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Currency Watch			
USD	EUR	GBP	JPY
83.88	92.53	108.56	0.57

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INTERNATIONAL NEWS

Euro area's industrial production decreases 0.1% in June 2024

In June 2024, seasonally adjusted industrial production in the euro area saw a slight decrease of 0.1 per cent compared to May 2024, while in the European Union (EU), industrial production remained unchanged, according to first estimates from Eurostat, the statistical office of the EU. This follows a more significant decline in May 2024, where industrial production fell by 0.9 per cent in the euro area and by 1.2 per cent in the EU.

When compared with June 2023, industrial production in June 2024 experienced a notable decrease, dropping by 3.9 per cent in the euro area and by 3.2 per cent in the EU.

Within the euro area, certain categories of goods saw mixed results in June 2024 when compared to the previous month. Industrial production increased by 0.7 per cent for intermediate goods, by 1.9 per cent for energy, and by 3.8 per cent for durable consumer goods. However, there was a significant decrease of 2.5 per cent for non-durable consumer goods.

In the broader EU, the trends were similar, with industrial production increasing by 0.7 per cent for intermediate goods, by 1.4 per cent for energy, and by 3.2 per cent for durable consumer goods, while non-durable consumer goods saw a decrease of 2 per cent.

Among EU member states for which data are available, the largest monthly decreases in industrial production were recorded in Ireland, which saw a decline of 7.8 per cent, followed by Belgium with a decrease of 6.5 per cent, and both Croatia and Portugal, where production fell by 3.7 per cent. Conversely, the highest monthly increases were observed in Romania, which saw a 4 per cent rise, Finland with a 3.6 per cent increase, and Slovakia, where industrial production rose by 2.1 per cent.

On a year-on-year basis, industrial production in the euro area in June 2024 compared to June 2023 showed a mixed performance across different sectors. There was a 1.5 per cent decrease for intermediate goods, while energy production increased by 2.6 per cent. However, durable consumer goods fell by 2.1 per cent and non-durable consumer goods saw

a marginal increase of 0.1 per cent. In the EU, the year-on-year trends were similar, with industrial production decreasing by 1.2 per cent for intermediate goods and increasing by 2.6 per cent for energy. Durable consumer goods decreased by 2 per cent, while non-durable consumer goods saw a 0.9 per cent increase.

Among the EU member states, the largest annual decreases in industrial production were recorded in Ireland, which saw a sharp decline of 17.4 per cent, followed by Croatia with an 8.3 per cent decrease, and Latvia, where production fell by 5.5 per cent. On the other hand, the highest annual increases were observed in Greece, where industrial production rose by 9.5 per cent, Cyprus with an 8.8 per cent increase, and Malta, where production increased by 6.3 per cent.

Source: fibre2fashion.com– Aug 17, 2024

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USITC recommends remedies post probe into fine denier PSF imports

The US International Trade Commission (USITC) recently announced remedy recommendations in its global safeguard investigation regarding imports of fine denier polyester staple fibre (PSF) that it will forward to President Joe Biden.

The president will make the final decision concerning whether to provide relief to the US industry and the type and amount of relief.

The recommendations include a four-year period of relief, a tariff-rate quota to be imposed on imports of fine denier polyester staple fibre from all countries covered by their affirmative injury determination, and a quantitative restriction to be set at zero in the first year of relief—increasing by a million pounds in each subsequent year over the duration of the safeguard—to be imposed on imports of fine denier polyester staple fibre entered as a temporary import under bond (TIB).

The action follows the Commission's July 9 determination that fine denier polyester staple fibre is being imported into the United States in such increased quantities as to be a substantial cause of serious injury to the domestic industry producing an article like or directly competitive with the imported article.

The Commission will forward its report, which will contain its injury determination, remedy recommendations, certain additional findings, and the basis for them, to the president by August 26, an USITC release said.

Source: fibre2fashion.com– Aug 17, 2024

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46th ITMF report on Textile Machinery Shipment trends

Global shipments of textile machinery saw mixed results in 2023, according to the 46th annual International Textile Machinery Shipment Statistics (ITMSS) report by the International Textile Manufacturers Federation (ITMF). While some segments experienced growth, others faced significant declines. The report, which includes data from over 200 textile machinery manufacturers worldwide, highlights key trends across spinning, draw-texturing, weaving, knitting, and finishing machinery.

Spinning machinery: Mixed regional performance

The spinning machinery segment saw varying performances in 2023. Global shipments of short-staple spindles increased by 155,000 units, reaching a total of 9.78 million. The majority of these shipments (85 per cent) were destined for Asia & Oceania, where deliveries remained stable compared to 2022. However, shipments to Europe (including Turkiye) and North and Central America dropped by 13 per cent and 27 per cent, respectively. In contrast, Africa and South America saw substantial growth, with shipments to Africa rising by 120 per cent and to South America by 140 per cent. Egypt emerged as the largest recipient in Africa, accounting for 85 per cent of the region's deliveries.

