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Exporting Excellence 70 Years & Beyond

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Currency Watch			
USD	EUR	GBP	JPY
85.06	88.35	107.01	0.54

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INTERNATIONAL NEWS

Drewry WCI up 8% amid strike fears & Trump policy expectations

The Drewry World Container Index (WCI) composite index slightly increased by 7.76 per cent to $3,803 per 40-foot equivalent unit (FEU) on December 19, 2024, up from $3,529 per FEU the previous week. Shipping freight charges surged ahead of the proposed ILA strike in January 2025. The anticipation of a rate hike under the Trump administration also contributed to the rise in the index.

The index was 63 per cent below the previous pandemic peak of $10,377 in September 2021 but 168 per cent higher than the average of $1,420 in 2019 (pre-pandemic).

The average year-to-date (YTD) composite index is $3,946 per FEU, which is $1,084 higher than the 10-year average of $2,862 (inflated by the exceptional 2020-22 COVID period).

Freight rates from Shanghai to Los Angeles increased by 26 per cent or $917 to $4,499 per FEU, and those from Shanghai to New York increased by 17 per cent or $875 to $6,074 per FEU. Similarly, rates from Rotterdam to New York edged up by 3 per cent or $91 to $2,713 per FEU.

On the other hand, rates from Shanghai to Genoa and from Rotterdam to Shanghai decreased by 2 per cent to $5,424 per FEU and $508 per FEU, respectively. Rates from New York to Rotterdam and from Shanghai to Rotterdam shrank by 1 per cent to $824 per FEU and $4,819 per FEU, respectively, while those from Los Angeles to Shanghai remained stable.

Drewry expects an increase in rates on the Transpacific trade in the coming week, driven by front-loading ahead of the looming ILA port strike in January 2025 and the anticipated tariff hikes under the incoming Trump Administration.

Source: fibre2fashion.com– Dec 20, 2024

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China keeps loan prime rates unchanged

China's one-year loan prime rate (LPR) was kept unchanged from the previous month at 3.1 per cent today.

The over-five-year LPR, on which many lenders base their mortgage rates, also remained unchanged from the previous reading of 3.6 per cent, according to the National Interbank Funding Centre.

The LPR has dropped thrice this year, with the one-year rate down by 35 basis points (bps) in total and the five-year rate down by 60 bps.

The lower lending rate is expected to help relieve the financing burden on enterprises and individuals, thereby, stimulating business investment and strengthening consumers' purchasing power, a state-controlled news outlet reported

During last week's Central Economic Work Conference, Chinese policymakers decided to implement a moderately loose monetary policy in 2025.

The government will reduce the reserve requirement ratio and interest rates at an appropriate timing to ensure that the growth of social financing and money supply match the expected targets for economic growth and price levels.

Source: fibre2fashion.com– Dec 20, 2024

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Japan's apparel imports ease 1.7% to $1.8 bn in Nov 2024

In November 2024, the eighth month of fiscal 2025 (April-March), Japan saw a decrease in its imports of clothing and accessories by 1.7 per cent to 291,380 million yen (approximately $1.861 billion).

These imports accounted for 3.1 per cent of the nation's total imports, which amounted to 9,270,002 million yen, according to provisional data from Japan's Ministry of Finance.

Additionally, Japan's imports of textile yarn and fabric in November 2024 decreased by 2.3 per cent year-on-year, totalling 101,200 million yen and accounting for 1.1 per cent of total imports.

Conversely, Japan's exports of textile yarn and fabric rose by 7.9 per cent during the same period, reaching 73,978 million yen. In contrast, exports of textile machinery fell by 18.0 per cent to 23,336 million yen, contributing 0.3 per cent to total exports.

During the first half of the current fiscal (April-September 2024), the country's imports of clothing and accessories increased by 3.5 per cent to 1,842,869 million yen (approximately $12.3 billion).

Its imports of textile yarn and fabric during April-September 2024 rose by 2.2 per cent year-on-year, totalling 590,305 million yen and representing 1.0 per cent of total imports.

Meanwhile, the country's exports of textile yarn and fabric increased by 6.8 per cent during the same period, reaching 420,269 million yen. However, exports of textile machinery declined by 25.0 per cent, amounting to 127,011 million yen and contributing 0.2 per cent to total exports.

For fiscal 2023-24 (April-March), Japan's imports of clothing and accessories amounted to 3,564,850 million yen (approximately $23.107 billion), a decrease of 1.7 per cent.

Imports of textile yarn and fabric fell by 10.4 per cent to 1,143,805 million yen. In the same fiscal, Japan exported textile yarn and fabric worth 802,178 million yen, while exports of textile machinery totalled 320,947 million yen.

In fiscal 2022-23, Japan's imports of clothing and accessories reached 3,619,550 million yen (approximately $25.05 billion), and imports of textile yarn and fabric totalled 1,275,608 million yen.

During that fiscal, Japan exported textile yarn and fabric worth 776,999 million yen, while textile machinery exports amounted to 306,781 million yen.

Source: fibre2fashion.com– Dec 22, 2024

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Brexit reduced goods exports by ~$34 bn; smaller firms most hit: LSE

The Trade and Cooperation Agreement (TCA) reduced total goods exports from the United Kingdom by an estimated £27 billion (~$34 billion), or 6.4 per cent, in 2022 due to a 13.2 per cent fall in the value of goods exported to the European Union (EU), according to new research from the Centre for Economic Performance (CEP) at the London School of Economics (LSE).

The analysis, titled 'Deep Integration and Trade: UK Firms in the Wake of Brexit', used data from more than 100,000 firms between 2012 and 2022 to estimate the gap between the actual value of exports under the TCA and what would have been expected had the United Kingdom remained in the EU. It found that 14 per cent of firms (around 16,400) that had previously exported to the EU stopped doing so after the TCA came into force in January 2021.

Most of the firms whose exporting business suffered were smaller ones. To assess the effect by firm size, the authors split firms in their sample into five groups based on the number of employees. They found a negative impact of the TCA on exports for all but the top fifth of firms.

Among firms that continued exporting to the EU, the TCA reduced the average value of EU exports by 30 per cent for the smallest fifth of firms (with six or fewer employees) and by 15 per cent for the middle fifth (between 17 and 40 employees).

By contrast, exports by the top fifth of firms, those with more than 107 employees, were not affected by the TCA. The success of larger firms in maintaining their export levels dampened the decline in aggregate trade.

The researchers found no evidence that the TCA has had either a positive or a negative effect on firms' exports to countries outside the EU. This means that the 6.4-per cent reduction in overall exports is entirely due to lower exports to the EU, a release from the LSE said.

Source: fibre2fashion.com– Dec 22, 2024

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US Upland cotton sales up 27%, Pima down 93% this week: USDA

Net sales of Upland cotton in the United States for the 2024-25 season totalled 194,900 running bales (RB), each weighing 226.8 kg (500 pounds), for the week ending December 12. This represents a rise of 27 per cent from the previous week and a decrease of 19 per cent from the prior four-week average.

According to the weekly sales report from the US Department of Agriculture (USDA), released on Thursday evening, the increases were primarily noted for Vietnam (42,400 RB, including 400 RB switched from Hong Kong), Pakistan (37,000 RB, including decreases of 2,200 RB), Turkiye (32,100 RB), Indonesia (16,000 RB, including 200 RB switched from Japan), and Mexico (11,100 RB). These were offset by reductions for Hong Kong (400 RB). Total net sales of 6,900 RB for 2025-26 were recorded for Mexico.

The exports for the week totalled 128,600 RB, down 6 per cent from the previous week and 10 per cent from the prior four-week average. The primary destinations were Pakistan (25,500 RB), Vietnam (23,800 RB), China (22,700 RB), Bangladesh (11,700 RB), and Mexico (10,200 RB).

Net sales of Pima totalled 500 RB for 2024-25, marking a marketing-year low. These were down 93 per cent from the previous week and 94 per cent from the prior four-week average. Increases were reported for India (200 RB, including decreases of 400 RB), Mexico (200 RB), and Japan (100 RB).

The exports of Pima cotton amounted to 12,000 RB, up 84 per cent from the previous week and significantly higher than the prior four-week average. The main destinations were India (6,600 RB), Peru (1,700 RB), Egypt (1,100 RB), Pakistan (900 RB), and China (900 RB).

Source: fibre2fashion.com– Dec 20, 2024

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Italy's exports drop 1.9% MoM in Oct 2024; imports fall 0.3%

A larger cyclical monthly decline of 1.9 per cent is estimated for Italy's exports in October this year than for imports, which are estimated to have fallen by 0.3 per cent, according to the official statistical agency Istat.

