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Currency Watch			
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INTERNATIONAL NEWS

Cotton Highlights from August 2024 WASDE Report

USDA has released its August 2024 World Agricultural Supply and Demand Estimates (WASDE) report. Here's this month's summary for cotton, where the operative word appears to be "lower":

The U.S. cotton estimates for 2024/25 show lower acreage, production, exports, and ending stocks compared to last month. Estimated domestic use is unchanged, and beginning stocks are raised slightly.

NASS's first survey-based estimate of U.S. production is 15.1 million bales, down 1.9 million bales from last month's WASDE forecast. All-cotton planted area is lowered in the Crop Production report by about 500,000 acres based on the Farm Service Agency administrative data, while abandonment is estimated at 23%, up 6 percentage points from last month. As a result, estimated harvested area of 8.6 million acres is about 11% lower than the July WASDE forecast. The all-cotton yield estimate of 840 pounds per acre is minimally lower from last month.

Exports are reduced 1 million bales due to lower world trade and the smaller crop. Ending stocks are reduced about 800,000 bales to 4.5 million, or 32% of use, primarily due to the smaller estimated crop. The 2024/25 season average upland farm price is reduced 2 cents from the July forecast to 66 cents per pound. Revisions to the 2023/24 U.S. cotton balance sheet include a 150,000-bale increase in exports based on late reported shipments, and a 100,000-bale increase in ending stocks.

For the 2024/25 global cotton balance sheet, production, consumption, beginning and ending stocks, and world trade are reduced. World production is reduced about 2.6 million bales, mostly due to lower area and production in the United States and India. Global consumption is reduced almost 1 million bales, mainly due to reduced consumption in China with largely offsetting changes elsewhere.

Beginning stocks are reduced 3.5 million bales, primarily driven by historical revisions to China's balance sheet. World ending stocks are reduced 5.0 million bales from July to 77.6 million. The estimate for the "A" Index, a proxy for world cotton prices, is reduced 2 cents per pound from the July forecast to 81.5 cents.

Revisions to the 2023/24 world balance sheet include lower beginning and ending stocks, and lower production and consumption, resulting in a 3.5-million bale reduction in ending stocks.

Source: cottongrower.com– Aug 12, 2024

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Crude oil surge & lower cotton output propel ICE cotton prices

ICE cotton saw an upward trend yesterday, reaching a three-week high. However, US cotton could not sustain the gain, closing with only a slight increase. Prices rose following a reduced projection for US and global cotton production, with stronger crude oil prices also providing support. The December ICE cotton contract settled at 69.07 cents per pound (0.453 kg), up 0.73 cents. The contract reached a session high of 70.80 cents.

Cotton prices have been influenced by rising crude oil prices amid the Middle East conflict. Oil prices surged over 2 per cent, making polyester, a man-made fibre alternative to cotton, more expensive. Yesterday, the market saw heavy trading volumes, with a final tally of 61,443 contracts, the highest in eight weeks. On Friday, 33,576 contracts were cleared, and open interest stood at 225,992 contracts, up by 1,192 contracts. The ICE's deliverable No. 2 cotton futures contract inventory fell to 18,361 bales as of August 9, down from 18,721 bales the previous day.

The USDA lowered its 2024-25 forecast for US cotton production by 1.9 million bales to 15.11 million bales. The US cotton yield forecast was reduced to 840 pounds per acre from 844 pounds per acre. The 2024-25 cotton ending inventory forecast is now 4.5 million bales, down from 5.3 million bales. Global cotton production is also projected to decline in the new year.

In its weekly crop progress report, released after the market closed yesterday, the USDA showed the good-quality rate of US cotton at 46 per cent, up from 45 per cent the previous week. The boll setting rate for US cotton was 74 per cent, up from 60 per cent the previous week.

Currently, ICE cotton for December 2024 is trading at 68.45 cents per pound, down 0.62 cents. Cash cotton is trading at 63.79 cents (up 1.20 cents), the October contract at 68.29 cents (up 1.20 cents), the March 2025 contract at 69.92 cents per pound (down 0.58 cents), the May 2025 contract at 71.16 cents (down 0.56 cents), and the July 2025 contract at 72.00 cents (down 0.50 cents). A few contracts remained at the same level as the last closing, with no trading observed today.

Source: fibre2fashion.com– Aug 13, 2024

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Amid Red Sea Drama, Europe Imports More Chinese Cargo Via Rail

The ongoing onslaught of Houthi attacks on commercial vessels in the Red Sea led to soaring ocean freight rates throughout much of 2024 as ocean carriers rerouted ships around southern Africa. But the added costs and delays stemming from the crisis are now prodding more European shippers to turn to rail as an alternative to secure product from one of their top trading partners.