In the open-end rotor category, shipments declined by 17 per cent, totaling 1 million units. Asia & Oceania continued to dominate, receiving 85 per cent of global shipments, although deliveries in the region dropped by 19 per cent. China, India, and Turkiye remained the top investors, despite facing declines. Notably, Brazil and Mexico bucked the trend with increases of 20 per cent and 46 per cent, respectively.

Long-staple (wool) spindle shipments increased by 5 per cent, driven by higher deliveries to Europe and South America. China, Turkiye, and Iran were the primary recipients, with China alone receiving 31 per cent of the total shipments.

Texturing machinery: Declines across the board

The draw-texturing machinery segment experienced a sharp downturn in 2023. Global shipments of single heater draw-texturing spindles, used mainly for polyamide filaments, plummeted by 33 per cent to 43,000 units. Asia & Oceania continued to dominate this market, receiving 97 per cent of shipments, with China being the largest investor.

Similarly, shipments of double heater draw-texturing spindles, primarily used for polyester filaments, fell by 27 per cent to 550,000 units. Asia maintained its lead with a 97 per cent share of global shipments, with China accounting for 91 per cent.

Weaving machinery: A significant surge

The weaving machinery segment recorded significant growth, particularly in the shuttle-less loom category. Global shipments surged by 52to 171,000 units.

The increase was driven by strong demand for air-jet and water-jet looms, which saw growth of 34 per cent and 96 per cent, respectively. Asia & Oceania remained the top destination, receiving 96 per cent of all shuttle-less looms. China was the largest investor in air-jet and water-jet looms, while India led in rapier-and-projectile looms.
Knitting machinery: Stronggrowth in circular and flat knitting

The knitting machinery segment also witnessed robust growth in 2023. Global shipments of large circular knitting machines rose by 17 per cent to 33,000 units. Asia & Oceania, and particularly China, dominated the market, with China alone accounting for 63 per cent of all deliveries—a remarkable 86 per cent increase from 2022. India and Turkiye followed as the second and third-largest markets.

The flat knitting machinery category saw an even more significant rise, with shipments increasing by 61 per cent to 177,000 machines. Again, Asia & Oceania was the leading region, receiving 92 per cent of global shipments, with China maintaining its position as the top investor.
Finishing machinery: Stability with mixed results

In the finishing segment, the overall number of deliveries remained stable. The "fabrics continuous" category saw a 3 per cent increase in stenters shipments, while other machines in this category reported mixed results, ranging from a 42 per cent decrease for relax dryers/tumblers to a 103 per cent increase for bleaching lines.

In the "fabrics discontinuous" segment, shipments of jigger/beam dyeing and air jet dyeing machines declined by 8 per cent and 0.3 per cent, respectively, while overflow dyeing machines saw a 4.2 per cent increase in deliveries.

The ITMSS report for 2023 paints a varied picture of the global textile machinery industry, with strong growth in some areas, particularly weaving and knitting, while other segments such as draw-texturing and open-end rotors face significant challenges.

Asia and Oceania continue to dominate as the leading destination for textile machinery, particularly China, which remains a critical market across multiple categories.

Source: fashionatingworld.com– Aug 16, 2024

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Poland's foreign trade turnover declines in Jan-June 2024

Poland's foreign trade turnover in the first half (H1) of 2024 witnessed a decline in both exports and imports, according to data from Statistics Poland. From January to June 2024, the value of exports at current prices amounted to Polish zloty (PLN) 752 billion (approximately $188.4 billion), marking a 10.2 per cent decrease compared to the same period in 2023. Imports, on the other hand, totalled PLN 732 billion (approximately $183.4 billion), down 9.1 per cent year-on-year.

Despite the overall decline in trade, Poland recorded a positive trade balance of PLN 20 billion ($5 billion), though this was lower than the PLN 31.7 billion ($7.4 billion) surplus seen in the same period last year. When expressed in euros, exports stood at €173.9 billion, with imports at €169.3 billion, resulting in a positive balance of €4.6 billion, compared to €6.8 billion in the first half of 2023.

The majority of Poland's trade was conducted with developed countries, which accounted for 86.4 per cent of exports and 66.6 per cent of imports. The European Union (EU) alone comprised 74 per cent of exports and 54.4 per cent of imports. However, trade with Central and Eastern Europe represented a smaller share, with 5.1 per cent of exports and 2.1 per cent of imports, slightly higher than in the same period of 2023, as per Statistics Poland.

The data also highlighted a negative trade balance with developing countries, amounting to PLN 165.6 billion. Conversely, Poland maintained a positive trade balance with developed countries at PLN 162.7 billion, of which PLN 158.3 billion was with EU countries. Trade with Central and Eastern Europe also contributed positively, with a balance of PLN 22.9 billion.

Among Poland's major trade partners, exports to most countries decreased compared to the first half of 2023, except for Ukraine and the UK, which saw increases of 4.6 per cent and 0.4 per cent, respectively. On the import side, only the US recorded an increase, with imports rising by 9.4 per cent.

