TEXPROCIL
THE COTTON TEXTILES EXPORT PROMOTION COUNCIL
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USD	EUR	GBP	JPY
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INTERNATIONAL NEWS

US merchandise returns hit $685 bn, 13.21% of retail sales in 2024

The total merchandise returns for the year reached $685 billion in the US, representing 13.21 per cent of total retail sales, which amounted to $5.19 trillion in 2024, according to a recent report. The fraudulent returns and claims resulted in a $103 billion loss for retailers across the country in 2024, with 15.14 per cent of all returns deemed fraudulent, meaning a customer attempted to return an item to a retailer for a refund, knowing the item did not qualify for a refund according to the store's policy, revealed the annual 2024 Consumer Returns in the Retail Industry Report by Appriss Retail in collaboration with Deloitte.

Sixty per cent of retailers surveyed reported incidents of ‘wardrobing,’ or the act of consumers buying an item, using the merchandise, and then returning it. Fifty-five per cent cited cases of returning an item obtained through fraudulent or stolen tender, such as stolen credit cards, counterfeit bills, gift cards obtained through fraudulent means or fraudulent checks. Forty-eight per cent of retailers faced occurrences of returning stolen merchandise. “Our annual research highlights the serious problem of returns fraud, and why an AI-powered, data-driven approach to loss prevention can reduce fraud and keep consumers loyal,” Appriss Retail said in its press release highlighting essentials of the report.

“It is clear why retailers want to limit bad actors that exhibit fraudulent and abusive returns behaviour, but the reality is that they are finding stricter returns policies are not reducing the returns fraud they face,” said Michael Osborne, chief executive officer (CEO), Appriss Retail. “Our annual research highlights the serious problem of returns fraud, and why an AI-powered, data-driven approach to loss prevention can reduce fraud and keep consumers loyal.”

Appriss Retail, which supports one-third of all US omnichannel sales across 150,000 retail locations and serves 60 of the top 100 US retailers, led this comprehensive analysis.

Source: fibre2fashion.com– Jan 03, 2025

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China manufacturing grows in Dec; new orders-production growth softer

China's manufacturing sector continued to expand in December last year, but the degrees to which new orders and production rose were softer, according to Caixin China general manufacturing purchasing managers' index (PMI) data.

Overall sales were dampened by falling export orders. Employment levels also declined, as business optimism eased.

Chinese manufacturers also lowered their selling prices, opting to absorb price increases to support sales, a release from S&P Global Ratings said.

The headline seasonally-adjusted manufacturing PMI fell to 50.5 in December, down from 51.5 in November. Posting above the 50 neutral mark, the latest data signalled that conditions in the manufacturing sector improved for a third consecutive month. The fall in the PMI, however, indicated that the pace of growth eased since November and was marginal overall.

Manufacturing production in the country increased for a fourteenth successive month in December. The rate of expansion decelerated to a marginal pace as new order growth slowed.

While improvements in underlying demand and successful business development efforts led to incoming new orders rising for a third straight month, the rate of growth eased on the back of softening external demand. Export orders contracted in December after increasing at the fastest pace in seven months in November.

Meanwhile, higher new orders led to a third monthly increase in purchasing activity. Stocks of purchases rose in tandem.

Despite higher buying activity, vendor performance improved for the first time since May, albeit only marginally.

Post-production inventory also accumulated in December, rising for a seventh successive month. The rate of expansion eased, however, as production growth slowed.

Rising new orders led to another round of backlog accumulation at the end of year. The rate of accumulation eased to a marginal level, however.

As a result of softening capacity pressure, manufacturing headcounts fell again in December, though at the softest pace in the current four-month sequence.

Average selling prices in China's manufacturing sector declined in December for the first time since September. Although the rate of decline was modest, this contrasted with another increase in input prices.

Source: fibre2fashion.com– Jan 02, 2025

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Turkey's Denim Rise Invests in Egypt Project

Turkish company Denim Rise is setting up shop in Egypt's Qantara West Industrial Zone.

The Suez Canal Economic Zone (SCZONE) announced that the ready-made garment manufacturer will invest $8.8 million into a factory that will provide 1,000 jobs and export 70 percent of its production when it opens during the second half of 2025.