Over the first six months of this year, China-to-Europe rail freight volumes have jumped 11 percent year over year to 1.23 million 20-foot equivalents (TEUs) moved, according to data from China State Railway Group. In the first half, 11,403 trains were dispatched, up 12 percent from the prior-year period.

July marked the third consecutive month in which more than 1,700 trains made the journey between China and Europe, with 1,776 transporting roughly 185,000 TEUs.

A recently published report from DHL Global Forwarding indicates that rates on the westbound China-to-Europe route are increasing amid the high demand.

According to June data from China-based freight forwarder VipuTrans, transporting a 40-foot container from Zhengzhou to Paris via rail costs $9,200, while sending it to Hamburg costs $7,000. A Zhengzhou-to-Milan journey costs $9,400.

DHL says the ideal booking window for rail freight out of China remains 10 to 14 days before the train's estimated time of departure. A standard terminal-to-terminal transit time takes 20 days to get to Poland, and 22 days to reach Germany. The logistics giant said in its report that it highly recommending shippers to start forecasting demand throughout the peak shipping season, especially before the Chinese Golden Week from Oct. 1-7.

More European shippers opting to use rail shouldn't be surprising, particularly given the transportation mode is faster than its ocean counterpart.

Estimates from global logistics services provider Dimerco indicate that rail service from Xi'an in central China could take anywhere from 13 to 25 days to get to Europe, depending on the destination. In comparison, Dimerco says ocean freight would have a voyage between 35 and 50 days depending on both the origin and destination ports.

According to Dimerco, rail rates would range between 15 and 25 percent higher on a given trip, but noted that any cost delta could be offset by avoiding ocean surcharges and penalties. Additionally, the logistics services provider noted that the faster transit times enable lower inventory and can make it easier to win and keep customers.

The DHL report notes that there remains congestion on the main corridor at China-Kazakhstan border crossings due to volumes and customs inspections. The company says terminal departure delays from China hubs in Xi'an and Chengdu have improved. While transit times are extended, rail remains the fastest solution to move containers from China to Europe, DHL says.

The growth of the China-Europe trade lane is mainly driven by service upgrades, such as a full-time schedule—further incentivizing shippers that don't want to deal with longer detours associated with the Red Sea crisis.

Unlike the previous model under which local railway departments set separate running times, a full-time schedule means the arrival and departure times as well as the routes are fixed in each section.

According to China Railway, 17 trains run weekly, connecting major trade hubs such as Chengdu and Guangzhou to Duisburg in Germany, and Lodz in Poland, operating on a passenger train-like schedule.

The Red Sea dilemma isn't the only reason a shift to rail has become more prevalent, with the Chinese government also having been rapidly developing rail services in the wake of Russia's invasion of Ukraine. This has meant that Chinese rail operators created more new "middle corridor" routes that travel through Russia's southern neighbors like Kazakhstan.

In June, the China-Europe Railway Express has launched the first, direct express freight train line from Shanghai to Düsseldorf and Neuss, Germany. The launch of the service, which departs from Shanghai every Saturday on a fixed schedule, provides a new logistics channel for high value-added and time-sensitive goods. The westbound trip would take 20 days.

A month later, the railway launched another service line, this time originating in the east coast city of Lianyungang, before crossing Kazakhstan, the Caspian Sea, Azerbaijan and Georgia en route to Europe.

Source: sourcingjournal.com– Aug 12, 2024

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Turkish Jun textile-apparel-footwear retail sales volume down 1.8% YoY

Retail sales volume of textiles, apparel and footwear in Turkiye fell by 1.8 per cent year on year (YoY) and 0.7 per cent month on month (MoM) in June this year, according to the Turkish Statistical Institute (Turkstat).

Total sales volume decreased by 1.1 per cent YoY and 1 per cent MoM in June.

Wholesale trade sales volume decreased by 2.5 per cent YoY and increased by 0.8 per cent MoM in the month, while retail trade sales volume increased by 8.6 per cent YoY and 1.7 per cent MoM, a Turkstat release said.

Source: fibre2fashion.com– Aug 13, 2024

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Germany faces growing economic challenges as order shortages worsen

Germany's economy is facing increasing challenges as the order shortage worsens, according to the latest data from the ifo Institute. In July, 39.4 per cent of companies reported a lack of orders, a rise from 38.4 per cent in April.

The manufacturing sector has been particularly hard hit, with the percentage of companies reporting insufficient orders increasing from 39.5 per cent in April to 43.6 per cent in July.

In the textile manufacturing sector, a substantial 66.5 per cent of companies reported a lack of orders, indicating significant strain on this segment. Similarly, 32.7 per cent of companies in the wearing apparel manufacturing sector also reported a shortage of orders, as per the ifo Institute.

“The lack of orders is weighing on economic development in Germany. Almost every industry is affected,” said Klaus Wohlrabe, head of Surveys at ifo.

