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Currency Watch			
USD	EUR	GBP	JPY
85.20	88.59	106.82	0.54

INTERNATIONAL NEWS	
No	Topics
1	How the SHIPS for America Act Could Shake Up US-China Trade at Sea
2	UK manufacturing output falls fastest since 2020 amid weak demand
3	South Korea's apparel imports gain 5% to $907 mn in Nov 2024
4	The future of fashion, a $2.97 trillion opportunity
5	Uniqlo to replace smaller stores in China with larger outlets in premium locations
6	Mexico Raises Textile-Related Tariffs By Up to 35%
7	US Textile and Apparel Trade: CAFTA-DR relations, challenges, and opportunities
8	Second-hand fashion outpaces traditional retail in 2024: Survey
9	Vietnam back as ASEAN growth star as outlook turns more positive: HSBC
10	30.58% drop in jobs in Bangladesh RMG sector due to automation: Study
11	Bangladesh: BTMA seeks 5pc specific duty

NATIONAL NEWS	
No	**Topics**
1	India-EFTA FTA: Mechanisms planned to fast-track $100-billion investments
2	Finmin likely to peg fiscal deficit below 4.5 per cent for FY26
3	Small, new businesses may get GST registration within 3 working days
4	Exporters: Know when you can claim duty drawback and Rodtep benefits
5	Price and Sectorial Imbalances Cripple Textile Industry
6	India's GST Council maintains RMG tax rates after industry opposition
7	DRDO, IIT Delhi, firms sign MoUs for protective clothing production
8	Cotton farmers from Telangana may get central price support
9	Guntur industrialists welcome textile policy

INTERNATIONAL NEWS

How the SHIPS for America Act Could Shake Up US-China Trade at Sea

Newly introduced legislation designed to revitalize American shipbuilding could change the nature of how—and how many—Chinese goods are imported into the U.S.

The bipartisan Shipbuilding and Harbor Infrastructure for Prosperity and Security (SHIPS) for America Act is primarily a national security and maritime policy bill aimed at reducing reliance on foreign vessels, particularly as China has significantly surpassed the U.S. in shipbuilding.

But one section of the proposed legislation could shift the tides of U.S.-China trade, if the bill is passed in Congress.

Section 415 establishes a "commercial cargo preference," which requires that within 15 years, 10 percent of all cargo imported into the U.S. from China must be imported on U.S.-flagged vessels that are also and built in the U.S. and staffed by American crews.

A requirement of 1 percent of Chinese cargo on a U.S. vessel would begin five years after the bill is enacted, and would escalate another percentage point every year after.

Any individual shippers that don't comply with the requirements would be subject to a fine. Although it is currently unclear whether freight forwarders or other logistics providers would be tagged with a fine for non-compliance, the bill states that a final ruling four years after the bill's enactment would determine the parties that are subject to the requirement.

"Chinese-owned or -operated vessels will be penalized," said Lars Jensen, CEO of container shipping consultancy Vespucci Maritime in a LinkedIn post. This impacts not just the Chinese carriers but also carriers who are in alliance or [a vessel-sharing agreement] with Chinese carriers such as CMA CGM and Evergreen on Ocean Alliance. But also, ONE and HMM on the Atlantic now operating together with Ocean Alliance. Presumably will also impact other carriers chartering Chinese owned vessels."

Another section, Section 411, raises the percentage of U.S. government cargo that must sail on U.S.-flagged vessels from 50 percent to 100 percent.

There are fewer than 200 oceangoing commercial vessels that are U.S.-flagged, -owned and -crewed, the bill states, with only roughly 80 of them participating in international commerce, compared with more than 5,500 Chinese-documented vessels.

"We've always been a maritime nation, but the truth is we've lost ground to China, who now dominates international shipping and can build merchant and military ships much more quickly than we can," said Sen. Mark Kelly (D-Ariz), a U.S. Navy veteran and the first U.S. Merchant Marine Academy graduate to serve in Congress, in a statement. "The SHIPS for America Act is the answer to this challenge. By supporting shipbuilding, shipping and workforce development, it will strengthen supply chains, reduce our reliance on foreign vessels, put Americans to work in good-paying jobs, and support the Navy and Coast Guard's shipbuilding needs."

Given that none of the major ocean carriers are headquartered in the U.S., the field of vessels that are currently qualified to answer the calls of this bill is sparse.

According to Jensen, Matson, the largest container shipping firm in the U.S., would benefit. The ocean carrier currently has 16 U.S.-flagged container vessels, with three more on order.

The American subsidiaries of Maersk (Maersk Line, Limited) and CMA CGM (APL) would also be favored.

"If this is applied as proposed it will increase shipping costs for U.S. importers and exporters—except those exporters who are slated for government subsidies," said Jensen. "More importantly it will create significant supply chain headaches for individual U.S. shippers needing to clearly measure the share of cargo moved on U.S. ships, especially if much of their cargo is from origins not necessarily served by such U.S. vessels."

Jensen also speculated that transshipment hubs in Singapore and Busan would likely gain more traffic as shippers race to shift Chinese goods into U.S. vessels to meet the 10 percent quota.

“The port preference for U.S.-flagged ships in ports could result in worsening congestion problems rather than alleviating them in times of tight port capacity,” Jensen said.

The bill was proposed Thursday by Kelly, alongside Sen. Todd Young (R-Ind.), Rep. John Garamendi (D-Calif.) and Rep. Trent Kelly (R-Miss.).

The legislation throws another wrench in an already complicated trade relationship between the U.S. and China, which has been defined by a series of tariffs that escalated in President-elect Donald Trump’s first tenure in the Oval Office and further expanded during President Joe Biden’s term.

With Trump announcing that he intends to levy an additional 10 percent tariffs on China-made products in his second go-around as president, the new bill doubles down on the hawkish policies expected to be put in place by the incoming administration.