The contract was signed by Huseyin Güzel, a member of the company's board of directors. In a statement, Güzel described the project as "a start for further expansions for the company in foreign markets."

SCZONE has completed signing contracts for nine projects from the first phase in the Qantara West Industrial Zone, with total investments amounting to $317.8 million, on a total area of 777 thousand square meters, providing about 15,200 job opportunities.

"Qantara West Industrial Zone is one of the best industrial zones for labor-intensive projects due to its proximity to the Canal and Delta governorates, in addition to its strategic location, which is located between SCZONE's ports on the Red Sea and the Mediterranean Sea, thus ensuring its investors easy access to various regional and international markets," said Waleid Gamal El-Dien, SCZONE chairman.

Denim Rise's contract coincides with similar denim-focused projects with Turkish investments within the Qantara West Industrial Zone.

Last year, the Suez Canal Economic Zone (SCZONE) signed a contract with Turkey's Eroğlu Global Holding A.S. for a jeans garment factory in Egypt's Qantara West Industrial zone. The factory will produce 7.2 million jeans annually.

Additionally, SCZONE signed a contract with Eroğlu Holding to establish a $40 million ready-made garment factory in the same zone. The plant is expected to create more than 3,000 jobs.

Source: sourcingjournal.com– Jan 02, 2025

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UK's manufacturing shows no sign of improvement, hits 11-month low

The seasonally adjusted S&P Global UK Manufacturing Purchasing Managers' Index (PMI) fell to an 11-month low of 47.0 in December, down from 48.0 in November and below the earlier flash estimate of 47.3. The PMI remained below its neutral mark of 50.0—signalling deterioration—in each of the past three months.

The downturn in the UK manufacturing sector deepened at the end of 2024, as December saw rates of contraction in output, new orders and employment gather pace. Destocking at clients, subdued market confidence and operational restructuring in response to forthcoming legislative changes hit output and demand and reinforced ongoing efforts to achieve cost efficiencies, as per a statement by S&P Global.

Manufacturing production contracted for the second consecutive month in December, with the rate of decline accelerating to its fastest since January 2024. Total new business fell for the third straight month and at the quickest pace since October 2023. There was also some mention of some UK-based clients scaling back on purchasing considering the higher cost environment, sometimes linked to restructuring operations in advance of forthcoming rises in labour costs and payroll taxes.

December also saw the fastest reduction in overall export sales for ten months. Steep drops in foreign demand were registered in both the intermediate and investment goods industries, in contrast to a mild uptick in new export order wins at consumer goods producers. Where a decrease was reported, there was mention of lower order intakes from clients in Europe, Asia and the USA, added the statement.

The current downturn and manufacturers' weakened outlook for the economy had negative impacts on business confidence and employment during December. Optimism dipped to a two-year low, with sentiment declining across all three of the sub-sectors (consumer, intermediate and investment goods) and company size categories (small, medium and large) monitored.

Manufacturers reported concerns about a lack of market confidence, inflationary pressures, rising costs (especially for employer NI and payrolls) and expectations of weaker economic growth looking ahead.

Purchase price inflation edged higher in December. Anecdotal evidence cited rising transport costs and raw material prices, as well as the pass through of higher employment costs by suppliers. There were also reports of rising global market prices, material shortages, taxes and currency fluctuations. Current and expected future cost increases led manufacturers to pro-actively raise their selling prices. Supply-chain pressures continued to build, as the ongoing Red Sea crisis and disruptions to shipping and at ports led to an increased incidence of delivery delays, highlighted S&P in its press statement.

"A stalling domestic economy, weak export sales and concerns about future cost increases led to the steepest contraction of UK manufacturing production for almost a year in December. Manufacturers are facing an increasingly downbeat backdrop. Business sentiment is now at its lowest for two years, as the new Government's rhetoric and announced policy changes dampen confidence and raise costs at UK factories and their clients alike. SMEs are being especially hard hit during the latest downturn," said Rob Dobson, director at S&P Global Market Intelligence.

Source: fibre2fashion.com– Jan 03, 2025

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Close to 13,480 retail stores in UK closed in 2024: CRR

Close to 13,480 retail stores closed in the United Kingdom last year—a year-on-year (YoY) rise of 28.4 per cent, though the losses were below the levels seen each year between 2019 and 2022, according to provisional figures released recently by the Centre for Retail Research (CRR).