Source: fibre2fashion.com– Aug 13, 2024

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Congestion at Bangladesh's Chottogram Port due to slow delivery

Slow delivery of both cargo and containers has led to congestion at Bangladesh's Chattogram Port, where operations had been disrupted since July 18 last due to countrywide anti-job quota movement by students.

Both imports and exports have been affected because of this.

Operations by the Chattogram Port Authority (CPA) had resumed on August 6 in full swing and 66 ships have reported arrived at the port. Of them, 16 are in jetties while other 50 in the outer anchorage.

CPA is hopeful of the situation at the port returning to normalcy within the shortest possible time.

CPA secretary Muhammad Omar Faruk, however, domestic media outlets that loading and unloading from ships and delivery of both cargo and containers from the port sheds have started in a smooth manner.

The Bangladesh Railway had also suspended all trains beginning July 18. Trains carry containers to Kamalapur inland container depot from Chattogram Port.

Source: fibre2fashion.com– Aug 12, 2024

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NATIONAL NEWS

E-way bill generation surges to record high of 10.48 crore in July

E-way bill generation touched an all-time high of 10.48 crore in July, surpassing the previous high of 10.35 crore in March this year, GST Network (GSTN) data showed.

Although GSTN has not given any reason for the record rise, it could be attributed to many reasons, including improvement in consumption as well as compliance. Although there is no straight co-relation between e-way bill generation and GST collection, the former could have some positive impact on collection. Tax collected for goods consumed and services availed in July will be known on September 1, when the government releases monthly data.

This is the fifth time since the introduction of the e-way bill in 2018 and third successive time in the current fiscal when generation has crossed 10 crores in a month.

An e-way bill is an electronic document generated on a portal, evidencing the movement of goods. It also indicates whether tax has been paid for the moving goods.

As per Rule 138 of the CGST Rules, 2017, every registered person involved in the movement of goods (which may not necessarily be on account of supply) of consignment value of more than ₹50,000 (can be lower for intra-state movement) is required to generate an e-way bill.

Experts feel the present trend reflects a notable increase in consumption across various sectors, with heightened economic activity driving the need for transportation and logistics services.

The sustained growth in e-way bill generation also points towards the effectiveness of technology-driven scrutiny and compliance mechanisms. With advancements in digital infrastructure and regulatory frameworks, businesses are becoming more vigilant in adhering to documentation requirements, thereby, enhancing the overall compliance levels,” he said.

Indication of higher e-way bill generation could also be seen in context of the rise in core inflation (headline inflation minus inflation of food and fuel) for the month of July when it rose to 3.4 per cent from 3.1 per cent. This is being seen as one indicator of demand revival.

Source: thehindubusinessline.com– Aug 13, 2024

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India readies to hold talks with Russia to bring down trade deficit

India is preparing to hold Russia to its promise of helping achieve a more balanced bilateral trade–presently skewed heavily in Moscow's favour–which was made during Prime Minister Narendra Modi's recent visit to the country when the two sides also set a bilateral trade target of $100 billion by 2030, sources said.

A high-level delegation, comprising officials from the Commerce Department and the RBI, is readying to visit Moscow to discuss with Russian officials, issues that are obstructing India's exports to the country. The two sides are also expected to discuss implementation of the proposed national currency settlement system and how to make the existing rupee payment mechanism more effective, a source tracking the matter told businessline.

Removing barriers to export

"During the visit of the Indian delegation, it is expected that the Russian side will take serious note of the barriers to export identified by India and remove them so that Indian exports could increase.

Talks are also expected between RBI officials and their Russian counterparts on the rupee payment mechanism, that has not picked up as well as intended, and the proposed national currency settlement system, where trade will take place in both rupee and rouble," the source explained.

Prime Minister Narendra Modi and Russian President Vladimir Putin fixed a bilateral annual trade target of $100 billion, to be achieved by 2030, from about $65 billion in 2023-24, at a recent annual summit in Moscow and also agreed to work on reducing India's trade deficit with Russia by increasing Indian exports.

Modi visited Russia early last month to participate in a bilateral summit with Russian PM Vladimir Putin where the two decided to set a bilateral trade target of $100 billion by 2030, up from about $65 billion at present.

Addressing trade gap

Acknowledging the trade gap of about $57 billion (Russia's exports to India in 2023-24 were estimated at about $61 billion against imports of $4 billion), the joint statement following the summit, stressed on achieving a more balanced and sustainable bilateral trade in the long term by increasing Indian exports to Russia.

"While it is not possible to bridge the trade gap beyond a point as it is mostly due to export of Russian oil to India, a part of it can be addressed by easing non-tariff barriers for items such as marine products, pharmaceuticals and some consumer goods," the source said.

Russia has also increased its imports of certain items from India, such as engineering products, but it needs to do much more, the source added.