This decrease in exports is marked for non-European Union (EU) markets (minus 3.2 per cent) and limited for the EU area (minus 0.7 per cent).

In the August-October 2024 quarter, exports grew by 0.6 per cent quarter on quarter (QoQ) and imports by 1.1 per cent QoQ. In October 2024, exports grew on an annual basis by 1.6 per cent in monetary terms, while they were almost stationary in volume (minus 0.1 per cent), an Istat release said.

This growth in exports in value was the result of an increase for EU markets (plus 3.7 per cent) and a moderate decline for non-EU markets (minus 0.7 per cent).

Imports recorded a limited trend growth in value (plus 0.4 per cent), the result of an increase in the EU area (plus 3.9 per cent) and a contraction in the non-EU area (minus 4 per cent); in volume, imports increased by 1.2 per cent.

On an annual basis, the countries that provided the largest contributions to the increase in national exports were Turkiye (plus 33.5 per cent), the United Kingdom (plus 10.8 per cent), France (plus 4.4 per cent), Spain (plus 8.0 per cent) and Belgium (plus 10.3 per cent).

The United States (minus 11.8 per cent) and OPEC countries (minus 17.6 per cent) offered the largest negative contributions. In the first ten months this year, Italy's exports declined slightly by 0.5 per cent on an annual basis.

The country's trade surplus in October this year was €5,153 million; it was €4,495 million in October 2023. In October, import prices decreased by 0.1 per cent on a monthly basis and by 1.5 per cent on an annual basis.

Source: fibre2fashion.com– Dec 19, 2024

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Mixed results but overall growth for global fashion companies in 2024

The fashion segment, represented by seven companies in this article, including two e-commerce players, reported not a single 'Weak' performance for the period ended September 30, 2024. Both e-commerce companies delivered 'Strong' performances, and the remaining five companies reported at least a 'Moderate' performance.

Strong: Growth In Both Sales & Profits

Delta Galil Industries (TLV: DELT)

Delta Galil, the global manufacturer and marketer of branded and private label intimate, activewear, loungewear, and denim apparel for ladies, men, and children from Israel, reported third-quarter results on November 15, 2024, with a record third-quarter sales increase of 13 per cent to $524.2 million, driven by growth across all channels. The gross margin was 41.6 per cent, up 70 basis points. Net income also increased by 9 per cent to $32.0 million, compared to $29.5 million in the third quarter last year.

For the nine-month period, net income increased by 37 per cent to $65.1 million, compared to $47.6 million in the same period last year. Net income, excluding non-core items net of tax, increased by 26 per cent to $67.6 million, compared to $53.8 million in the first nine months of 2023. The company distributed a dividend of $8.1 million, or $0.31 per share.

Reaffirming its FY24 guidance, the Caesarea-headquartered company projected sales in the range of $1,991.0–2,031.0 million (FY23: $1,857.7 million), EBIT of $173.0–183.0 million (FY23: $153 million), EBITDA of $266.3–276.3 million ($246.8 million), net income of $106.9–114.7 million ($91.6 million), and diluted EPS of $3.82–4.11 (FY23: $3.25).

Amazon.Com (NASDAQ: AMZN)

The third-quarter results for the world's largest e-commerce player, Amazon.com, were released on the last day of October 2024. The net sales of the Seattle-headquartered company during the quarter were $158.9 billion, up 11 per cent from $143.1 billion in Q3 FY23. All markets, including North America (up 9 per cent to $95.5 billion), International (up 12 per cent to $35.9 billion), and AWS (up 19 per cent to $27.5 billion),

registered sales increases. Operating income increased to $17.4 billion; and net income increased to $15.3 billion in the third quarter, or $1.43 per diluted share, compared with $9.9 billion, or $0.94 per diluted share in Q3 FY23.

The company also announced Q4 FY24 guidance: net sales are expected to be between $181.5 billion and $188.5 billion, or to grow 7 to 11 per cent compared with Q4 FY23, under the anticipation of an unfavourable impact of approximately 10 basis points from foreign exchange rates. Operating income is expected to be between $16.0 billion and $20.0 billion, compared with $13.2 billion in the same quarter last year.

ZALANDO SE (ETR: ZAL)

The German fashion e-commerce player, Zalando SE, also delivered positive growth in business and, along with Amazon.com, represented a 'Strong' performance for the online fashion segment.

The company's third quarter and nine-month (both ended September 30, 2024) gross merchandise value (GMV) increased by 7.8 per cent to €3,458.5 million (~$3,624 million) and 4.4 per cent to €10,618.6 million ($11,126.28 million) compared to the respective periods of FY23. For both periods, respective revenues increased by 5 per cent and 2.6 per cent, and EBIT, in euro terms, grew more than 100 per cent with respective EBIT margins increasing by 3.7 percentage points and 2.5 percentage points.

Other key performance metrics, such as the number of orders, average GMV per active customer, average order per customer, average basket size, and active customer count, all registered an increase across reported periods. Although free cash flow during the third quarter remained negative, it improved from €152.4 million ($159.69 million) in Q3 FY23 to €132 million ($138.31 million) in Q3 FY24. On a nine-month basis, it increased from a loss of €26.6 million ($27.87 million) last year to a profit of €147.6 million ($154.66 million).

Moderate: Growth In Either Sales Or Profits

Aeffe Spa (BIT: AEF)

Aeffe Spa—a luxury company listed on the Euronext Star Segment of the Euronext Milan Market of Borsa Italiana that operates both in the prêt-à-porter, and footwear and leatherwear sectors with a portfolio of

international brands including Alberta Ferretti, Philosophy di Lorenzo Serafini, Moschino, and Pollini—released its interim consolidated financial statement on November 15, 2024, for the first nine-month period of FY24.

The Group achieved revenues of €207.8 million ($218.21 million) compared to €252.8 million ($265.46 million) in 2023, showing a 17.8 per cent decline at current exchange rates and a 17.6 per cent decline at constant exchange rates. The prêt-à-porter and footwear and leather goods divisions decreased by 17.2 per cent and 22.6 per cent, respectively, in constant currency terms.

Consolidated EBITDA of €90.9 million (43.8 per cent of revenues) in the first nine months included the capital gain realised following the sale by Aeffe of ownership of the 'Moschino' brand in relation to all products belonging to product class 3 of the Nice Classification, comprising mainly cosmetics and perfumes, as well as scented candles and rooms and textile perfumes. The consolidated EBIT of €66.6 million remained positive compared to (-) €11.7 million in 2023, increasing by €78.3 million; and consolidated net profit amounted to €35.2 million (~$37 million) compared to a net loss of €17.8 million in 2023.

The release also announced the termination, by mutual agreement, of the existing collaboration relationship between Fenice Srl and Aeffe Spa, in order to pursue their respective business strategies.

Hanesbrands Inc (NYSE: HBI)

Winston-Salem-based Hanesbrands released its third-quarter financial results in early November. As one of the iconic apparel brands on the global fashion map, the company reported net sales of $937 million for the quarter, which decreased by 2.5 per cent compared to Q3 FY23. However, on an organic constant currency basis, net sales were consistent with the previous year. At the same time, profitability remained positive. Operating profit increased by 27 per cent to $103 million; the operating margin increased by 255 basis points to 11 per cent; adjusted operating profit increased by 46 per cent to $122 million, and adjusted operating margin increased by 435 basis points to 13 per cent compared to the previous year.

For fiscal 2024, which ends on December 28, 2024, the company expects net sales from continuing operations of approximately $3.61 billion, an approximate decrease of 4 per cent and 2 per cent on a reported and

constant currency basis, respectively. Operating profit from continuing operations is expected to be approximately $174 million, while adjusted operating profit is expected to be $417 million. This forecast includes net sales of $900 million in the fourth quarter, operating profit of approximately $95 million, and adjusted operating profit of approximately $115 million.

The NYSE-listed company owns iconic brands such as Hanes (apparel), Bonds (Australian staple), Maidenform (shapewear), and Bali (bra brand).

Marimekko (HEL: MEKKO)

Marimekko reported its interim financial results for the third quarter of its fiscal, spanning from January 1 to December 31, 2024, on November 6.

Marimekko's net sales decreased by 1 per cent and totalled €47.2 million ($49.46 million) (Q3, FY23: €47.9 million), weakened particularly by lower wholesale sales in Finland, while retail sales developed well in all market areas, especially in Finland, and grew in total by 12 per cent.

Operating profit declined to €11.1 million ($11.63 million) (Q3, FY23: €12.9 million). Comparable operating profit was behind the strong comparison period and totalled €11.1 million (Q3, FY23: €13.1 million), equalling 23.5 per cent of net sales (Q3, FY23: 27.4 per cent).

