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Currency Watch			
USD	EUR	GBP	JPY
83.96	92.24	108.12	0.56

INTERNATIONAL NEWS

US inflation expectations dip sharply at medium-term horizon: Survey

Inflation expectations in the United States were stable at the short- and longer-term horizons, but fell sharply at the medium-term horizon to a new series low, according to the July 2024 Survey of Consumer Expectations released recently by the Federal Reserve Bank of New York's Centre for Microeconomic Data.

Median one- and five-year-ahead inflation expectations were unchanged in July at 3 per cent and 2.8 per cent respectively.

Conversely, median three-year-ahead inflation expectations declined sharply by 0.6 percentage point to 2.3 per cent, hitting a series low since the survey's inception in June 2013.

The survey's measure of disagreement across respondents (the difference between the 75th and 25th percentile of inflation expectations) decreased at the one- and five-year-ahead horizons and was unchanged at the three-year-ahead horizon.

Median inflation uncertainty—or the uncertainty expressed regarding future inflation outcomes—was unchanged at all three horizons.

Labour market expectations were mixed, with respondents expecting lower earnings growth and a lower likelihood of finding a new job within three months if they were laid off, the centre said in a release.

Delinquency expectations continued their upward trend in July and have risen to the highest level since April 2020.

Median one-year-ahead expected earnings growth declined by 0.3 percentage point to 2.7 per cent in July. The series has been moving within a narrow range of 2.7-3 per cent since January 2024.

Mean unemployment expectations—or the mean probability that the US unemployment rate will be higher one year from now—decreased by 1 percentage point to 36.6 per cent, remaining below its 12-month trailing average of 37.7 per cent.

The mean perceived probability of losing one's job in the next 12 months decreased by 0.5 percentage point to 14.3 per cent. The mean probability of leaving one's job voluntarily in the next 12 months increased by 0.2 percentage point to 20.7 per cent, the measure's highest reading since February 2023.

The mean perceived probability of finding a job (if one's current job was lost) decreased by 0.9 percentage point to 52.5 per cent.

Median home price growth expectations were unchanged at 3 per cent in July.

The median expected growth in household income was unchanged at 3 per cent in July. This series has been moving in a narrow band between 2.9 per cent and 3.3 per cent since January 2023.

Median household spending growth expectations fell by 0.2 percentage point to 4.9 per cent, the measure's lowest reading since April 2021.

Source: fibre2fashion.com– Aug 16, 2024

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UK, Turkiye agree to start FTA upgrade talks in Ankara

Turkiye has agreed to start talks with the United Kingdom in Ankara to revise their free trade agreement (FTA) as both sides want to strengthen economic ties, the former announced yesterday.

Trade talks were paused during the election. The updates are expected to extend the FTA's scope to include services and investments.

The announcement followed a virtual discussion between Turkish trade minister Omer Bolat and UK business and trade minister and president of the Board of Trade Jonathan Reynolds.

Bolat described the discussion with Reynolds as productive, highlighting specific steps aimed at raising trade volumes, encouraging investment and deepening bilateral cooperation, according to domestic media reports.

He said both sides discussed ways to surpass $20 billion in bilateral trade this year.

The first round of negotiations is expected to take place in the autumn and would include fresh talks with South Korea, Israel, Switzerland and Turkiye.

Source: fibre2fashion.com– Aug 15, 2024

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Drop in footfall on UK high streets following riots, vandalism

After the recent rioting across parts of the United Kingdom led to shops being damaged and looted, UK shoppers are avoiding high streets.

Footfall on UK high streets fell by an average 4.8 per cent between August 11 (Sunday) and 14 (Wednesday) from the same period the week before, according to MRI Software. This compares with a smaller fall of 2.7 per cent in all UK retail destinations, including shopping centres and out-of-town retail parks.

On August 14, the number of people on high streets dropped by 7.5 per cent as shoppers were deterred by a scheduled new phase of rioting and counter-protests.

The impact is the most in Northern England and Yorkshire, with footfall down by 12.9 per cent between August 11 and 14, and in the West Midlands, where footfall was down by 10.6 per cent on the previous week, according to domestic media reports.

In a meeting yesterday, the British Retail Consortium (BRC) discussed the safety of shop staff. Retailers are monitoring the situation in different locations and may close some shops early.

BRC chief executive Helen Dickinson called for the 'full force of the law' to be brought to bear on those committing criminal damage and theft against retailers.

The Federation of Small Businesses (FSB) also said it was doing its best to help worried small firms.

Source: fibre2fashion.com– Aug 15, 2024

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China's cargo throughput growth slows in Q2 2024: Fitch

China's cargo throughput growth continued in the second quarter (Q2) of 2024, but the pace of expansion has decelerated to 3 per cent year-on-year (YoY), down from 6 per cent in the first quarter, according to Fitch Ratings. Total container throughput saw a 7 per cent YoY increase, bolstered by strong demand from Association of Southeast Asian Nations (ASEAN) countries, although domestic demand has shown signs of weakening.

China's export value rebounded in Q2 2024, rising by 4.4 per cent YoY, compared to a contraction of 1.7 per cent in Q1. This growth was largely driven by a 15 per cent surge in exports to ASEAN. Exports to the US also returned to positive territory, growing by 2.5 per cent YoY, while exports to the European Union remained flat, as per Fitch.

Shipping rates across various metrics, including the Shanghai Containerised Freight Index, China Containerised Freight Index, Baltic Dry Index, and Baltic Dirty Tanker Index, stayed elevated, largely due to the ongoing tensions in the Red Sea. Fitch Ratings anticipates that container shipping indices may moderate as a significant number of new container ships are delivered later this year.

However, Fitch cautions that recent economic data suggest increased uncertainty over global economic growth and sluggish consumer demand in major economies, which could limit the growth of port throughput. Additionally, rising geopolitical tensions and the potential for further US tariff hikes on Chinese goods, coupled with the possibility of retaliatory measures, pose further downside risks in the medium term.

Source: fibre2fashion.com– Aug 15, 2024

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Poland's consumer prices surge 4.2% in July 2024

Poland's consumer prices rose by 4.2 per cent in July 2024 compared to the same month in the previous year, according to Statistics Poland. This increase was driven primarily by a 3.5 per cent rise in the prices of goods. On a month-to-month basis, consumer prices saw a 1.4 per cent increase, with goods prices rising by 1.6 per cent.

However, the clothing and footwear sector showed a different trend. Prices in this category decreased by 3.1 per cent compared to June 2024, which contributed to a 0.12 percentage point reduction in the overall consumer price index. Similarly, when compared to July 2023, clothing and footwear prices were down by 1 per cent, leading to a 0.04 percentage point decrease in the index.

Despite these sector-specific declines, the overall consumer price index in July 2024 remained above the upper band of the inflation target set by Poland's Monetary Policy Council, which is 2.5 per cent with a deviation allowance of 1 percentage point, as per Statistics Poland.

Source: fibre2fashion.com– Aug 15, 2024

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A 2-Week East Coast Port Strike Could Bottleneck Goods Into 2025

A potential Oct. 1 dockworker strike on the East and Gulf Coast ports has already been swinging more U.S. imports westward, but the wider impacts on the economy and the ports themselves will likely hinge on the stoppage's duration.