Trade with Poland's top ten partners accounted for 66.3 per cent of total exports and 61.2 per cent of total imports. Germany remained Poland's largest trade partner, though its share in exports decreased by 1.3

percentage points to 26.9 per cent, and its share in imports slightly fell to 19.9 per cent. The trade balance with Germany stood at PLN 57 billion, down from PLN 75.2 billion in the first half of 2023.

Source: fibre2fashion.com– Aug 17, 2024

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Industry Leaders Grapple With Economic Pressures, AI and Sustainability, New Kearney Survey Highlights

While fashion industry executives are still "extremely concerned" about perennial issues—such as inflation and the prospect of a recession, labor and product costs, drafting effective direct-to-consumer strategies and the future of DTC retail—they are also wrestling with a host of more contemporary issues, including the impact of AI, sustainability and the trajectory of consumer change in China, according to a survey of 1,000 industry leaders conducted by Kearney, a global professional services firm, in association with Sourcing Journal sister publication WWD.

The survey results will be presented during a webinar titled, "Inside the Minds of Today's Fashion Industry Leaders." The webinar, to be held Sept. 10, will be led by Kearney partner and WWD Global Impact Council member Brian Ehrig, Kearney's global head of fashion and luxury.

Ehrig will be joined by Vincent Barbat and Nora Kleinewillinghoefer, who run Kearney's European and Americas practices, and who will share their perspectives informed by their client work and conversations. The discussion will be moderated by WWD's executive editor of strategic content Arthur Zaczkiewicz.

"Inside the Minds of Today's Fashion Industry Leaders" will showcase areas industry executives see as "essential" for their own companies. Survey results showed that while 49 percent of respondents identified consumer trends and insights as their number-one area for improvement, together, the primary AI applications were seen as essential by 69 percent of those polled.

Kearney also took an in-depth look at the future of sustainability spending and found that 85 percent of respondents plan on maintaining or increasing their current sustainability spending levels over the next six to 12 months.

The survey revealed that 48 percent of those polled said the number of brick-and-mortar store locations will remain the same in the next 12 months, with 38 percent expecting to add physical retail stores.

Some of the questions the webinar will address include:

• What can fashion companies do to counteract inflationary pressures?

• Will consumers spend more or less in the back half of 2024?

• What are the most urgent improvement areas fashion companies need to make progress in?

• When will the Chinese consumer market return to normal?

To register for the event, **CLICK HERE**.

Source: fibre2fashion.com– Aug 15, 2024

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Global Sourcing Expo 2024 brings 900+ exhibitors to Melbourne

The highly anticipated Global Sourcing Expo will open its doors at the Melbourne Convention and Exhibition Centre from 19-21 November 2024, bringing with it over 900 exhibitors from 20 countries, including India, Vietnam, Türkiye, Pakistan, Bangladesh, South Korea, Taiwan, Hong Kong, Cambodia, Brazil, Indonesia, Fiji, Nepal and others.

"The Expo is designed to expand the sourcing opportunities and industry insights on offer to local designers, retailers and importers," comments Marie Kinsella, CEO, International Expo Group, organisers of the Global Sourcing Expo. "Over 85% of our 2023 Expo visitors reported that they successfully connected with new suppliers or manufacturers at last year's shows. This is testament to the quality of the Expo exhibitors."

Spotlight on the Footwear & Accessories Show

The Expo is focused not only on apparel, homeware and textiles, but also on the footwear segment, with the co-located Footwear & Accessories Show offering visitors the opportunity to explore an extensive collection of high-quality footwear brands and products from Türkiye, India, Brazil, China, Vietnam and Indonesia – to mention a few. With items on show ranging from leather boots and sandals to fashion-forward sneakers and trendy heels, as well as an array of accessories, visitors will be able to research, examine samples and source with ease.

"This Show brings the world of footwear products to our doorstep, making it easy to explore a range of high-quality products from around the globe, all under one roof. It's the must-attend event for anyone looking to diversify their footwear inventory or expand their footwear design and manufacturing capabilities," adds Marie.

Making the right connections

Several participating trade associations and groups are confirmed for the upcoming Melbourne Expo, including Swyan Udyogi Nari, an NGO of Women Entrepreneurs of Kolkata, the Handloom Export Promotion Council India, the Export Promotion Council of Handicrafts of India, the Taiwan Textile Federation, the Textile Clothing and Footwear Council of Fiji, the Vietnam Apparel and Textile Association – and more. "These

associations are key players in their markets and supply chains, promoting the vibrancy of their sectors through advocacy, accreditation and education, providing guidance to their members. They also serve as a link between stakeholders and governments," says Marie. "They offer essential connections for Expo visitors, especially for brands starting on their sourcing journey, and wanting certainty, credibility and guidance."

In addition, visitors can look forward to hundreds of exhibitors, from 20 countries, showcasing a wide range of apparel, footwear, textiles and homeware products. "This is a fantastic opportunity to discover new trends and connect with over 900 manufacturers and suppliers from around the world. It's easy to place orders directly with these suppliers, saving time and money," adds Marie.