From January to September (9M), the company's net sales grew by 4 per cent and amounted to €128.6 million ($134.75 million) (9M, FY23: €123.5 million), and operating profit amounted to €22.3 million ($23.37 million) (9M, FY23: €23.3 million). Comparable operating profit was €22.7 million (9M, FY23: €23.7 million), equalling 17.6 per cent of net sales (9M, FY23: 19.2 per cent). For this nine-month performance, Marimekko's results fall under the 'Moderate' category.

The Finnish lifestyle design company, renowned for its original prints and colours, now expects net sales for 2024 to grow from the previous year's €174.1 million ($182.42 million), and the comparable operating margin to be approximately 16 to 19 per cent versus 18.4 per cent (2023).

QVC (Qurate Retail, Inc) (NASDAQ: QRTEA, QRTEB, QRTEP)

Qurate Retail reported a 5 per cent decrease in sales, both in current and constant currency terms, for the third quarter, while growing its operating

income by 1 per cent to $152 million, compared to $151 million in the same quarter last year. The Englewood, Colorado-based company acknowledged that the reported quarter was the most challenging of FY24, with revenue underperforming and resulting in significant bottom-line deleverage. Despite this, the company maintained a flat consolidated gross margin through disciplined cost management and reduced operating expenses (OPEX).

QxH reported declines across all categories, with revenue decreasing due to a 6 per cent drop in units shipped as well as lower shipping and handling revenue. QVC International's constant currency revenue declined primarily due to a 3 per cent decrease in average selling price, partially offset by a 1 per cent increase in units shipped. Cornerstone revenue also decreased.

Cash at the company decreased by $337 million during the third quarter, primarily due to net debt repayment and capital expenditures during the period.

Source: fibre2fashion.com– Dec 21, 2024

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FTA may boost South Korean apparel imports from Philippines

The Free trade agreement (FTA) approved by the South Korean Parliament last month may spurt the country's apparel imports from Philippines in the coming years. Presently, Philippines has negligible share in south Korean apparel imports valued in billions of dollars. The Philippine government is optimistic that the FTA will come into force in current month itself after the issuance of an executive order by Philippine's President Ferdinand Marcos Jr. Exporters of both countries will get certain benefits under the trade agreement.

According to Fibre2Fashion's market insight tool TexPro, South Korea has imported apparel of $10.513 billion in the first ten months of the current year. Philippines' share was just 0.67 per cent in the total inbound shipment. South Korea's apparel imports from the partner country was valued at $70.114 million during the period. The imports decreased 9.61 per cent in January-October 2024 from the imports of $77.571 million in the corresponding period of the last year. In 2023, South Korea's apparel imports from the Philippines totalled $89.586 million, which was 0.75 per cent of South Korea's total apparel imports of $11.979 billion during the year. China, Vietnam, Türkiye, Bangladesh and Indonesia were the top five apparel suppliers to South Korea.

In fabric too, Philippines has negligible presence in the South Korean market. South Korea's fabric imports totalled $797.591 million in the first ten months of the current year. Of this, the imports from Philippines were noted at $6.193 million, or 0.78 per cent of the total imports. Fabric import from Philippines was 4.04 per cent lower the inbound shipment of $6.454 million in January-October 2023, as per TexPro. Last year, South Korea had imported fabric worth $1,051.931 million. Of this, the import from Philippines stood at $7.778 million, or 0.74 per cent of the total.

Being an industrial developed nation, South Korea is an important consumer market for garment and textile products. Philippines may gain larger share in the market in the coming years due to the coming into force of the FTA.

Source: fibre2fashion.com– Dec 21, 2024

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Saudi Arabia to raise number of logistics zones from 22 to 59 by 2030

Saudi Arabia is developing 18 logistics zones near ports, with total investment worth over SR10 billion ($2.66 billion), and plans to raise the number of such zones from 22 to 59 by 2030, minister of transport and logistics Saleh Al-Jasser announced at a recent conference.

This move is part of the kingdom's wider strategy to attract local and global investments.

The sixth edition of the Supply Chain Conference in Riyadh witnessed signing of 91 agreements worth SAR 8.3 billion ($2.20 billion) aimed at developing operations and efficiency of supply chains, an official news agency reported.

Al-Jasser said the integration of various transport modes—such as ports, airports, and railways—into a unified and efficient system will boost competitiveness and facilitate seamless trade flows.

"The focus will remain on bolstering maritime shipping routes, expanding air freight operations, increasing rail freight capacities, and activating logistics centers to support sustainable development, further cementing the Kingdom's role as a global logistics hub and a vital link in international supply chains," he said.

Source: fibre2fashion.com– Dec 22, 2024

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Shein Joins U.S. Customs Data Pilot for De Minimis Imports

Shein's taken a step to make sure it's all buttoned up on trade compliance.

The Singapore-headquartered company announced Thursday it has been participating in a government program designed to test the practicality of receiving advanced information about incoming low-value shipments.

U.S. Customs and Border Protection (CBP) put the program, called the Section 321 Data Pilot, into action in 2019. Section 321—more colloquially known as de minimis—stipulates that eligible shipments valued at less than $800 can enter the United States without taxes or duties.

As of February 2023, CBP estimated that 85 percent of goods entering the U.S. come in under de minimis entry.

That figure has grown since 2019, and continues to accelerate. The agency said it created the program as a way to "monitor and protect against illegitimate trade while providing the public the benefits of duty-free shipments for qualified imports." The pilot effectively mandates that participants must submit advanced, additional information about the shipments they import with de minimis entry.

The kind of data CBP seeks includes a definitive understanding of who—or what entity—is shipping the parcel in, who will receive it, product photos and more. The agency uses that data to flag high-risk shipments for further inspection, while also expediting clearance for legitimate shipments coming into the U.S.

CBP has been working with online marketplaces, carriers and logistics providers since the outset of the program, but has expanded its mandate—and its participants—over the course of the past four years. Shein joins Amazon, eBay, DHL, FedEx, UPS and others in volunteering for the program.

According to the fast-fashion e-tailer, after participating in the pilot for 30 days, CBP affirmed that it had received all relevant import information and processed it efficiently and without technical problems.

Donald Tang, Shein's executive chairman, said the company's voluntary commitment to the program shows it has an interest in facilitating lawful trade.

"Our participation in CBP's Section 321 Data Pilot reaffirms Shein's standards of transparency and compliance," Tang said in a statement. "By disclosing more details about the contents of each package, we can help ease CBP's burdens so they can focus on maintaining the efficient flow of legitimate trade, while protecting public safety, the U.S. economy and importantly—American consumers."

Shein's interest in the program comes while the future of de minimis remains in limbo as politicians from both sides of the aisle rail against the provision. In many cases, U.S. government officials have taken aim at companies like Shein and its competitor Temu for their consistent use of what some call a "loophole."

And though Shein, Temu and other China-founded e-commerce platforms do ship high volumes of exempt goods into the United States each year, legacy brands, retailers and manufacturers use and benefit from the provision, too.

The pilot program will end next year unless CBP elects to extend it further.

Regardless of what happens with de minimis—whether by the end of the Biden-Harris administration or with the incoming Trump-Vance administration—Shein's commitment to greater transparency may be a play at making nice with legislators and agencies as it continues to grow its U.S. consumer base and put down roots in the country.

It also partners with material traceability firm Oritain to ensure greater transparency into its material supply chains, which remains a sticking point for CBP as it works to enforce the Uyghur Forced Labor Prevention Act (UFLPA), which prevents goods made in whole or in part in China's Xinjiang Uyghur Autonomous Region (XUAR) from entering the U.S. The two companies doubled down on their partnership earlier this year.

Steve Lamar, president and CEO of the American Apparel and Footwear Association (AAFA) said that under today's CBP rules, visibility into the shipping and logistics world is more important than ever.

"We support transparency to analyze and assess the information collected as part of the enforcement of regulations," Lamar said in a statement. "When we look back at this time, we're going to find that this is the time that supply chains and logistics chains, and really the industry overall, have become more transparent than ever before."

Source: sourcingjournal.com– Dec 20, 2024

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UKFT released updated version of CPTPP on December 15, 2024

Focusing on its trade relationships with eight member nations including Japan, Singapore, New Zealand, Chile, Peru, Malaysia, Vietnam and Brunei, the updated version of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) was released by the UK Fashion and Textile Association (UKFT) on December 15, 2024.

Offering valuable insights to navigate this trade bloc, the guide delves into the implications of the CPTPP for UK fashion and textile companies. The document is set to evolve with the integration of UK.

Currently the guide highlights issues like fashion and textiles in context, understanding CPTPP, Rules of Origin (ROO) and Product Specific Rules (PSR), Fashion specific ROOs and PSR, statements of origin duty-free categories, VAT requirements, intellectual property, certificates of origin.