"If it's just a few days, it'll have a minimal impact on the overall economy, especially with the mitigation steps already taken," said Paul Bingham, director of transportation consulting for S&P Global Market Intelligence, during a media briefing with The Port of Los Angeles. "However, if there's a strike in place and it lasts a longer period of time, there's some trade that's unable to be fully mitigated—for example, fresh produce."

The duration will likely determine the ports' ability to get back to normalcy after a work stoppage concludes. After a strike ends, workers would have to handle the excess buildup of containers on top of the normal cargo flowing into the ports.

Based on historical data, maritime trade advisory service Sea-Intelligence estimates that East and Gulf Coast ports will handle 2.3 million 20-foot equivalent units (TEUs) in October. The firm predicts they could increase their ability to move excess cargo capacity by 13 percent that month based on the maximum number of containers the ports have handled.

"As we estimate the East Coast ports to have 13 percent excess capacity over the expected normal flow of 2.3 million TEU in October, then it would take six days to clear the backlog from one day of strike," according to Alan Murphy, CEO of Sea-Intelligence.

Although more-than-estimated capacity could shave off one or two days of backlog, the general trend doesn't bode well for a strike that lasts more than a few days, Murphy pointed out.

"This means that a one-week strike in the beginning of October would not be cleared until mid-November," said Murphy. "If we get a two-week strike, then realistically, the ports would not be back to normal operations until we are into 2025."

On a more positive note, Bingham said a long-duration strike was unlikely.

"We believe in an election year the political pressures will be extreme on both sides to negotiate a settlement," said Bingham, who also highlighted that there will be pressures to support the negotiations on a federal level, similar to when Acting Labor Secretary Julie Su helped facilitate discussions that helped broker a six-year contract for the West Coast port dockworkers last year.

Those West Coast ports have reeled in diverted cargo in spades as the drama between the International Longshoremen's Association (ILA) and United States Maritime Alliance (USMX) unfolds, if the numbers from the Ports of Los Angeles and Long Beach are any indicator.

The Long Beach port brought in 435,081 TEUs of inbound cargo in July, a whopping 60.5 percent higher than the year before, when the port saw 271,086 TEUs enter its gates. The gateway has moved 25 percent more inbound containers in the year to date—2,522,424 TEUs—than the 2,018,026 TEUs handled in the first seven months of 2023.

At Los Angeles, loaded imports totaled 501,281 TEUs in the month, up 37.6 percent from the 364,208-TEU throughput in July 2023. For the January-to-July stretch, the port has handled 5,671,091 TEUs at the port, up 17.6 percent from 2023 year-to-date of 4,821,670 TEUs.

"We're not seeing the same pace of growth at some of the other ports where shippers and supply chain managers are deliberately trying to reduce their risk of exposure, especially on the East and Gulf Coast ports during 2024," said Bingham.

In the most recent update to the labor negotiations between the ILA and the USMX, the union said in a Friday statement that negotiations were "very far apart, particularly on economic issues." The union was in response to the USMX update on the master talks, which the maritime employers said offered "industry-leading starting wages" and retained "the existing technology language" for the automation framework.

Although Maersk CEO Vincent Clerc had previously said he thought a dockworker work stoppage was "highly unlikely," the ocean freight giant acknowledged the possibility of a strike in a recent update on the North American market.

“Disruptions may be localized or more broad-based,” the Friday update read. “Should a general work stoppage occur on the U.S. Gulf and East Coasts, even a one-week shutdown could take four to six weeks to recover from, with significant backlogs and delays compounding with each passing day.”

The carrier said it would assist customers via alternate routes, modalities or distribution schedules in the event of disruptions.

Hapag-Lloyd CEO Rolf Habben Jansen wasn’t as optimistic as his fellow ocean carrier chief.

“In terms of the East Coast, if you would have asked me in January, I would have said that I’m not so worried about that,” Habben Jansen said during a Wednesday earnings call. “Right now, when you look at the strike threat that is out there, I think that unfortunately, the chances that there will be some disruption have definitely gone up.”

Source: sourcingjournal.com– Aug 15, 2024

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Intertextile Apparel launches Econogy Hub to propel sustainability in textiles

Sustainability takes centerstage

Intertextile Apparel 2024 is set to reinforce its commitment to sustainability in the textile industry by launching the new Econogy Hub. The show, known for over a decade of promoting greener industry practices through its "All About Sustainability" zone, is now elevating its efforts by adopting Messe Frankfurt’s global TexpertiseEconogy concept. This rebranded and enhanced focus will include not only the Econogy Hub but also a range of eco-conscious features and innovations.

The fair will feature seven eco-focused group pavilions, three sustainable display areas, an ecoBoutique, and cutting-edge innovations showcased in the Digital Solutions Zone. These initiatives aim to highlight the latest in sustainable textile practices and products, offering attendees a comprehensive view of the industry's shift towards eco-friendliness.

Econogy hub: A new focal point

The Econogy Hub will be the heart of Intertextile Apparel's sustainability efforts. This new zone will host eco-fabric suppliers, certification providers, and other key players in the sustainable textile sector.

Key players within the Econogy Hub include industry giants like Bureau Veritas Group, specializing in testing and certification, and Cotecna Group, offering accreditation for various sustainability standards. Eastco Industries, a GOTS-certified woven fabric manufacturer, will showcase organic and recycled fabrics. And TextileGenesis, a Lectra company, is introducing an innovative traceability platform to ensure the authenticity and provenance of sustainable textiles.

Eco-focused group pavilions and display areas

The fair will also feature eco-focused group pavilions, including those from Ecocert, Hyosung, Lenzing, Lycra, Oeko-Tex, Prutex, and Sorona. These pavilions will showcase over 130 downstream suppliers, with Prutex making its debut to highlight products like Prueco, the first chemically regenerated nylon.

Sustainable display areas will be presented by Lycra, Birla Cellulose, and Idole/Mitsubishi. Meanwhile, the ecoBoutique will offer a curated selection of products from brands like Unifi and ZhangjiagangVcare, further demonstrating the industry's commitment to eco-friendly practices.

Digital solutions zone: Navigating the future of textiles

In addition to its sustainability focus, Intertextile Apparel 2024 will introduce the Digital Solutions Zone. This zone will feature cutting-edge technologies and innovations that are shaping the future of the textile industry. Key exhibitors include:

Shima Seiki: A Japanese multinational known for its industry-leading knitting machinery, design systems, and CAD/CAM systems. Their technology has applications across fashion, sportswear, healthcare, and even automotive and aeronautical sectors.

Symmpix: A premier digital solutions provider, Symmpix will showcase AI-powered fabric search, AI pattern generation, 3D visualisation tools, digital product creation, virtual catwalks, and showrooms.

Both Shima Seiki and Symmpix will also participate in the fair’s Digital Transformation Forum, presenting their innovations and engaging in panel discussions on how digital solutions are revolutionizing the textile industry.

Fringe programmes and collaborations

As part of the broader fringe programme, attendees can also look forward to presentations on technology and solutions that enhance supply chain transparency, AI-driven textile product development, and innovations in recycling. Avery Dennison will discuss integrated solutions for supply chain transparency, while Unifi will present on Repreve powered by Textile Takeback, a product that converts textile waste into recycled polyester products.