Source: sourcingjournal.com– Dec 23, 2024

HOME

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UK manufacturing output falls fastest since 2020 amid weak demand

UK's manufacturing output volumes fell at the fastest pace since mid-2020 in the quarter to December, according to the Confederation of British Industry's (CBI) latest Industrial Trends Survey (ITS). Manufacturers expect another steep drop in output over the next three months.

The total and export order books deteriorated sharply relative to last month, with the volume of total orders falling to its weakest since late 2020. Against a backdrop of weak demand, manufacturers' stocks of finished goods remain relatively high, at levels last seen during the early stages of the COVID pandemic.

Meanwhile, expectations for selling price inflation picked up noticeably in December, with the rate of selling price inflation during the next three months expected to be comfortably above the long-run average, CBI said in a press release.

The survey found that the output volumes fell in the three months to December (weighted balance of -25 per cent, from -12 per cent in the quarter to November), the steepest decline since August 2020.Manufacturers expect output to fall again in the quarter to March 2025 (-31 per cent), with expectations weaker than at any time since May 2020.

Output decreased in 15 out of 17 sub-sectors in the three months to December, with the significant fall driven by the furniture and upholstery, glass and ceramics and motor vehicles and transport equipment sub-sectors.

Total order books were reported as below normal and deteriorated markedly relative to November (-40 per cent from -19 per cent). The level of order books in December was the weakest since November 2020 (and far below the long run average of -13 per cent), added the release.

Export order books were also below normal in December (-37 per cent from -27 per cent last month). This was also below the long-run average (-18 per cent).

Expectations for average selling price inflation picked up in the quarter to December (+23 per cent from +11 per cent in November), with the balance of manufacturers expecting prices in the quarter ahead to rise above the long-run average (+7 per cent).

Stocks of finished goods were reported as more than adequate in December and to a similar extent as in November (+20 per cent from +21 per cent), which was the highest reading since August 2020. Stock adequacy stands well above the long-run average (+12 per cent).

“Manufacturing output appears to have contracted during the fourth quarter, with conditions across the sector looking more challenging than at any time since the COVID pandemic in 2020,” said Ben Jones, lead economist at CBI. “Manufacturers are facing a perfect storm of weakening external demand on the one hand, amid political instability in some key European markets and uncertainty over US trade policy. And on the other hand, domestic business confidence has collapsed in the wake of the Budget, which has increased costs and led to widespread reports of project cancellations and falling orders.”

“Manufacturers are heading into 2025 with no expectation of any near-term improvement. As firms continue to work through the challenges of the budget, the government could help support business confidence by accelerating measures that could restore some headroom for investment, such as delivering flexibility to the apprenticeship levy or signalling a faster timetable to reform business rates, and working in full partnership with boardrooms to develop a long-term industrial strategy would send the right signals to the markets and investors that the UK is a trusted and competitive destination to do business,” added Jones.

The survey was based on the responses of 331 manufacturers.

Source: fibre2fashion.com– Dec 24, 2024

HOME

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South Korea's apparel imports gain 5% to $907 mn in Nov 2024

South Korea's apparel imports reached $907.518 million in November 2024, marking a 5.22 per cent increase from $862.617 million in the same period of the previous year. On a month-on-month basis, apparel imports saw a steep fall of 32.16 per cent compared to inbound trade of $1,337.423 million in October 2024, according to the latest figures released by the Korea Customs Service.

In November 2024, South Korea imported knitted apparel and clothing accessories (Chapter 61) valued at $367.416 million, compared to $353.310 million during the same month in 2023. The import value of non-knitted apparel and clothing accessories (Chapter 62) was $540.102 million in November 2024, up from $509.307 million in November 2023. In October 2024, the country's imports amounted to $500.456 million (Chapter 61) and $836.967 million (Chapter 62).

From January to November 2024, South Korea's total apparel imports amounted to $11.430 billion, with Chapter 61 items accounting for $4.680 billion and Chapter 62 items for $6.750 billion. For the full year of 2023, the country imported apparel worth $11.991 billion, with Chapter 61 imports at $4.842 billion and Chapter 62 imports at $7.149 billion.

South Korea typically exports fabrics and textile materials while importing ready-made garments. In November 2024, the country exported man-made filaments, strips, and similar materials of man-made textiles (Chapter 54) worth $174.240 million and knitted or crocheted fabrics (Chapter 60) worth $147.504 million. In November 2023, these exports were valued at $182.331 million for Chapter 54 and $153.277 million for Chapter 60. In October 2024, the export values were $159.960 million and $135.890 million, respectively.

During January to November 2024, South Korea's exports under Chapter 54 reached $1,818.838 million, while exports under Chapter 60 totalled $1,573.771 million. In 2023, exports under Chapter 54 amounted to $2,107.283 million, and under Chapter 60 to $1,788.741 million.

Source: fibre2fashion.com– Dec 24, 2024

HOME

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The future of fashion, a $2.97 trillion opportunity

The global apparel market is on a growth path and projected to reach a $2.97 trillion by 2033, says a report by Straits Research. The sector is moving ahead at CAGR of 8.02 per cent, with several factors like rising affluence in developing economies, expanding influence of e-commerce, and a growing demand for sustainable and ethical fashion catalyzing growth.

Market drivers

One major factor boosting growth in this sector is rising affluence. Increasing disposable incomes, particularly in emerging markets, are driving greater consumer spending on apparel. This trend is particularly noticeable in countries like China and India, where a burgeoning middle class is eager to embrace fashion as a means of self-expression and status.

The rise of online retail too has revolutionized the apparel industry, offering consumers unparalleled convenience and access to a wider range of brands and styles.

Digital innovations, such as augmented reality (AR) and virtual fitting rooms, are further enhancing the online shopping experience, making it more interactive and personalized. And consumers are increasingly prioritizing environmental and social responsibility in their purchasing decisions.