Sharing insider knowledge

Rounding out the Expo's offering is the Global Sourcing Seminar series – an education program spanning the three event days. It features an exciting lineup of presentations and panel discussions, facilitated by some of Australia's leaders in fashion and sourcing, including Patty Huntington (Features and Fashion News Director of Harper's BAZAAR Australia), Paul Zahra (CEO, Australian Retailers Association), Professor Alice Payne (Dean of the School of Fashion & Textiles, RMIT University) and Jude Kingston (Director, Mind Your Fashion) – to name a few.

With sessions focused on new regulations, AI and marketing, traceability and sustainability as well as supply chain management, these seminars will offer invaluable insights. "This year's seminars filled with fresh content, will put attendees at the forefront of the latest trends, developments and regulations in sourcing and fashion, providing them with actionable strategies for success," says Marie.

Source: fibre2fashion.com– Aug 16, 2024

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Uncertainty remains heightened in Bangladesh amid political transition: Fitch

The fall of Bangladesh's Awami League government, after protests in July and August, raises uncertainty about the sovereign's credit profile, said American credit rating agency Fitch Ratings.

Downward pressure on Bangladesh's rating could increase if the political transition faces challenges, including prolonged political violence, or leads to policy paralysis and exacerbates fiscal or external stresses, it said.

Fitch downgraded Bangladesh's rating to 'B+'/Stable, from 'BB-'/Negative, in May 2024, which reflected sustained weakening of the country's external buffers, leaving the country more vulnerable to external shocks.

"We believed that this weakening would be challenging to reverse, despite reforms under an IMF-backed programme, including a shift towards greater exchange-rate flexibility."

Fitch believes the protests are likely to affect economic metrics in the current quarter, hurting growth and tax revenue collection, as well as pushing up consumer price inflation, which reached 11.7 percent year-on-year in July 2024.

There is also likely to be an impact on readymade garment (RMG) exports and remittance inflows, Bangladesh's two key sources of foreign earnings. "At this stage, we assume these effects to be temporary, and that political stability is restored and sustained," the agency said.

The appointment of an interim government on August 8 appears to have eased the immediate political instability, but Bangladesh's society remains highly polarised and the longer-term political direction uncertain, it said.

A roughly 11 percent recovery in the Dhaka Stock Exchange's DSEX Index between end-July and August 13 signals moderate investor confidence in the interim administration, suggesting large-scale capital flight is a low risk for now.

However, confidence could weaken if the ongoing transition does not go smoothly and adverse economic effects could mount.

"The timing of prospective elections remains unclear. Deciding this, and subsequently holding elections, could raise political risk."

Furthermore, political gridlock remains a possibility following such elections, as the diverse range of political actors - the somewhat weakened Awami League, the Bangladesh National Party, the other main party, the student movement that led the recent protests, the military and Islamist groups – compete for power.

Another risk is that foreign firms could scale back RMG orders or source from other markets, which could add to external pressures, it said.

"We stated in May that increased external vulnerability, for example, due to a marked decline in foreign-exchange reserves or other liquidity buffers, could lead to negative rating action."
Reserves at end-June, before the protests, stood at $21.8 billion - an estimated four months of import cover. This is higher than the $18.4 billion in May when Fitch completed its rating assessment.

Moreover, near-term debt repayment pressures should be moderate.

The public sector's external debt service due in 2025 is about $4.3 billion, of which $1.5 billion is bilateral debt and $2.2 billion is owed to multilaterals.

"We expect financing from these official creditors to continue under our baseline, supporting external debt servicing capacity. Nonetheless, future reserves data will be a key metric to analyse the impact of the ongoing political transition on external liquidity strains," Fitch said.

If the interim or next government were to backtrack on the previous government's recent commitment to greater exchange-rate flexibility in a bid to shore up near-term macroeconomic stability, intervention to support the taka could add to pressure on reserves, the agency said.

"However, we believe this risk to be contained."

"We also assume that the interim government, as well as its successor, will adhere to the broad policy commitments under Bangladesh's IMF programme, but significant political instability or gridlock could complicate programme adherence," it said.

Significant slippage on key programme targets like fiscal metrics and exchange-rate liberalisation could jeopardise Bangladesh's access to IMF and other multilateral funding support, further weakening its external position and increasing the risk of negative sovereign rating action, the American agency said.

Source: thedailystar.net– Aug 16, 2024

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Pakistan: Textile and clothing exports shrink in July

Textile and clothing exports contracted by 3.09 per cent in the first month of FY25, indicating that the sector may struggle to compete with regional rivals due to the implementation of harsh taxation measures in the current fiscal year.

The exports rebounded significantly in May, growing by double digits after slowing in the previous two months.

Textile and clothing exports have stayed the same in the last two years despite having a $25 billion installed capacity. According to textile exporters, exports from the same sectors have been static for the past two years due to structural issues.

In absolute terms, the textile and clothing exports fell to $1.27bn in July from $1.31bn over the corresponding month of last year. On a month-on-month basis, exports dipped 10.13pc.