Co-organised by Messe Frankfurt (HK) Ltd, the Sub-Council of Textile Industry (CCPIT), and the China Textile Information Centre, Intertextile Apparel 2024 will be held at the National Exhibition and Convention Center in Shanghai. The event will run alongside Yarn Expo Autumn, CHIC, and PH Value, providing a holistic view of the entire apparel textile value chain, with sustainability at its core.

Source: fashionatingworld.com– Aug 15, 2024

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Cambodia attracts 237 FDI projects worth $6 bn in Aug 2023-Jul 2024

Between August last year and July this year, i.e., the first eleven months of the new government, the Council for the Development of Cambodia (CDC) registered 237 investment projects worth more than $6 billion, reflecting foreign investors' confidence in the country's improving investment climate, according to deputy prime minister Sun Chanthol.

Chanthol, who is the first vice president of CDC, recently said investments flowed in from South Korea, Japan, France, Switzerland, Australia, Spain, Germany and China.

Most FDI into the country has gone to manufacturing of garments as well as of other products like furniture, leather and plastic.

Next month, a CDC delegation will leave for Europe, the United States, the Middle East and China to attract more investors, domestic media outlets reported.

The trend is considered a strong vote of confidence in the country's stability, peace and burgeoning economic growth, Chanthol said during a lecture at the Royal School of Administration.

Source: fibre2fashion.com– Aug 16, 2024

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Texworld LA: Apparel Experts Examine Sourcing in the Second Half

As the retail sector heads into the second half of 2024, questions about the upcoming U.S. election and the future of the global economy loom large in the minds of industry insiders. What's more, disruptions to production and logistics continue to threaten the free flow of goods, potentially hampering holiday sales.

Apparel experts spoke to these issues and more on a panel Texworld Los Angeles this week.

Ed Massura, chief supply chain officer of California-based garment wholesaler Hybrid Apparel highlighted how geopolitical crises—most recently, like the civil unrest in Bangladesh—have forced the company to keep a close eye on its sourcing strategy or risk missing orders. According to Massura, the group has thus far been able to get its shipments out of the nation on time, but it's examining contingency plans should the industry be impacted for the long term.

However, for the supplier—which counts Columbia Sportswear, Levi's and Reef as clients—it's not so easy to just move production to another locale in the short term. Doing so can drive up costs significantly, but there's very little wiggle room when it comes to margins and pricing. While inflation has upped prices on things like gas and food, apparel prices have largely held firm at retail, Massura said.

"It's really a struggle out there, and it's partnerships between the factories and a company like Hybrid where it's really important to just try and figure out as much as you can do to keep prices down as low as possible," he said.

"I think what I'm seeing is definitely we're getting up higher prices across the board, but I think it's causing us to source more strategically," added Vickie Rotante, head of product development and sourcing at Janie and Jack.

"We're making bigger commitments across six, 12, 18 months in fabric and trims in order to get better prices. And we're also consolidating the supply chain recently; I would say I'm probably 20 percent more narrow than I've been in the last five years," she said. "So that's the answer to the prices.

We’re not absorbing all of it, but I think, without question, it’s a different strategy.”

Massura said Hybrid Apparel has also diverted some of its China sourcing in recent months as trade tensions with the U.S. continue to simmer and lead times are impacted by other global logistical headwinds.

“For us, the big thing is speed right now,” he explained, “So where we’ve got some headwinds coming with China, with an upcoming election and what could be the impact of tariffs and additional costing there, that’s when you start looking at places like Central America and Mexico. For the speed and a lot of the agility that we need, we’re ending up in places like that.”

“It’s all headwinds now—whether it’s inflation, whether it’s wage increases, whether there’s gas issues, whether there’s raw material issues, labor issues—it seems like no matter where in the world you go, you’re fighting some type of disruption,” said moderator Edward Hertzman, CEO of Hertzman Global Ventures. “I think that is the new normal— consistent disruption.”

Hertzman noted that the rise of nearshoring has been an oft-repeated headline that’s amounted to mostly wishful thinking over the course of the past two decades.

“It has been a headline for a long time,” Rotante agreed, “but I think now what’s happening is there’s more investment in Western Hemisphere than there has ever been in the past.”

Brands have been hampered from shifting their supply chains closer to home by the fact that China still produces most of the world’s fabrics. “I mean, $150 billion China exports in fabrics—that’s not easily replaced.” Meanwhile, the infrastructure in the West is still underdeveloped compared to the world’s premier sourcing hub, making it more expensive to do business.

“Having said that…we are also increasing our penetration in Western Hemisphere sourcing,” she said. It’s increasingly looking like the region might be building up its capabilities and capacity, in some cases with the help of foreign direct investment from Asian firms. “So I think it’s actually shifting, and I think we’ll see more and more,” Rotante added.

Nearshoring and friendshoring may become essential strategies moving forward as enforcement of the Uyghur Forced Labor Prevention Act (UFLPA) continues to ramp up, Massura said. “You see enforcement is on the way up now,” he said, noting that communicating policies to suppliers isn’t nearly enough leg work to ensure compliance today.

“I think traceability is getting a little bit more sophisticated,” he explained. Clients like Columbia Sportswear are implementing traceability technology for the T-shirts they source from Hybrid, for example. Because it’s not just shipments originating in China that are being detained—increasingly, shipments from Vietnam, Malaysia and other Asian countries are being increasingly stopped and scrutinized at U.S. gateways.

“They’re the largest producer of cotton in the world,” Rotante said of China. “They’re not going to stop that—they’re going to actually just shift it” to other production locales.

“What we’re doing, because it’s a huge issue, is we are shifting a greater percentage of our supply chain to India fabric and India production,” she added. “So I think the subcontinent, not just India, but also Sri Lanka and Bangladesh, is going to benefit from this inspection that’s happening.”

Should former President Donald Trump be elected for a second term, he has also promised to levy even higher punitive duties on China—a very real possibility that could further drive down the dependability of sourcing from the World’s Factory, Massura said.

“I would have been a lot of money that it wasn’t going to happen the first time, and it did. I lost that bet, so this time around, we have contingency plans,” he said. That includes shifting more sourcing to Mexico and Central America. “We’re thinking about Plan B’s, what to do, counter-sourcing.”

All these moving parts—along with lingering inflation—could signal a cooldown when it comes to holiday sales.

“I think that people are spending very, very conservatively,” Rotante said, noting that Janie and Jack hasn’t felt the same fluctuations as some competitors due to its niche audience and higher price point. Nonetheless, all signs point to tighter purse strings this fall.

"I think they want more value," she said, noting that retailers across the board have trained consumers to wait for doorbuster sales. "I'm hoping that these levers being pulled with interest rates free up consumer spending a little bit… but people are being very targeted," she added.

Massura said some clues to holiday spending might be found in back to school behavior.

"We don't have it all in yet from the various analysts out there looking at all the retailers, but it's a little bit of a mixed bag, and it might be a notch down than what we had hoped it was going to be looking at back to school," he said.

"I know that the retailers have been loading up on holiday right after, so we'll see how that goes," he added. "But it feels like in the last week or two, the economy is just kind of taking a breath a little bit, with some of the interest rate conversations…I think in general, the retailers were a little bit bullish, and I think they might be pulling in the reins just over the past month."