This has led to an increase in demand for sustainable and ethical fashion, with brands responding by incorporating eco-friendly materials, reducing carbon emissions, and promoting fair labor practices.

Regional insights

Asia-Pacific: This region is expected to maintain its dominance in the global apparel market, driven by its large population, growing disposable incomes, and significant manufacturing capacity.

Europe: The second-largest regional player, Europe is renowned for its high-quality apparel production, luxury fashion houses, and strong consumer demand for sustainable and eco-friendly fashion.

Growth opportunities

Even as the market grows there are several areas of growth. For example, sustainability, the growing demand for sustainable and eco-friendly practices presents a significant opportunity for apparel brands to differentiate themselves and capture market share. However, continued investment in digital technologies, such as AI-driven personalization and enhanced online shopping experiences, will be crucial for brands to engage consumers and drive sales.

The sector also faces several bug bears on its growth path. Rising of raw materials, labor, and compliance with environmental regulations are putting pressure on apparel brands' profitability. Supply chain disruption is another issue; global supply chain disruptions, due to COVID-19 pandemic, can impact the timely delivery of products and increase costs.

The Straits Research report aligns with similar industry analyses in highlighting the significant growth potential of the global apparel market, particularly in emerging economies and the e-commerce sector. However, it differentiates itself by providing a more detailed analysis of the factors driving growth, including a look into the rising demand for sustainable and ethical fashion. Additionally, this report offers a more detailed examination of the regional dynamics of the apparel market, highlighting the unique opportunities and challenges present in different parts of the world.

Source: fashionatingworld.com– Dec 23, 2024

HOME

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Uniqlo to replace smaller stores in China with larger outlets in premium locations

Driven by an evolving consumer demand in the country, Fast Retailing Co-owned Japanese apparel brand Uniqlo plans to replace smaller, less profitable outlets across China with larger outlets in premium locations to better meet market needs and ensure long-term profitability.

According to Pan Ning, CEO, Uniqlo China, this shift aligns with changing consumer behavior and positions Uniqlo to capitalise on China's market growth while ensuring sustainable profitability. Uniqlo also aims to enhance its integration of brick-and-mortar and e-commerce operations, fostering collaboration between the two and exploring new sales channels like livestreaming to boost growth.

Currently, Uniqlo has over 920 directly operated stores across more than 200 Chinese cities. The brand creates more than one million jobs across its industrial chain in the country, It plans to adopt a more localised approach by tailoring product assortments to regional preferences, climates, and cultural nuances.

Since 2021, Uniqlo has launched 18 co-branded collections in China featuring local cultural elements, collaborating with various artists to blend modernity with tradition. The brand's revenue from the country rose by 9.2 per cent Y-o-Y to ¥677 billion ($4.4 billion) in FY 2024, according to the latest financial report. The Chinese market remains pivotal to Uniqlo's global business strategy, as China's consumption-driven transformation presents immense opportunities.

The company has also showcased new products at the China International Import Expo (CIIE) in Shanghai, introducing over 10 debut items, including down jackets and dresses, across five editions of the expo.

Beyond China, Uniqlo is extending its global footprint with new initiatives. In late October, it opened a global flagship store in Shinjuku, Tokyo, offering an extensive product lineup, including exclusive collaborations with local companies and unique in-store features like flower and coffee outlets.

Source: fashionatingworld.com– Dec 23, 2024

HOME

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Mexico Raises Textile-Related Tariffs By Up to 35%

Mexico has ramped up tariffs on products affecting its domestic textile industry, but the move has nothing to do with returning U.S. president Donald Trump.

In fact, its neighbor to the north, as part of the United States-Mexico-Canada Agreement, will be exempt from the import hikes, which will jump to 15 percent on 17 categories of textile merchandise, such as denim and polyester staple fibers, and 35 percent on 138 finished clothing products including knitwear, jackets and lingerie, Mexico's economy minister Marcelo Ebrard announced Thursday during a press conference.

The tariff increases, which will stick until April 22, aren't aimed at any particular country, Ebrard said. Instead, the move is designed to bolster Mexico's textile industry while protecting it from the unfair competition that has resulted in an average 4.8 percent erosion in its annual gross domestic product and the loss of 79,000 jobs over the past few years.

The decision is also being paired with restrictions on what can be imported through the import duty-deferral program known as IMMEX, which Ebrard said is being abused as a tax-free loophole for the domestic sale of raw materials and components designated for the production of goods for export. If this "door" isn't closed and the Mexican industry continues to be undercut by bad actors, another 72,000 jobs could disappear, he added.

"With this, we're going to promote the development of national industry because a strategic objective of shared prosperity is to increase the national content of everything we consume," Ebrard said. "The more Mexican content there is, the more jobs there will be in Mexico promoting fair market conditions."

While this round of increases is origin-agnostic, Mexico has imposed tariffs on goods from specific countries with which it doesn't have trade agreements, most recently aluminum, plastics and steel from China. The tariffs were seen as a response to U.S. concern that cheap Chinese products could be using Mexico as a covert entryway into North America, where they could undermine local production and, again, jobs. This was boosted further by an announcement last month that the Economy Ministry will be conducting so-called "cleaning" raids across all 32 Mexican states to stem the flow of illicit products, mainly from China.

Despite all this, President Claudia Sheinbaum has warned the United States that it would counter Trump's threats of a potential 25 percent bump in tariffs with retaliatory taxes of its own—and potentially kill the trade deal his previous administration brokered.

"The treaty helps all three economies and this is known by all three countries, their businessmen, businesswoman and their governments," Sheinbaum said during a press conference in late November. "What we're preparing is in the case there are tariffs, Mexico would also raise tariffs."

Source: sourcingjournal.com– Dec 23, 2024

HOME

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US Textile and Apparel Trade: CAFTA-DR relations, challenges, and opportunities

The US textile and apparel industry is a complex web of domestic manufacturing, imports, and exports, interwoven with trade agreements and policies that shape its competitive landscape. The US's textile and apparel trade relationship with the CAFTA-DR region has had a significant impact on the industry.