That implies 37 shops were lost every day on an average during 2024.

Store closures are expected to rise by the same factor again during this year to about 17,350, with approximately 14,660 coming from independent retailers, CRR research director Joshua Bamfield was cited as saying by British media outlets.

Pressure on independent retailers has existed for long, though new challenges are emerging.

The planned cut in the business rates discount from 75 per cent to 40 per cent in April, which was announced at the 2024 Autumn Budget, would make trading even tougher for retailers.

Independent retailers, typically those small businesses operating between one and five stores, accounted for 84.1 per cent of all store closures last year as those shutdowns soared by more than 45 per cent, CRR said. In 2023, independents were responsible for 74.5 per cent of all store closures.

More than half of all stores closed, 7,537, were shut after retailers underwent some form of insolvency proceedings, while 5,942 shops were closed through 'rationalisation' as part of cost-cutting programmes by large retailers or independents simply shutting up shop for good.

Almost 170,000 UK retail workers lost their jobs last year, CRR added.

Source: fibre2fashion.com– Jan 03, 2025

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German manufacturing ends 2024 on low note as PMI drops further

Germany's manufacturing sector closed 2024 on a disappointing note as output and new orders continued to decline sharply, according to the latest HCOB PMI survey. The headline PMI dropped to 42.5 in December, down from 43.0 in October and November, reflecting an accelerated downturn in business conditions. Production volumes decreased at the second-quickest rate in the past 14 months, driven by a significant downturn in the intermediate goods sector. New orders contracted at one of the fastest rates observed during the year, with market uncertainty and excess customer stock levels weighing heavily on demand. Domestic orders were a primary source of weakness, although export orders fell at a slower rate than in November.

Manufacturers reduced staffing for the eighteenth consecutive month as firms adjusted to the weaker demand environment. However, the pace of job cuts slowed to the weakest level since August. Stock levels of raw materials and finished goods also declined, although the depletion rate eased compared to previous months. There was further improvement in input delivery times due to better supplier capacity and material availability. Average purchase prices fell for the 23rd straight month, driven by supplier discounts and lower costs for energy and raw materials. The pace of cost reductions, however, was the slowest in four months. Factory gate prices also dropped markedly but at a slower rate than in recent months. Growth expectations among manufacturers weakened slightly.

"The situation in the manufacturing sector is still pretty grim. Production is on a steep decline, and new orders keep slumping, making it clear that the industry won't be coming out of recession anytime soon. Our nowcast model, which includes the HCOB PMI among other factors, suggests that industrial value added likely fell by 0.9 per cent in the fourth quarter compared to the previous quarter. The shrinking order backlog since June 2022 suggests that the new year won't start much better either," said Dr. Cyrus de la Rubia, chief economist at Hamburg Commercial Bank, commenting on the PMI data.

Source: fibre2fashion.com– Jan 03, 2025

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Sri Lanka's garment exports up 5.2% to $4.2 bn in Jan-Nov 2024

Garment exports from Sri Lanka reached $4,244.3 million during the first eleven months of 2024, reflecting a 5.2 per cent increase compared to the $4,032.9 million exported during the same period the previous year, according to statistics released by the Central Bank of Sri Lanka.

From January to November 2024, textile exports from Sri Lanka saw a year-on-year decline of 13.6 per cent, totalling $271.5 million. During the same period, exports of other manufactured textile articles rose by 6.4 per cent, amounting to $97.6 million, as reported in the Central Bank's publication titled 'External Sector Performance – November 2024'.

The combined exports of textiles, garments, and other manufactured textile articles accounted for 50.66 per cent of all industrial exports from Sri Lanka during this period.

Total textile product exports amounted to $4,613.4 million between January and November 2024, while Sri Lanka's overall industrial exports were valued at $9,105.3 million for the same period.

In November 2024, textile and garment exports rose by 0.5 per cent year-on-year, reaching $398.0 million.

By category, garment exports saw a substantial increase of 0.9 per cent, totalling $367.8 million, while textile exports eased by 7.49 per cent to $22.8 million. Exports of other manufactured textile articles increased by 7.0 per cent, reaching $7.4 million.