Source: sourcingjournal.com– Aug 15, 2024

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Slow Fashion Caucus Calls on Biden to Include Industry Reps on Climate and Trade Task Force

The Slow Fashion Caucus wants to help leaders in the fashion and textiles industries weave their way into policy discussions.

Six members of Congress have called on President Joe Biden to include members of the fashion and textiles industries in the White House Task Force on Climate and Trade. The task force, announced by the Biden administration in April, aims to construct trade policy that addresses climate and emissions-related issues.

In May, members of the fashion, apparel and textiles industries submitted their own appeal to the president, asking his administration to add industry representatives to the task force to enrich the discussion.

Now, members of the Slow Fashion Caucus have penned a letter to Biden with a similar request.

The caucus, established in June by representatives Chellie Pingree (D-Maine), Marie Gluesenkamp Perez (D-Washington) and Sydney Kamlager-Dove (D-California), works to create policy that will reduce negative environmental impacts from the fashion and textile industries while also promoting better labor conditions.

Glusenkamp Perez did not sign the letter, but representatives Jerrold Nadler (D-NY), Jared Huffman (D-CA), Kathy Castor (D-FL) and Jill Tokuda (D-HI) joined Kamlager-Dove and Pingree in calling the Biden administration to action.

The signatories said that, in order to continue Biden's work on climate change in a meaningful way, his administration should consider involving a wider swath of stakeholders.

"This complex issue requires representatives from across government and private sector industries to create an appropriate mix of policy and initiatives to ensure we are all doing everything we can to address this 21st century challenge," they wrote. "Unbeknownst to many, fashion and textile-related industries are a fundamental missing piece to many of these conversations. We encourage you to include representatives from the textile and fashion industries in this new task force."

The representatives also noted that the U.S. “lags sorely behind many other nations in sustainable textile policy, both in regulations and incentives.” By adding industry voices to the table, they asserted, the country has a chance to “capture the nascent promise” of sustainable fashion, in turn boosting the economy and adding jobs domestically.

According to consulting firm McKinsey, the global fashion industry produced about 4 percent of greenhouse gas emissions in 2018. Other estimates say that number may now be as high as 8 percent. That in mind, the representatives said, leaders need to consider how to help curb the sector’s emissions.

“As an industry, fashion has the capacity to drastically reduce its emissions. As a leader in global trade, we seek to engage with you and your team on designing robust policies to catalyze the sustainability of the fashion industry,” they wrote.

But even as government officials push the administration to give the industry a seat on the task force, it’s possible it could still be iced out.

Politically InFashion, the policy-centric group that catalyzed industry leaders to pen a May letter to President Biden, has already heard from the administration that it does not plan to involve industry leaders directly on the task force.

“We did hear back from the White House, and we were told that they are this task force is going to be just government agency members. There was not going to be private sector representation, but they were willing to engage, and very much interested in engaging with the industry on these issues, so we were very pleased with that,” Politically InFashion’s founder, Hilary Jochmans, told Sourcing Journal.

Sheng Lu, professor of fashion and apparel studies at the University of Delaware, said his recent research with the U.S. Fashion Industry Association (USFIA) showed that the industry has legislation at the top of their list. The study, published in July, showed that seven in 10 leaders in fashion and apparel have plans to allocate more resources to tracking regulation in the sustainability and compliance areas.

That, he said, shows that companies in the sector have a particular interest in the kinds of concerns that the task force would be addressing.

"In other words, fashion companies see trade policy's importance and great potential in supporting their sustainable sourcing efforts," Lu told Sourcing Journal. "Given the complexity and global nature of today's textile and apparel supply chains, it is essential that policymakers collaborate with the textile and apparel sector to develop policy tools that can meaningfully promote sustainability and effectively address climate change."

He said one example of the type of policy that could be influenced if the Biden administration brought fashion to the table is enforcement of the Uyghur Forced Labor Prevention Act (UFLPA), which prohibits any goods made, wholly or in part, in China's Xinjiang Uyghur Autonomous Region from entering the U.S. The Department of Homeland Security (DHS) said last month that it will continue to tighten enforcement.

However, fashion and textile industry experts have some concerns about how strict enforcement could impact processes like textile recycling. If companies send mixed-waste garments to a recycler outside of the United States, they face scrutiny over whether the recycled fibers will be allowed back into the country, because they cannot prove the origin of every garment collected, particularly when they accept consumer waste shipped into the U.S. prior to the UFLPA going into effect.

"While fashion companies are interested in using more recycled textile materials in their products, ambiguity surrounding the enforcement of the UFLPA on recycled cotton remains a key concern," Lu explained. "We need more channels, including the White House Task Force on Climate and Trade, through which the textile and apparel sector can directly provide valuable input on developing high-quality and effective climate and trade policies."

Jochmans said other issues of interest to the industry include the de minimis provision, how labor is legislated when it comes to trade, tariffs and tax incentives. She said, in some cases, these issues dictate where the future of the industry might be headed.

"Some [other] issues you can kind of say, 'Well, there's tangential relation to the fashion industry.' No, these are issues directly on point to the industry and how they how they operate," she said. "We need somebody that the administration has in place that can look at all these issues in a holistic way—at the 30,000-foot level, and not so siloed—because the industry is impacted by so many different public policy issues, and it's so important to see how it's all connected."

That same sentiment in mind, some industry players have put their support behind the letter from the caucus.

American Circular Textiles (ACT), is among the list of industry groups and companies that have backed the Slow Fashion Caucus and its recent request to Biden. The group's CEO, Rachel Kibbe, said fashion cannot continue to be passed over in the policymaking process.

"For too long the textile reuse and recycling sectors have been left off the menu on the national sustainability agenda… These companies, with operations throughout the country, have a large national employment and economic presence with robust manufacturing potential," Kibbe said in a statement. "Without federal action, we will continue to fall behind other nations that are already capturing the circular textile opportunity. Having a seat at the table in the…task force would ensure the opportunities of our sector don't continue to be overlooked."

Source: sourcingjournal.com– Aug 15, 2024

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Global cotton market sees price decline over past month

All major cotton benchmarks experienced a decline over the past month. The December NY/ICE futures contract fell below 70 cents per pound in mid-July, marking the first time it has dropped below this level since November 2020. The A Index also decreased, dipping below 80 cents per pound for the first time since December 2020.

China's Cotton Index (CC Index 3128B) fell below 100 cents per pound in June and continued declining in July, reaching 93 cents per pound. Domestic prices in China dropped to 14,700 RMB per ton, with the RMB strengthening against the dollar from 7.28 to 7.17 RMB/USD, Cotton Incorporated said in its Monthly Economic Letter- Cotton Market Fundamentals & Price Outlook - August 2024.

In India, spot prices for Shankar-6 quality cotton decreased slightly from 88 to 86 cents per pound, with domestic prices falling from ₹58,000 to ₹56,500 per candy. The INR remained stable at around ₹84 per USD.

Pakistani spot prices declined from 80 to 76 cents per pound, with domestic prices dropping from 18,300 to 17,400 PKR per maund. The PKR held steady at around 279 PKR/USD.

Source: fibre2fashion.com– Aug 14, 2024

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Crisis in Bangladesh: A turning point for global apparel supply chains

The gas crisis, along with the political turmoil in Bangladesh, including the stepping down of Prime Minister Sheikh Hasina, has created uncertainty that is further straining the industry and economy. This instability has disrupted not only the overall industry but also the textiles and apparel sector, and it is likely to push international buyers to consider alternative sourcing destinations, potentially adopting a ‘Bangladesh-plus-one’ strategy.