The guide complements UKFT's broader range of resources aimed at helping UK fashion and textile businesses expand globally. This includes tailored guides to export markets and Free Trade Agreements, alongside comprehensive advice on key import markets.

Source: fashionatingworld.com– Dec 20, 2024

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Mexico raises tariffs to protect textile industry

Mexico has raised tariffs by up to 35 per cent on finished clothing products and 15 per cent on textile imports to protect its domestic textile industry, Economy Minister Marcelo Ebrard announced.

The tariff increases, effective until April 22, 2026, aim to counter unfair competition and reduce job losses in the sector, which has seen a decline of 79,000 jobs in recent years.

The move exempts countries with free trade agreements, like the US and Canada, and is not targeted at any specific nation, including China.

Ebrard emphasized that the measure seeks to boost national industry development and job creation. The tariff hikes align with efforts to strengthen the North American trade bloc amid concerns over Chinese imports.

Mexico has also stepped up efforts to combat illegal merchandise, particularly from China, as part of its broader trade and immigration strategy.

Source: fashionatingworld.com– Dec 20, 2024

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Vietnam: VIATT 2025 set to boost Vietnam's textile industry growth

Vietnam's textile and garment sector is poised for continued growth in 2025, with exports expected to reach $44 billion, marking a notable 11 per cent increase over the previous year. This positive outlook is further supported by more than 42 per cent of local businesses forecasting improved performance in Q4 2024. The Vietnam International Trade Fair for Apparel, Textiles, and Textile Technologies (VIATT), scheduled for February 26-28, 2025, at the Saigon Exhibition and Convention Center (SECC), will play a pivotal role in fueling this momentum.

VIATT 2025: A premier industry event

Spanning 15,000 sqm of exhibition space, VIATT 2025 will feature a diverse array of products and solutions, showcasing the full spectrum of the textile industry, from apparel fabrics and accessories to technical textiles, nonwovens, and machinery. The event will highlight key trends such as sustainability and technological innovation with the introduction of two new zones: Econogy Hub and the Innovation & Digital Solutions Zone.

The fair will attract significant international participation, with exhibitors from leading textile-producing countries. Notable participants will include exhibitors from India, Japan, Korea, Pakistan, Taiwan, Thailand, and the inaugural European Zone. European exhibitors, such as BossaTicaret (Turkey), Chargeurs PCC Asia (France), Hohmann GmbH & Co KG (Germany), and Technical Absorbents Ltd (UK), will showcase their advanced textile solutions, including high-quality denim, interlinings, home textiles, and superabsorbent materials.

Focus on innovation and sustainability

The focus on innovation will be evident through new offerings like Murata Machinery's Vortex, a unique yarn production technology that enhances sustainability with high productivity and energy efficiency. Tamurakoma & Co (Japan) will also present innovative functional fabrics, while other Japanese firms like Toyoshima & Co and Stylem Takisada-Osaka will display advanced apparel fabrics and high-quality manufacturing solutions.

With the growing demand for sustainable solutions, the Econogy Hub and Innovation & Digital Solutions Zone will play crucial roles in positioning VIATT as a forward-thinking platform. These areas will explore the industry's transition toward sustainable practices and technological advancements, offering valuable insights for both exhibitors and visitors.

Vietnam's textile sector remains a vital player in the global market, with Japan continuing to be a key destination for its apparel exports. Vietnamese exhibitors, such as IDFL Vietnam and Sigma Vietnam Industrial, will join global counterparts in presenting the latest innovations in apparel fabrics, home textiles, and technical textiles. VIATT 2025 will strengthen Vietnam's position as a leading textile manufacturing hub and an essential sourcing destination for international buyers.

A strategic platform for global buyers

VIATT 2025 will serve as a crucial platform for buyers from across the ASEAN region and beyond. Delegations from Malaysia, Myanmar, Thailand, and other key markets have already confirmed their participation. The fair will not only provide networking opportunities but also facilitate new business connections and partnerships within the textile and garment industry.

Organized by Messe Frankfurt (HK) Ltd and the Vietnam Trade Promotion Agency (VIETRADE), VIATT 2025 is set to be a major event for the textile and garment sectors. By bringing together exhibitors from Europe, Asia, and beyond, the fair will help accelerate industry growth and solidify Vietnam's position as a global textile powerhouse.

Source: fashionatingworld.com– Dec 20, 2024

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Vietnam's high-end fashion targets Chinese market

An increasing number of Chinese celebrities are choosing high-end Vietnamese fashion, creating new opportunities for Vietnamese designers to make their mark in the 1.4 billion-strong market.

At the Shanghai Fashion Week (SHFW), held from October 9-19 in Shanghai, several Vietnamese brands participated in runway shows, including Hacchic and Sixdo, while others showcased their collections at its tradeshows, such as Linh Nga and Joli Poli.

Additionally, the Xcommons Trade Fair, held in Kunshan, Jiangsu province, attracted 10 Vietnamese brands, namely DANG HAI YEN, KHAAR, Decode House, Onon Made, Le Art, Emwear, Briller, Larmes, Emwear, and Valenciani, marking a significant step for Vietnamese fashion on the international stage.

Designer Dinh Thị Phuong Thao (stage name Linh Nga) stated that with a population of over 1.4 billion, China represents a massive fashion market, offering abundant business opportunities for Vietnamese brands.

Following Australia and the US, China is the third country where the brand Sixdo has chosen to showcase its new collection. Its CEO Huy Can emphasised that China is a major market in the global fashion industry, with most of the world's leading brands already present here.

Designer Tra Linh of Hacchic remarked that Vietnamese designers' creations are causing a significant "buzz" in the Chinese market and across many Asian countries. The fact that prominent Chinese stars such as Gillian Chung, Fan Bingbing, Esther Yu, and Gulinazha have been seen wearing high-end outfits by Vietnamese designers has played a substantial role in fueling this trend.

Nguyen Thi Tuyet Mai, Deputy Secretary-General of the Vietnam Textile and Apparel Association (VITAS) and head of VITAS's Representative Office in Ho Chi Minh City, said Vietnam is currently the third-largest textile and garment exporter in the world, following China and Bangladesh. It has approximately 7,000 textile and garment enterprises employing 3 million workers, with 80% of production capacity dedicated to globally renowned brands, primarily through the B2B (business-to-business) export model.

With the boom of e-commerce, the domestic textile and fashion industry has the potential to sell directly to consumers worldwide, through the B2C (business-to-consumer) model, Mai emphasised, adding that VITAS is encouraging businesses to develop both models in parallel.

However, language and cultural differences pose significant challenges for Vietnamese brands. To remove these barriers, Vietnamese fashion businesses have been improving their foreign language skills to better communicate with customers and negotiate effectively with partners.

This effort enables them to develop brand marketing strategies in popular social media platforms like Weibo and Douyin while also accessing sales channels on China's major e-commerce platforms

Source: vietnamplus.vn– Dec 22, 2024

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Bangladesh's apparel exports threatened by Vietnam's rise and looming LDC graduation

A recent study by RAPID and the Friedrich-Ebert Stiftung paints a worrying picture for Bangladesh's ready-made garment (RMG) industry. The report warns that Bangladesh's apparel exports to the European Union (EU) could plummet by up to 21 per cent due to the combined impact of Vietnam's rising dominance and Bangladesh's impending graduation from Least Developed Country (LDC) status.

Reasons for the decline

On major reason is the EU-Vietnam Free Trade Agreement (EVFTA), in effect since 2020 that grants Vietnam zero-duty access to the EU market, giving it a significant edge over Bangladesh. This advantage is projected to boost Vietnam's apparel exports substantially. Add to this Bangladesh oncoming graduation from LDC status in 2026.

This will result in the loss of duty-free access to the EU under the Everything But Arms (EBA) initiative, potentially leading to tariffs of up to 12 per cent on Bangladeshi garments. Bangladesh has lagged behind Vietnam in developing its domestic textile industry. This means higher reliance on imported raw materials, making Bangladeshi garments less competitive on price. The study also highlights Bangladesh's slower progress in implementing effective policies to improve its business environment and attract investment.

Table: Apparel exports to EU

Table: Apparel exports to EU

Country	Apparel exports to EU (2022)	Projected apparel exports to EU (2027)
Bangladesh	$18 billion	$14.22 billion
Vietnam	$22 billion	$26.4 billion

The study emphasizes the importance of Free Trade Agreements (FTAs) in shaping global trade. While the EVFTA benefits Vietnam, Bangladesh currently lacks comprehensive FTAs with major markets like the EU. Negotiations for FTAs with Japan and Singapore are ongoing, but experts stress the need for diversification and structural reforms to enhance competitiveness.