As for the imports, textiles and textile articles saw an 18.6 per cent rise, totalling $2,594.5 million, while imports of clothing and accessories increased by 29.6 per cent, amounting to $200.8 million between January and November 2024.

In November 2024 alone, imports of textiles and textile articles rose by 18.9 per cent to $241.6 million, while imports of clothing and accessories surged by 46.4 per cent year-on-year, reaching $23.1 million.

In 2023, Sri Lanka's garment exports were valued at $4,440.6 million, a 19 per cent decrease from the $5,483.1 million exported in 2022.

Meanwhile, imports of textiles and textile articles dropped by 22.6 per cent to $2,371.2 million, and imports of clothing and accessories declined by 21.1 per cent, totalling $170 million in 2023.

Source: fibre2fashion.com– Jan 03, 2025

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Korea's textile industry to face sluggish business conditions in 2025

Korea's textile industry is projected to face continued sluggish business conditions in 2025, with a decline in exports and production output. Data from the Korea Institute of Industrial Economics and Trade and the Korea Federation of Textile Industries, shows, exports in the textile and fashion industry are expected to stagnate by 1.9 per cent Y-o-Y, totaling $10.34 billion. The increase in Chinese textile product dumping has further reduced the market share of Korean textile products both domestically and internationally.

With Donald Trump returning to power, he is set to introduce high tariffs on Chinese products, leading to a rise in Chinese dumping across Southeast Asia, intensifying competition for Korean companies. Additionally, European fashion brands increasingly favor suppliers within Europe to stabilize their supply chains, further disadvantaging Korean manufacturers.

The output of Korea's textile industry is expected to decline, particularly in the general-purpose sector. The Korea Institute of Industrial Economics and Trade predicts a 1.0 per cent Y-o-Y decline in output, amounting to 52.6 trillion won in 2025. This downturn is attributed to reduced utilization rates and declining production volumes due to weaker demand for domestic textile products.

Despite these challenges, the chemical fiber sector offers a silver lining. Kolon Industries is poised for improved performance in 2025, driven by strong fundamentals and growth in industrial materials. The company's facility expansion and a recovery in aramid demand are expected to bolster its industrial materials segment. Similarly, HS effectiveness, supported by its global leadership in tire reinforcement, is predicted to perform solidly. Rising tire demand from European customers is likely to further boost this segment.

While Korea's textile industry faces significant headwinds from global competition, protectionist policies, and shifting supply chain preferences, the chemical fiber sector's positive outlook highlights opportunities for growth in niche markets. As the industry navigates these challenges, a focus on innovation and specialized products may be key to sustaining long-term growth.

Source: fashionatingworld.com– Jan 02, 2025

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Vietnam: What's new in the textile market in 2025?

The textile market in 2025 is considered risky and unpredictable due to new political factors from major importers and increased competition.

Holds 2nd place in exports

In 2024, Vietnam's textile and garment industry will reach the finish line with about 44 billion USD, an increase of about 11% compared to 2023. With this result, in 2024, Vietnam will rise to the second position among the countries exporting the most textiles and garments. world.

One of the reasons for Vietnam's textile and garment industry's success is that it has received a flow of orders from Bangladesh. However, according to Mr. Vu Duc Giang, Chairman of the Vietnam Textile and Apparel Association, orders from Bangladesh are basic orders, with large quantities but low prices. Therefore, not all enterprises can receive a flow of orders, especially those producing high-end products. fashion like Hoa Tho, May 10.

Analyzing Vietnam's competitors in the world textile and garment export market last year, Mr. Hoang Manh Cam - Deputy Chief of Office of the Board of Directors of Vietnam Textile and Garment Group, informed that in 2024, Vietnam will reach 44 billion USD in export turnover, followed by India, with an expected growth of 6,9-7% for the whole year. India produces similar products to Bangladesh, so it benefits the most from the trend of shifting orders.

For China, in the first 11 months of 2024, China exported only 273,4 billion USD of textiles and garments, an increase of only 0,2% compared to the same period in 2023. However, for the item that is a direct competitor of Vietnam, which is garments, China exported 144 billion USD and decreased by about 2,8% compared to the same period.

In Bangladesh alone, due to political instability, garment exports in the first 10 months of 2024 decreased by about 3,7% compared to the same period, averaging about 2,8 - 3 billion USD per month, while at its peak this figure reached about 4 billion USD/month.