It was after the West imposed economic sanctions against Russia following its attack on Ukraine in February 2022, Russia started selling discounted crude to India, which resulted in a manifold increase in India's import from the country. This ultimately resulted in a high trade deficit as India's exports to the country remained low.
Circumventing banking sanctions

"The Department of Commerce has also sought inputs from the industry to identify the obstacles faced by them in exporting to Russia and also come up with suggestions to sort out the situation, the official added.

Talks on the rupee payment mechanism and the proposed national currency settlement system are also important as these help the two countries circumvent banking sanctions put in place by the West against Russia.

Source: thehindubusinessline.com– Aug 12, 2024

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Shri Giriraj Singh and Shri Pabitra Margherita visit VIRAASAT exhibition at Handloom Haat, New Delhi

Union Minister of Textiles, Shri Giriraj Singh and Minister of State for Textiles, Shri Pabitra Margherita visited "VIRAASAT", a fortnight long exhibition dedicated to celebrate 10th National Handloom Day at Handloom Haat, Janpath, New Delhi from 3rd Aug to 16th Aug 2024.

Shri Giriraj Singh interacted with Handloom weavers and artisans and emphasized that the Government is trying to improve the textile value chain for better income opportunities for the weavers and their families. He also said that India has the largest handloom community in the world focused around sustainability and energy efficiency. The world is moving towards usage of sustainable products and handloom industry produces zero-carbon footprint and does not consume any energy and Handloom industry is also a zero-water footprint sector.

Shri Pabitra Margherita highlighted while visiting live display of application of natural dyes in Handloom sector, that in present days the market for Natural Dyes Handloom fabrics in fashion industry started experiencing a high demand. The use of Natural Dyes by Handloom weavers imparts not only the value addition but also increase their earnings.

The Ministers encouraged the campaign "EkPedMaakeNaam" by making plantation at Handloom Haat. They also distributed TIRANGA flags to Handloom weavers and artisans under the "HarGharTiranga" campaign.

The exhibition will be open to the public from 11 am to 8 pm. Handloom products drawn from different regions of India are on display and sale at the exhibition. These includes Kosa, Chanderi, Madhubani, Mangalgiri, Mekhla Chador, Moirang Phee, Ikat etc.

Several activities are also being organised at the Handloom Haat like 75 stalls for handloom weavers and artisan to directly retail the products and 07 Stalls by Apex Societies, Boards etc., Curated theme display of exquisite handlooms of India and Workshops on natural dyes, Kasturi cotton, design and exports at Handloom Haat, Special Health Camp for weavers and artisans on 12th Aug 2024, Live loom demonstration of Loin loom and Frame Loom, Folk dances of India and Delicious regional cuisines etc.

The handloom sector of India employs 35 lakh persons directly or indirectly which is next only to the agricultural sector in the country. Government of India has launched the various schemes for Handloom for branding of high-quality products with zero defects and zero effect on the environment to encourage and to give a distinct identity to the products, apart from highlighting the uniqueness of the products. It also serves a guarantee for the buyer that the product being purchased is genuinely handcrafted.

All the exhibitors at the exhibition have been encouraged to display their exquisite products and thus aim to improve the market for Handloom products and earnings of the handloom community.

The series "VIRAASAT"- the "Exclusive Handloom Expo" is a continuation of celebrations held during previous year around the National Handloom Day. This year, the 10th National Handloom Day was celebrated on 7th August. The event focuses on the glorious tradition of Handloom and Handicrafts. It also provides market connect to the handloom weavers and artisans.

Source: pib.gov.in– Aug 12, 2024

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Merchandise exports growth may slow to 4.2% in Q2, says Exim Bank

India's merchandise exports growth may slow to 4.2 per cent year-on-year (Y-o-Y) in the September quarter of 2024-25 (FY25), down from 5.8 per cent in the June quarter, according to a forecast by the Export-Import Bank of India (Exim Bank) on Monday.

Merchandise exports are projected to increase to $111.7 billion in Q2 against $109.9 billion recorded in Q1.

Exim Bank said this growth would be driven by 'continued strong economic activity', but warned that several risks could impact this outlook. These risks include uncertain prospects for advanced economies, geopolitical shocks, the West Asia crisis, global supply chain disruptions, and deepening geo-economic fragmentation.

According to Exim Bank, non-oil exports may grow 6.26 per cent Y-o-Y to $89.8 billion in the September quarter. The positive growth rate in total merchandise exports and non-oil exports, as witnessed in the previous three quarters, are likely to continue, it said.

"Positive growth in India's exports could be as a result of India's continued strong economic activity, backed by sustained momentum in manufacturing and services sector, expected global monetary easing and improving demand prospects in trading partners," it said on Monday.