In fact several factors impact garment exports. For example stringent rules of origin under the EU's Generalized Scheme of Preferences (GSP+) can hinder Bangladesh's exports. And the EU's focus on sustainability and labor rights requires Bangladesh to improve its practices to maintain market access. Also, inadequate infrastructure, including port facilities and energy supply, adds to production costs and delays in Bangladesh.
The study therefore urges the Bangladeshi government to:

• Negotiate extended transition periods with the EU for LDC graduation.

• Relax rules of origin under the GSP+.

• Pursue additional FTAs to diversify market access.

• Invest in backward integration, particularly in man-made fibers and recycling technologies.

• Improve trade infrastructure and address energy supply deficits.

• Align with EU standards on sustainability and labor practices.

Source: fashionatingworld.com– Dec 20, 2024

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Political turmoil dents Bangladesh's position in US apparel market

Political turmoil in Bangladesh has affected its position in the apparel market of the United States. Its market share decreased to 8.22 per cent in July-September 2024 (Q3), compared to 9.26 per cent in January-March 2024 (Q1). During the third quarter of the current year, US apparel imports from Bangladesh were valued at $2.053 billion.

Bangladesh was the third-largest supplier of US apparel imports in the third quarter of the current year, when total apparel imports were valued at $24.980 billion. In the second quarter, the US imported $1.656 billion worth of apparel from Bangladesh, which constituted 8.87 per cent of its total apparel imports of $18.669 billion. The total imports amounted to $18.940 billion in the first quarter, with imports from Bangladesh noted at $1.754 billion (9.26 per cent). Consequently, Bangladesh's market share decreased by more than one per cent in the third quarter compared to the first quarter, according to Fibre2Fashion's market insight tool TexPro.

US apparel imports from Bangladesh totalled $5.464 billion in the first nine months of the current year, which was 4.63 per cent lower than the imports of $5.729 billion in the same period last year. Bangladesh's share also decreased from 9.01 per cent to 8.73 per cent in January-September 2024.

In 2023, Bangladesh's market share was 8.89 per cent when US apparel imports from the country were noted at $7.248 billion. The importing country had imported $81.530 billion worth of apparel in total during the same year. US' total apparel imports were recorded at $105.248 billion in 2022, with imports from Bangladesh valued at $9.807 billion, representing 9.32 per cent of the total, according to TexPro.

Therefore, Bangladesh's share decreased to 8.73 per cent in January-September this year from 8.80 per cent in 2023 and 9.32 per cent in 2022.

Source: fibre2fashion.com– Dec 23, 2024

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Bangladesh: EU garment import rose by 1.43pc in Jan-Oct period

The European Union's garment import from Bangladesh grew by 1.43 percent in the January-October period, despite a modest increase in quantity at 6.68 percent, indicating 4.92 percent decline in prices.

Importantly, unit prices declined for most suppliers in 2024 compared to 2023, reflecting competitive pressures within the global apparel industry.

The EU's import price from China declined by 8.63 percent in the mentioned period, according to data from the Eurostat.

The data suggests that while the EU's overall demand for apparel remains strong, the competitive landscape is shifting, with some suppliers gaining ground while others, including Bangladesh, are experiencing challenges.

The EU's apparel imports during January-October 2024 shows sign of recovery despite price pressures.

From January to October 2024, the EU's apparel imports experienced a mixed trend. The EU's apparel imports totalled USD 77.78 billion during this period, a slight increase year-on-year by 0.58 percent.

This brings EU's year-to-date clothing import to a positive side, from negative 2.02 percent growth in January-September 2024.

While overall import value and quantity increased slightly, a closer look reveals a complex picture across different sourcing countries.

China, a major supplier, saw a slight increase in the value of apparel imports to the EU in the mentioned period, which is 1.14 percent suggesting a potential shift in the global apparel market.

Other major suppliers like Vietnam and Cambodia experienced growth by 3.31 percent and 20.66 percent respectively.

Source: thedailystar.net– Dec 23, 2024

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Pakistan: USD25bn textile exports can be a reality

After a challenging year in 2023, Pakistan's value-added textile sector has demonstrated remarkable resilience in 2024. Export data reveals a return to pre-crisis performance levels, echoing the record-breaking achievements of 2022.

At the outset of the current fiscal year, projections for textile and apparel exports estimated a range of USD 15-16 billion for FY 2025. However, the latest export figures suggest a potential recovery to the export levels seen in 2022.

As the current calendar year ends, a sneak peek at value-added textile exports during CY 2024 indicates a strong finish, reinforcing optimism that CY 2025 might at least match the record levels of 2022, if not outperform.

In order to ensure a better year for exports in 2025, key actions are needed, including continuing gas supplies to captive power plants, reversing the withdrawal of zero-rating on local supplies, reducing industrial power tariffs, and boosting domestic cotton production to safeguard net exports.

Textile industry's performance: a sneak peek into the 2024 calendar year:

Pakistan's total value-added exports (knitwear, woven garments, and home textiles), which saw a 15 percent decline in the 12-month CY 2023 compared to CY 2022, are expected to rebound with a year-on-year growth of 13 percent in CY 2024 as the year closes on a positive note for the downstream industry.

A closer look at the numbers reveals that value-added textile exports have reached, or in some cases exceeded, the monthly levels seen in 2022.

The bullish trend in Pakistan's value-added textile exports can be attributed to a mix of demand-side and supply-side factors, including rising demand from the West for compliant suppliers, increased orders driven by the weak performance of regional peers, and a global demand surge fueled by easing inflation in the US and Eurozone.

If this momentum continues, Pakistan's export growth could stay strong through 2025, further fueling the textile sector's recovery and growth.

Global trade is projected to see an uptick in 2025:

Meanwhile, WTO economists forecast a 2.7 percent increase in world merchandise trade volume in 2024, recovering from the -1.2 percent contraction in 2023. This rebound is primarily driven by declining inflation in Pakistan's key export markets, the US and Eurozone. Lower inflation has enabled monetary easing, setting the stage for increased economic activity and demand for imports, which boosts the outlook for Pakistan's textile exports in these regions.

Building on 2024's momentum, the global trade outlook for 2025 is even more optimistic, with world merchandise trade projected to grow by 3.0 percent, despite challenges like regional conflicts and policy uncertainty. Asia is expected to lead global trade, with export growth of 4.7 percent and import growth of 5.1 percent.

These global trends present a significant opportunity for Pakistan's export sectors, particularly value-added textiles, to sustain their growth in 2025. With knitted garments already surpassing 2022 export levels and woven garments and home textiles approaching their peaks, Pakistan's exporters are well-positioned to capitalise on the global recovery, provided that supportive policies are enacted to maintain competitiveness and ensure long-term growth.

Click here for more details

Source: brecorder.com– Dec 23, 2024

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Pakistan: Unlocking global potential

The slow growth in Pakistan's textile exports is primarily due to limited penetration in global markets. To expand and diversify its textile and clothing export base, Pakistan should explore alternative destinations beyond its traditional markets.

In regional comparison, Vietnam's textile exports to Russia surged from $0.28 billion in the first nine months of 2023 to $0.61 billion in 2024 -- a 117 per cent increase. Bangladesh, despite having over 80 per cent of its apparel exports concentrated in basic items for Western markets, has diversified 20 per cent of its exports outside the US and European Union. India is actively expanding its textile exports through initiatives like the Kasturi Cotton Initiative, targeting markets in Australia, Japan, Africa and South America, with double-digit growth in these regions.

African countries represent untapped markets for our textiles, driven by a growing middle class, urbanisation, and changing consumer preferences. Key target countries include South Africa, Nigeria, Kenya and Tanzania. Products in demand there include affordable cotton garments, denim and sacks.

South America offers significant opportunities for cotton-based products and RMG. Potential markets include Brazil, Argentina and Chile. These countries have a large population with increasing textile demand -- summer apparel and household textiles such as bed linens and towels.

Proximity to Pakistan reduces logistical costs, and growing economies like Kazakhstan, Uzbekistan and Turkmenistan have a demand for high-quality garments and home textiles, including winter clothing and cotton-based products.

Eastern European markets are cost-conscious yet import large quantities of textiles and garments. Target countries include Poland, Hungary, Czech Republic and Romania where we can tap into budget-friendly markets for casual wear and affordable fashion.

Gulf Cooperation Council (GCC) nations, close to Pakistan, are significant importers due to high per capita income. Demand is strong for luxury and modest fashion, including abayas and hijabs, and high-end home textiles, especially in the UAE, Saudi Arabia and Qatar.