"However, Bangladesh's export trend to the US and EU started to recover in terms of market share in September and October. Since garments are the backbone of Bangladesh's economy, bringing in about 9-10% of foreign exchange earnings, the country quickly created conditions for the recovery of textile production.", Mr. Cam said.

Mr. Cam also predicted that Bangladesh's textile and garment production will return to normal levels after the second quarter of 2025. At that time, there will be fierce competition with Vietnamese textile and garment enterprises because Bangladesh is enjoying preferential tariffs for underdeveloped countries, while Vietnam's labor costs are nearly three times higher than its competitors.

For other textile exporting countries such as Sri Lanka and Türkiye, they also benefit from the trend of shifting orders from Bangladesh, but the growth rate is not high and the scale is small, so there is not much concern.

The market will have many complex factors.

Based on the Group's research, Mr. Cam also acknowledged that in the first half of 2025, the garment industry will continue to recover from the end of 2024. At the same time, there are some signs of better growth as the industry's main import markets such as the US and EU have a more positive economic recovery. People's income and consumer spending will also improve after the interest rate cut roadmap continues.

However, from the second half of the year onwards, importers will not close long orders but will have shorter and smaller orders. In particular, orders from Bangladesh will gradually decrease, currently the country's exports have gradually stabilized. "According to some customers, many customers did not leave but remained in Bangladesh even when the conflict occurred.", representative of Vietnam Textile and Garment Group informed.

In addition, when President Donald Trump takes office and implements a new tax policy on US trading partners, there is a possibility that Vietnamese textiles will be subject to an additional 10% tax. This is a major difficulty because the US is currently the industry’s largest import market.

“In misfortune there is fortune”, in case the US implements the new tax policy, Vietnam has the ability to level the gap in textile prices with China in this market, which means the ability to expand market share.

Regarding internal factors, the lack of raw material supply continues to be a bottleneck for the textile and garment industry. This is also a factor that prevents businesses from taking full advantage of tariff incentives from free trade agreements.

Along with that, labor fluctuations continue to be a challenge for textile and garment enterprises in 2025. To overcome this difficulty, the Group as well as domestic textile and garment enterprises continue to care for the material and spiritual life to retain workers. Invest in appropriate technology to increase productivity, meeting the requirements of new standards.

At the same time, continue to develop input materials, but do not develop mass products but focus on "creating a difference" through difficult products, green products and recycled products.

In 2024, Vietnam's textile and garment industry will reach 44 billion USD, ranking 2nd among the world's largest textile and garment exporting countries, just behind China. In the first half of 2025, the industry is expected to continue the growth momentum of the second half of the previous year, which is a good foundation for the target of 10% export growth.

Source: vietnam.vn– Jan 02, 2024

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NATIONAL NEWS

India's share of global trade in textiles and apparel stands at 3.9%

India is the 6th largest exporter of Textiles & Apparel in the world in 2023. The share of textile and apparel (T&A) including handicrafts in India's total exports stands at a significant 8.21% in 2023-24. Our country has a share of 3.9% of the global trade in textiles and apparel. Major textile and apparel export destinations for India are USA and EU and with around 47% share in total textile and apparel exports. India is a major textile and apparel exporting country and enjoys trade surplus. Bulk of import takes place for re-export or for industry requirement of raw material.
Export of Textile & Apparel Including Handicrafts (Apr-Oct)

Value in USD Million

Source: DGCIS, Provisional Data

Commodity	Oct-23	Oct-24	% Change	Apr-Oct 2023	Apr-Oct 2024	% Change
Readymade Garment	909	1227	35%	7,825	8,733	12%
Cotton Textiles	1005	1049	4%	7,014	7,082	1%
Man-made textiles	414	474	14%	2,958	3,105	5%
Wool & Woolen textiles	16	14	-11%	117	95	-19%
Silk Products	13	14	5%	70	98	40%
Handloom Products	12	13	4%	89	84	-6%
Carpets	126	147	17%	795	893	12%
Jute Products	25	36	44%	218	220	1%
Total Textile & Apparel	**2,520**	**2,974**	**18%**	**19,087**	**20,309**	**6%**
Handicrafts	129	171	33%	921	1,050	14%
Total T&A including Handicrafts	**2,649**	**3,144**	**19%**	**20,007**	**21,358**	**7%**

It is noteworthy that export is a function of demand and supply and depends on factors such as global demand, internal consumption and demand, order flow, logistics etc. Exports also gets affected by many geopolitical situations (such as red sea crisis, Bangladesh crisis etc.). Export in FY 2024 was initially low mainly due to the geopolitical crises around red sea, which affected export movement during January, February and March 2024.