The forecast is based on Exim Bank's in-house Export Leading Index (ELI) model, as part of its continued research initiatives to track and forecast the movement in India's exports on a quarterly basis. The index is based on several external and domestic factors that could impact exports of the country.

The United Nations Trade and Development's (UNCTAD) latest Global Trade Update, released last month, also painted a positive outlook for 2024. However, it cautioned that geopolitical tensions, rising shipping costs, and emerging industrial policies could significantly reshape global trade patterns.

“Moderating global inflation and improving economic growth forecasts suggest a reversal of the downward macroeconomic trends that have characterised most of 2023. Also, rising demand for products related to energy transition and artificial intelligence should contribute to trade growth through 2024,” it said.

However, the global trade outlook for 2024 remains subject to downside risks. “Persistent geopolitical tensions, rising shipping costs, and emerging industrial policies could significantly impact global trade,” it said.

Source: business-standard.com– Aug 12, 2024

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India lacks capacity to seize 'Bangladesh opportunity' for ready-made garments, say experts

India lacks processing capacity to be able to eat into Bangladesh's market for ready-made garments, experts have said.

"We simply do not have the processing capacity in the country to even handle a 20 per cent increase in demand. While the issue exists with other segments as well, it's most stark in our processing ability. Our inability to import raw materials, caused by the Quality Control Orders programme, means we will be the last alternative port call for anyone trying to come out of Bangladesh," says SK Sundararaman, Chairman, The Southern India Mills' Association.

Indian garment manufacturers' earnings

Company name	Annual RMG export ($ m)
Shahi Exports Pvt Ltd	1,200-1,300
Gokaldas Exports Ltd	250-300
SCM Garments Pvt Ltd	250-300
Richa Global Exports Pvt Ltd	250-300
KPR Mill Ltd	200-250
Eastman Exports Global Clothing Pvt Ltd	150-200
Richaco Exports Pvt Ltd	150-200
Arvind Ltd	150-200
Sahu Exports Ltd	100-150
Paramount Products Pvt Ltd	100-150

Source: CareEdge

He told businessline that there would at best be a minimal positive impact for the Indian garment industry to capitalise on the current Bangladesh crisis. The issue is competitiveness through the value chain and capacity mobilisation.

Capacity augmentation policies need to be brought out on a warfooting to address these issues, he added.

RMG exports

In 2023-24, Bangladesh's RMG exports were more than three times that of Indian RMG exports. However, during Q1FY25 this ratio narrowed down to around 2.5, reflecting India cutting into the share of Bangladesh. Apart from the impact of socio-political upheavals in Bangladesh, this was also aided by various initiatives to enhance the competitiveness of Indian RMG exports, says a report by Care Edge.

Bangladesh's RMG exports registered a 17 per cent de-growth in Q1FY25 on a y-o-y basis while Indian RMG exports have grown by 4 per cent during the same period.

In case of sustenance of the socio-political disturbance for more than one or two quarters, Bangladeshi exporters would face difficulty in ensuring on-time delivery to its customers. In such a situation, India is expected to gain monthly export orders of $200-250 million in the near-term. As global RMG brands and retailers are relatively stickier with their sourcing partners, a large part of this market share loss could be permanent and lead to a gain in monthly export orders of around $300-350 million in the medium-term, stated Akshay Morbiya, Assistant Director at CareEdge Ratings.

Considering RMG exports account for more than 80 per cent of Bangladesh's total exports, it is expected that the country would try to quickly stabilise the prevailing situation so that their garments sector is not affected for a prolonged period, he said.

Capacity saturation

The US and Europe are the biggest markets for RMG.

Sudhir Sekhri, Chairman AEPC, says even before the current turmoil in Bangladesh, buyers were already looking for capacities elsewhere, due to capacity saturation in Bangladesh. The recent turmoil will expedite their plans. Indian factories will get a piece of the cake only if they ramp up capacities. However, buyers will continue to be hesitant to place their orders in India unless the government of India tweaks its import policies to allow greater and easier access to imported man-made fabrics, trims and accessories.

Prabhu Dhamodharan, Convenor, Indian Texpreneurs Federation, too emphasised on the need to build scale. "We need to build scale and competitiveness and specialisation in manufacturing," he said.

China and Bangladesh both are competitive in their pricing particularly in the mass volume products. To win the cost game, India needs to design an incentive system at policy level to promote integration in apparel manufacturing.

Ideally, large standalone spinning mills and semi integrated players can move towards forward integration and make low value apparels in large quantities and compete in cost with these two nations. Good scheme and policy push will drive the spinning sector to catch up this value addition theme, he said.

Raja M Shanmugham, former president of Tiruppur Exporters Association, said the first quarter dip of Bangladesh's cannot be taken for granted in a normal situation. It could be made up in the subsequent periods.