This shift could lead to a significant loss of market share for Bangladesh's ready-made garments (RMG) sector. The countries that are major import partners of Bangladesh include the US, the UK, Germany, Canada, France, Spain, Italy, Belgium, Denmark, and Australia.

Many of these countries are also investors in Bangladesh's apparel industry. The countries that have heavily invested in Bangladesh's apparel industry, such as the US, Germany, the UK, and Canada, are seriously considering sourcing products from other Asian nations, such as Vietnam, India, and Sri Lanka.

The ready-made garment (RMG) sector of Bangladesh has been the cornerstone of the country’s economy. The industry's contribution to Bangladesh's GDP is significant, with estimates suggesting that it accounts for around 18 per cent of the country's total GDP and was growing at a rate of about 6 per cent, according to IMF data. The official estimate for Bangladesh's GDP was $1.429 trillion at the end of 2023 in purchasing power parity terms.

The industry that has made a crucial contribution to rebuilding the country and its economy is none other than the RMG industry, which is now the single biggest export earner for Bangladesh. The country's apparel exports in 2023 reached a staggering figure of $47.5 billion, accounting for over 86 per cent of the total export earnings from the textiles and apparel industry combined.

More than 290,000 registered manufacturing units employ 4.22 million workers in the RMG industry, with strong female participation (41 per cent), according to estimates, which has grown at a rate of about 7 per cent over the years.

Bangladesh remains the second-largest RMG supplier to the world after China. The countries that are lagging include Vietnam, Germany, Italy, and India.

Source: fibre2fashion.com– Aug 14, 2024

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Bangladesh: ‘Irrelevant Now’: BGMEA President Kochi to Be Phased Out Amid Leadership Struggle

The acting president of Bangladesh’s apex trade group will not be “acting” for much longer.

Not that anyone is supposed to notice, according to a Bangladesh Garment Manufacturers and Exporters Association (BGMEA) board member who was not authorized to speak on behalf of the organization, which represents the owners of 4,500 apparel-producing factories.

Instead, SM Mannan Kochi, its current president, will be gradually phased out in favor of vice president Khandokar Rafiqul Islam, who has been serving in Kochi’s stead during the latter’s absence from the country, ostensibly to seek medical treatment for his son.

But Kochi, who also served as general secretary of the Dhaka City North arm of the Awami League, recently ousted prime minister Sheikh Hasina’s formerly ruling party, has also been caught in the violent backlash against members of the collapsed government, which has been replaced by interim leadership ahead of new elections.

The student leaders whose initially peaceful protests against quotas in government positions quickly spiraled into a massive uprising for democratic reforms have petitioned—and, in many cases, won—the resignations of high-profile authorities close to Hasina, including Bangladesh’s chief justice and central bank governor. Nearly 30 Awami League members and their family members have also been found dead, sometimes covered with burns, in vandalized and looted homes and businesses, local media reported last week.

Kochi did not respond to a request for comment.

“He’s irrelevant now,” the source said when asked about Kochi’s whereabouts. “The acting president is taking over. In a couple of weeks, no one will remember.”

The fact that Muhammad Yunus, the Nobel Peace Prize laureate who is helming the caretaker government, met with a BGMEA delegation helmed by Islam on Wednesday is also “an acknowledgment” of the acting president’s role as leader of Bangladesh’s garment industry, an economic tentpole responsible for more than 85 percent of the country's $55 billion in annual exports, the person said.

But a change in the BGMEA's top job may not be enough for a vocal subset of the organization's members who have been clamoring for the resignation of the entire board, the appointment of an interim "non-political" board and a fresh round of elections.

The BGMEA and the previous regime have been "colluding" for more than a decade, said Kalpona Akter, founder and executive director of the Bangladesh Center for Workers Solidarity and a former garment worker. Many of Hasina's ministers were garment factory owners themselves, which frequently blurred the line between business and politics.

Akter said that this "mafia" used all of its power to suppress workers' concerns about freedom of association, the insufficiency of the minimum wage and factory safety—both before and after the 2013 collapse of Rana Plaza, which killed 1,134 garment workers and injured and maimed thousands more just outside the capital of Dhaka.

"They used the power of the industrial police and local goons from the Awami League to threaten workers, beat workers, to force them to leave factories," Akter said. "This was very, very common. It was extraordinary how we were treated. We didn't have the voice to say anything, write a social media post or have a meeting because we'd get a call from BGMEA officials or security intelligence."

Faisal Samad, the Savartex Group managing director and former BGMEA vice president who led a 100-strong group of members and other individuals to demand the dissolution of its board last week, said he's not a political person.

Samad, whose Forum faction ran against Kochi's Sammilito Parishad in March, claimed that vote rigging through the use of fake members was responsible for the latter's clean sweep of directorship positions. He conceded the election, he said, because of the "political environment of the country," though he later filed a complaint with the Bangladeshi High Court, which asked the BGMEA to check the voter roll against valid tax IDs.

"But the attorney general of Bangladesh at the time—he's just resigned—went and stood before the High Court and stayed the case," Samad said.

"So it was like, 'Are you kidding me?' I mean, the attorney general of the country of Bangladesh goes and stands for a case like this. It was very political because he's a political guy, right?"

His biggest grouse with the current leadership, however, boils down to the sense of direction that he and other members say has been missing since its inauguration in April, denting Bangladesh's reputation as the world's second-largest garment exporter after China.

This isn't mere conjecture, Samad said. Garment exports from the country to the United States, its No. 1 destination, have seen a year-over-year decline of 11 percent to $3.4 billion in the first half of 2024, according to the U.S. Department of Commerce's Office of Textiles and Apparel. A July benchmarking study from the U.S. Fashion Industry Association also found that only 48 percent of American brands and retailers planned to increase their sourcing from Bangladesh over the next two years, down from 58 percent in 2022.

"For the U.S. market, Bangladesh is not a plus-one country; China plus one is India, not Bangladesh—why is that?" Samad said. "Over the last five months, there's been no work done for the industry, no strategy. The new president or the board did not even call us to talk. With all our experience, we could have helped him to formulate some good policies for the industry. It can't be short-term only."

Other members have accused Kochi of opening fire at student demonstrators in early August. Samad said that he was disappointed that the BGMEA has painted the dissenters as a "mob" that is trying to make a "hostile takeover." Contrary to a statement from Islam, no fists have been thrown, he added.

Miran Ali, vice president of the BGMEA and managing director of the Bitopi Group and Tarasima Apparels said that the present board plans to serve out the rest of its term.

"The BGMEA received a letter from some members complaining about a number of things, and we will respond to them in due course," he said. "In the meantime, Khandokar Rafiqul Islam, the acting president, will remain the acting president indefinitely. He is fully in control and has restarted all normal functions of the BGMEA."

At his meeting with the BGMEA, Yunus told office-holders that they must send a “clear signal” that they won’t “mix business with politics,” the Dhaka Tribune quoted him as saying. “It does not help any cause.”

Mostafiz Uddin, managing director of Denim Expert, encouraged the sector’s leaders to seize control of the narrative through “proactive engagement” that assures international fashion buyers that Bangladesh remains a reliable partner.