The government has introduced various measures, including increasing the tax rate on exporters' personal income in 2024-25. The impact of these measures will be visible in the coming months.

The PBS data showed exports of readymade garments rose 7.57pc by value in July and 8.47pc by quantity, while knitwear dipped 1.88pc by value and 6.37pc by quantity. Bedwear posted a negative growth of 1.20pc in value and a growth of 4.07pc in quantity.

Towel exports dipped 3.67pc in value and 2pc in quantity in July, whereas cotton cloth went down by 0.56pc in value and 4.72pc in quantity, respectively.

Yarn exports dipped by over 42.54pc in July over the same month last year. The exports of made-up articles, excluding towels, declined by 5.84pc, and tents, canvas and tarpaulin went up by 14.22pc in July from a year ago.

The import of synthetic fibre posted a negative growth of 33.23pc in July and that of synthetic and artificial silk yarn by 17.68pc.

However, other textile items increased by 53.20pc during the year under review. The import of raw cotton declined by 20.60pc in July. However, the import of second-hand clothes posted a growth of 13.47pc. In July, total exports increased by 11.75pc to $2.31bn, up from $2.06bn in the same month last year.

Oil imports

Oil imports increased by 60pc to $1.26bn in July from $0.791bn a year ago. The imports of petroleum products surged 39.94pc in value and 36.89pc in quantity. Crude oil imports increased by 626pc in quantity while the value increased by 687pc.

Mobile phones

Mobile phone imports dipped 5.30pc in July, representing the largest share of overall machinery. Other mobile apparatus grew 69.45pc during the month under review.

The decrease in mobile phone imports will be a significant development in the government's efforts to secure foreign exchange for the country.

Source: dawn.com– Aug 16, 2024

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Pakistan: Big industry output contracts in FY24

The Large-Scale Manufacturing (LSM) sector contracted 0.03 per cent in 2023-24 against a 0.92pc growth in the preceding year, showed data released by the Pakistan Bureau of Statistics on Friday.

The LSM had grown positively since December 2023 to May this year before entering negative territory in June. The contraction in FY24 was due to domestic and global challenges.

Textile, non-metallic mineral products, iron and steel products, automobiles, and tobacco were the primary contributors to the LSM downturn in FY24. However, some export-oriented industries, such as textiles, furniture, leather, and football, witnessed higher output during the same period.

LSM in June shrank 0.03pc compared to a massive contraction of 17.66pc in June 2023.

The food group expanded by 1.73pc in FY24, compared to a contraction of 7.05pc in FY23. Cooking oil, tea blended, starch-related items and sugar baking products and chocolates all experienced a rise of 13.20pc, 8.82pc, 0.65pc and 1.3pc, respectively.

Key sectors remain plagued by high input costs, low demand

Wheat and rice milling production declined by 0.82pc while vegetable ghee production fell by 4.14pc. Wheat and rice milling fell substantially less during the period under review, owing primarily to improved crop harvests. Furthermore, despite decreased output and delays in beginning sugarcane crushing, sugar production rose marginally during this period.

The textile sector fell 5.23pc in FY24, compared to an 18.70pc contraction the previous year. Cotton yarn has declined by 8.07pc, while cotton cloth has decreased by 5.34pc, accounting for more than 80pc of the textile sector. The primary cause of reduced production was a drop in export unit value in the face of weak external demand for textiles and increased competition from China.

Furthermore, higher power prices following the elimination of energy subsidies for export-oriented sectors, the high cost of imported raw materials, the phase out of the Export Finance Scheme, and high loan rates were all key factors influencing textile output.

Coke and Petroleum products recorded a growth of 9.81pc in FY24 against a contraction of 13.39pc in the same period last year. Diesel oil increased 14.71pc, petrol 7.99pc, furnace oil 20.19pc and LPG 4.19pc. However, jet fuel declined 7.9pc and kerosene declined 10.96pc.

Growth of the automobile sector plunged by 25.03pc in FY24 against a contraction of 50.01pc in FY23. Import restrictions on completely knocked down (CKD) and semi knocked down (SKD) automobile kits have further reduced automobile production during the period under review.

The automotive industry grapples with many challenges, including a decline in demand, exacerbated by factors such as rising car prices due to inflation and currency fluctuations. Moreover, non-enticing auto financing options offered by banks further dampen consumer interest.

Iron and steel production declined 4.42pc in FY24 compared to a 5.12pc fall the previous year. Billets/ingots, mostly consumed in the construction industry, experienced a 7.94pc decline. Similarly, H/C.R. sheets/strips/coils/plates grew adversely by 2.51pc.

Source: dawn.com– Aug 16, 2024

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NATIONAL NEWS

Bangladesh crisis, a risk or an opportunity for India's textile industry?

