports	16.9	17.7	18	17.4	17.7	18.9
Imports ($ bn)	35.9	28.9	43.3	50.9	40.8	7
Growth in imports (%)	0.8	-19.3	49.9	17.4	-19.8	2.4
% of total goods imports	7.6	7.3	7.1	7.1	6	6

* April-May

SERVICES EXPORTS	2019	2020	2021
Exports ($ bn)	30.6	27.3	31.1
Growth in exports (%)	1.7	-10.8	13.9
% of total exports	14.3	13.4	13
Imports ($ bn)	26.9	19.8	24.1
Growth in imports (%)	6.3	-26.4	21.7
% of total imports	15.1	13	12.4

In April, the IMF had forecast the US economy to grow 2.7 per cent in 2024 against 2.5 per cent in the previous year. The US economy had contracted 2.2 per cent in 2020 as activities slowed down due to Covid-19-induced lockdowns, not only in that country but the world at large. The economy rose 5.8 per cent next year on the low base, but the growth slowed down to 1.9 per cent in 2022.

The US economy expanded 2.8 per cent in the second quarter and 1.4 per cent in the first quarter of 2024.

Whatever may be the end result, if the US economy indeed slows down, India cannot escape the dampening effects. However, there may be some positive impact, including on the import bill and the rupee value against the dollar.

The US is one of the biggest destinations for goods exports from India, constituting 17-19 per cent of the total outbound shipments during the past five years. Engineering goods, gems and jewellery, pharmaceuticals and readymade garments are the dominating basket of exports from India. However, imports from that country are less, accounting for 6-7.5 per cent of the total inbound shipments to India for the past five years. Minerals, pearls, precious stones, nuclear reactors, and boilers constitute the main basket. As such, the US is one of the few countries with which India enjoys trade surplus.

Similarly, India has a trade surplus in services trade with the US too. But this is not a rarity since India is a net exporter of services for all countries taken together. As such, any slowdown in the US economy would impact this surplus in goods and services trade.

Besides, this would have an indirect impact on India as well since the world would also be shaken by the happenings in the largest economy, depending on the intensity of such a slowdown. However, goods exports from India had just 1.8 per cent share in the world's market in 2023, while services exports constituted 4.6 per cent.

At a post-monetary policy committee meeting on Thursday, Reserve Bank of India (RBI) governor Shaktikanta Das said the recent data shows US unemployment should not be taken as a sign of recession there.

“At this point, it's premature to talk about a recession in the US,” he said. Das added that the US economy is doing quite well, citing the economic growth data in the first two quarters of 2024.

Ranen Banerjee, the government sector leader at PwC India, says while it may be premature to conclude that the US is headed for a recession, a slowdown there was always expected with the hawkish monetary policy of the Fed, and it was intentional.

India's GDP growth forecast has already been moderated to be in the range of 6.5-7 per cent in the Economic Survey. "Now it is more likely that we will be having a growth rate in that range, which is lower than the 7.2 per cent estimates by RBI," Banerjee says.

Global slowdown expectations have a sobering impact on crude oil prices and this is a positive for India as it eases pressure on the oil import bill, Banerjee says. With a cut in interest rates by the Fed and relatively stronger growth rate in India, capital flows are unlikely to be very negatively impacted.
"While exchange rate has come under pressure, index-based bond flows and lower oil import bills are likely to support the rupee and it should come back in the range of 83-84, and stay there with some volatility, mitigating actions by the RBI," Banerjee says.

The rupee closed 83.97 against the dollar on Thursday.

Anil K Sood, co-founder at the Bangalore-based Institute for Advanced Studies in Complex Choices, expects the US to slow down once the government consumption rate moderates and there is a slowdown in private investment.

"At this stage, the probability of slowing down in both these components is low," he says.

If the US does slow down, he expects American financial investors to start looking at investment opportunities elsewhere and India does provide a reasonable opportunity.