CAFTA-DR: A Cornerstone of US Textile and Apparel Trade

The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) has significantly influenced US textile and apparel trade. Enacted in 2005, this agreement established a free trade zone encompassing the US, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

CAFTA-DR has fostered a strong trade relationship in textiles and apparel, with a focus on sourcing yarn and fabric from the US, producing garments in the CAFTA-DR region, and exporting them back to the US. This 'yarn-forward' rule of origin has been crucial in driving investment and job creation in the region.

Table 1: US imports of textiles and apparel from CAFTA-DR (2020-2022)

Year	Apparel ($bn)	Textiles ($bn)	Total ($bn)
2020	8.7	1.5	10.2
2021	10.5	1.9	12.4
2022	11.8	2.1	13.9

Table 2: US exports of textiles and apparel to CAFTA-DR (2020-22)

Year	Apparel (($bn)	Textiles (($bn)	Total (($bn)
2020	0.8	1.2	2
2021	1	1.5	2.5
2022	1.1	1.7	2.8

(Source: US International Trade Commission data)

US textile and apparel trade with the CAFTA-DR region has shown dynamic trends in recent years as the tables indicate.

The data shows consistent growth trend in both imports and exports. However, the US maintains a significant trade deficit with the CAFTA-DR region in this sector, highlighting the region's role as a vital sourcing hub for US apparel brands.

The opportunities are immense, as rising transportation costs and concerns about supply chain resilience are driving a trend towards nearshoring favoring production closer to the US market. And CAFTA-DR countries are well-positioned to benefit from this shift. With growing consumer demand for sustainable and ethically produced clothing presents an opportunity for CAFTA-DR countries to differentiate themselves by implementing eco-friendly practices and ensuring fair labor standards.

Meanwhile, investing in technology and skills development can enhance productivity and competitiveness in the CAFTA-DR region, enabling it to move up the value chain and produce higher-value garments.

Despite growth, the trade relationship with CAFTA-DR faces challenges. The CAFTA-DR region faces stiff competition from Asian countries like China, Vietnam, and Bangladesh, which often offer lower production costs.

At the same time concerns persist on labor rights and working conditions in some CAFTA-DR countries, potentially impacting brand reputations and consumer perceptions. Political instability and security issues in certain CAFTA-DR nations can disrupt supply chains and create uncertainty for investors.

The future of US textile and apparel trade with CAFTA-DR hinges on several factors, including:

US trade policy: The current administration's trade policy, with its focus on labor rights and environmental protection, could influence sourcing decisions and investment flows.

Regional integration: Deeper integration among CAFTA-DR countries can enhance efficiency and competitiveness, making the region more attractive for investment and trade.

Technological advancements: Automation and digitalization are transforming the global textile and apparel industry. CAFTA-DR countries need to adapt to these changes to remain competitive.

Source: fashionatingworld.com– Dec 23, 2024

HOME

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Second-hand fashion outpaces traditional retail in 2024: Survey

Spending on apparel, accessories, and footwear resale surpassed traditional retail spending throughout 2024, as per a recent survey. The clothing resale market is expanding at a faster rate than the overall clothing, accessory, and footwear market.

The year-over-year spending growth in the resale of apparel and footwear surged significantly—from a summer low of -3 per cent to a peak of 5 per cent in October, as per the data insight survey by Consumer Edge. Analysts highlight that this resale growth has outpaced the broader fashion industry, indicating a long-term shift in consumer preferences.

Resale companies that focus exclusively on secondhand sales, known as pure-play platforms, have been gradually growing their share of the overall apparel, accessories and footwear industry as many consumers look for alternatives to traditional retail.

Peer-to-peer online marketplaces like Grailed and Depop led retail resale growth, with Grailed fostering a social shopping experience where users can connect and explore similar styles. Other platforms, including Vinted, Vestiaire Collective, and ThredUp, also performed strongly.

Omni-channel brands, such as Clothes Mentor, which offers a curated selection of women's upscale clothing and accessories at budget-friendly prices, experienced modest growth. Goodwill's investment in its e-commerce platform in late 2022 enabled the non-profit to meet growing demand for sustainable and affordable goods.

On, a trending athletic footwear and apparel company, has launched its own resale site along many other players like On and Banana Republic where one can buy previously owned pieces at discount.

Many other stores have begun incorporating their own resale to compete with these growing trends. Thus far, these moves don't appear to have dented momentum for resale pure plays, but as more retailers enter this market, the resale category may find more and more consumers, added the survey.

Shoppers aged 25 to 44 experienced the largest increase in spending share, growing their contribution to the resale sub-industry by over 6 per cent in the first 10 months of 2024 compared to the same period in 2023. Data from Consumer Edge suggests that Depop and ThredUp are particularly popular with this demographic, positioning them to benefit further in 2025 if this consumer behaviour trend persists, the survey revealed.

The survey shows that middle income cohorts ($40K-$100K) increased their spend share in the resale category the most in 2024, perhaps unsurprising as this group might be most likely to trade down from non-discount retailers as they feel the penny pinch this year.

"Resale has established itself as a critical growth driver in the apparel, accessories and footwear industry," said Michael Gunther, vice president and head of Insights at Consumer Edge. "In a challenging economic climate, brands that recognize changing consumer sentiment and align with demand for affordability and sustainability are well-positioned to thrive in this dynamic market."

Source: fibre2fashion.com– Dec 23, 2024

HOME

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Vietnam back as ASEAN growth star as outlook turns more positive: HSBC

Vietnam’s economic outlook has turned more positive, with recovery continuing as the year progressed after a challenging first quarter (Q1) this year, according to HSBC, which said the country is back as ASEAN’s ‘growth star’.