The overall export of Textiles & Apparel (incl. handicrafts) marked a growth of 7% during April-October period of FY 2024-25 ($ 21,358 Mn) compared to same period of FY 2023-24 ($ 20,007 Mn).

Ready Made Garments (RMG) category with export of $ 8,733 Mn has the largest share (41%) in the total exports ($ 21,358 Mn) during the period of April-October of FY 2024-25, followed by Cotton Textiles (33%, $ 7,082 Mn), Man- Made Textiles (15%, $ 3,105 Mn).

Growth of exports is observed in all principal commodities during the period of April-October of FY 2024-25 compared to corresponding period of FY 2023-24, except wool and handloom which decline by 19% and 6% respectively.

Import of Textile & Apparel Including Handicrafts (Apr-Oct)

Value in USD Million

Commodity	Oct-23	Oct-24	% Change	Apr-Oct 2023	Apr-Oct 2024	% Change
Readymade Garment	162	183	13%	934	951	2%
Cotton Textiles	209	310	48%	1,529	1,721	13%
Man-made textiles	342	297	-13%	2,127	1,859	-13%
Wool & Woolen textiles	30	28	-8%	219	197	-10%
Silk Products	15	16	5%	130	102	-21%
Handloom Products	0	0	34%	1	1	56%
Carpets	4	4	0%	19	21	12%
Jute Products	20	24	20%	179	151	-16%
Total Textile & Apparel	**783**	**861**	**10%**	**5,138**	**5,004**	**-3%**
Handicrafts	34	44	29%	326	421	29%
Total T&A including Handicrafts	**817**	**905**	**11%**	**5,464**	**5,425**	**-1%**

Source: DGCIS, Provisional Data

Import of textiles and apparel products by India during FY 2023-24 ($ 8,946 Mn) has decreased by approximately 15% in comparison to FY 2022-23 ($10,481 Mn).

The overall import of Textiles & Apparel (incl. handicrafts) decline 1% during April-October period of FY 2024-25 ($ 5,425 Mn) compared to same period of FY 2023-24 ($ 5,464 Mn)

Man-made Textiles category with import of $1859 Mn has the largest share (34%) in the total imports ($ 5,425 Mn) during the period of April-October of FY 2024-25, as there is demand supply gap in this sector.

Growth of imports is observed majorly in Cotton Textiles mainly on account of import of long staple cotton fibre and such trends of import indicates towards an increase in production capacity of the country amidst rising consumption and self reliance.

Source: pib.gov.in– Jan 02, 2025

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Nomura projects growth will slow down to 6% in FY25

Global research agency Nomura on Friday said that macroeconomic indicators point to an overall slowdown, while cutting its growth projection for fiscal year 2024-25 (FY25) by 70 basis points. Further, it said that consumers would drive in the slow lane in 2025

"Nomura's Economics team expects India's GDP growth to slow to 6 per cent in FY25 (from 8.2 per cent in FY24) and to remain stable at 5.9 per cent in FY26F," the agency said in its report on Consumption Outlook. Earlier, the agency had forecast growth for the current fiscal at 6.7 per cent and 6.8 per cent for FY26. In September, it also talked about rising downside risks to its growth projection.

However, there could be some relief on the inflation front. "The team expects CPI (Consumer Price Index) inflation to decelerate to 4.9 per cent in FY25F, from 5.4 per cent in FY24F, and fall further to 4.3 per cent in FY26F. "With slowing global growth, commodity prices are likely to stay benign as well," the agency said.

Still there are some concerns on food prices, which has the potential to impact purchases by the consumer. "Inflation in select pockets owing to food prices and some commodities (such as palm oil) may affect the spending power of the consumer.