Countries like Indonesia and Malaysia offer a growing market for Muslim fashion and textiles, while Vietnam has a demand for industrial textiles and apparel. Markets in Australia and New Zealand prioritise organic and sustainable textiles. Australia favours natural fibrr textiles, while New Zealand demands high-quality cotton and wool blends, including organic cotton apparel and luxury bedding.

Russia's cold climate creates a market for winter apparel and household textiles. Meanwhile, Japan and South Korea require high-quality and niche textile products. The country should tailor marketing strategies to suit regional preferences and cultures; explore preferential trade agreements to reduce tariffs; focus on eco-friendly and organic textile production to meet global trends; provide financial support to SMEs for exploring new markets; and promote participation in international expos like 'Texworld' and 'Heimtextil'. By diversifying into these emerging markets and focusing on quality and innovation, Pakistan can strengthen its position as a competitive exporter in the global textile industry.

Source: thenews.com.pk – Dec 21, 2024

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NATIONAL NEWS

India under pressure as Trump vows action on tariffs and trade deficit

In 2018, as the President of the United States, Donald Trump called India the “tariff king”, citing the high import duties (100 per cent at that time) on Harley Davidson bikes, but also saying the Indian government was ready to reduce it.

Six years later, as the US President-elect, Trump took on India once again on the same issue. At a press conference last week, he called the country a “very big abuser” of tariffs and threatened reciprocal measures. “If they tax us, we tax them the same amount... Almost in all cases they are taxing us and we haven’t been taxing them,” Trump said.

His ire on tariffs is not new. It was apparent when he was President the first time. Nor are India’s high tariffs a new revelation for the US. The fundamental difference is that Trump is openly using tariffs as a weapon to make countries fall in line.

The worries about India’s high tariffs have been elucidated in the National Trade Estimate Report of 2024 on “Foreign Trade Barriers” prepared under the aegis of US Trade Representative Katherine C Tai, who was nominated by outgoing US President Joe Biden and will soon be replaced by Trump nominee Jamieson Greer.

Tai’s report is unambiguous — it says India has one of the highest tariffs among the major nations with an average most favoured nation (MFN) applied rate of 18.1 per cent in 2022 (latest available). The average applied tariff rate is 14.7 per cent for non-agricultural goods and 39.6 cent for agricultural goods.

The MFN applied rate is the tariff rate applied on imports for all trading partners who are members of the World Trade Organisation (WTO) until it has a preferential trade agreement. The only countries that come close to India amongst the major nations, based on the report, which scrutinised 59 countries (including the European Union), are Turkey and Hong Kong.

Not only that; due to the growing electronics exports, the US's trade deficit with India is only growing. It is another area where Trump wants to bring deficits down by using tariffs as a weapon, and has made it known publicly. Based on data from January to October 2024, India has entered the list of top 10 countries with which the US has the highest trade deficit, taking the number 10 slot by replacing Italy.

Tariffs and deficits

Of course, there are countries with which the US has larger trade deficits. But these countries have far lower tariffs compared to India. So China, with which the US has the highest deficit, has an average MFN applied rate of 7.5 per cent, Vietnam (third largest deficit) is at 9.6 per cent, Japan (seventh) is at 3.9 per cent, and Taiwan (sixth) is at 6.5 per cent. With the rest of the countries, such as Canada, Mexico, South Korea, and Australia, the US has trade agreements that cover most items.

TARIFF WALLS (%)

	Average MFN applied tariff rate	Average MFN applied rate for non-agriculture products	Average MFN for agricultural products
India	18.1	14.7	39.6
Hong Kong	18.1	14.7	39.6
Turkey	16.8	13	41.6
Brazil	11.1	11.6	8
Thailand	9.7	7.1	26.6
China	7.5	6.4	13.9
Taiwan	6.5	4.8	16.9
Malaysia	5.6	5.3	7.9
EU	5.1	4.1	11.4
Japan	3.9	2.4	13.4
UK	3.8	2.9	9.4

Source: NTE report 2024. Data based on tariff rates mostly for 2022 (latest available)

In non-agricultural products, again, India has the highest average applied tariff rate. The countries close to India include Argentina, Bangladesh, Turkey, and Hong Kong. For agricultural commodities, India is second amongst major countries.

The USTR has brought into focus many areas of concern for US businesses. It has identified high tariffs on products such as corn, apples, motorcycles (all at 50 per cent), natural rubber (70 per cent), and alcoholic beverages (150 per cent), and the high basic customs duty on drug formulations (above 20 per cent) and even on life saving drugs and finished medicines. It has flagged that India's WTO-bound tariff rates in agricultural products are one of the highest in the world. This gives India the flexibility to change tariff rates at any time leading to uncertainty for US farmers and business.

The US government, on behalf of American companies, has also raised the issue of an import licence regime for laptops, tablets, and servers, which was introduced at the end of 2023. It was meant to kick start the production linked incentive (PLI) scheme 2.0 for IT hardware by nudging global companies to shift assembly from China to India.

The government has extended the regime till December 31, 2025, and continues to monitor imports. Another red flag raised is on the frequent changes in tariffs as well as the numerous exemptions, making taxes complex.

Impact on exports

So, what can reciprocal higher tariffs imposed by the US mean for Indian exports? That will depend on negotiations.

Experts fear that Indian exporters might have to pay higher duties while exporting pharmaceuticals, textiles, chemicals, and engineering goods.

A growing area of exports is electronics, specifically smartphones, which accounts for 62 per cent of the increase in India's trade surplus with the US between FY21 and FY24. It was led by iPhones, as Apple Inc aggressively shifted production from China to India.

Currently, the US has zero import duty on mobiles. If it decides to impose duties, that will make iPhones assembled in India more expensive in the US. Earlier, Apple CEO Tim Cook was able to convince Trump not to impose punitive duties on iPhones going from China to the US. Will that work for India as well?

There is growing pressure from global mobile phone companies making in India to reduce duties on key components and subassemblies. Otherwise, they say they will not be able to compete with Vietnam or China in the export market.

The electronics industry across mobile phones, PCs, and telecom equipment has argued that an import-led export (value addition is 12-20 per cent in smart phones) growth story in the initial stages cannot build scale if stifled by high tariffs. They have the support of the NITI Aayog, which recently reiterated the adverse impact of high tariffs on exports.

In 2022, former NITI Aayog Vice-Chairman Arvind Panagariya, who now heads the Finance Commission, had articulated that high tariffs hurt exports. He argued that in 1991 India committed to trade liberalisation, but in the last three to four year this trend had been reversed and studies had shown that import duties had been raised in more than 3,000 tariff lines.

Surely, the Indian government will have to have a hard relook.

Source: business-standard.com– Dec 22, 2024

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Indian exporters See limited gains from Rupee depreciation

Indian exporters of garments, handicrafts, and engineering goods expect 5-10% gains from the rupee's depreciation, but more import-dependent sectors such as gems and jewellery and electronics see rising oil and commodity prices offsetting any benefits, trade insiders said.

Moreover, the sharper depreciation of the Chinese yuan, Japanese yen, and Mexican peso against the US dollar may prompt buyers to pressure Indian exporters to pass on the gains, besides undermining any long-term competitive advantage from the rupee's fall, they said.

The rupee hit an all-time low of 85.09 per dollar on Thursday, crossing the 85 mark for the first time. On Friday, the rupee hit a new low of 85.10/$1. Almost 60% of India's goods trade is in dollars, and the depreciation will help traditional sectors such as textiles and leather.

"The rupee depreciation will help the entire textile chain, and the benefit is usually 50% of the depreciation. The rest of the benefit gets passed on to the buyers," said Sanjay Jain, managing director of TT Ltd, an exporter of readymade garments.

Temporary Relief

Rakesh Kumar, chief mentor at Export Promotion Council for Handicrafts, said, "We expect a 2-3% growth in exports."

An exporter of engineering goods said a weak rupee is only a temporary relief and not a long-term benefit because iron and steel prices have gone up 60% in the last two months. "We expect a 4-5% rupee depreciation to translate into a 10% growth in exports if the raw material prices don't increase further," he said.

The gain is limited to sectors that have low dependence on imports. "Wherever there is imported content, our (import) costs would rise and thus neutralise this advantage at the export front," said Pankaj Chadha, chairman of Engineering Export Promotion Council of India.

India's goods exports shrunk 4.9% on-year in November to a two-year low of $32.1 billion. "A sharp fluctuation in a short duration helps only the profitability of exporters and not their competitiveness," said Federation of Indian Export Organisations director general Ajay Sahai. "Exporters, especially those who have open cover and are not hedged, can benefit. However, there is not much benefit in the long term." According to industry estimates, only 15% of exporters are not hedged.