"On the other hand, I expect FDI flows to be low in any case, if we continue to grow at the current pace. We can become the most-preferred destination for long-term capital only if we are able to accelerate growth beyond the current level," Sood points out.

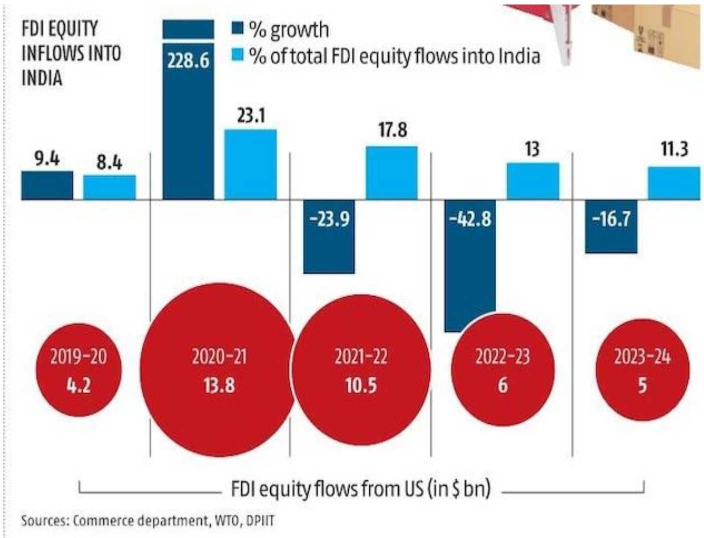
He also anticipates a US slowdown to result in lower commodity prices (oil, etc.), reducing pressure on India's trade balances.

As for services, particularly IT services, there has already been a major reduction in employment levels through massive layoffs in India as well as the US.

"It is unlikely that there will be a large-scale layoff in the near future," Sood says.

In the recent past, the US saw two recession periods. One of them lasted from December 2007 to June 2009, triggered by the sub-prime crisis in that country and aggravated by the collapse of financial institutions such as Fannie Mae, Freddie Mac and Lehman Brothers. The second was relatively less prolonged from February 2020 to April 2020, triggered by the outbreak of Covid-19.

The impact of the first recession on India was severe. The country was also impacted by the contagion that affected nations linked with India in terms of trade, capital flows, etc. India's economic growth rate slowed down to 3.3 per cent during 2008-09 compared to 7.7 per cent in the previous year. However, it recovered to 7.9 per cent in 2009-10. Exports from India did not have immediate impact since orders were booked in advance.



Capital inflows, including foreign direct investment (FDI), foreign portfolio investments (FPI), and external commercial borrowings (ECBs), declined to $9.1 billion during 2008-09 from $108 billion in 2007-08. These recovered to $53.6 billion in 2009-10. As such, the rupee depreciated 14.2 per cent to 45.9 against the dollar in 2008-09.

The broader recession was for a limited period of two months — March-April, 2020 — in the world's biggest economy, according to the US Business Cycle Dating Committee. However, the economy witnessed two straight quarters of decline in GDP — January-March and April-June — that year.

The impact on India during 2020-21 was due to overall global slowdown as well as lockdowns imposed to prevent the spread of Covid.

India’s GDP declined 5.8 per cent during 2020-21 from a growth rate of 3.9 per cent in 2019-20. However, it recovered to a growth rate of 9.7 per cent during 2020-21 but the GDP was 2.1 per cent lower than that in the pre-Covid period of 2019-20 in real terms. However, during 2023-24, real GDP stood 20 per cent higher than that in 2019-20, according to the latest Economic Survey. The economy rose 8.2 per cent in 2023-24.

Besides, there was a decline in merchandise exports by 6.9 per cent, merchandise imports by 16.9 per cent, services exports by 4.3 per cent, and services imports by 11.1 per cent during 2020-21.

However, net FDI remained almost intact at $43 billion, while net portfolio investments rose to $36.1 billion during 2020-21 against withdrawal of $3 billion in the previous year.

