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Exporting Excellence 70 Years & Beyond

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USD	EUR	GBP	JPY
84.72	89.20	107.76	0.57

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INTERNATIONAL NEWS

UK retail sales fall 3.3% YoY in November 2024: BRC

The UK's total retail sales decreased by 3.3 per cent year on year (YoY) in November 2024, a sharp contrast to the 2.6 per cent growth recorded in November 2023. This decline was below the three-month average growth of -0.1 per cent and the 12-month average growth of 0.5 per cent.

Non-Food sales painted a bleaker picture, declining 2.1 per cent YoY over the three months to November, compared to a 1.6 per cent decline in November 2023. Despite this, the decline was marginally better than the 12-month average drop of 2.2 per cent. For the month of November, non-food sales remained in YoY decline.

In-store non-food sales over the three months to November dropped 2.2 per cent YoY, reversing the 2.2 per cent increase seen in November 2023, though this was still better than the 12-month average decline of 2.5 per cent.

Meanwhile, online non-food sales experienced a significant drop, falling 10.3 per cent YoY in November, a stark contrast to the average decline of 2.1 per cent recorded in November 2023. This decline outpaced the three-month average decrease of 1.7 per cent and the 12-month average fall of 1.5 per cent, according to BRC.

The online penetration rate for non-food items decreased to 40.6 per cent in November, down from 41.4 per cent in November 2023, though it remained above the 12-month average of 36.4 per cent.

Helen Dickinson, chief executive at the BRC, said: “While it was undoubtedly a bad start to the festive season, the poor spending figures were primarily down to the movement of Black Friday into the December figures this year.

Even so, low consumer confidence and rising energy bills have clearly dented non-food spending. Spending on fashion was particularly weak as households delayed purchases of new winter clothing, while health spending was boosted by the season’s arrival of coughs and colds.”

Dickinson further added “Retailers will be hoping that seasonal spending is delayed not diminished and that customers get spending in the remaining weeks running up to Christmas. If not, retailers will be feeling the squeeze from both sides as reduced revenues are met with huge additional costs next year. The Budget, as well as the introduction of new packaging levies, will cost retailers over £7 billion extra next year. How effectively the government works the industry to mitigate these costs will determine the extent of price rises and job losses in the future.”

Linda Ellett, UK head of consumer, retail and leisure, KPMG, said: “Along with the cold snap at the end of the month, retail sales also went into minus numbers for November. While the majority of November’s data tells a disappointing tale for the retail sector, this reporting didn’t include Black Friday week, so the hope for retailers is that consumers were being savvy shoppers and that the promotional push in the last days of the month saw held-back consumer spend materialise and mitigate what is otherwise a disappointing month. If not, then we may see some retailers launching Christmas sales early.”

Source: fibre2fashion.com– Dec 04, 2024

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Brazilian cotton prices see upward trend in November

In November, cotton prices in Brazil experienced a significant increase, driven by firm seller quotations and robust purchasing interest for high-quality batches at the month's end. This rise was further supported by global market trends, as per the Centre for Advanced Studies on Applied Economics (CEPEA).

Between October 31 and November 29, the CEPEA/ESALQ cotton index (payment in 8 days) rose by 3.35 per cent, closing at BRL 4.0654 (~$0.67) per pound on November 29.

The market dynamics were influenced by both domestic and international demands, as traders prioritised fulfilling term contracts as the year draws to a close. Despite this focus, there were still active negotiations to address immediate supply needs.

On the export front, Brazil reported a shipment of 215.4 thousand tons of cotton over 14 producing days in November, marking a 15.1 per cent decrease compared to November 2023. However, the daily average export volume saw a significant 21.3 per cent increase from the previous year, suggesting a potential total export volume of 292.3 thousand tons by the end of the month if the trend continues, CEPEA said in its latest fortnightly report on the Brazilian cotton market.

Looking ahead to the 2024-25 season, National Supply Company (CONAB) forecasts a slight increase in cotton production by 1.06 per cent to a record 3.704 million tons. This optimistic outlook is supported by a projected expansion in cultivation area and a modest rise in productivity.

Additionally, cotton consumption within Brazil is expected to increase, with projections indicating a 1.43 per cent rise from October 2024 and a 2.16 per cent increase from the previous year. Exports are also set to grow, enhancing Brazil's position in the global cotton market.

Source: fibre2fashion.com– Dec 04, 2024

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Turkish Nov manufacturing biz conditions challenging; demand improves

Despite business conditions remaining challenging in the Turkish manufacturing sector during November, there were signs of improvements in demand over the month, according to S&P Global Ratings.

Both output and new orders moderated to lesser extents, while employment returned to growth.

Firms were helped by a further easing of inflationary pressures, with output prices increasing at the softest pace since December 2019.

At 48.3, the headline Istanbul Chamber of Industry Turkiye manufacturing purchasing managers' index (PMI) posted below the 50 mark for the eighth month in a row in November.

The reading was up from October's 45.8 and pointed to the least marked moderation of business conditions since May. This rise reflected tentative signs of demand improvement midway through the final quarter of the year.

Although firms continued to face challenges securing new business, rates of moderation in both total new orders and new export business eased from October, the rating agency said in a release.

Similarly, production was scaled back to a much lesser extent in November, with the latest easing of output the least marked since April.

The PMI survey noted a renewed increase in employment, ending a nine-month period of moderation. Although slight, the pace of job creation was the sharpest since July 2023.

Manufacturers were helped to some extent by waning inflationary pressures. The rate of input cost inflation eased for the fourth consecutive month and was at a two-year low. Where input prices increased, this was linked to higher raw material costs and currency weakness.

The pace at which firms increased their output prices also softened and was the slowest in almost five years.

Input buying and stocks of purchases moderated, but to lesser degrees than in October. In contrast, stocks of finished goods were scaled back to the largest extent since December 2021.

Surveyed firms indicated a second consecutive monthly lengthening of suppliers' delivery times, which was sometimes linked to geopolitical tensions, S&P Global Ratings added.