Other Currencies

Exporters are also cautious that the gains from the rupee's fall would not be sustained. The rupee has depreciated by 2.2% against the US dollar since the beginning of the year. However, the fall was higher for other currencies such as the Brazilian real (26.8%), Mexican peso (19.6%), yen (11.8%), South Korean won (11.7%), and yuan (2.6%).

"The rupee has experienced less pressure in terms of depreciation except in the last two months," said Madan Sabnavis, chief economist at Bank of Baroda.

In a note, the bank said a weaker rupee will help exports, especially when the yuan has fallen more than the rupee. Sabnavis said ever since Donald Trump won the US presidential elections, the rupee has been on a downward trend.

Source: economictimes.com– Dec 21, 2024

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Indo-US FTA: A strategic opportunity amid global trade challenges

How will the Trump presidency rock the global economy? Many kinds of turbulence will arise in international trade. India will face some unintended consequences of actions initiated by the major powers.

India is a small player in global merchandise trade and does not have the leverage to materially shape the global story. As an example, exports of Indian goods in 2023 were $432 billion, with a nominal growth rate of 3.2 per cent over the last decade (a nominal doubling every 22 years). For comparison, Vietnam, with a population that's 7 per cent of India's, was at $354 billion in 2023, with a decadal nominal growth rate of 10.4 per cent (a nominal doubling every seven years).

At the recent Emerging Markets Conference (https://bit.ly/EMC-12-2024), Daniel Rothschild offered an important idea. He said that conditions were good for a strong Indo-US free-trade agreement (FTA). He argued that an Indo-United States FTA would be supported within the United States (US) by three important groups:

1. The people in the US who are imbued with free trade as a philosophy are concerned about the growing impediments to global trade. An Indo-US FTA would be supported by them as a way to keep gains from trade alive, drawing on the knowledge that goes all the way back to David Ricardo that unilateral liberalisation of trade by each country is good for their self-interest. Particularly if America is going to restrict trade with other countries, the highway with India becomes more valuable.

2. Big business interests in the US stand to get hurt by protectionist moves in the US and counter-moves by other countries. For them, keeping one channel open for increasing the size of overseas activity, in the form of an FTA with India, would be welcomed.

3. The third group in the US that would welcome an Indo-US FTA are the people who are focused on the problem of China. While Indian democracy is highly flawed, it remains a fact that the Indian state has greater constitutional foundations as compared with China. On the Freedom House measure, India is classified as "partly free" with a score of 66/100. China stands at "not free" with a score of 9/100. In the eyes of American

China-hawks, principles and realpolitik favour a greater alignment with India.

With these three important groups that would support an Indo-US FTA, it becomes a realistic pathway that merits exploration. We should not be deterred by our disrespect for Donald Trump and some of his cabinet picks. There is genuine competence in his economics team. It is not all hostility to globalisation, and they will bring genuine state capability to FTA negotiations. There is more to the US federal government than Mr Trump and his inner circle.

What are the contours of such an FTA?

1. Both sides have tariffs that can be meaningfully reduced. The American side has concerns about rules of origin, about India being a rerouting station for trade diversion, eg for Chinese solar panels that reach the US while bypassing US restrictions upon Chinese exports into the US.

2. The American side will have concerns about the implementation of US export restrictions, to ensure that their high technology does not reach buyers in Russia or China through India.

3. Growth in services export is the key to India's future. Both sides have an interest in removing barriers to cross-border services activity. At present, American firms in finance are largely not active in India, particularly after the reduction of activity in India by major firms such as Citibank and Goldman Sachs. American law firms have yet to step into India.

4. Cross-border investment is hindered by Indian capital controls and tax policy, and by difficulties of taxation in the US. There is much to do for both sides to make foreign direct investment (FDI) and portfolio investment work better. The investment relationship is not as one-sided as we may think. There is now a considerable footprint of Indian outward portfolio and FDI assets in the US. The Indian state has an interest in creating frictionless conditions for Indian persons to do FDI and portfolio investment in the US.

5. Problems of visas will be on the table. It is difficult for US citizens to travel to India or work in India.

6. Both sides can make much progress with government procurement, removing rules that restrict government purchases to locals. This is in the interests of efficiency of public spending on both sides.

7. A variety of procedural frictions need to be improved upon, such as Customs procedures, the US Food and Drug Administration operating in India, the operations of US export controls, etc.

8. There are concerns in the US about restrictions on the activities of foreign philanthropies and non-profits in India.

9. Finally there are the problems of technology policy. Both sides have an interest in full free trade in the information economy. India's most important export is information technology (IT) and services, which require an open international regime around IT hardware, software, and data flows. Interference in digital free trade, eg rules for data localisation, hinder these possibilities. It is in India's interests to fit into the global IT order and prosper from it — as was done in the first 30 years of the IT revolution — rather than be a disruptor.

Strategic autonomy is easy, and foreign policy is hard. It requires homework in understanding the Indian economy deeply so as to map out India's interests and envision the range of possibilities in negotiations. Absent such homework, we are down to grandstanding and the requests of special interest groups.

The Indian government has signed many FTAs or comprehensive economic cooperation agreements that delivered disappointing outcomes through myriad restrictions shaped by special interest groups. Many an FTA in name leaves the Indian state in place, actively hindering cross-border activities. The devil will lie in the detail, in the ability of both sides to build negotiating teams that achieve more than propaganda.

Source: business-standard.com– Dec 22, 2024

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Bilateral investment treaty and FTAs are two separate pacts; should continue to remain so: Sources

Demands of certain developed countries from India to negotiate 'investment protection' elements under an FTA is inappropriate as negotiating the matter as part of a separate chapter under the trade pact could have larger and detrimental implications, source said. Legally speaking, they said, the investment protection element provides a wide range of obligations and commitments bestowed upon foreign investors, which are expansive in nature.

"Recently, a lot has been heard about countries that are desiring India to negotiate 'investment protection' elements vis-a-vis investment chapter as part of the free trade agreement (FTA). However, this is incorrect," one of the sources said.

For instance, the European Union (EU) has been negotiating a separate investment protection agreement or treaty with India, and not as part of the India-EU free trade agreement.

"Having 'investment protection' as a chapter of a FTA could have larger and detrimental implications even on the trade agreements' structure, especially when FTAs have specialised dispute settlement mechanisms which shall allow countries to take retaliatory measures in unrelated sectors, even for investment disputes," the source said.

However, such a concern would not arise when investment protection agreements are negotiated independently and free from FTAs.

While prior to its Model BIT (Bilateral Investment Treaty) of 2016, India has negotiated investment chapters in FTAs with countries like Japan, Korea, and Singapore, but there is a need for a caution as such provisions carry the perpetual risk of disputes spilling over the trade realm when matters are escalated to a country-country level of dispute resolution.

"India has argued that trade and investment protection agreements should remain separate to ensure better clarity in regimes and minimize risks that might arise out of regime interactions, that is, trade and investments," sources said.

Another matter of concern has been the "asks" of developed countries for arbitration as a dispute resolution mechanism for investor-state disputes in a treaty, they said, adding, interestingly the developed countries themselves, by way of their national policies, have been seen opting out of investor-state arbitrations as a dispute resolution mechanism.

This is evident from their recently negotiated treaties, for example the UK-New Zealand, UK-Australia, USA-Canada under United States-Mexico-Canada Agreement (USMCA) do not have investor-state arbitration as a dispute settlement procedure.

Recently, many European nations as well as the UK have openly withdrawn from the energy charter treaty which provided for an arbitration mechanism for investor-state dispute settlement.

Another major issue with arbitration is involvement of huge costs, which are eventually borne by taxpayers in case of state being respondent.

A study estimates arbitration costs between USD 5 million to USD 7.5 million, with additional expenses for enforcement and appeals, which can occur across multiple jurisdictions.

An arbitration is also a lengthy process which runs about up to four to five years excluding another considerable number of years spent in enforcement proceedings at various court levels.

"If the arbitration seat is the Netherlands, for example, then the Hague court has a three levels of court hierarchy system for proceedings, starting from the lowest court to the highest court of appeal, each of the levels adding to the cost," the source said.

In a BIT, the provision of mandatory exhaustion of local legal remedies for a period of five years before resorting to international arbitration is beneficial for both the investor and the state involved in a dispute.

The source argued that exhaustion of local remedies (ELR) allows the parties involved in a dispute to parallelly try and resolve the disputes in an amicable manner, before resorting to the costly arbitration mechanism.

India's approach of requiring local remedies aligns with its stance to protect taxpayer money and avoid prolonged and costly legal battles, while simultaneously providing arbitration as an alternate dispute resolution mechanism to investors.