The net effect, despite higher FPI inflows, was that the rupee depreciated 4.7 per cent against the dollar during 2020-21.

Source: business-standard.com– Aug 09, 2024

HOME

****

Weak Consumption: The Achilles Heel of India's economic growth

India's economic growth narrative, often seen as a beacon of resilience in a global slowdown, is facing numerous challenge and sluggish consumption is one of the main ones. Despite headline GDP growth rates that have drawn global attention, the underlying story of consumer spending paints a less rosy picture.

Consumption slump,asymptom of deeper issues

The stark contrast between India's GDP growth and the tepid performance of consumer spending is a cause for concern.The consumption slowdown, evident in sectors like two-wheelers and fast-moving consumer goods, particularly in rural areas, reflects a broader economic malaise.

Several factors contribute to this consumption slump:

• Job creation challenges: The lack of substantial job creation in non-farm sectors has trapped a significant portion of the workforce in low-productivity agriculture. This limits income growth and, consequently, consumer spending.

• Wage stagnation: Real wages have remained stagnant across sectors like agriculture, manufacturing, and construction, eroding purchasing power and dampening consumer demand.

• Income inequality: The widening income gap exacerbates consumption challenges. While a small affluent segment drives luxury consumption, the vast majority of the population faces income constraints.
The limits of exports and government spending

With consumption faltering, the Indian economy has leaned heavily on exports and government spending to drive growth. However, there are inherent limitations to this strategy: • Export challenges: While India has the potential to become a global manufacturing hub, several hurdles, including high tariffs and local sourcing requirements, hinder its competitiveness. Moreover, global demand uncertainties pose risks to export-led growth.

• Government spending constraints: The government's fiscal consolidation efforts limit the scope for sustained high public expenditure. Infrastructure spending, while crucial, cannot be the sole growth driver in the long run.

Needfor amulti-pronged approach

To unlock India's economic potential, a multifaceted approach is essential:

• Revitalizing consumption: Boosting rural incomes, creating quality jobs, and addressing wage stagnation are imperative for reviving consumption. Targeted social welfare programs and investments in skill development can play a crucial role.

• Export-led growth: Streamlining export procedures, reducing tariffs, and improving infrastructure are essential for enhancing India's export competitiveness. Attracting global manufacturing investments requires a conducive business environment and skilled workforce.

• Private investment revival: Addressing capacity utilization issues, improving the business climate, and fostering investor confidence are crucial for unlocking private investment potential.

India stands at a crossroads. While the potential for rapid growth is undeniable, realizing this potential requires a concerted effort to address the underlying challenges, particularly the consumption slump. By adopting a holistic approach that focuses on job creation, income growth, and export competitiveness, India can embark on a path of sustainable and inclusive economic development.

Source: fashionatingworld.com– Aug 12, 2024

HOME

****

Punjab textile industry feeling the chill wind of Bangladesh crisis

As the winds of change are blowing through Bangladesh, many businesses are feeling the chill wind of the job-quota crisis in Dhaka that had culminated in the resignation of former Prime Minister Sheikh Hasina, and her subsequent fleeing from the country. The unrest has taken a toll on the textile industry in India, especially in Punjab.

Garment factories, which supply apparel to India, have remained closed since the crisis in the neighbouring country. Bangladesh is a big market for readymade garments for which they import cotton yarn from India. But since the crisis unfolded, trucks containing yarn and other products are either stuck at the Bangladesh border or asked to return, as only essential items (like wheat, rice, etc) are given the green light to enter Bangladesh. The supply of readymade garments by Bangladesh to India has also been put on hold for now, which has affected the textile business in India, particularly in Punjab.

In Punjab, the textile industry is largely operational in Ludhiana, Malerkotla, Amritsar, Bathinda, and Mohali, among others. The other pockets in India that are feeling the heat are Tiruppur (TN), Coimbatore (TN), Ahmedabad (Gujarat), Gurugram (Haryana), and West Bengal, among others.