In a recent article titled ‘2024—a look back at ups and downs’, HSBC noted that growth improved and surprised on the upside, rising to 6.9 per cent and 7.4 per cent in Q2 and Q3 respectively, and therefore, HSBC Global Research has raised its growth forecast for the country for this year to 7 per cent from the earlier prediction of 6.5 per cent.

It maintains its forecast at 6.5 per cent for 2025.

The recovery in the external sector has started to broaden out beyond consumer electronics, although the domestic sector remained relatively muted despite seeing incremental improvements, HSBC noted.

Manufacturing and trade showed resilience and continued to lead the recovery despite concerns that the impact of typhoon Yagi would hit growth, the HSBC article noted.

The country continued to attract foreign direct investment (FDI) as fundamental prospects remain positive. Although growth in newly registered FDI moderated in Q3 2024, sectors beyond manufacturing like real estate and energy saw increases in investment.

A total of $21.68 billion was disbursed—up by 7.1 per cent year on year (YoY). This is the third consecutive year in which Vietnam's FDI disbursement exceeded $20 billion.

Intra-ASEAN investments are leading the way, making up 40 percent of inflows to date. Existing investors continue to make commitments, supporting Viet Nam's expanding manufacturing capabilities, the HSBC article observed.

Source: fibre2fashion.com– Dec 24, 2024

HOME

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30.58% drop in jobs in Bangladesh RMG sector due to automation: Study

Automation in Bangladesh's readymade garment (RMG) sector has led to a 30.58-per cent reduction in workforce across production processes, with helpers being the most hit, a recent study revealed.

Despite its positive impacts on economic growth and overall productivity, automation has posed significant challenges to RMG workers, particularly affecting women, older workers, those with lower literacy, unskilled labourers and workers with low confidence levels, the study by Solidaridad Bangladesh, Labour Foundation and BRAC University found.

Sweater factories witnessed the highest percentage of workers losing jobs, with a 37.03 per cent reduction per production line. Woven factories followed, with a 27.23-per cent decline.

Automation in cutting led to a 48.34-per cent drop in workforce, while the sewing sub-sector recorded a 26.57-per cent drop, domestic media outlets reported.

The reduced need for workers due to automation raises critical concerns about the concept of ‘just transition’, the study added.

Source: fibre2fashion.com– Dec 24, 2024

HOME

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Bangladesh: BTMA seeks 5pc specific duty

The country's primary textile mill owners recently urged the government to allow the import of recycled plastics and textile waste with a 5 per cent specific duty, as well as sought policy support to encourage non-cotton garment manufacturing.

They argued that these products could be used as import substitutes for the local market and also significantly contribute to the national economy by generating substantial foreign exchange through exports.

Bangladesh Textile Mills Association (BTMA) in a letter to the chief adviser on December 11 raised the demands.

Its President Showkat Aziz Russell in the letter said allowing the import of recycled plastics and textile waste with a 5 per cent specific duty as raw materials for producing fibres in the recycling textile industry could add an additional $40-50 billion annually to export earnings.

He also advocated for safeguarding the interests of the local industry by facilitating the import of all types of textile waste, including cotton waste, saying these could be used as key raw materials for producing recycled fibres.

Russell further requested the interim government to impose an immediate ban on the export of PET bottles and flakes.

The letter called for revising the notification on the ban on single-use plastics issued by the environment ministry on August 27 after consulting with related stakeholders.

According to the letter, the country annually imports 1,200 tonnes of polyester stable fibre (PSF) from various countries. Producing the fibre domestically using reusable PET bottles could save $150 million.

"Bangladesh could earn $40-50 billion annually from non-cotton textiles and apparel products by 2030 through the efficient utilisation and export of reusable plastics," it said.

Moreover, renowned multinational companies, such as Reebok, Pepsi, Nestlé, and Coca-Cola, have committed to using flakes and granules produced from plastics in soft drink bottles and other packaging.

Source: thefinancialexpress.com.bd– Dec 24, 2024

HOME

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NATIONAL NEWS

India-EFTA FTA: Mechanisms planned to fast-track $100-billion investments

The India-European Free Trade Association (EFTA) free trade pact, with a committed $100 billion investment flow into India from the four-member European bloc, is likely to be ratified in the first quarter of 2025 following which the two sides will put in place "institutional mechanisms" to ensure fast-track clearances of proposals, sources have said.

The EFTA countries, including Switzerland, Iceland, Norway and Liechtenstein, in recent meetings with the Indian government and industry, have indicated interest in investing in sectors like renewable energy, shipping & maritime, pharmaceuticals, IT and engineering, among others.

"As investors face hurdles in the country in terms of administration, the idea is that we should put in place some mechanism that institutionally supports them. It is being planned. Once ratification (of the free trade pact) is done by all parties, hopefully by the first quarter of 2025, such a mechanism would be finalised. It would be identical for both sides," a source tracking the matter told businessline.

Tariff tally

India and the EFTA countries signed an FTA, officially called the India-EFTA Trade and Economic Partnership Agreement (TEPA) in March 2024. The EFTA countries committed to invest $100 billion in India over 15 years that would create 1 million employment. Some conditions were attached, including a projection that India's annual nominal GDP growth would grow at a 9.5 per cent rate in dollar terms in the period.

India, on its part, committed to eliminating tariffs on a wide range of products to EFTA countries, especially Switzerland. The items include chocolates, watches, bicycle parts, smartphones, garments and olive oil, among others.

A recent decision taken by Switzerland to suspend the most-favoured nation (MFN) clause in the Double Taxation Avoidance Agreement with India is unlikely to have any impact on the ratification of the India-EFTA TEPA as has been indicated by country, the source added.

Commerce Secretary Sunil Barthwal recently met Norway’s Trade Secretary Tomas Norvoll, during a visit to the country, and held discussions on promoting trade and investments, mobility for Indian professionals, re-energising existing institutional mechanisms and the next steps for the TEPA ratification.