“The BGMEA must now play a pivotal role in guiding the industry through these turbulent times,” Uddin said. “Internally, it must foster unity within the industry, addressing any internal conflicts swiftly and privately to present a cohesive front. Externally, the BGMEA should actively engage with global stakeholders, reassuring them of the industry’s stability and advocating for continued support.”

For Sheng Lu, the University of Delaware fashion and apparel studies professor who helped author the benchmarking report, however, the main concern with sourcing from Bangladesh is the high social compliance risk, something that looms especially large with existing and forthcoming mandatory due-diligence legislation, including from the European Union.

“Any further ‘drama’ in Bangladesh could only make U.S. fashion companies even more cautious about sourcing from the country or have to take additional measures to mitigate the sourcing risks,” he said.

Source: sourcingjournal.com– Aug 14, 2024

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NATIONAL NEWS

Tiranga Yatra ' commenced under the leadership of KVIC Chairman under ' HarGharTiranga ' campaign

Khadi and Village Industries Commission (KVIC), Ministry of Micro, Small and Medium Enterprises (MSME), Government of India presided over the flag hoisting ceremony at Central Office, Vile Parle, Mumbai on the occasion of 78th Independence Day. On this occasion, officers and employees of KVIC Mumbai organized Tiranga Yatra under the leadership of Chairman KVIC. Chairman KVIC also inauguratedrecently renovated ' Mahatma Hall ' in the premises.On this occasion, prize distribution programme were also organized along with cultural programme.

Addressing the flag hoisting ceremony, Chairman KVIC Shri Manoj Kumar extended greetings on 78th Independence Day to all the officers and employees present in the premises as well as Khadi workers, spinners, weavers and entrepreneurs associated with Khadi activities across the country. In his address, he said that the Khadi tricolor is not just a piece of cloth, it is a symbol of the sacrifice, struggle and dreams of those countless revolutionaries of the freedom struggle who liberated India from the atrocities of the British rule.

He further said that the dream of our fighters who sacrificed their lives in the freedom movement is being fulfilled today under the leadership of Prime Minister Shri Narendra Modi. In the last 10 years, the legacy of revered Bapu’s Khadi, has become the guarantee of a developed India. Congratulating the officers and employees of KVIC, he said that the first time in the history of Independent India, under the leadership of Prime Minister Shri Narendra Modi and guidance of the MSME Ministry, the turnover of Khadi and Village Industries has crossed the figure of 1 lakh 55 thousand crores.

In his address, KVIC Chairman Shri Manoj Kumar said that in the Amrit Kaal of Independence, KVIC has taken the legacy of Father of the Nation, Mahatma Gandhi, Khadi, to new heights with the brand power of Prime Minister Shri Narendra Modi. To take the Government of India 's 'Har Ghar Tiranga Abhiyan' to every household, KVIC ran 'Har Ghar Tiranga , Har Ghar Khadi' campaign across the country , which has had a wide impact. KVIC Chairman said that in the last 10 years, with the brand power of the Prime Minister, the sale of Khadi and Village Industry products has increased five times and production has increased four times. For the first time, 10.17 lakh new jobs have been created in this sector .

On this occasion, a Tiranga Yatra took place by the Central Office of Khadi Village Industries Commission located at Irla in which local residents along with officers and employees of KVIC participated.

On the occasion of Independence Day, artists and KVIC employees performed patriotic songs at the Central Headquarters. During thisprogramme, the second edition of the Rajbhasha Visheshank was also released by KVIC Chairman Shri Manoj Kumar and the winners of the annual sports competition were also felicitated. KVIC officers and employees were present in the program.

Source: pib.gov.in– Aug 15, 2024

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India wants improvement in trade with Bangladesh, says Commerce Secretary

Disruptions in India's trade with Bangladesh have been largely addressed and the government is hoping for full restoration of exports and imports as soon as possible, Commerce Secretary Sunil Barthwal has said.

"We are monitoring the trade which is happening across the borders and we feel that whatever disruptions were there, they have been largely addressed. We also believe that that there should be improvement in trade. Whatever best efforts we can make for improving trade, we should do that and we are doing that," Barthwal said at a media briefing on Wednesday.

The borders between India and Bangladesh, which had stopped functioning last week after ousted Bangladesh Prime Minister Sheikh Hasina fled to India amidst widespread violence in her country, have subsequently opened, another official said.

"The border posts have now opened and trucks are moving between the two countries," the official told businessline.

India has robust trade and economic relations with Bangladesh which is its biggest trade partner in South Asia. Its exports to Bangladesh in 2023-24 were valued at $11.1 billion, while imports were lower at $1.8 billion. Several Indian companies in sectors such as garments, FMCG, automobiles and personal care products, are operating in Bangladesh and are worried about how things pan out in the country.

On August 5, Hasina left her country after anti-government protestors converged in Dhaka. She took refuge in India temporarily and is in negotiations with some other countries for asylum.

An interim government headed by Nobel laureate Muhammad Yunus is now in charge in Bangladesh. India is now in touch with the interim government in Bangladesh to ensure the safety and security of the Indian community and Hindus in the country, according to the Ministry of External Affairs.

Source: thehindubusinessline.com– Aug 15, 2024

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Bangladesh turmoil: Govt, garment exporters weigh opportunities for India

Textile Ministry has held preliminary discussions with industry players on the possible implications of the Bangladesh political crisis on Indian apparel and textile exports. The focus of these discussions was on how Indian exporters could gain from a probable 'Bangladesh plus one' situation that could arise if foreign brands sourcing from the neighbouring country look for alternative sources, officials said.

Problems in scaling up capacities to meet the additional demand was the biggest concern highlighted by the industry in a meeting with Textiles Secretary Rachna Shah earlier this week on the Bangladesh situation, a source told businessline.

"India may not benefit immediately from Bangladesh's production loss due to the ongoing unrest because we don't have the capacity. It can't be augmented so fast. Only knit-wear producers, mainly in Tirupur, that manufacture on a per-piece basis and are in direct competition with Bangladesh, may gain to some extent. But the gains will be limited," the source said.

Bangladesh's garments industry, which accounted for exports worth $47 billion in 2022-23 making the country the second largest exporter of apparels after Vietnam, suffered a blow owing to violent anti-government protests in the country that resulted in factories shutting down. Tensions spiralled after former Prime Minister Sheikh Hasina abdicated her post and fled to India on August 5.

While things are now fast getting back to normal, at least in big cities such as Dhaka and Chittagong, after the interim government headed by Nobel laureate Muhammad Yunus took charge last week, there is a perception that big brands may not want to increase their sourcing from Bangladesh, especially if there is a delay in restoration of normalcy, the source pointed out.

"The US orders, quite likely will move to Vietnam, Pakistan and Sri Lanka, while some part of it could move to India as well. The European orders that Bangladesh catered to may move to different places depending on the item as right now there isn't enough capacity in India. Premium denim may move to Turkey or Portugal. Men and women's trousers, lowers and suits may move to countries like Morocco, Romania and Bulgaria. Lingerie may move to Sri Lanka," pointed out Mithileshwar Thakur, Secretary General, Apparel Export Promotion Council.