Thus, we believe a recovery in consumers' purchasing power is likely to remain constrained," the agency said. At the same time, there are some green shoots visible in rural demand in view of good overall rainfall and higher crop prices and potential cuts in interest rates. "This should be an offsetting force for slower GDP growth in our view," the agency said.

In its outlook 2024 (FY25F) report, the agency had expected weaker growth for categories with high pent-up demand such as cars and paints, and stronger growth for two-wheelers (2Ws) and staples. While most categories played out as expected, weaker staples growth surprised us negatively. "For 2025F (FY26F), we expect most consumer categories to remain slow or grow below the expected long-term trend; and premium segments to keep gaining share," it said.

The agency highlighted that most companies could pass on commodity costs post-COVID until 2025 due to high demand for their products; however, “we believe, given slow demand, the tide has turned. Thus, we expect margin risks mostly due to higher competition,” it said. Further, any rise in commodity prices would be difficult to pass on in such a scenario. Therefore, “investors need to be very selective in FY26 as very few companies are likely to deliver market-beating returns,” the agency said.

Source: thehindubusinessline.com– Jan 03, 2025

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India-EFTA trade pact may come into force before end of 2025: Goyal

The implementation process of free trade agreement (FTA) between India and the four-nation European bloc EFTA is progressing fast and is expected to come into force before the end of this year, Commerce and Industry Minister Piyush Goyal said.

The two sides signed the Trade and Economic Partnership Agreement (TEPA) on March 10, 2024. Under the pact, India has received an investment commitment of USD 100 billion in 15 years from the grouping while allowing several products such as Swiss watches, chocolates and cut and polished diamonds at lower or zero duties.

The European Free Trade Association (EFTA) members are Iceland, Liechtenstein, Norway, and Switzerland.

"Yes, EFTA is progressing very fast," Goyal told PTI when asked if the agreement would come into effect this year.

The minister said the Swiss Council of States has approved the agreement and now will go to their National Council for approval.

"So this overwhelming support in political circles in Switzerland for the TEPA with EFTA is truly a sign of the times to come... and in their statement also, it shows that that it has cleared an important hurdle and they are hoping to bring in entry to force by autumn of 2025, before the end of calendar year 2025," Goyal said.

The bloc committed an investment of USD 100 billion -- USD 50 billion within 10 years after the implementation of the agreement and another USD 50 billion in the next five years -- which would facilitate the creation of 1 million direct jobs in India. This is a first-of-its-kind pledge agreed upon in any of the trade deals signed by India so far.

The commitment is the key substance of the TEPA (Trade and Economic Partnership Agreement), which took almost 16 years to conclude, for India in return for opening its markets for several products coming from the EFTA nations.

There is a provision in the agreement that if the proposed investments would not come because of some reasons, India can suspend duty concessions to the four countries.

Domestic customers will get access to high-quality Swiss products such as watches, chocolates, biscuits, and clocks at lower prices as India will phase out customs duties under the trade pact on these goods over 10 years.

It is taking time to implement the agreement due to an elaborate ratification process of these pacts in different countries. In India, such agreements are approved by the union Cabinet, in EFTA countries, they need approval from their parliament.

On the progress of FTA negotiations with other countries, Goyal said he has held meetings with the new UK trade minister on the proposed pact.

India and the UK are expected to hold the next round of talks for a proposed FTA later this month to resolve the pending issues and close the negotiations.

The talks for the proposed FTA began in January 2022. The 14th round of talks stalled as the two nations stepped into their general election cycles.

With the European Union (EU) also, the minister has held discussions with European Commissioner for Trade Maros Sefcovic.

"We have agreed to meet soon again in the next couple of months to take the talks forward," he added.

He added that India will never compromise its national interest in these agreements.

"Unless the agreement is equitable, fair and balanced, India will not agree to any irrational terms," he noted.

Source: business-standard.com– Jan 03, 2025

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No legal right to seek reasons for excluding feedback in foreign trade policy: Govt

New Delhi: The government on Thursday said no person has any legal right to seek reasons for their suggestions, views or feedback not being included in the Foreign Trade Policy (FTP).

In a notification, the Directorate General of Foreign Trade (DGFT) said that the government may seek views of the industry stakeholders for the FTP but it is not obliged to provide reasons to stakeholders such as importers and exporters for not including their views, suggestions, comments, or feedback on the formulation or amendment of the FTP.