The disruption which is going to be there would have a telling impact on Bangladesh's future business. Then India-like countries would certainly become the beneficiaries of it. Brands across the globe would certainly promote Bangladesh+ factor in their strategies hereafter, he said.

Source: thehindubusinessline.com– Aug 12, 2024

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Will India and Sri Lanka Benefit From Unrest in Bangladesh?

It's only been a week since former prime minister of Bangladesh, Sheikh Hasina, escaped Dhaka in a helicopter as protests and violence broke out across the country.

Throughout this time, private conversations among manufacturers in Bangladesh and other sourcing nations have been focused on the future of business.

"Earlier there was China-plus-one after the pandemic, but now in addition to that there may well be a Bangladesh-plus-one situation," a manufacturer in Dhaka told Sourcing Journal on condition of anonymity.

He cited the fact that there was a degree of uncertainty about the way the government would be positioned; the level of religious fervor and economic incentives are yet unknown. Meanwhile, the uprising led by the youth in the country has shown a degree of volatility that might not be easily subdued.

Although a new interim government led by noble laureate Muhammad Yunus was quickly initiated on Thursday, analysts noted that the surprise July protests led by students, which broke more than 15 years of leadership from the Awami League party, could possibly shift the balance of power in the country.

Manufacturers in Bangladesh have been working hard to reassure their customers that factories are back to work, and that the news about safety concerns on the streets was no longer impacting labor. There has been a flurry of reassuring calls to brands and retailers about the state of the industry in Bangladesh.

But the million-dollar question is whether—or how much—business could shift to other countries in the wake of the turmoil.

Many manufacturers in neighboring locales, including India and Sri Lanka, gave an official and humanitarian-leaning answer to Sourcing Journal: "Why would we look to benefit from another neighboring country's misfortune?"

However, others indicated that opportunities are likely on the rise as brands and retailers look to ensure their production and delivery timelines. A report released Thursday by leading Indian ratings agency CareEdge estimated $200 million to $250 million in monthly business could shift to India in the near future. The report described the current situation in Bangladesh as a “golden chance for the Indian apparel sector to expand its footprint both in the short and medium term.”

“Large-scale readymade garment manufacturers with operational efficiency and backward integration are expected to be the biggest winners as global brands seek reliable and efficient suppliers,” the report noted, adding that “If the unrest in Bangladesh persists for an extended period, it could result in a significant shift in export orders towards India.” Other analysts projected an even higher figure of $350 million a month.

“Many of the brands and retailers who manufacture in Bangladesh also have production in Tirupur and other parts of India,” Raja Shanmugham, former president of Tirupur Exporters Association explained. “Many brands who work with Bangladesh also work in Tiruppur, and it is easy to wait and watch and make their decisions as things pan out. The priority for many of the brands has been Bangladesh, followed by India, so there is no need for any special initiation from the side of our manufacturers to reach out to brands. They will make their own decisions,” he said.

“As such, it could just be a temporary disturbance, but it’s hard to say,” he added. “Any government will make it a priority to bring stability. But when the situation is volatile, unexpected disturbances can erupt at any time, and it’s difficult for a new government to have control over the masses. Any vested interest can easily distort things for their own benefit, which would make brands more cautious in placing orders. The apparel industry is seasonally driven, and there can be no delays in shipments.”

“It is unfortunate, when competition comes how everyone works on others’ weaknesses,” he said, noting that it also happened over time with China. “Many brands took a conscious call to pull out of China in a phased manner—that has been happening. It didn’t happen overnight, and not likely to in this case either, but perhaps more strategic decisions to spread out to the best of possibilities,” Sahnmugham said.

India hasn’t benefitted greatly from the China-plus-one strategy. “India’s disorganization can be an advantage to another, but we have to get geared up to see if we are up to the mark. The preparedness is missing, the uptake planning may not be in place, but it can definitely be corrected. It is a good time to change the way it works here," he observed, even while noting that Tiruppur has been known for its efficiency and capacity for growth. In May 2024, exports from the Southern India knitwear hub reached $360 million, up from $323 million from May 2023. The region also accounts for 55 percent of India's knitwear exports.

Manufacturers in Sri Lanka, meanwhile, had similar reactions. While they looked at the possible windows for business, their reactions were mixed with sympathy—and, in some cases, a sense of déjà vu.

"We know how tough this is," Joint Apparel Association Forum (JAAF) secretary general Yohan Lawrence said. "We went through something similar two years back, and we wish them well to come out of it."

Bandula Fernando, chairman of the Sri Lanka Chamber of Garment Exporters, which represents small and medium enterprises sector within JAAF, observed: "At the end of the day it is a critical situation—and we are happy to do anything we can do to support and help them get back on their feet. It's not about trying to see what you can take in someone else's crisis."

But he also believed that there would be a change, and a shift toward Sri Lanka—a topic that is being discussed extensively by manufacturers and exporters among themselves.