Source: fibre2fashion.com– Dec 05, 2024

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South Africa's textiles imports rise 11.3% in Jan-Oct 2024

South Africa's imports of textiles and textile articles (under chapters 50-63) totalled 55,322.8 million rand (~$3,050.70 million) between January and October 2024, according to preliminary data released by the South African Revenue Service in October 2024. This marks an 11.3 per cent increase compared to the same period last year.

Official merchandise trade statistics reveal that during the same period in 2023, the country imported textiles and textile articles worth 49,686.4 million rand. South Africa continues to be a net importer in this product segment.

Exports of textiles and related products edged up by 1.0 per cent, amounting to 19,147.1 million rand (~$1,055.85 million) in the first ten months of 2024, compared to 18,959.8 million rand during the corresponding period in 2023.

In October 2024, South Africa's textile and textile article imports stood at 6,997.2 million rand (~$385.85 million), reflecting a 24.3 per cent increase over the imports of 5,627.1 million rand in the previous month, September 2024.

The country's exports under the same chapters rose by 24.7 per cent to 2,322.3 million rand (~$128.05 million) in October 2024, up from 1,862.9 million rand in September 2024.

These trade figures suggest high growth in October 2024, in contrast to the slower growth seen in the trade in September 2024. South Africa's imports and exports of textile products have shown growth both in the latest month and cumulatively from January to October 2024.

Source: fibre2fashion.com– Dec 05, 2024

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International Istanbul Yarn Fair 2025: A global hub for innovation and trade

The International Istanbul Yarn Fair, organized by Tuyap Fair & Exhibition Group, will return from February 26-28, 2025, at the Tuyap Fair Convention and Congress Center. Recognized as a vital platform for the yarn and textile industry, the event will host over 500 exhibitors and attract more than 20,000 visitors from around the world.

Following the success of its 2024 edition, which featured 490 exhibitors and welcomed 15,267 visitors from 87 countries, including Germany, Italy, China, and Russia, the 2025 fair aims to surpass these figures. The previous event facilitated numerous high-value trade agreements, solidifying its reputation as a key driver of industry growth.

The 2025 fair will cover 50,000 square meters across eight halls, emphasizing sustainability and innovation. Leading companies such as Sanko Holding, SASA Polyester, and AKSA Akrilik have confirmed their participation, promising a diverse showcase of cutting-edge yarn products and trends.

Professional buyers and decision-makers will have the chance to explore innovative yarn varieties and engage in networking opportunities. This global gathering is not only a marketplace but also a space for knowledge exchange and trend forecasting, making it an essential event for industry stakeholders.

With an expanded exhibitor lineup and increased visitor targets, the International Istanbul Yarn Fair is poised to set new records and further cement its status as a premier event in the global yarn and textile industry.

Source: fashionatingworld.com– Dec 04, 2024

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Industry 5.0: Weaving a New Future for Textiles

The global textile industry, is on the cusp of a transformation driven by Industry 5.0. This new era of industrialization goes beyond the automation and data exchange of Industry 4.0, focusing on the collaboration between humans and machines to achieve enhanced efficiency, sustainability, and personalized customer experiences.

Boosting profits

Table: Global implementation

Country/ Region	Company	Industry 5.0 implementation	Impact
Japan	Shima Seiki	AI-powered knitting machines that produce customized garments on demand	Reduced lead times, minimized waste, increased customer satisfaction
Germany	Adidas	Robotic arms and AI algorithms used in its Speedfactory to produce customized footwear	Faster production, reduced labor costs, increased flexibility
Italy	Santoni	Cobots assist human workers in the production of high-end knitwear	Improved efficiency, enhanced product quality, reduced worker fatigue
USA	Levi Strauss & Co.	Laser finishing technology used to create unique denim washes	Reduced water and chemical usage, increased design possibilities
Denmark	ECCO Leather	AI-powered leather cutting system optimizes material usage	Minimized waste, reduced costs, improved sustainability

Industry 5.0 promises to unlock new levels of profits for textile manufacturers with increased efficiency as advanced robotics, AI-powered predictive maintenance, and real-time data analysis optimize production processes, reducing downtime and waste. It will also help in mass personalization. Collaborative robots (cobots) working alongside human artisans enable the creation of highly customized products at scale, catering to individual customer preferences.

Industry 5.0 technologies also facilitate the use of recycled materials, reduce energy consumption, and minimize waste, leading to cost savings and a smaller environmental footprint. Meanwhile AI-driven virtual try-ons, personalized recommendations, and faster delivery times improve customer satisfaction and drive sales.

Several factors are giving a push to the adoption of Industry 5.0 in the textile sector. First and foremost is growing consumer demand for customization that reflects their individual style and needs. Growing awareness about the environmental impact of textile production too is pushing companies to adopt sustainable practices. Labor shortage is also a driving factor. The textile industry faces a shortage of skilled workers, making automation and human-machine collaboration essential. And the development of affordable and user-friendly cobots, AI algorithms, and IoT devices is making Industry 5.0 solutions more accessible.

And there are examples galore across the globe of companies adopting Industry 5.0 in their processes. For example, Shima Seiki, a leading Japanese manufacturer of knitting machines, has embraced Industry 5.0 by incorporating AI and robotics into its production processes. Its SDS-ONE APEX series design system uses AI algorithms to generate knitting programs based on 2D designs, enabling the production of complex and customized garments with minimal human intervention. This has resulted in significant reductions in lead times and waste, while also allowing for the creation of highly personalized products.

Industry 5.0 is poised to revolutionize the textile industry, creating a more sustainable, efficient, and customer-centric manufacturing landscape. Companies that embrace these technologies will be well-positioned to thrive in the years to come.

Source: fashionatingworld.com– Dec 04, 2024

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Vietnam's manufacturing sees slower rises in output, new orders in Nov

The Vietnamese manufacturing sector expanded in November this year, but overall business conditions improved to a lesser extent than in October, according to S&P Global.