Developed countries argue that ELR delays resolution. However, India counters it by strongly projecting that exhaustion of local remedies encourages early settlements. Further, this is not a novel practice in investment treaties and has been observed in the investment treaty practices of China, Colombia, Bangladesh, Malta, Serbia, Argentina, Korea and Turkey as well.

As per the UNCTAD dispute navigator website data, developing nations, such as Argentina, Colombia, and Ecuador, face the majority of arbitration cases, often filed by developed nations.

Arbitration cases have surged globally, reaching 1,332 so far, according to UNCTAD.

India's stance reflects broader concerns which are observed among other developing nations regarding the high costs, interpretation biases, and disproportionate impact of arbitration mechanisms.

Further, they added that the arbitration system is often dominated by decision-makers coming from a narrow-westernised demographic, which also poses challenges for developing nations like India.

"The investor-state arbitration system's structure remains strongly favourable to developed countries, and this needs to be changed," they added.

India remains committed to negotiating agreements that safeguard its economic interests while balancing investor confidence and domestic policy space.

Source: economictimes.com– Dec 22, 2024

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India emerging a major apparel sourcing hub for US fashion companies

A new study by Prof Sheng Lu and research assistant Gabriella Giolli of the University of Delaware has shed light on India's growing potential as a key apparel sourcing destination for US fashion companies. The study, which examined recent research and industry trends, found that India is well-positioned to capitalize on several factors, including its large and skilled workforce, vertically integrated textile industry, and government support for the sector.

Reasons for India's growth prospects

As per United Nations Industrial Development Organization (UNIDO), India's textile and apparel industry produced approximately $76.5 billion in textiles and $26.64 billion of apparels in 2022, surpassing most other Asian countries. India is also one of the world's largest textile fiber producers, including cotton, silk, polyester, and viscose. Over 90 per cent of India's textile raw materials can be sourced domestically, ensuring a stable and reliable supply chain. India exported about $15 billion in apparel in 2023, making it the world's sixth-largest apparel exporter.

India’s biggest positive is its large and skilled workforce. It has a vast and skilled workforce, with over 45 million workers directly employed in the textile and apparel sector. This provides a significant advantage in terms of labor costs and scalability. Moreover India has a well-developed and vertically integrated textile industry, capable of producing a wide range of fabrics and garments. This reduces reliance on imported materials and streamlines the supply chain.

The government has been actively promoting the textile and apparel industry through various initiatives, such as the Production Linked Incentive (PLI) scheme. This provides financial incentives and support to manufacturers, further enhancing India's attractiveness as a sourcing destination. Also, US fashion companies are increasingly diversifying their sourcing strategies to reduce reliance on China. India, with its favorable conditions and growing capabilities, is emerging as a strong alternative. In fact, several major US fashion brands have already started sourcing from India, including Gap Inc., Target, and Walmart. These companies have reported positive experiences with Indian suppliers, citing their quality, reliability, and competitive pricing.

"India has the potential to become a major apparel sourcing hub for US fashion companies," says Sheng Lu, Associate Professor at the University of Delaware. "The country's strengths in terms of labor costs, vertical integration, and government support make it an attractive alternative to China."

However, while India offers many advantages, there are also some challenges that US companies need to be aware of. For example they need to know India's infrastructure is still developing, and transportation and logistics can be challenging. Bureaucracy also can be complex and time-consuming to navigate. Lead times for production in India can be longer than in China.

India's textile and apparel industry is going through major changes with government support, industry initiatives, and a growing demand for ethically sourced and sustainable products. As US fashion companies continue to diversify their sourcing strategies, India is well-positioned to capture a larger share of the market.

The country's strengths in terms of labor costs, vertical integration, and government support make it an attractive alternative to China and other sourcing destinations. With continued investment and development, India is expected to become a leading player in the global apparel industry.

Source: fashionatingworld.com– Dec 20, 2024

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Export of special technical textile products on rise, says NTTM official

“Export of special technical textile products grew 6.2% between April and November compared with the same period last year,” said Ashok Kumar Malhotra, Mission Director of the National Technical Textiles Mission (NTTM).

Mr. Malhotra told The Hindu on Friday (December 20, 2024) that the exports were worth ₹2,915 crore from April to November this year compared to ₹2,345 crore during April - November last year. “India imports a lot of technical textile products. With increasing consumption, the domestic demand is growing. It is important to promote domestic production and ensure that imports do not increase. India is gaining on exports now, especially of products such as diapers and sanitary napkins” he said.

Packing technology and geo textiles are two segments of technical textiles that are growing rapidly. “India has a strong base of natural raw materials. These need to be developed into functional textiles.”

“Of the total outlay of ₹1,480 crore for the Mission, more than 50% was already spent and another ₹500 crore is earmarked for creating the eco system by training the right personnel. Those who want to benefit from the schemes in the Mission can apply till March 2026,” Mr. Malhotra said.

“There are 12 centres of excellence for technical textiles and a report will be ready in another three months that will identify the centres that need to be moved to the next level of activities and new ones required,” he added.

Source: thehindu.com– Dec 20, 2024

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Cotton yarn market faces mixed trends in south India as demand varies

Cotton yarn prices in south India have shown a mixed trend. The Tiruppur market experienced a slight decrease of ₹1-2 per kg in cotton yarn prices, as mills offered higher discounts to attract buyers. Conversely, the Mumbai market saw stable prices due to normal demand, with consumer industries and stockists purchasing cotton yarn on a regular basis.

Traders anticipate that demand for cotton yarn will likely improve in the second week of January next year. Cotton prices have decreased due to supply pressure. Although the Cotton Corporation of India (CCI) has procured more cotton, providing price stability, the textile industry may face a supply crunch in the coming off-peak season after February next year.

In Mumbai, the market observed stability in cotton yarn prices amid average demand from the consumer industry and stockists. A trader from the Mumbai market told Fibre2Fashion, "The consumer industry and stockists are buying cotton yarn on a regular basis. The market will see higher demand next month when summer demand picks up. There was optimism in the Mumbai cotton yarn market."

In Mumbai, 60 carded yarn of warp and weft varieties were traded at ₹1,430-1,470 (approximately $16.82-$17.29) and ₹1,370-1,420 per 5 kg (approximately $16.11-$16.70) (excluding GST), respectively.

Other prices include 60 combed warp at ₹334-341 (approximately $3.93-$4.01) per kg, 80 carded weft at ₹1,400-1,470 (approximately $16.46-$17.29) per 4.5 kg, 44/46 carded warp at ₹258-269 (approximately $3.03-$3.16) per kg, 40/41 carded warp at ₹252-262 (approximately $2.96-$3.06) per kg and 40/41 combed warp at ₹284-291 (approximately $3.34-3.42) per kg, according to trade sources.

However, in Tiruppur, knitting cotton yarn prices decreased by ₹1-2 per kg as mills faced pressure to find buyers, offering higher discounts on their mill rates. Traders noted that cotton yarn demand is very slow but may improve next month with the increase in summer garmenting demand. Currently, mills and stockists are struggling to find buyers.

In Tiruppur, knitting cotton yarn prices were noted as 30 count combed cotton yarn at ₹255-263 (approximately $3.00-3.09) per kg (excluding GST), 34 count combed cotton yarn at ₹264-271 (approximately $3.10-3.19) per kg, 40 count combed cotton yarn at ₹275-285 (approximately $3.23-3.35) per kg, 30 count carded cotton yarn at ₹235-240 (approximately $2.76-2.82) per kg, 34 count carded cotton yarn at ₹240-244 (approximately $2.76-2.88) per kg and 40 count carded cotton yarn at ₹248-253 (approximately $2.92-2.98) per kg.

In Gujarat, cotton prices fell by ₹500 per candy of 356 kg in the last couple of days. A bearish tone in ICE cotton and slow demand from the local consumer industry have led to the price drop.

However, aggressive buying by CCI on minimum support prices helped maintain current levels of seed cotton. Ginning mills in the central and southern zones are facing a disparity of ₹3,000-4,000 per candy of 356 kg. Traders warned that private cotton stocks will be limited in the coming months of the current season. The textile industry may feel the impact of expensive cotton as CCI will be the sole supplier in the country. Cotton arrivals were estimated at 28,000-30,000 bales of 170 kg in Gujarat and 200,000-220,000 bales across the country.

The benchmark Shankar-6 cotton was quoted between ₹53,000-53,500 (approximately $623.26-$629.14) per candy of 356 kg, while southern mills were looking to buy cotton at ₹54,000-54,500 (approximately $635.02-$640.90) per candy. Seed cotton (Kapas) was traded at around ₹7,400-7,500 (approximately $87.02-$88.20) per quintal.

Source: fibre2fashion.com– Dec 20, 2024

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