"Brands can't easily move orders immediately—the fabric, the accessories, everything is already at the factories assigned," he said. "But in the short term, I think 5 percent to 10 percent of orders will come to Sri Lanka. We can't do it at their price, but if they need it urgently, brands will be willing to pay more."

Other, smaller manufacturers had a different mindset, observing that Bangladesh did not hesitate to take their orders or show any sympathy for manufacturers in Sri Lanka when they were going through a crisis in 2022, and "it was a chance to flip that coin."

A local newspaper in Colombo was quick to point out this week that Sri Lanka was poised to benefit from some apparel orders in the short term, citing JAAF. "Given Sri Lanka's proven ability to adapt and our available capacity, we expect some foreign buyers to turn to Sri Lanka until the situation in Bangladesh stabilizes," the paper quoted Lawrence as saying, while noting that "Sri Lanka had agility and sophisticated production capabilities, and spare capacity to fill in the gaps."

Manufacturers in Bangladesh, meanwhile, are struggling to get back on their feet.

Adding to the escalating tensions and changing situations within the country is the fallout within the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the trade association known for its strength in bringing exporters together, perhaps more than in any other country. However, its leadership is known to have strong political associations, and the infighting within was par for the course, along with the fall of the government.

Mostafiz Uddin, managing director of Denim Expert Ltd. and founder and CEO of Bangladesh Denim Expo and Bangladesh Apparel Exchange (BAE), said that from a political perspective, it would appear that Muhammad Yunus "is the perfect candidate to restore peace and order to Bangladesh." He stressed the fact that brands and associations from across the world were showing support for the industry. "Petty squabbles and video footage of violence among trade body members will only tarnish our reputation. It is time to put all our differences aside," he said.

Other manufacturers have similar concerns. "I am afraid of the bad branding of Bangladesh to the rest of the world," Munzarin Zaman, director of Fakir Apparels, said. "We have worked really hard over the years to recover from Rana Plaza, and the stereotypes about Bangladesh. We are sad to think it may effect the industry again because of politics. All our workers are local residents, so it's been safe. When there was violence, we had kept our factories closed to safeguard them. Right now, things are better," she added.

However, smaller factory owners said that the struggle continues as worker safety and uncertainty on the streets continue to cause delays and closures. They noted that the political climate is still unsteady.

"We will just have to wait and watch," one noted. Just like the rest of the world.

Source: sourcingjournal.com– Aug 12, 2024

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Cotton acreage trails by 9% at 110 lh till August 12

The acreage in cotton in the current kharif cropping season is down by around 9 per cent till August 12 at 110.49 lakh hectares (lh) over 121.24 lh in the same period last year.

The Cotton Association of India (CAI), the apex trade body, expects the acreage to be around 113 lh this year over 127 lh in the previous year.

Addressing the southern cotton trade recently at Coimbatore, CAI President Atul Ganatra said, “This season we have noticed that cotton farmers are shifting to other crops mainly due to lower yields and as cost of production for Indian farmers is very high.”

Changing weather pattern

Regarding the crop outlook for the upcoming 2024-25 season, Ganatra said “it is too early to predict anything because from last two years the rain pattern has changed and monsoon only starts from July in place of June and the rain continues till October end.”

“Also due to global warming, the variability in the rain pattern has increased. This is the main reason which affects the Indian cotton yield which has already come down from 600 kg to 410 kg per hectare,” Ganatra said.

Further, the CAI president said the cotton balance sheet for next year’s opening stocks will be a little tight on higher exports to Bangladesh. “This year unexpectedly cotton export has increased from 15 lakh bales to 28 lakh bales due to good demand from Bangladesh.”

During 2023-24, India’s cotton production and consumption has been the same at around 325 lakh bales. India’s cotton exports will be 28 lakh bales while imports will be 13 lakh bales. The gap of 15 lakh bales will be reduced from last year’s stock, he said.

Availability

As per CAI estimates, spinning mills are now having 25 lakh bales stock, while ginners are holding some 15 lakh bales stock and Cotton Corporation of India some 20 lakh bales stock. Another 10 lakh bales arrivals are expected during August-September. “So a total of 70 lakh bales are available for cotton consumption up to September 30 for the mills. If the new crop is delayed then the situation would get a little tight for covering cotton for the mills," he added.

Cotton consumption in North Indian States is 90-95 lakh bales. In South India, the consumption is around 125 lakh bales, while in Central India consumption the offtake is 145 to 150 lakh bales. Total consumption is about 360 lakh bales. Since mills are running at 90 per cent capacity, consumption can be taken at 325 lakh bales.

He suggested that the associations come together and try to have one hedging contract for both cotton and cotton yarn.