Slower rises in output and new orders were recorded, with the latter affected by export weakness.

Meanwhile, employment continued to fall amid cost cutting efforts, resulting in a continued accumulation of outstanding business, the rating agency said in a release.

Input costs increased, but relatively modestly, with output prices rising slightly in response.

The S&P Global Vietnam manufacturing purchasing managers' index (PMI) remained above the 50 no-change mark in November and signalled a second consecutive monthly improvement in business conditions following the contraction caused by Typhoon Yagi in September.

At 50.8, however, the reading was down from 51.2 in October and pointed to only a modest strengthening in the health of the sector.

Manufacturing output increased for the second month in a row, but at a slower pace than in October.

Some Vietnamese firms raised production in response to higher new orders, but others reported that demand was relatively muted, leading to the slowdown in growth.

Although total new orders increased amid signs of improving demand and the securing of new customers, weakness in international demand undermined overall growth.

New business from abroad solidly decreased in November following a slight rise in the previous month, with exports down to the largest extent since July 2023.

While output and new orders continued to rise, albeit at weaker rates, employment decreased for the second month running in November.

In some cases, firms lowered staffing levels to help reduce costs. With workforce numbers down, firms again found it difficult to complete orders on time. As a result, backlogs of work increased for the sixth month running, albeit at the slowest pace since June.

Efforts made by firms to limit costs meant that input prices increased at a slightly slower pace in November, and one that was weaker than the average for 2024 so far. Where input prices did rise, it was linked to supply shortages and currency weakness.

Similarly, output prices increased only slightly in November, with the rate of inflation broadly in line with that seen in the previous month.

Manufacturers continued to face lengthening suppliers' delivery times midway through the final quarter of the year. Lead times were extended for the third month in a row, and to a greater degree than was the case in October.

Respondents signalled transportation issues and difficulties for suppliers to source raw materials. At the same time, firms reduced their purchasing activity for the second time in the past three months, following a slight increase in October.

So stocks of purchases decreased again, and at a marked pace. Stocks of finished goods were also down as inventories were used to help meet order requirements. The solid depletion was the most marked since July.

Business confidence ticked down for the second month running and was the lowest since January. Manufacturers remained optimistic that output will rise over the coming year, however, with expectations linked to plans for new product launches and business expansions, plus rising new orders.

Source: fibre2fashion.com– Dec 04, 2024

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Pakistan cotton arrival down 33% to 5.1 mn bales till November

Pakistan has received a total of 5.190 million bales as of November 30 this year. This figure is 33.05 per cent lower than the 7.753 million bales recorded during the same period last season. The country managed to bridge the gap in cotton arrivals after better arrivals in the later months of this season. Initially, its cotton arrival was 59 per cent lower until September 2024 compared to the same period of the previous year.

According to data released by the Pakistan Cotton Ginners Association (PCGA), 5.190 million bales have arrived at various ginneries across the country up to November 30 in the current 2024-25 marketing season (August to July). This decline stands in stark contrast to the robust crop seen in the 2023-24 season.

High temperatures during the early months (June and July) damaged crops in Punjab and Sindh, the main cotton-producing provinces in the country. The subsequent heavy and unusual rains caused crop diseases such as whitefly and pink bollworm, resulting in significant losses. However, relatively better weather in the later months of the current season boosted cotton production.

Cotton arrivals began in July 2024, as they did in the previous year. However, the pace of arrivals was notably slower during the initial months of the current season. According to the PCGA, a provincial breakdown shows that Sindh recorded cotton arrivals of 2.731 million bales up to November 30, 2024, which is 32.01 per cent lower than the 4.016 million bales reported by November 30, 2023. Meanwhile, Punjab saw arrivals of 2.459 million bales, compared to 3.736 million bales as of November 30, 2023, representing a 34.18 per cent decline in the current season.

The country reported total cotton arrivals of 8.396 million bales during the last marketing year (2023-24), which was 70.94 per cent higher than the 4.912 million bales recorded in 2022-23, according to the final data from the PCGA. In the 2022-23 season, Pakistan's cotton production saw a sharp decline due to heavy rains that severely damaged the crop.

Source: fibre2fashion.com– Dec 04, 2024

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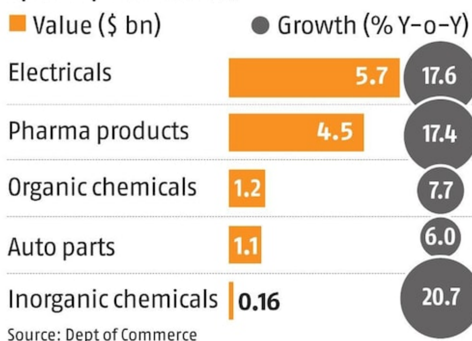
NATIONAL NEWS

India eyes opportunity in US-China trade war under Trump's presidency

India has identified key sectors, including electronics, pharmaceuticals, textiles, automobile components, and chemicals, to boost exports to the US, eyeing opportunities arising from a potential trade war between Washington and Beijing under Donald Trump's presidency. The government is weighing policy measures to capitalise on this emerging dynamic, according to officials.

"India can perhaps gain," a senior official told Business Standard. "We are doing product-wise analysis and looking at sectors, such as electronics, pharmaceuticals, manmade fibres (in the textile sector), auto components, and chemicals, where India can have an advantage." He noted that Trump's proposed tariff hike for Chinese goods could enhance India's cost competitiveness. However, steel remains an exception, with the US maintaining a protectionist stance in this sector.



Trump has already pledged to impose tariffs of 25 per cent on imports from Canada and Mexico and 10 per cent on goods from China when he takes office on January 20. During his election campaign, he floated the possibility of 10-20 per cent tariffs on imports across the board, with a particularly steep 60 per cent levy on Chinese goods. While India has been not targeted in Trump's initial tariff wave, so far, the commerce department has been holding hectic meetings to prepare for potential fallout from these policies.