Thakur said that both the Indian industry and the government need to take steps for augmenting capacity. "Unless we do something big such as tweak policy and bring something on the table that will result in some extra benefits to producers to off set the cost disadvantages that we have compared to competitors, augmenting capacity would be difficult," he added.

The government expressed hopes that the seven Mega Integrated Textile Region and Apparel (PM MITRA) parks, that are to come up across the country with a total outlay of ₹4,445 crore, will change the scenario, but the industry was quick to point out that these would not come immediately, the source said. "The industry raised the issue of liberalising fabric import policy, particularly for MMF, so that imports from Bangladesh is made easy," the source said.

The need to expand capacities by moving to the hinterland where adequate labour is available, rather than wait for labour to come to the factories, was also discussed.

"There is a general feeling that while India could not capitalise on `China plus one' strategy of the West that gained momentum following Covid-19 disruptions, there is need to capitalise on `Bangladesh plus one' if the situation arises. Or it will be another case of missed opportunity," the source said.

Source: thehindubusinessline.com– Aug 15, 2024

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Choppy waters: On shrinking exports

Trade outlook warrants timely decisions on export support schemes

India's goods exports suffered a blip last month after three months of growth that had triggered hope of a notable recovery from a patchy 2023-24 performance. July's merchandise shipments' tally of just under $34 billion marks a 1.5% drop from 2023 levels, but is also the weakest number since November 2023 and the second worst since October 2022. Although 18 of India's top 30 export items clocked growth, including electronics (up 37.3%), readymade garments (11.8%) and handicrafts (13.2%), there was a significant drag from the rest.

Petroleum exports dropped 22.2%, while gems and jewellery fell 20.4%, chemicals slipped 12%, and curbs on some food exports continued to hurt. This was accompanied by a tangible 7.5% rise in the import bill, fuelled by a 17.4% surge in petroleum imports, and a significant rise in consumer demand-driven 'non-oil, non-gold' imports such as electronics, pulses and vegetable oils. Gold imports fell 10.7% in dollar terms, but have hovered in the $3 billion-$3.4 billion range since April. With the Union Budget slashing import duties, gold imports could spike further. Moreover, silver imports that have been rising exponentially, mainly due to concessional duties offered under a trade pact with the UAE, shot up almost 440% in July, and are almost 202% higher in the first four months of 2024-25.

Of course, the combination of shrinking exports and growing imports spiked the trade deficit by almost 24% to $23.5 billion — a nine month-peak. Further upside risks remain, especially with domestic demand expected to hold up relative to the global demand for India's exports. The Commerce Ministry still appears sanguine and believes India will surpass last year's record export tally, factoring in robust services exports. But the outlook is uncertain, with existing and fresh geopolitical disruptions (Bangladesh) repeatedly flaring up, and freight cost surges making some exports unviable.

A recent decline in commodity prices is another worry, especially with a decelerating Chinese economy, prompting its producers to flood global markets by undercutting prices. Global trade is expected to grow faster than 2023 but India must run harder to keep up, and actualise any gains. While the Centre's steps to tap new markets are laudable, it would do better to offer more certainty for exporters on the fate of official schemes to boost their competitiveness, before global festive orders come up for bidding. A duty remission scheme, RoDTEP, has been extended only till September 30, while an interest subsidy scheme lapsed in June for large players and ceases this month for smaller firms. Inter-ministerial parleys for their continuation and even expansion, must be expedited so that exporters have greater visibility over longer timelines to do their operational math rather than last-minute surprises.

Source: thehindu.com– Aug 16, 2024

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India's trade deficit widens YoY to $23.5 bn in July; exports down 1.4%

India's trade deficit widened to $23.50 billion on an annual basis in July from $19 billion in the same month last year, data from the Commerce Ministry showed on Wednesday. In June, the trade deficit was $20.98 billion.

Merchandise exports in July this year dipped by 1.4 per cent year-on-year to $33.98 billion while imports rose by 7.5 per cent to $57.48 billion. Merchandise exports and imports stood at $34.39 billion and $53.49 billion in June 2023, respectively.

Economists had expected the country's July trade deficit to be $21.35 billion, according to a Reuters poll.

"Our exports are holding on despite what is happening globally, reflected in substantial increase in engineering and electronics good exports," Trade Secretary Sunil Barthwal said.

"Monthly fluctuations in exports are largely impacted by crude oil prices." Services exports in July were $28.43 billion, while services imports were at $14.55 billion compared with $28.82 billion and $15.02 billion, respectively, in June.

Earlier, in June, merchandise exports rose by 2.6 per cent year-on-year to $35.2 billion while imports rose by 5 per cent to $56.18 billion. Merchandise exports and imports stood at $34.32 billion and $53.51 billion in the same month, respectively.

Commerce Minister Piyush Goyal recently expressed confidence in India's goods and services exports crossing $800 billion this fiscal despite global challenges.

Source: economictimes.com– Aug 14, 2024

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Apparel exports register 11.84% growth in July

Apparel exports continued to grow, registering an 11.84% year-on-year increase in July 2024. While textile exports last month remained almost the same at $ 1660.36 million as against $ 1663.06 million in July 2023, apparel exports were $ 1,277.2 million compared with $ 1,141.95 million last July.

The cumulative year-on-year growth of the textile and apparel sector in July 2024 was 4.73 % and for the April - July period, the total textile and apparel exports grew 4.24 % this year.

Imports continued to be a matter of concern for the industry, with yarn, fabric, and made-up imports registering a 5.30 % increase in April - July 2024 compared with April - July last year, according to the Confederation of Indian Textile Industry.

Source: thehindubusinessline.com– Aug 12, 2024

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Chinese investments will not benefit India

The Economic Survey 2024 suggested that India should welcome Chinese foreign direct investment (FDI) to boost manufacturing, increase exports, reduce imports from China, and strengthen our role in global value chains (GVC). Suppose India allows such investments — will the promised gains to manufacturing, exports, imports, and GVC actually happen?

Manufacturing: Let's understand the impact of Chinese investment on manufacturing with the example of Mr Yang (an imagined name), the CEO of a large Chinese firm making solar modules.

Mr Yang wants to manufacture solar modules in India and compares the costs at each production stage in China and India. The production process starts with obtaining quartz minerals and processing them into high-purity polysilicon ingots, which are then converted into polysilicon wafers. The wafers undergo chemical and laser treatments and silver etching to create solar cells, which are finally assembled into solar modules.

Mr Yang's analysis shows that starting production in India from raw materials, such as quartz minerals, would be at least 40 per cent more expensive than in China. This cost difference reduces to 25 per cent if he uses imported polysilicon wafers and decreases to 3 per cent if he uses solar cells imported from China.

Despite his interest in India, Mr Yang finds that producing solar modules from raw materials is too costly. He might consider starting from the wafer stage if India offers additional support, like land and capital at concessional rates. Otherwise, he would likely use imported solar cells to produce solar modules, as many Indian firms currently do. This is similar to India's smartphone sector, which relies on imported subassemblies, and the electric vehicle (EV) battery industry, which depends on imported lithium cells. Most manufacturing happens abroad in both cases, and more than 85 per cent of the components are imported.

The high-cost difference between India and China is partly due to India's higher cost of production inputs and China's subsidies for its firms. For example, in India, the capital cost for businesses is 9-10 per cent, compared to 4-5 per cent in China. Industrial electricity in India costs $0.08 to $0.10 per kWh, while in China, it's $0.06 to $0.08.