Highlights

- India and Bangladesh compete in international market for ready made garments
- The political unrest in Bangladesh could thwart India's cotton yarn exports and apparel imports to the region
- The question is whether India can race past Bangladesh in international trade for RMGs
- Bangladesh ranks No.2 after China in global RMG market, India ranks seventh
- India has the benefit of being an integrated textile player
- However, government measures to work on FTAs with the UK and EU are key
- India's textile industry too needs to get proactive and work on building cost efficient and scalable capacities

The immediate concern is what will happen to India's cotton yarn exports? After a woeful period through the pandemic, cotton spinners had just begun seeing an uptick in yarn exports, of which about 44 percent was to Bangladesh (May 2024, CMIE). Note that Bangladesh is the second largest textile exporter in the world (about 7 percent of total textile trade), after China (32 percent). But it sources a lot of its cotton yarn and fabric from India's mills.

Therefore, any disruptions in economic activity that could impact the production or movement of goods, is likely to hit Bangladesh's textile exports. In turn, Indian spinning sector will face hiccups in the near-term, if the situation doesn't return to normalcy soon.

At the same time, India's apparel imports from Bangladesh have fallen in the past few months as the unrest took its toll on factory output. Industry veterans state that a further decline in imports is anticipated. This could impact the delivery of goods for India's upcoming festival. Will this mean better times for domestic RMG makers and retailers?

Besides, some of India's large textile companies have operations in Bangladesh as it has been a low-cost manufacturer with sophisticated technology. Such garment makers or spinning mills will certainly face trouble given the lawlessness in the region.

However, there are some long term gains that could accrue to Indian garment and yarn exporters due to suppliers' shifting away from the troubled country. A report by Care Edge Ratings states that Bangladesh's share in global RMG trade has consistently risen between calendar year (CY) 2015 and 2023 (8 percent of global trade). This came at the expense of China, which still dominates global trade with over 30 percent share. India ranks seventh in RMG trade (4 percent) but its share has been improving in recent quarters.

The timing is opportune for India's textile makers to grab market share. Apart from the crisis in Bangladesh, the Indian government has already been making efforts to enter into free trade agreements with developed countries such as the United Kingdom, where imports from Bangladesh have an import duty edge over India (at present).

According to CareEdge Ratings "India has its presence across the textile value chain from fibre to garment, unlike Bangladesh which is largely dependent on the import of yarn and fabric. Government initiatives such as PM Mega Integrated Textile Region and Apparel (PM MITRA) park, Production Linked Incentive (PLI) scheme, and free trade agreements (FTAs) with key export markets, are designed to enhance textile exports." Besides, the 'China+1' theme has been picking up across the globe with some of the big brands shifting away from China too.

These factors collectively position India as a strong alternative for global brands seeking reliable garment supplies.

That said, India's RMG sector is fragmented, which implies that large retailers may find it hard to find exporters that match their requirements. Further, financial wherewithal of the sum of total parts in the value chain has been a concern, with the smaller mills in spinning or weaving facing labour and credit issues in times of distress. These hurdles make it challenging for the Indian industry to invest in upgradation of technology that is important in fashion RMG.

So, while the opportunity is knocking at India's doorstep, only time will tell whether the textile industry and government collectively push the country higher in the pecking order of global retailers. Indeed, the speed with which India can navigate through this opportunity is key in as much as how soon Bangladesh returns to normalcy.

Source: moneycontrol.com– Aug 16, 2024

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Can India capitalize on 'Bangladesh Plus One'?

The turmoil in Bangladesh may open up a higher growth opportunity for Indian textiles on the world stage, according to experts and Indian textile companies. Bangladesh, the second-biggest exporter of textiles after China, might now struggle to keep this going.

At the same time, it won't be a straightforward swap, as India will have to increase its capacity and also compete with other countries in the so-called 'Bangladesh-plus-one' drive.

According to data from export-import data provider EximPedia, the global clothing industry was valued at over $1.5 trillion in 2022. China led the pecking order with $182 billion of exports, followed by Bangladesh with $45 billion. India, at $18 billion of textile exports, stood fifth, with Vietnam and Turkey also ranked higher.

"The (Bangladesh) situation presents a promising medium-term opportunity for India's garment sector as global brands might look to diversify from Bangladesh," said Kulin Lalbhai, vice chairman of Arvind Ltd.

Bharat Birla, director at Anand Rathi Investment Banking, believes that if the crisis continues, India can expect a 10-15% gain in the short to medium term on garment exports.

Apparel manufacturer Gokaldas Exports Ltd, too, said in its June quarter investor presentation that buyers are seeking alternate production bases outside China, creating opportunities for major Asian suppliers like India. According to Prerna Jhunjhunwala, vice president and research analyst for textiles and retail at Elara Capital, global customers may not fully replace Bangladesh or find alternative capacity immediately, but they might still look for alternatives to avoid large additional business with the crisis-struck nation to reduce further dependence.

The shift in orders to India could spark growth in cities with strong textile manufacturing hubs.

According to Birla, cities like Surat in Gujarat, Tiruppur in Tamil Nadu, Ilkal in Karnataka, and Chanderi in Madhya Pradesh stand to gain as they

are well-positioned to absorb displaced orders thanks to their deep-rooted expertise in the textile industry.