BVR Subrahmanyam, chief executive officer of Niti Aayog and former commerce secretary, hinted at policy measures to seize opportunities created by Trump's tariff regime during a media briefing on Wednesday for the launch of Trade Watch Quarterly. "I think there are opportunities for us in it. The numbers are immense – there are going to be huge disruptions in US trade," he said.

"For us, there will be a huge opportunity, and if we can prepare ourselves, it can lead to a massive boom, since there will be a trade diversion. Are we going to catch it is the big question. That's what we are all concerned about, and you can see some steps in the next few months," he further said.

India is also keeping an eye on potential moves by China, including a possible devaluation of the yuan in response to US tariffs, as it refines its trade strategy.

Despite Trump's repeated criticism of India as a "high tariff nation" and an "abuser" of import tariffs, officials believe his focus is on countries with which the US is running high trade deficits. India does not rank among the top five or six of such nations, giving it some breathing room. The US is India's largest trading partner and top export destination, as well as its fourth-largest source of imports. That apart, India's economic integration with the US has been growing for more than two decades.

US demand for Indian goods has risen steadily, with imports growing from $9.7 billion in 2001— just 0.9 per cent of US global imports — to $87.3 billion in 2023, representing 2.8 per cent of America's total imports. Meanwhile, the trade war between the US and China has disrupted global supply chains. Washington's tighter export controls and higher tariffs on Chinese goods are aimed at curbing Beijing's technological ambitions.

"This has led to a fragmentation of global supply chains, prompting multinational corporations to seek alternatives to Chinese manufacturing. The trade war has caused increased costs and production delays, impacting global markets," noted a recent Niti Aayog report.

According to the report, this situation presents both challenges and opportunities. "On the one hand, India has to navigate the disruptions in the global supply chain, and be wary of China dumping its products in Indian markets. On the other hand, India is seen as an attractive destination for companies looking to shift their manufacturing bases out of China," the report added.

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

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Proposed 35% GST on luxury RMG faces backlash from Indian industry

India has proposed to hike the goods and services tax (GST) on expensive ready-made garments (RMG) to 35 per cent. The final decision will be taken by the GST Council in its 55th meeting scheduled for December 21 in Jaisalmer, Rajasthan. However, the proposals have not been well received by the Indian textile industry and trade. A trade body urged the council to reconsider the proposal, saying it could have catastrophic consequences.

A Group of Ministers (GoM) in the Indian cabinet has reportedly suggested imposing a 35 per cent GST on RMG priced above ₹10,000 (approximately $118). The government's GoM has proposed a GST of 18 per cent on RMG priced between ₹1,500-10,000 and 5 per cent on RMG priced below ₹1,500. It has also proposed increasing the highest slab of GST from 28 per cent to 35 per cent. This highest slab is mostly imposed on luxury goods and sin goods and services.

The final decision will be taken in the 55th meeting of the GST Council, to be convened under the chairmanship of Finance Minister Nirmala Sitharaman. Presently, RMG priced below ₹1,000 attracts a 5 per cent GST and 12 per cent on RMG priced above it.

The proposed changes are aimed at rationalising tax revenue by targeting high-consumption, non-essential goods. While the government expects these changes to boost revenue, they may also affect consumer spending on these products.

However, the proposals have not been well received in the textile industry. Trade and industry organisations feel that the proposals could have catastrophic consequences for the textile and garment industry, particularly for small retailers, traditional brick-and-mortar businesses, and the millions of workers dependent on this trade for their livelihood.

The Punjab Cloth Merchants Association, a regional trade body, plans to approach the Finance Minister, explaining the disruptive effect of the proposed tax hike. The traditional brick-and-mortar stores, which provide employment and sustenance to millions of people, are already struggling to compete with online portals and quick-delivery platforms that operate with significantly lower overheads. Imposing such high GST rates will

further exacerbate this disparity, placing the survival of these stores at risk and jeopardising the livelihoods of countless families.

For garments priced above ₹10,000, the proposed 28 per cent GST would place an unsustainable burden on retailers, whose profit margins are often lower than the proposed tax rate. This additional cost will be passed on to consumers, discouraging purchases and pushing the industry into a deeper crisis.

Moreover, such policies could unintentionally encourage practices like under-invoicing or unbilled sales, leading to revenue losses for the government. Organised retailers and larger players, who already face stiff competition, will find it difficult to compete in a market that incentivises such practices.

The textile and garment industry, largely comprised of unorganised and cottage enterprises, is vital to India's economic and social fabric. These proposed GST hikes will destabilise the sector, leading to widespread job losses and irreparable harm to workers, entrepreneurs, and their families.

The trade body urged the GST Council to reconsider both these proposals and instead maintain the current status quo on GST rates for garments. A collaborative approach, involving dialogue with industry representatives, can help craft policies that balance the government's revenue objectives with the sustainability of businesses and the broader economy.

Source: fibre2fashion.com– Dec 04, 2024

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Deciphering India's state-wise textile & apparel investment policies

India's textile industry is one of the main contributors to nation's economy. Recognizing its potential, various states are vying to attract investments and establish themselves as textile hubs. This has resulted in a diverse landscape of investment policies, each with its own strengths and focus areas.

Drivers of state investment policies

Some states like Gujarat, Maharashtra, and Tamil Nadu, with established cotton and synthetic fiber production, offer advantages in raw material sourcing. Skilled workforce is another growth driver, clusters with a history of textile manufacturing, such as Tiruppur in Tamil Nadu and Surat in Gujarat, boast of a skilled labor pool. Then well-developed industrial zones, ports, and connectivity play a crucial role in attracting investors. States also offer a range of incentives, including capital subsidies, tax breaks, and power tariff concessions.