India has traditionally been strong in textiles, garments, leather, and footwear, mainly using local raw materials. However, the country is losing competitiveness to Bangladesh and Vietnam due to rising production costs and complex regulations. Producing goods in India from raw materials has also become unviable in many sectors because the Chinese government heavily supports local production. For example, Chinese solar companies get free land, electricity, interest-free loans, and subsidies covering 35-65 per cent of product costs. In comparison, firms making in India don't receive similar support, making it more expensive to produce goods from raw materials.
Without lowering production costs and simplifying regulations, foreign investment, including from China, can only result in superficial manufacturing that relies heavily on imports.

Exports: The Economic Survey 2024 mentioned Chinese FDI would strengthen the manufacturing sector and boost exports to the US and Europe, following the strategies of countries like Mexico, Vietnam, Taiwan, and Korea. However, this may not be easy.

In June this year, the US imposed import tariffs of up to 250 per cent on solar panels produced by Chinese companies in Cambodia, Malaysia, Thailand, and Vietnam. Then, in March, Donald Trump indicated he might escalate the trade war by targeting the Chinese auto industry, which is considering using Mexico as a gateway for car exports to America. Why would India's situation be any different?

Imports: The idea is if China manufactures products in India, our imports from China will decrease. However, this is unlikely because 30 per cent of India's industrial imports, including electronics, telecom, machinery, chemicals, plastics, and automobiles, come from China. Despite increasing domestic production in areas like mobile/smartphones, India's imports from China have also increased, particularly in electronics components, solar panels and EV batteries, exacerbating dependency.

While imports may decrease in some sectors where China starts production in India, they will likely continue to rise in thousands of other products. Even for products made in India by Chinese firms, imports may still increase, as these firms would prefer sourcing inputs from their parent companies in China to cut costs.

India's GVC integration struggles: Despite free trade agreements with Asean, Japan, and South Korea, facilitating zero-tariff trade across the region in over 90 per cent of industrial products for over a decade, India could not become a significant part of GVCs. To improve, India needs to reduce business costs and speed up port and Customs clearances.

Experience of neighbours: Many Asean countries are experiencing increased imports from China and adverse effects from the local presence of Chinese manufacturing firms. For instance, when Chinese EV firms began production in Thailand, orders for local auto parts fell by 40 per cent, forcing many local manufacturers to reduce their operations. The situation in India will be no different as it has similar EV policies.

Geopolitical strategy changes: India's participation in the Indo-Pacific Economic Framework and the Supply Chain Resilience Initiative with the US and other partners aims to reduce reliance on Chinese supply chains. Encouraging Chinese FDI would counteract these efforts to diversify away from China.

FDI has not helped manufacturing: In FY24, new FDI inflows were just $41 billion, less than 1 per cent of gross domestic product. Since March 2000, less than 20 per cent of FDI has gone into manufacturing, with most going into simple assembly work. This shows that foreign investments have never been strongly attracted to India's manufacturing sector due to high costs and complex regulations. Allowing FDI from China won't change this situation even after we ignore the security aspect, the most important parameter in deciding investments in strategic sectors.

We need to reduce business costs at every step, from start to port, and improve infrastructure and the ease of doing business. Without these changes, foreign investments will be limited and focus on basic assembly rather than deep manufacturing, increasing our dependence on China for critical supplies. Worse yet, investments may come to promote trading of Chinese goods or expanding presence of Chinese brands in India.

Above all, India needs a clear and stable China policy that outlines our medium- to long-term strategy on security, economic, and trade issues with China.

Source: business-standard.com– Aug 15, 2024

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Gautam Singhania sees great opportunity for Raymond and textiles industry in Bangladesh crisis

Gautam Singhania, Chairman & MD, Raymond, says the company has invested a lot of capex for capacity expansion, which has all just come online/ It is perfectly timed. They have the capacity to offer to customers who want to move from Bangladesh to India.

I must congratulate you for the kind of decisions the group has taken you first, under your leadership. They have been commendable.

Gautam Singhania: We had this whole vision of what we wanted to do and unfortunately, we had it pre-COVID. But COVID hit us very hard and business came to a grinding halt. We reduced our debt to zero by selling our FMCG business.

It was a good deal. It was the beginning of the realisation of the dream because as soon as we did that, we could announce the demerger of the lifestyle business. That should be over next month. Raymond has gone ex-lifestyle in July and now the regulatory process is on. That should create a lot of shareholder value. Yes, there are three different businesses now – real estate, engineering and auto, and lifestyle. We have also announced the demerger of the real estate business. So we will have a pure-play real estate company by next year.

The kind of bookings we have seen for Raymond Realty…

Gautam Singhania: There are two ways to look at it. We did not come from the real estate business, so we did not know the business and wrote our rule book. That rule book seems to be working for us. Today we have built one of the most formidable brands in the Bombay market.

We are delivering all our projects at least two years ahead of schedule. Our new project will be two years and six months ahead of schedule of RERA commitments. So, we have built a solid brand.

Even in Bandra, the bookings have been very strong. The reports that have come out show we are number one in terms of sales in Bandra and Thane. That is a heartening and rewarding feeling in a space with 25,000-30,000 developers.

How has the consumer's taste and preference towards clothing, and fashion been? How is the resilient Indian textile industry shaping up given the focus on Make in India now?

Gautam Singhania: I think the industry is shaping up well. It is labour intensive. India has 1.3 billion people and a large middle class. So there is large domestic consumption. The latest developments in Bangladesh will play into India's hands. India will have a great opportunity.

We just invested a lot of capex for capacity expansion, which has all just come online, and it is perfectly timed. So, we have the capacity to offer to customers who want to move from Bangladesh to India.

Everybody, when you are sitting in a boardroom in the US, you look to the east, and where do you go? India and China and people want to de-risk from China, so it is China plus one strategy. Our exports are going up. Make in India, domestic consumption, it is a great cocktail.

A lot of bilateral trade happened between India and Bangladesh also and the kind of numbers which are put forward is that maybe 25% of the Indians owned mills or factories set up in Bangladesh. They could relocate to India.

Gautam Singhania: We are not one of them, so we are very lucky.

Throughout these years, this transformational period that Raymond has gone into, what has been your biggest learnings or any mistakes that you were very open about talking about also?

Gautam Singhania: If you are going to have a 40-year career in business, you are always going to make mistakes. At every stage, you make mistakes. At every stage, you have learnings. And there is nothing wrong with making a mistake. It is always better to learn from the mistake.

If you ask me candidly, when I took ownership control of the company in 2016, we went around professionalising the company and we got it completely wrong. We made a lot of mistakes. We brought in a lot of advisors and to be honest, I took my eye off the ball.

Then COVID hit us and we faced a double whammy. But we are not going to make that mistake again. I am working 24x7, I am an active CEO, I am not taking my eye off the ball and I think we came out of the COVID mess with God's grace and today, the company is in a different zone. We have three businesses that are doing well.

We are creating shareholder value and nothing motivates like success. So, as you start succeeding, as you start winning, you want to win more. And today, with God's grace, the company is in a good space and I could not ask for more.

Source: economictimes.com– Aug 16, 2024

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