“Bangladesh imports cotton yarn mainly from India and supplies readymade garments to the country. Bangladesh also imports acrylic yarn but Indian market is mainly meant for cotton.

The yarn suppliers in India are not able to deliver goods to Bangladesh because of the tense situation in that country. We hope that the situation will normalise in a few days as the interim government has been formed,” said Sudarshan Jain, president, Knitwear and Allied Machinery Association of Ludhiana, while talking to The Indian Express.

As per the data from the Union ministry of commerce and industry, the export of cotton yarn from India to Bangladesh in 2023-24 was worth Rs 16,173 crore.

"No doubt the big corporate houses which supply yarn are affected and the readymade garments are also procured mostly by corporates, so by and large the micro, small and medium enterprises (MSME) have remained unaffected due to this crisis," said Ajit Lakra, president of Ludhiana Knitters' Association.

It may be noted that as per the South Asia Free Trade Agreement, garments and other products from Bangladesh have a duty-free access to India and other countries. Many big corporate houses of India have their offices in Bangladesh and they even export products to other countries via Bangladesh to save export duty.

Didar Singh, former president of Ludhiana Goods Transport Association, said, "Our trucks containing yarn and other products were stuck at the Bangladesh border, and now we have got information that they are coming back, as products like sugar, wheat, rice are only allowed entry to Bangladesh. The problem is with non-essential items like yarn and others. We feel it is a temporary phase and it will get resolved soon."

Manjinder Singh Sachdeva, from United Cycles Parts and Manufacturers' Association, said, "Bicycle industry by and large is unaffected except for traders who import complete ready-to-ride bicycles."

Onkar Singh Pahwa, MD of Avon Cycles, said, "Complete ready-to-ride bicycles must have been imported by local bicycle traders of West Bengal and around areas. But now, because of this crisis, India's domestic bicycle industry can fill the gaps if such bicycles, if any, have stopped coming from Bangladesh."

Industrialists said that high-end bicycles manufactured in China are imported via Bangladesh to avoid paying duty (because of the free trade pact).

Sudarshan Jain added, "I feel that it is a temporary phase, but still if it has a lasting effect, the local manufacturers may get only the emergency supply orders. The cheap readymade garments could be made available from the neighbouring country only because of cheap labour and zero tax when they are sent from Bangladesh to India."

According to the Union ministry of commerce and industry, exports of a few products to Bangladesh in 2023-24 included cereals Rs 10,273 crore, coffee Rs 1,866 crore, sugar Rs 3,449 crore, electrical machinery Rs 2,225 crore.

Source: indianexpress.com– Aug 10, 2024

HOME

****

India pavilion to shine with cotton at Yarn Expo Autumn 2024

India is set to make a strong impact at Yarn Expo Autumn 2024, held from August 27-29 at the National Exhibition and Convention Center in Shanghai. As a leading cotton producer, India will showcase its diverse range of cotton products in Hall 8.2, where over 40 Indian exhibitors will present their offerings, including cotton, melange, greige, and fancy yarns.

Organised by the Cotton Textile Export Promotion Council (Texprocil), the India Pavilion is the largest it has been in a decade, standing out among 500 exhibitors from 15 countries. Indian suppliers continue to participate in this event due to its effectiveness as a business platform and the allure of the expansive Chinese market. *Murali Balakrishna, Joint Director of Texprocil, highlighted the strong demand for India's twisted cotton yarn, citing the Expo's role in boosting global visibility for Indian exporters.*

Notable Indian exhibitors include Indo Industries Pvt. Ltd., a prominent exporter of 100 per cent cotton yarn and fabrics to over 45 countries, and MananTextech Global Pvt. Ltd., a vertically integrated textile company offering a wide array of organic and man-made products. Another key participant is Padwa Worldwide LLP, known for its premium 100% cotton yarn produced with advanced technology.