State	Focus areas	Strengths	Case studies
Gujarat	Textile parks, skill development, technology upgradation	Strong infrastructure, proactive policies, established industry clusters	Welspun Group's integrated textile facility in Anjar
Maharashtra	Cotton value chain, export promotion, infrastructure development	Large domestic market, port access, skilled workforce	Raymond's manufacturing unit expansion in Aurangabad
Tamil Nadu	Apparel manufacturing, export-oriented units, cluster development	Skilled labor, established apparel ecosystem, port connectivity	Ahluwalia Contracts' garment manufacturing unit in Tiruppur
Telangana	Mega textile parks, incentives for MMF (man-made fiber) sector, skill development	Government support, strategic location, growing textile industry	Youngone Corporation's integrated textile park in Warangal
Andhra Pradesh	Integrated textile parks, incentives for spinning mills, infrastructure development	Abundant land availability, government support, strategic location	Kitex Garments' expansion in Anantapur

A look at the table shows, Gujarat scores high on infrastructure development and ease of doing business. For example, Reliance Industries has invested in a mega textile park in Gujarat. Tamil Nadu leads in apparel manufacturing and skilled workforce. Telangana offers attractive incentives for MMF and technical textiles. In fact, Page Industries is setting up an apparel manufacturing unit in Telangana. Aditya Birla Group on the other hand is expanding its viscose staple fiber production in Gujarat and Madhya Pradesh.

However, despite positive initiatives, several bug bears persist. One major factor is the infrastructure gaps as some states need to improve road and port connectivity. Skill shortage is another issue therefore, upskilling and training are crucial to meet industry demands. And with concerns about the environment sustainable practices and water conservation are critical.

Future growth hinges on automation and Industry 4.0 solutions that can boost productivity; adoption of circular economy principles and eco-friendly practices; and focus on innovation and value-added products to compete globally.

Source: fashionatingworld.com– Dec 04, 2024

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India Sourcing Is On the Rise, Is the Industry Prepared?

India's sourcing star is on the rise, but industry discourse isn't yet reflecting the magnitude of the country's influence on the apparel sector.

Now the third most utilized clothing production base for U.S. companies, India's unique capabilities and benefits shouldn't be discounted, according to Dr. Sheng Lu, professor of fashion and apparel studies at the University of Delaware. The country is experiencing a "surge in popularity," but it's remained less visible than other leading Asian apparel suppliers like China, Vietnam and Bangladesh.

A new study from Lu and research assistant Gabriella Giolli looked to recent research to discover why that's the case, especially when more than 60 percent of brands that took part in the U.S. Fashion Industry Association's (USFIA) summer benchmarking study said they planned to expand apparel sourcing from India within the next two years. The Indian apparel sector saw a 9.6-percent jump in U.S. apparel buys between January and September alone.

The South Asian nation also surpassed Bangladesh as a destination for American brands for the first time in 2024, USFIA data showed. Textiles and apparel account for about 2.3 percent of the country's GDP, and insights from the United Nations Industrial Development Organization (UNIDO) revealed that India manufactured about $76.5 billion in textiles and $26.64 billion in apparel in 2022.

For scale, that's still less than China's output—but it surpasses the production volume of most leading Asian apparel producers, including Vietnam.

While the proof is in the numbers, many sourcing execs remain murky about the country's promise and potential. According to Lu, that may be because India currently only exports around half of the apparel it produces. "Even though it's not the top-tier exporter so far, in terms of total production capacity, [India] should not be ignored," he said.

The nation of 1.43 billion represents a "large domestic market" that buys up much of the apparel supply, but there's plenty of "untapped export capacity for India," he added. "That's not the case for Bangladesh or

Vietnam—they export most of their apparel production because domestic consumption is very limited.”

Boasting more than 4,000 gins, 3,500 textile mills and about 45 million workers across its supply chain, vertical integration is a unique value proposition for India. A recent U.S. International Trade Commission (USITC) study showed that over 90 percent of the textile raw materials needed to fuel Indian apparel production can be sourced domestically, from cotton and organic cotton to silk, polyester and viscose.

Lu pointed to other leading apparel-producing countries for contrast; World Trade Organization (WTO) global value chain analysis estimated that more than 64 percent of Vietnam’s apparel exports in 2022 contained foreign yarns and fabrics. The same was true for 57 percent of Cambodian apparel exports, 49 percent from Indonesia and 33 percent from Bangladesh.

“India is truly known for its vertical supply chain. The foreign-made yarn and fabric percentage is very low,” Lu echoed. “Vertical manufacturing capabilities can offer India a lot of advantages in terms of flexibility, agility, and the variety of products you can make.”

Despite this key advantage, India hasn’t been able to break into the ranks of China, Vietnam and Bangladesh as a top apparel exporter. The country exported about $15 billion-worth of apparel in 2023, and it ranked No. 6 in terms of export volume, accounting for just 2.8 percent of the global total, according to the WTO. During the same period, India represented 5.5 percent of total U.S. apparel imports—”a significant supplier but not among the largest.”

Lu posited that India’s apparel industry may still be finding its place in the sourcing mix.

“If you’re looking at product targeted to the mass market, we see items made in India are definitely much more expensive than those made in Bangladesh and Vietnam—very similar to those made in China,” he explained. “And for the premium market, still much higher than made in Bangladesh and Vietnam, but little bit lower than made in China.”

“This leaves us with an impression, because of their more advanced economic level and wage level, that it’s not necessarily a cheap sourcing destination for brands and retailers,” Lu added. “India can be an

alternative to sourcing from China, but also it's about the kind of products India can produce and offer to the market."

Lu and Giolli analyzed clothing labeled "Made in India" sold at U.S. retail between January and October 2024, and they found that it was priced significantly higher than apparel made in Bangladesh and Vietnam, especially in the mass market segment. The researchers found, however, that premium apparel items like tops, dresses and bottoms that were made in India were generally priced lower than those manufactured in China.

According to Lu, the results suggest that India might not be brands' preferred sourcing destination for price-sensitive items that they are currently sourcing from Bangladesh or Vietnam, for example. Instead, it might represent a cost-cutting alternative to China for high-quality garments.

What's more, shipments from India have not been targeted by U.S. Customs and Border Protection (CBP) under the Uyghur Forced Labor Prevention Act (UFLPA), given that it has its own domestic cotton supply.