Ganatra said the current season pressing can go up to around 322-325 lakh bales up to September 30. The actual production during the 2023-24 season was only 300 lakh bales. There was a carry forward of 25 lakh bales of raw cottonfrom the previous year . "

I don't think there will be any raw cotton carry forward from this season to next season as farmers are in sell off mood. Our new season will start from October 1 with no raw cotton stock with farmers. Whoever is making the crop estimation for next season has to consider this 25 lakh bales carry forward of last year cotton will be a short in calculation of new season estimation of crop," Ganatra added.

Source: thehindubusinessline.com– Aug 12, 2024

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Is India's trade with Bangladesh at risk amid political instability?

In this episode of businessline's State of the Economy Podcast, Amiti Sen talks about the recent political upheaval in Bangladesh and the uncertainty that looms over the future of Bangladesh and its impact on trade relations with India with Biswajit Dhar, distinguished economist and retired professor from Jawaharlal Nehru University.

Dhar talks about how the political instability in Bangladesh could disrupt its economic growth and, in turn, affect Indian exports and investments. "When there is political uncertainty of the kind that we have seen in Bangladesh, there is going to be economic uncertainty that follows," he notes.

Dhar highlights the significance of Bangladesh as a trading partner for India, particularly in the context of exports.

In the fiscal year 2021–22, Bangladesh was India's fourth-largest export market, a position that has since slipped to sixth due to India's restrictions on wheat and rice exports. "India's exports to Bangladesh have been growing, but the recent political turmoil could affect this trend significantly," Dhar warns.

The discussion also touches on the impact of the unrest on the textile industry, a critical sector for both countries. Bangladesh, known for its robust garment industry, has been a key part of India's supply chain, especially for yarn and fabrics. However, the ongoing turmoil threatens to disrupt this supply chain. "The garment industry has suffered hugely in this political turmoil, and as a result, the whole supply chain is going to get disrupted." Dhar explains.

Beyond textiles, the podcast explores the broader implications for Indian businesses operating in Bangladesh, including those in the FMCG sector, personal care, and even IT services. Dhar points out that Indian companies have increasingly been setting up operations in Bangladesh to take advantage of lower wage costs. "Indian companies have been going into Bangladesh, and they were actually trying to piggyback on Bangladesh's success in garments to access the international market," Dhar notes.

The conversation also looks at the potential Free Trade Agreement (FTA) between India and Bangladesh, which has been in the works. Dhar is optimistic about the FTA, stating that it could be a “win-win” situation for both countries. He emphasises the need for India to maintain strong economic ties with Bangladesh, irrespective of the political changes in Dhaka. “The strong economic relations that have developed between the two countries should be a strong enough reason for the new government to continue relations with India,” Dhar adds.

Source: thehindubusinessline.com– Aug 12, 2024

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CM Revanth promotes Warangal textile park as top investment spot in Telangana for Korean companies

On the first day of his visit to South Korea, Chief Minister A. Revanth Reddy pitched for investments into the Mega Textile Park in Warangal at a meeting with the Korea Federation of Textile Industry (KOFOTI) and also invited the LS Group, which was part of the electronics giant LG group earlier.

Projecting Warangal as an ideal destination for textile investments, Mr. Reddy urged the KOFOTI representatives to choose Warangal and also other parts of Telangana. The meeting included Kihak Sung, chairman of Youngone, Soyoung Joo, executive vice-chairman, KOFOTI, and top leaders of 25 major textile companies.

Industries Minister D. Sridhar Babu will constitute a task force that will follow up on all the opportunities for quick closures and action on ground.

Earlier, the Telangana delegation held a meeting with LS Corp, which was formerly a part of the LG group. The CM's team also met with the chairman of LS Group, Koo Ja Eun, and his senior leadership. "Our talks covered broad interests, including manufacturing investments in Telangana for electric cables, gas and energy, and batteries," Mr. Reddy said.

The Chief Minister said the LS team will visit Telangana shortly, on his invitation: "I am very positive that we will formally welcome them to Telangana as investors in the coming days."
Hyundai car testing facility coming up

Later, the CM's team met with Hyundai Motor Company officials, who informed about their decision to set up a car testing facility in Telangana through its subsidiary Hyundai Motor India Engineering Pvt. Ltd. (HMIE).

The HMIE also plans to establish a large Mega Test Centre, which will include not only an automotive test track facility but also a state-of-the-art test car manufacturing facility (including electric vehicles). The test centre is likely to attract other affiliates and suppliers to set up their facilities in the vicinity. This will help to create both direct and indirect employment opportunities.

Moreover, the HMIE is expanding by renovating and modernising the existing engineering centre in Hyderabad to create more employment for India and the Asia Pacific region.

"India is a very important market, and we are committed to developing benchmark-setting products and technologies for Indian customers," the company told the delegation.

Source: thehindu.com– Aug 12, 2024

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