Yarn Expo Autumn 2024 will feature more than 200 cotton suppliers, reflecting the high demand for cotton, which was one of the most sought-after categories at the previous Spring and Autumn editions.

Key global exhibitors include Heng Feng (Hong Kong) Co Ltd, PT Indo-Rama Synthetics Tbk (Indonesia), and Square Textiles PLC (Bangladesh), all bringing their unique cotton and blended yarn offerings to the event.

Running concurrently with Intertextile Shanghai Apparel Fabrics – Autumn Edition, CHIC, and PH Value, Yarn Expo Autumn will create significant business opportunities for participants, making it Asia's premier international sourcing hub for yarns and fibers.

Source: fashionatingworld.com– Aug 09, 2024

HOME

****

Cotton sector urged to focus on value addition

The entire cotton sector should focus on value addition so that cotton farmers get better returns, said S.K. Sundararaman, chairman of the Southern India Mills Association (SIMA).

Inaugurating a two-day bi-annual cotton conference on "Cotton - The Sustainable Fibre of Future", organised by the Indian Cotton Federation and the Indian Cotton Association Limited, Bathinda, in Coimbatore city on Friday, Mr. Sundararaman said the government and the textile industry targeted a total business size of $ 350 billion by 2030. Cotton production in the country should double to 600 lakh bales a year for the industry to grow to that level.

Certain fundamental structural shifts were happening in the industry. The manmade fibre sector was making strides in technology and replacing a portion of the demand for cotton. However, there was increasing focus on traceability, environment and sustainability from the customers. So, "It is imperative to go up the value chain," he said.

The entire cotton sector in the country should showcase to the world that it was producing and using sustainable cotton and realise higher value for that cotton. This would benefit the cotton farmers too, he said.

Atul S. Ganatra, president of the Cotton Association of India, said that while the textile mills in north India consumed about 90 lakh bales of cotton a year, the mills in the south consumed 125 lakh bales and those in the central region consumed almost 115 lakh bales.

For the textile mills to run to full capacity, 360 lakh bales of cotton was required every year. Currently, the spinning mills operated at 85% capacity. The industry and trade associations should jointly appeal to the Central government to discourage States from giving incentives to the industry to increase spindleage as it could lead to shortage of cotton, he said.

According to P. Nataraj, Managing Director of KPR Group, cotton was not just a crop but an integral part of the country's identity.

Nishat P. Asher, secretary of ICF, said the two-day conference had sessions on economic outlook for cotton markets, insights into the global and Indian markets, and ways for higher yield.

K.G. Balakrishnan, chairman of KG Group, and S. Manivannan, chairman and managing director of LS Mills, were presented the Life Time Achievement awards. Atul P Asher, Ashok D. Daga, and Gopal Bhuradia received the Business Leader Awards presented by the organisers.

Source: thehindu.com– Aug 10, 2024

HOME

****

Bihar eyes opportunity as Bangladesh factories consider relocation

With the possibility of companies shifting their factories from Bangladesh to India due to the current situation, Bihar sees an opportunity to attract textile manufacturers. Informal discussions have begun with major organizations, including the Apparel Council of India and the Confederation of Indian Industry (CII), to position Bihar as a viable destination.

Bihar is strategically located less than 1,000 km by road from Bangladesh's manufacturing hub. During a recent textile investors meet in Bihar, the Apparel Council of India held its board meeting in the state, becoming well-informed about the incentives available in Bihar's textile sector.

The Bihar government has assured the Apparel Council and CII that any company interested in relocating from Bangladesh will receive immediate attention. Last year, Bihar officials, including Additional Chief Secretary of the Industry Department SandipPaundrik, engaged with Bangladeshi entrepreneurs to discuss investment opportunities in Bihar.

The state offers extensive plug-and-play facilities and a dedicated textile policy with substantial subsidies to attract manufacturers. Bihar's proactive approach aims to welcome Bangladeshi businesses looking for a new base.

Source: fashionatingworld.com– Aug 12, 2024

HOME

****