As is true for any global sourcing locale, India has both geopolitical benefits and handicaps, he added. The country's government has generally enjoyed a positive relationship with Washington, although President-elect Donald Trump this week threatened to impose 100-percent tariffs on the BRICS alliance, a trade coalition of which India is a part.

"An aspect where I think India is still lagging behind China is its influence and integration with the Asia-based textile and apparel supply chain," Lu added. While India is largely self-sufficient and its apparel industry free from dependence on the sourcing superpower, there are some drawbacks, he said. "It is more like an isolated supply chain, and its influence is much more limited than China."

India withdrew from the Regional Comprehensive and Economic Partnership (RCEP), the largest regional trade agreement in the Asia region, in 2019, because of its concern about competition with China. With its liberal rules of origin, the trade agreement has allowed China to work closely with the RCEP's 15 members "to build an even more integrated regional supply chain."

This lone-wolf stance could end up hurting India's apparel sector in the long-term, Lu said. As more Western brands seek to expand their sourcing portfolios, they're increasingly looking to engage with vendors with the capacity to work across borders or manufacture in multiple countries.

The researchers also questioned "whether India is fully committed to expanding labor-intensive apparel production and exports, given the country's economy is moving toward more capital and technology-intensive sectors."

"India is definitely a well-known as a leader in the IT sector, but for textile and apparel, can they recruit additional government support and workers to support their apparel production and substantially expand their manufacturing capability?" Lu added.

"A question mark that remains in our minds is about India itself—how ambitious does it want to be to become a leading apparel exporter in the world?"

Source: sourcingjournal.com– Dec 04, 2024

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India's polyester & viscose yarn steady; Surat witnesses slow demand

India's man-made yarn market has seen stability in the polyester, polyester-cotton, and viscose segments. However, demand has varied across these yarns in different regional markets. In north India, Ludhiana's market experienced average demand for polyester and PC yarn prices.

In Surat, the viscose yarn trade has faced slow demand due to a shortage of workers, which has slowed manufacturing activities in the fabric industry. Mumbai's viscose yarn and Surat's polyester yarn markets have also observed average demand. Polyester yarn may continue to see limited demand as the winter season will end in a few weeks.

Ludhiana's market saw stability in polyester-cotton and polyester yarn prices. Recycled polyester yarn was traded at previous levels. The market witnessed average demand for PC and polyester yarn.

Ashok Singal, a trader from Ludhiana market, told Fibre2Fashion, "Winter demand will ease in a few weeks. But extreme winter in the coming weeks may boost retail sales of winter garments. It may help retailers to clear their stocks and improve cash flow in the upstream value chain."

In Ludhiana, 30 count PC combed yarn (48/52) traded at ₹209-219 (approximately $2.47-2.58) per kg (GST inclusive); 30 count PC carded yarn (65/35) at ₹196-206 (approximately $2.31-2.43) per kg; 20 recycled polyester at ₹114-123 (approximately $1.35-1.45) per kg; 30 count polyester spun at ₹158-165 (approximately $1.86-1.95) per kg (GST inclusive); recycled polyester fibre (PET bottle fibre) at ₹78-81 (approximately $0.92-0.96) per kg, and virgin polyester fibre at ₹100.50 (approximately $1.18) per kg.

Surat's polyester yarn market also noted steadiness in prices. The market may continue to see slow demand as the focus shifts to cotton garments in the summer. According to market sources, the market has received good demand during the wedding season.

However, the seasonal demand has ended at the yarn level, with polyester garment demand slowing down in the summer season.

In Surat, 30 count polyester spun yarn was traded at ₹147-148 (approximately $1.73-1.75) per kg (GST extra); 40 count poly spun yarn at ₹160-161 (approximately $1.89-1.90) per kg; 50/48 fully drawn yarn (FDY) at ₹115-116 (approximately $1.36-1.37) per kg; 75/72 FDY at ₹105-106 (approximately $1.24-1.25) per kg; and 75 bright yarn at ₹105-106 (approximately $1.24-1.25) per kg.

Viscose yarn prices were steady in Mumbai and Surat amid weak demand. Trade sources mentioned that the market is experiencing weak demand from the weaving industry due to a shortage of factory workers. Slow production activities have restricted the purchase of viscose yarn for fabric manufacturing.

In Mumbai, imported 30 count viscose vortex yarn was priced at ₹193-199 (approximately $2.28-2.35) per kg; and local 30 count ring-spun viscose yarn at ₹198-203 (approximately $2.34-2.40) per kg. In Surat, 30 viscose compact yarn (local) was sold at ₹209-211 (approximately $2.47-2.49) per kg (GST extra) and 30 viscose vortex yarn at ₹202-203 (approximately $2.38-2.40) per kg.

In north India, cotton prices fell by ₹50-60 per maund of 37.2 kg in the last week. However, the prices were steady on Wednesday. Consistent weakness in ICE cotton and slow buying from spinning mills contributed to the losses in domestic cotton prices. Traders said that spinning mills are facing slow demand from the fabric industry, and the disparity between yarn and fabric is a discouraging factor for Indian exporters.

North India's cotton arrivals increased to 17,700 bales of 170 kg, comprising 700 bales in Punjab, 4,500 bales in Haryana, 5,500 bales in upper Rajasthan, and 7,000 bales in lower Rajasthan. Cotton prices in Punjab ranged from ₹5,600 to ₹5,610 (approximately $66.09-66.21) per maund of 37.2 kg, while in Haryana, prices ranged from ₹5,590 to ₹5,600 (approximately $65.97-66.09). In upper Rajasthan, cotton was priced between ₹5,580- ₹5,600 (approximately $65.86-66.09) per maund. In lower Rajasthan, it was priced at ₹53,000 to ₹54,000 (approximately $625.52-637.32) per candy of 356 kg, while seed cotton was priced at ₹7,000-7,400 (approximately $82.62-88.52) per quintal of 100 kg.