The visit also included discussions with business stakeholders including Norwegian Chamber of Commerce(NHO), Innovation Norway, Shipbuilders Association, Raeder Bing Law Firm and leaders/CEOs of several large Norwegian companies representing diverse sectors, per the government. The sectors include renewable energy, shipping industry, consumer goods, green hydrogen, textiles, seafood, mining, information technology and other sectors of mutual interest.

Priority to EFTA countries

The Director General of innovation, who takes care of the interests of the SME sector, is examining how to increase trade and investment links with India and is looking in terms of connecting the trade bodies to explore opportunities in India, the source pointed out.

“The EFTA countries agreed to making $1 billion commitment as they see a lot of scope in the country. The idea is to enable their medium scale enterprises that want to scale up and then provide to the world to explore opportunities in India. These companies have mostly been consistently at the top of the innovation scale,” the source said.

Through the institutional mechanisms that will be put in place at the inter-governmental level for fast-track clearance, priority will be given to investments flowing from the EFTA countries, the source added.

“We have started witnessing investment banks and industry bodies planning their activities together to see this engagement is fruitful,” the source said.

Among the EFTA countries, Switzerland is the largest investor in India. Between April 2000 and September 2024, India received about $10.72 billion in foreign direct investments from Switzerland, per government figures. FDI from the other EFTA countries is not significant.

Source: thehindubusinessline.com– Dec 23, 2024

HOME

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Finmin likely to peg fiscal deficit below 4.5 per cent for FY26

Ahead of the presentation of the new Union Budget, the Union Finance Ministry has emphasised adopting a 'fair degree of flexibility in conducting its fiscal policy,' keeping in mind the gloomier global situation. It has indicated that fiscal deficit for fiscal year 2025-26 (FY26) could be lower than 4.5 per cent.

The Budget for FY26 is likely to be presented on February 1. Fiscal deficit for FY25 is pegged at 4.9 per cent.

The Ministry reiterated its commitment to pursue the glide path of fiscal consolidation announced in the Budget for FY 2021-22 and to attain a level of fiscal deficit lower than 4.5 per cent of GDP by FY 2025-26. The thrust will be on improving the quality of public spending, while strengthening the social security net for the poor and needy. "This approach would help further strengthen the nation's macro-economic fundamentals and ensure overall financial stability," the Ministry said.

It also cautioned about various risks to growth including global geo-political conflicts.

"Since the presentation of the Union Budget for FY 2024-25 (Regular) in July 2024, global headwinds and associated risks are yet to abate. The global situation has become even gloomier due to further escalation of conflict among a set of countries," the Ministry said in a statement on the Half Yearly Review of the Trends in Receipts and Expenditure in relation to the Budget at the end of the first half (April-September) of the financial year 2024-25 (FY25). Such a statement is required under the Fiscal Responsibility and Budget Management (FRBM) Act.

Further, it said that given the prevailing global economic and security environment, it is necessary for the Government to retain a fair degree of flexibility in conducting its fiscal policy so as to be able to respond to any fallout from adverse global events.

The regular budget presented in July did not provide rolling targets under the Medium Term Fiscal Policy Statement (MTFPS) and the Fiscal Policy Strategy Statement (FPSS). "This is because the continuing unprecedented global uncertainty impedes the ability to make reasonable assumptions/projections on receipts/expenditure over the short/medium term," it said.

The Ministry emphasised that the Budget 2024-25 was presented in the backdrop of global uncertainties caused by the ongoing wars in Europe and the Middle East. "India's sound macro-economic fundamentals have cushioned the country from the vagaries afflicting the global economy. It has also helped the nation pursue growth with fiscal consolidation. As a result, India retains its pride of place as one of the fastest-growing economies in the world. However, risks to growth still remain," it said.

Highlighting mid-year benchmarks, data contained in the statement showed that the fiscal deficit in the April-September period of FY25 is the lowest in five years, as it has come down from 114.8 per cent of the budget estimates in FY21 to 29.4 per cent in the current fiscal. The fiscal deficit in FY25 was estimated at ₹16.13 lakh crore, or about 4.9 per cent of GDP. In H1 of FY 2024-25, the fiscal deficit is estimated at ₹4.75 lakh crore, which is less than one-third of the BE.

Source: thehindubusinessline.com– Dec 23, 2024

HOME

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Small, new businesses may get GST registration within 3 working days

A new mechanism under GST may facilitate granting new registration within 3 working days to new and small businesses. The concept note for new mechanism has got 'in-principle' approval from the GST Council in its meeting on December 21.

"The proposed mechanism aims to serve two purposes. First, it ends to address the complaint about unnecessary queries by tax officials and denial of registration on flimsy grounds. Second, it aims to curb exploitation of present registration process by unscrupulous persons by using fabricated or fake identities to obtain multiple registration in order to pass on fraudulent ITC," an official said while explaining the intention.

Another official said that based on data in respect of applications filed for new registration, it was found that nearly 98 per cent of the applicants either do not pass on ITC or pass on within the limit of ₹5 lakh per month. "If the proposed framework of registration is implemented with a threshold limit of ITC of ₹5 lakh per month, more than 98 per cent of the applications for GST registration will be facilitated through a very simplified process of registration in which registration may be granted on the portal within three working days from the date of successful submission of applications," he said.

Further, in such cases, neither the applicant will be required to visit tax offices, nor tax officers will be required to conduct any physical verification of the business premises. "This approach will not only ensure ease of doing business but also help streamlining and smoothening the registration under GST," the first official quoted above said. At the same time, it will also reduce the burden on tax officials, allowing them to prioritise high risk applications.

Four-tier structure

A four-tier structure has been included in the proposed mechanism. The first tier would involve new and small businesses. "This will be meant for business that either do not wish to pass on or pass only a limited amount of ITC. For such applicants, registration may be granted within three working days just based on Aadhaar-based authentication," the second official said. Successful applicant will not be allowed to pass on ITC above a specified limit in a month.