"Whenever there is a political or any kind of uncertainty, people think of shifting to a stable market like us," Amit Agarwal, chief financial officer of Raymond, told Mint recently. “Previously, global brands had our fabric sent to Bangladesh for stitching. So now a portion of that can easily come to us very quickly."

That said, the big question is about scalability to meet global demand.

Can India replace Bangladesh?

Market participants believe India will need to invest in expanding its garment manufacturing capabilities to take advantage of the turmoil in its eastern neighbour.

Lalbhai said that measures like a potential free trade agreement (FTA) with Europe and production-linked incentives for cotton-based garments could speed up capacity expansion in India.

Some note that setting up a new plant or facility and scaling up to the required level roughly takes around three to five years, and that makes it challenging to achieve an immediate boost in capacity.

Additionally, boosting capacity to meet demand might result in higher overall production costs.

The wider belief is that if the issues in Bangladesh persist, India may gain by adding capacity. This would allow for longer-term gains, as customers would look to diversify from Bangladesh.

“It is our belief that the situation in Bangladesh is not expected to normalize for at least a span of six to eight months until the conclusion of the next general elections, which are required to be conducted within 90 days of dissolution of the government," said Birla of Anand Rathi Investment Banking.

Jhunjhunwala of Elara Capital believes that, in the long run, India could enhance its market share as global brands seek to lessen their reliance on Bangladesh.

However, she added that India isn't the only option for global companies. “Customers will also explore near-shoring options like Latin America and Mexico along with Asian suppliers like India, Vietnam, Cambodia, Sri Lanka and Indonesia, among others."

India-Bangladesh trade

India maintains substantial trade ties with Bangladesh, particularly in textiles and apparel, both as an importer and exporter of products and raw materials.

According to data from the deparment of commerce, India's exports to Bangladesh fell 9.41% from $12.21 billion in FY23 to $11.06 billion in FY24. Imports, too, fell 8.73% from $2.02 billion in FY23 to $1.84 billion in FY24.

Bangladesh has also become a key manufacturing hub for many Indian textile firms.

With ongoing uncertainties because of the turmoil in Bangladesh, Indian companies operating there might face production slowdowns or shortages, pushing them to explore alternative manufacturing options.

As a matter of fact, Indian yarn and fabric suppliers to Bangladesh might face some short-term payment delays, according to Jhunjhunwala of Elara Capital.

Neeraj Jain, joint managing director of Vardhman Textiles Ltd, said in its recent earnings call on 1 August that, as of now, there is no impact on the demand. “But unless it is resolved or it continues for a long period, then there could be a concern. But as of now, there doesn't seem to be an issue."

Source: livemint.com– Aug 17, 2024

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Government simplifies cross-border share swaps

The government on Friday permitted cross border share swaps. Also, it has harmonised the definition of Start-Up Company in Foreign Exchange Management rules, beside allowing 100 per cent Foreign Direct Investment (FDI) in white level ATM.

These changes are result of FY 2024-25 Union Budget announcement, where Finance Minister Nirmala Sitharaman talked about simplifying rules and regulations for Foreign Direct Investment and Overseas Investment.

Accordingly, Foreign Exchange Management (Non-debt Instruments) Rules, 2019 have been amended. "The amendments aim to simplify cross-border share swaps and provide for the issue or transfer of Indian company equity instruments in exchange for foreign company equity instruments," a statement by the Finance Ministry said. Further it mentioned that such a move will facilitate the global expansion of Indian companies through mergers, acquisitions, and other strategic initiatives, enabling them to reach new markets and grow their presence worldwide.

Downstream investments

The notification prescribed that transfer of equity instruments of an Indian company between a person resident in India and a person resident outside India might be by way of swap of equity instruments, in compliance with the rules prescribed by the Central Government and the regulations specified by the Reserve Bank from time to time. It could also be done through swap of equity capital of a foreign company in compliance with the rules prescribed by the Central Government including the Foreign Exchange Management, (Overseas Investment) Rules, 2022, and the regulations specified by the Reserve Bank from time to time. In all these cases "prior Government approval shall be obtained for transfer in all cases wherever Government approval is applicable," the notification said.

It also said that an Indian company might issue equity instruments to a person resident outside India against swap of equity instruments or import of capital goods or machinery or equipment (excluding second hand machinery) or through pre-operative or pre-incorporation expenses (including payments of rent, etc.)

Another key change brings further clarity on the treatment of downstream investments made by Overseas Citizen of India (OCI)-owned entities on a non-repatriation basis, aligning it with the treatment of Non-Resident Indian (NRI)-owned entities.

Harmonised definition of control

The notification harmonised the definition of control with the Companies Act and Takeover Code. “The much-awaited synchronisation of the definition of control across key regulations would ensure consistent interpretation by different regulators and lead to seamless transactions,” said Mayank Arora, Director- Regulatory, Nangia Andersen India.