Source: fibre2fashion.com– Dec 04, 2024

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'China Plus 1' benefited Vietnam, Thailand more, not India: Niti Aayog

India has seen limited success so far in capturing the 'China Plus One' strategy, while Vietnam, Thailand, Cambodia, and Malaysia have emerged as larger beneficiaries, according to a Niti Aayog report on trade.

Nonetheless, US President-elect Donald Trump's increased tariffs, announced on China, Mexico and Canada, spell more opportunities for the country, as they will lead to huge trade diversion, and it is up to India to see what it can make of it, according to Niti Aayog CEO BVR Subrahmanyam.

"Whatever Trump has announced so far targets three countries. There are opportunities for India. The ball is coming our way. Whether we are going to catch it or drop the catch is for us to see...I think you will see some steps in the next few months," BVR Subrahmanyam said on Wednesday at the launch of the 'Trade Watch Quarterly' report which seeks to give a snapshot of India's trade developments.

Trump's proposal

On November 26, Trump said that he would impose a 25 per cent tariff on all goods coming from Mexico and Canada and an additional 10 per cent tariff on China, above any other tariffs, after taking over on 20 January 2025. These tariffs are to clamp down on drugs and illegal immigration,

Earlier, during his election campaign, he had declared his intention to impose a 10 per cent import tariff on goods coming in from all trade partners, including India, and a 60 per cent import tariff on China, if voted to power.

Trump's proposal of imposing a general tariff of 10 per cent will affect everybody and may not have any special impact on India, pointed out Arvind Virmani, Member, Niti Aayog. However, the 60 per cent import tariff on China provided an opportunity to Indian companies to grab in the medium and long term, he said.

The US is the largest trading partner of India, with Indian exports to the country totalling $77.51 billion and imports at $42.2 billion FY24.

The Niti Aayog report also cautioned against the EU's Carbon Border Adjustment Mechanism (CBAM), under which the bloc will impose additional import tariffs on six carbon-intensive sectors including steel, aluminium and cement, from 2026.

"Indian firms may incur tariffs of 20-35 per cent, leading to higher costs, reduced competitiveness, and lower demand in the EU market. Additionally, compliance costs will rise due to the need for detailed emissions reporting," it said.

The EU is India's second-largest trading partner. In FY24, the EU accounted for exports worth $76 billion.

Source: thehindubusinessline.com– Dec 04, 2024

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Size matters: Decoding Indian manufacturing's problem of scale

New Delhi: The production-linked incentive (PLI) scheme—one of the ways in which this government was hoping to increase manufacturing in India—is going through a slowdown, with planned expansions to the programme being put on hold. Disbursements under the scheme, which amounted to ₹10,000 crore in 2023-24, had slowed to around ₹1,000 crore so far this year, according to a Mint report.

One reason for the slowdown in disbursements is that the current lot of beneficiary firms are struggling to meet their production targets under the scheme—a pre-condition to receive incentives. For instance, in the textiles sector, companies must invest ₹300 crore and achieve a minimum turnover of ₹600 crore by the first 'performance year', 2024-25. According to the report, the textiles ministry has, for now, suspended a previous plan to expand the scope of the scheme to t-shirts and innerwear.

The textiles sector has turned out to be a missed opportunity so far. A recent World Bank report pointed out that India's share of global exports of apparel, leather, textiles and footwear (ALTF) rose from 0.9% in 2002 to 4.5% in 2013, only to fall to 3.5% by 2022. Even as China's dominance in the sector started to slow by 2015, with its share of global exports first levelling off and then declining, the benefits went to Bangladesh and Vietnam rather than India.

Why is textiles so important, especially when India's performance in other sectors such as automobiles, and even electronics, has been much better, with Apple moving part of its iPhone manufacturing to India? As the World Bank report points out, in 2020, capital-intensive sectors (which would include electronics and automobiles) accounted for 70% of manufacturing value-added but 50% of formal sector manufacturing jobs.

In contrast, labour-intensive sectors such as ALTF accounted for 20% of manufacturing value-added, but 40% of formal sector manufacturing jobs. "These labour-intensive activities present vast opportunities for job growth, particularly for women (33% of workers in the apparel and textile sectors are female, compared to only 15% in non-textile and non-apparel manufacturing)," pointed out the report.

Why has the Indian textile sector's share of global exports declined over the years? While a major reason cited by the World Bank report is higher tariffs on imports starting in 2017—higher prices for inputs causing costs for producers to rise as also for finished goods—it's worth pointing out that India's share of global exports in textiles had already begun to decline by around 2014.

Size does matter

As of 2019, the last date for which data was available, Bangladesh's ALTF sector employed 2.45 million people, with 66% of those working in firms with 300 or more employees. This last statistic, about the proportion of workers working in large manufacturing units, is a crucial one.

Why does firm size matter? At a basic level, as firms grow larger, they are able to reap economies of scale. This enables them to reduce costs and increase competitiveness, both domestically and in foreign markets. As economies grow, more and more output in a given sector tends to be produced by the top few firms who then come to dominate the sector. Richer economies are dominated to a greater extent by larger firms, than poorer economies, in terms of overall output.

Smaller firms, especially those in the informal sector, face serious levels of economic uncertainty, especially from larger, cheaper competitors for the same products. Those who work in the informal sector tend to get paid far less than their counterparts in larger businesses.

But more importantly, from the broader perspective of the economy, larger firms are part of the formal sector. These are also the sectors where employees tend to be paid better, have more social security and have a better chance at economic mobility, at least in a relative sense.

Smaller firms, especially those in the informal sector, face serious levels of economic uncertainty, especially from larger, cheaper competitors for the same products. Those who work in the informal sector, where most businesses are extremely small scale, tend to get paid far less and face much more economic uncertainty than their counterparts in larger businesses in the formal sector who make the same products.