The second tier is proposed for risk free or deemed trusted business, categorised on the basis of better compliance record of any kind of tax and other statutes. Such businesses could be public sector companies, government entities, local bodies or private limited companies. Another parameter for selection could be paying certain amount of GST in cash during last fiscal year on existing GSTINs or paid income tax during last three years exceeding a certain limit beside others.

“These businesses could also be granted new registration within three working days without biometric Aadhaar authentication or physical verification,” he said while adding that this category may be allowed to pass on ITC without any limit.

The third tier is proposed for existing businesses, which wish to pass on ITC more than specified limit but not a deemed trusted entity. These may be required deposit non-refundable application fee, a fixed deposit and an assurance/NoC from deemed trusted businesses. The fourth tier is proposed for change of category of businesses in order to pass on ITC more than the specified limit.

The first official said that since ‘in-principle’ approval has been received. Now, the Law Committee will discuss amendment in law and rules, the guidelines and accordingly, the mechanism can be rolled out in phases beginning with new and small businesses.

Source: thehindubusinessline.com– Dec 23, 2024

HOME

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Exporters: Know when you can claim duty drawback and Rodtep benefits

We are manufacturers and exporters of chemical equipments. One of our new customers has asked us to not only supply the goods but also install them and conduct a trial run, so that they will be satisfied that the equipments work well. We have given a composite offer for the goods as well as the services, like in a works contract. When we export, can we claim duty drawback and Rodtep (Remission of Duties and Taxes on Exported Products) on the total payment that we get in foreign exchange?

No. Drawback and Rodtep will be available only against export of goods. At the time of export of goods, you must declare the value of the goods in the shipping bill. When you receive the payment from the foreign party, you must inform your bank the amount that represents the proceeds against export of goods and follow the usual process to generate the e-BRC. The amount that represents the payment for services will not earn any drawback or Rodtep for you.

Can we avail of advance authorisation, duty drawback and Rodtep on the same shipment?

Yes, in specific situations. Para 4.15 of FTP says that drawback as per rate determined and fixed by Customs authority in terms of Department of Revenue (DoR) Rules shall be available for duty paid imported or indigenous inputs (not specified in the norms) used in the export product. For this purpose, applicants shall indicate clearly details of duty paid input in the application for Advance Authorisation. As per details mentioned in the application, Regional Authority shall also clearly endorse details of such duty paid inputs in the condition sheet of the Advance Authorisation.

Also, as per Para 4.08 of the FTP, the value of any other inputs used on which benefit of DBK is claimed or intended to be claimed must be taken into account for value addition calculations. At the time of shipment, you must file a DEEC-cum-drawback shipping bill and opt for Rodtep at the rates allowed for shipments in discharge of export obligation under advance authorisation. After shipment, you must file a brand rate application for determination of the drawback rate for the duty paid inputs used in the manufacture of the export product.

We have obtained an EPCG authorisation naming a supporting manufacturer in whose factory the capital goods imported under the authorisation will be installed. Can we allow the supporting manufacturer to import the capital goods himself instead of us importing and then giving it to him for installation?Of course, we will fulfill the export obligation.

Para 4.33 of the HBP has a specific provision treating the supporting manufacturer whose name is endorsed in the authorisation as a co-authorisation holder and allowing the supporting manufacturer to import the goods in his own name. I do not find such a specific provision in Chapter 5 of the FTP or HBP. In my view, the same dispensation as in the said Para 4.33 must be permitted by the DGFT under the EPCG scheme also.

Source: business-standard.– Dec 24, 2024

HOME

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Price and Sectorial Imbalances Cripple Textile Industry

Globally the textile industry is in a demand slump, however there are sectorial and price imbalances among different sectors from fiber to retail goods.

Cotton No. 2 Futures for March 2025 delivery is trading at 69.17 cents, which has been in decline from 71.93 since November 29, 2024. There has been about ten cents decline in Futures since January 03, 2023, indicating weak demand for cotton.

However, in the past twenty years, consumption of synthetics has grown exponentially amounting to about 65% in 2023, with cotton occupying 20% of total fiber consumption globally.

Price competitiveness between polyester and cotton has been a big player in the increase in the consumption of polyester. Even with the crash of cotton prices, mills are not buying due to lack of demand for textile goods. "There is no demand and movement of yarn," stated India-based cotton purchaser.

The Cotton Corporation of India has been procuring new crop at the MSP price of about Rupees 60,000 per candy (356 Kgs of lint), which amounts to Rupees 7521 per Quintal of Kapas (30 mm length). Private players are not active in the Indian market due to crash in seed price as well as weak demand for fibers from mills.

"Yarn price is not at the breakeven level due to labor cost and lack of price support by weavers," stated Seenivasahan Ramasubbu, Whole time Director at Coimbatore-based Sri Kannapiran Mills, Ltd, a spinning mill with 100,000 spindles.

"We are losing about Rupees 28/Kg for 40s Ne carded yarn. Weavers are willing to pay Rupees 250/Kg for 40s Ne carded yarn and they are comfortable at this price," added Seenivasahan Ramasubbu.

Given the price squeeze for spinners, mills are not interested in stockpiling cotton and currently maintain stock for 30-days, impacting cotton ginners.

There is sectorial imbalance currently in the industry with weavers and retailers in a comfortable position compared to ginners and spinners.

“Viability for spinning mills is not there,” stated Seenivasahan Ramsubbu. In the Coimbatore area in India, which is a spinning hub, mills are on sale emphasizing the need for price and sectorial balance in the industry.

Issues that need addressing are enhancing the demand, labor shortage, productivity, and support from government for working capital. Investment in spinning infrastructure is not advisable in the current time.

Krishnasamy Gandhiraj, General Manager of Coimbatore-based Lakshmi Card Clothing and Vice-Chairman of The Textile Association (India) agreed with the above sentiments stating issues such as low yarn price realization, labor shortage and weak yarn exports are hurting the textile industry.