In terms of start-ups the latest DPIIT notification raised the turnover threshold for being a start-up increased to ₹100 crore from ₹25 crore. Further, under the latest DPIIT notification start-ups would continue to be recognised as such for a period up to 10 years from incorporation. Now, with this alignment of the definition of start-up with latest DPIIT notification provides clarity on the status of start-ups for the purposes of FDI into India and would make such start-ups more attractive for foreign investor.

Source: thehindubusinessline.com– Aug 16, 2024

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Woes of MSMEs remain unaddressed

Recently, Arvind Panagariya, the Chairman of the Finance Commission, expressed his view that employment challenge is on account of the country not being able to generate employment in labour-intensive sectors.

The transition from agriculture to other sectors is slow in India. Besides, unlike other countries, the labour force in India is shifting from agriculture to services sector, rather than to manufacturing sector, the principal hub of jobs in other emerging/developing countries.

Indian manufacturing sector is characterised by the existence of a large informal sector, which operates with low capital. Despite this, these small manufacturing units, provide employment to a large section of population. But historically in India, unorganised sector, on an average, flared a lower growth of total factor productivity as compared to organised manufacturing sector.

Hence, higher growth is witnessed in capital-intensive industries rather than labour-intensive industries, despite the latter's employment generation potential.

This is also reflected in the low share of labour intensive goods in India's export basket where India's competes with countries like Bangladesh and Vietnam. So, the right strategy would have been to concentrate on labour intensive manufacturing. But this has not happened in the past. Majority of the policy level reform initiatives focus on organised sector manufacturing. For example, PLI scheme is largely focused on capital intensive industries.

MSMEs and jobs

MSMEs are the backbone of labour intensive industries. According to PLFS 2022-23 data, 74.3 per cent of workers in non-agricultural sector are engaged in the informal sector. The contribution of the Micro, Small and Medium Enterprises (MSMEs) sector to overall GVA was 26.8 per cent in FY21 and its contribution to the manufacturing sector's GVA is 36 per cent (Economic Survey 2022-23).

MSME performance is dismal; they suffer from limited and costly access to finance. India's MSMEs tend to remain as MSMEs unlike in other countries where they mature into large companies.

MSMEs often struggle to secure financing from traditional banks due to stringent lending criteria and a complex regulatory framework. Even when financing is available, the interest rates are very high. High cost of capital plagues MSMEs in India, affecting profitability, and hence, financial viability.

GST burden

Moreover, GST is an added burden on the financial stress faced by the MSMEs. For instance, a study on New Zealand, suggests that nearly 60 per cent of the compliance costs of the GST fell on MSMEs. The benefit by these businesses is felt only over a long period of time if those firms survive.

In case of India, it is often found that MSMEs lack access to finance for working or fixed capital.

Thus, if GST indirectly leads to delay in receiving payments from their customers or receiving refunds from government in respect of input credit resulting from submission of GST returns, it would be fatal for the MSMEs.

MSMEs often pay GST even if there is no receipt from the client — to avoid penal charges and other complications. To do so, MSMEs need to block a part of their working capital, which an MSME is always short of.

The GST system's efficacy depends on the timely compliance of all players in the chain, even from the government if it is a vendor. Of course, this lacuna also applies to medium and large firms, but because of their financial capacity, this is not a serious concern for them.

The Budget announced credit relief for MSMEs through a number of schemes. But these are not focused on changing the regulatory framework which can provide better access to credit, and reduce compliance cost of GST.

Source: thehindubusinessline.com– Aug 15, 2024

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Tiruppur knitwear exports rise by Rs 400 cr

TIRUPPUR: Knitwear exports from Tiruppur increased by Rs 400 crore in the quarter ending July, said A Sakthivel, in-charge of the Apparel Export Promotion Council (Southern Region), on Friday. Speaking to TNIE, Sakthivel said, "India's apparel exports grew by 13.8 % in July. Exports from Tiruppur rose to around Rs 400 crore. Tiruppur's exports to the USA, Australia, Korea, Japan and Europe are on the rise."

Bangladesh plays a prominent role in apparel exports in the international market. However, India or Tiruppur will not benefit from the current political situation in the country. There is no chance of orders in large numbers coming to India or Tiruppur, he said. "Bangladesh has 11 % duty-free in the Free Trade Agreement (FTA). But we don't have that. So there is a difference in the rate of export orders coming to Bangladesh and Tiruppur. Only urgent orders are likely to arrive. Our prices will be high.

However, to resolve this, we are talking about making FTA's. A FTA between India and the UK will be signed soon and it will boost Tiruppur's growth."

A media release issued by Sakthivel stated, "India's apparel exports in April - July stood at $ 5.13 billion. In INR terms, it is Rs 42,800 crore. This is an average growth of 7.6 %. Compared to July 2023, exports increased by Rs 1400 crore to Rs 10,677 crore."

KM Subramanian, president of Tiruppur Exporters' Association, said, "In 2023, Tiurppur's export was Rs 33,500 crore. We expect up to Rs 40,000 crore this year. At least 10 % growth is certain."

Source: newindianexpress.com– Aug 17, 2024

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