In a dynamic economy, many firms start out small and are unable to grow bigger. But a select few grow larger, and keep growing—and so does the proportion of labour force employed with them. The governments that

really took this lesson on board were the East Asian tigers. Governments there took a conscious decision to promote national champions—large industrial conglomerates that could dominate the sectors they operated in.

Firm size in India

The consensus has been that, in India too, firms have been growing bigger. This was especially the case after a Supreme Court ruling in 2001 liberalised rules around contract workers, enabling companies to get around the supposedly ‘rigid’ labour laws, which kick in at the 100-employee mark. Prior to 2001, companies using contract labour had to absorb such labour into permanent employment—that was one of the interpretations of the Contract Labour (Regulation & Abolition) Act. The ruling clarified that this was not required. Following this, contract labour usage in companies rose.

Earlier research by Marianne Bertrand and others in 2021 found that the top 5% of firms by employee size saw a headcount increase of 43% in 2015 compared with 2000.

But a recent paper published by the Madras Institute of Development Studies, and authored by Abhishek Anand, Arvind Subramaniam, and Naveen Thomas, is more circumspect. They point out that the source data for much of firm size in India, the Annual Survey of Industries (ASI), allows companies with more than a single plant in the same state and making the same product to provide a single set of data to the government, without distinguishing between the output of the individual plants.

This leads to the data over-emphasizing the growth of large factories since they show up in the data as a single plant. So, for instance, two separate factories in a state, under common management, and making auto components, with 300 employees each, show up in the data as one factory with 600 employees. And while the data does provide information on exactly how many separate factories are covered by a single data point, it’s not possible to figure out separate metrics, such as employment or output, for each of those so-called ‘multi-plant’ units separately.

This narrow technical problem in the data has led to, the authors claim, an overstatement by various researchers of the extent to which firms have actually grown, especially those in the so-called ‘right tail’, i.e. the largest factories. “We find that between the early 2000s and the 2020s, the

observed (i.e. mis-measured) data suggests an increase in the right tail. However, when the mis-measurement is corrected, the increase is smaller, and in some cases, there is no real increase in the right tail, and on some metrics, there is even a shrinking of the right tail," the authors write.

And, as they point out, this has little to do with 'rigid' labour laws, since the cutoff mark for the Industrial Disputes Act is 100 employees. But even firms much larger than this have seemingly stagnated, and not grown.

As per data from the ASI for only single manufacturing plants, and excluding 'multi-plants', the share of employment in manufacturing as a whole has grown since 2011-12, but by just a few percentage points. In 2011-12, the share of the manufacturing labour force (including contract workers) employed in factories with 300 or more workers was around 45.2%. By 2022-23, this had grown to around 48.7%

But as the authors point out, the problem is worse for labour-intensive industries. The number of employees who work in the 100 largest factories, in absolute terms, in such industries has essentially remained unchanged between 2011 and 2022.

Chart 2 shows similar data as chart 1 for two sectors: ALTF, and computers and electronics (includes mobile phones). Again, this data only covers single plants, and excludes 'multi-plant' data. These present a very different picture. The share of workers in the textile industry, who work in factories with 300 or more workers, has actually fallen by 3.5 percentage points since 2011. Further, at 50.5%, this is far below the 66% figure for Bangladesh.

In sharp contrast, the share of workers in the computers/electronics sector who work in plants with 300 or more workers has risen steadily, from 50.4% in 2011-12 to 71% by 2022-23.

"Relatively large Indian plants did not become larger and did not account for a larger share of employment over two decades despite this being a period of dynamism over two decades (oughties and teens) and a veritable boom in the first decade," the authors point out.

As an aside, it's worth pointing out that even the ASI data, adjusted for the issue of multi-plant data, likely overstates the share of workers who work for large firms. This is because the data does not cover a huge volume of

workers who work in very small-scale industrial units in the informal sector.

Export boost

There is one possible reason for the sharp difference between the structure of the Indian apparel and textile industry and that of Bangladesh—exports. The Bangladesh textile industry exports over 95% of its output, compared with around 37% by Indian plants. Could plants oriented toward the highly competitive global export market be, on average, bigger than their non-exporting counterparts?

In employment terms, that is the case. As a share of all export units in the sector, Indian plants with 300 or more workers account for 62% of employment, not far behind the number for Bangladesh. But even this statistic has barely changed since 2011-12, rising by just about 1 percentage point.

This is true of the electronics/computers sector as well. Units that export all or a part of their output, and which had 300 or more employees, accounted for 75% of the labour force in such units, compared with 71% for units overall (exporting and non-exporting). But interestingly, this share, in contrast to that of ALTF, has grown sharply from 63% in 2018-19 to 75% in 2022-23.

When we broaden our focus to look at all manufacturing units across sectors that export all or part of their output, the result is the same. In 2022-23, such units with 300 or more workers accounted for 67% of the labour force working in export units, compared with 48.7% of the manufacturing labour force for similar-sized units, but covering both exporting and non-exporting units.

Why do firms ‘choose’ not to grow bigger?

A chief executive of a large firm the authors of the MIDS paper spoke to admitted that the company would be more competitive internationally if its plant sizes were greater, but it deliberately chose not to grow because of the need to spread risks—legal and political—across multiple firms. A single large firm would be akin to a promoter putting all their eggs in one basket. “Risk spreading in a highly uncertain political environment is one reason why manufacturers chose not to become too big," the authors say.

A company deliberately chose not to grow its plant size because of the need to spread risks—legal and political—across multiple firms. A single large firm would be akin to a promoter putting all their eggs in one basket.

It is not clear from the above quote what 'uncertain political environment' refers to. But if this were true, it would apply to all firms across all sectors—as we have seen, export-oriented units tend to be bigger in terms of share of employment. Perhaps, it is not supply-side or 'institutional' factors (like the political environment) that retard the growth of firms but just the size of the market itself. Firms exporting into international markets just have a bigger market to sell to and thus can grow bigger. Those focused on the domestic market, especially in an environment of high competition from small, informal sector units, just don't have a similar incentive to grow.

Source: livemint.com– Dec 02, 2024

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