Industry is hoping that by end of Quarter 1, 2025, global demand for textile goods will increase, which could improve yarn price realization.

Demand enhancement will help with creating balance among different sectors in the textile industry.

With new administration in place in the United States on January 20, 2025, trade situation should be clear by end of first quarter of 2025 regarding tariffs and other trade policies.

Let us hope the New Year 2025 brings hope for the industry and enhances consumer confidence.

Source: cottongrower.com– Dec 23, 2024

HOME

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India's GST Council maintains RMG tax rates after industry opposition

The GST Council decided to maintain the current tax structure on ready-made garments (RMG) at its 55th meeting held in Jaisalmer last Saturday. Earlier, a tax hike of up to 35 per cent on RMG had been proposed by a Group of Ministers (GoM) on Rate Rationalization, led by Bihar Deputy Chief Minister Samrat Chaudhary.

The meeting, chaired by Union Minister for Finance and Corporate Affairs Nirmala Sitharaman last Saturday, did not address or discuss the proposed tax hike.

The GoM had suggested imposing a 35 per cent GST on RMG priced above ₹10,000 (approximately $118). It had proposed a GST of 18 per cent on RMG priced between ₹1,500 and ₹10,000, and 5 per cent on RMG priced below ₹1,500. Additionally, it had proposed raising the highest GST slab from 28 per cent to 35 per cent. This highest slab is typically applied to luxury goods and sin goods and services.

Textile industry organisations had opposed the proposal, arguing that it 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 sector for their livelihood.

In 2022, another proposal to increase taxes on downstream products to resolve the issue of an inverted duty structure was also poorly received by the industry and opposed.

The labour-intensive textile industry is the largest job generator after agriculture in the country.

Source: fibre2fashion.com– Dec 23, 2024

HOME

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DRDO, IIT Delhi, firms sign MoUs for protective clothing production

Ten tripartite agreements were recently signed among the Defence Research and Development Organisation (DRDO), the Indian Institute of Technology Delhi (IIT-D) and industry partners

These include agreements to transfer technology of light-weight bullet-resistant jacket called advanced ballistic high energy defeat (ABHED) to Mishra Dhatu Nigam in Rohtak, SMPP Pvt Ltd in Delhi and AR Polymers in Kanpur, a group company of MKU Ltd.

Memoranda of understanding were also signed for limited series production of extreme heat protective clothing with Arrow Garments in Tirupur, Aeronav Industrial Safety Appliance in Delhi and Katalyst TECHTEX Ltd in Delhi, a release from the ministry of defence said.

The agreements were signed at an event titled 'DRDO-Industry-Academia - Global Approach to Readiness of Indigenous Military Applications' (DIA-GARIMA)', organised by the DRDO-Industry-Academia Centre of Excellence (DIA-CoE) at IIT Delhi.

DIA-CoEs are being facilitated by the Directorate of Futuristic Technology Management (DFTM) under DRDO's technology management cluster.

Source: fibre2fashion.com– Dec 24, 2024

HOME

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Cotton farmers from Telangana may get central price support

The Centre is likely to launch a pilot of the Bhavantar Bhugtan Yojana - a price support scheme that compensates farmers for the difference when the prevailing market price falls below the minimum support price (MSP) - for cotton farmers from Telangana's Adilabad next month.

A meeting of the committee instituted for this purpose, headed by agricultural economist and Niti Aayog member Ramesh Chand and comprising representatives of the industry, growers and state governments, took place last week, multiple people who attended the meeting told ET.

As most of the farmers have sold their cotton crop harvested from October onward, the scheme would be implemented on a pilot basis after deliberations with the officials of the Telangana government, they said.

The reason for selecting Adilabad is the better availability of online records of farmers, which would be necessary for implementation of the scheme, the sources said. "We may face many difficulties while implementing the scheme for cotton, which need to be studied thoroughly," said Ganesh Nanote, a Maharashtrian cotton farmer.

The government had promised to implement the Bhavantar scheme for cotton and soyabean farmers of India before the assembly elections in Maharashtra last month as prices of both the crops have been ruling below the MSP throughout the kharif season.

Source: economictimes.com– Dec 23, 2024

HOME

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Guntur industrialists welcome textile policy

GUNTUR: The State government's approval of the new Textile, Apparel, and Garments Policy 2024-29 has raised hopes for textile industrialists struggling with losses at the Guntur Textile Park.

Established in 2014 as part of a Central government's initiative to boost the textile sector, the park at Gopalamvaripalem near Chilakaluripet was initially planned with 61 units, including five weaving processing units, 54 weaving units, and two garment units. However, the abrupt withdrawal of the Central policy discouraged several industrialists, leaving only nine units operational at 50% capacity, with just 400 employees.

The newly approved policy aims to rejuvenate the sector by offering a 30% subsidy on investment, Rs 2 per unit electricity tariff, a 50% subsidy on electricity bills, and sales tax waivers for six years. Additional benefits include a 45% subsidy for SC, ST, and BC women entrepreneurs and an extra 18% subsidy for units starting production within 18 months of registration. Guidelines for the 2018-23 Textile Policy were also released, granting existing units a 20% investment subsidy, reduced electricity costs, and tax relief for a decade.

Speaking to TNIE, Guntur Textile Park managing director Samineni Koteswara Rao welcomed the policy but stressed the need for the government to clear pending incentives worth Rs 1,100 crore from the last decade. He highlighted that the vision behind the policy could only materialise if backlog payments were addressed promptly. Rao also urged the government to set a fixed timeline for subsidy disbursement to enhance the policy's impact.

Industrialists are optimistic that the incentives, if implemented as promised, will restore the park's full capacity, attract fresh investments, and provide much-needed employment opportunities for the local population.

Source: newindianexpress.com– Dec 24, 2024

HOME

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