While the government "may to the extent possible and if deems reasonable to do so, provide" the reasons for not considering their views, the DGFT said: "Provided nothing…shall oblige or mandate the central government to disclose reasons for not incorporating views" that has the potential to or adversely affect trade relations with any foreign country, adversely affect food, economic or national security of India, in conflict with any government policies, serve narrow, private or special interests to the detriment of or contrary to the broader public interest, good or would require the disclosure of confidential or classified information.

"Nothing shall confer any legal right whatsoever on any person to seek reasons for his views, comments, opinions or feedback, not being incorporated in the Foreign Trade Policy," the DGFT said.

As per the notification, the government reserves the right to suo moto formulate, amend or incorporate any specific provisions in the policy, without seeking views, suggestions, comments, or feedback from stakeholders.

Amending a provision of the policy, the DGFT added two paragraphs to introduce trade facilitation measures with an option available to the central government for consultation with relevant stakeholders such as exporters/importers/industry experts to seek their views on best endeavour basis.

Source: economictimes.com– Jan 03, 2025

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Quality control orders hurting jobs in textile sector: Industry to FM

The textile industry association said that the Indian cotton industry is importing specialised varieties of cotton—such as contamination-free, organic cotton, and sustainable cotton—that are not available domestically

The Quality Control Order (QCO) on key input materials for the domestic textile industry is harming jobs due to the declining competitiveness of the downstream industry and is acting as a barrier to accessing raw materials, the Confederation of Indian Textile Industry (CITI) said in its pre-Budget memorandum to the Finance Ministry.

The QCO blocks the import and sale of items that do not bear a Bureau of Indian Standards (BIS) mark. However, the industry said that the BIS certification process is cumbersome for micro, small, and medium enterprises (MSMEs) and is enabling the creation of monopolies in the country due to stronger lobbying by large businesses.

“While competitors like Bangladesh and Vietnam have free access to such raw materials, India has imposed QCO on man-made fibre (MMF) fibre/yarn, which is acting as a non-tariff barrier (NTB) on the import of such raw materials, thereby affecting their free flow. This has resulted in a shortage of specialised fibre/yarn varieties, which has also impacted domestic prices,” CITI said.

Notably, Indian domestic raw material prices are significantly higher than international prices.

“The expensive raw material is severely affecting the cost competitiveness of downstream textile products. Since the downstream segment has the highest employment elasticity in the entire value chain, it is endangering the livelihoods of the millions of people employed in the sector,” the industry association said.

CITI emphasised the importance of ensuring the ample availability of all raw materials at globally competitive prices. To achieve this, it recommended that the government liberalise import policies and reduce the basic customs duty (BCD) on all MMF fibres, filaments, and essential

chemicals such as PTA and MEG, which are critical for the production of these raw materials.

The textile industry association said that the Indian cotton industry is importing specialised varieties of cotton—such as contamination-free, organic cotton, and sustainable cotton—that are not available domestically and these are being imported by nominated businesses to meet the quality requirements of foreign clients.

“In India, cotton is predominantly grown by small and marginal farmers who sell their cotton during the peak season. Due to working capital constraints, the industry can maintain only limited inventory and has to rely on traders for cotton supply during the off-season. Such traders often price cotton during the off-season based on import price parity, making domestic cotton more expensive than international cotton,” CITI said.

Notably, during the year, Indian cotton fibre prices were 15–20 per cent higher than international cotton prices, which affected the cost competitiveness of downstream value-added cotton-based textile products.

“The import duty imposed to safeguard farmers’ interests is not serving its intended purpose and is instead hurting the domestic cotton textile value chain. The government has already been considerate enough to exclude cotton with a staple length exceeding 32.0 mm from the scope of import duty. However, this accounts for only about 37 per cent of India’s total cotton imports, and the import duty still impacts approximately 63 per cent of imported cotton,” CITI said.

Source: indianexpress.com– Jan 03, 2025

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Why a Goods and Services Tax Hike Would Shake Up India's Apparel Sector

Temporarily mitigating what has been an unsettling time in the apparel industry in December, the issue of increasing the goods and services tax in India has been rolled over into the new year.

Textile and retail associations as well as consumers have been mired in discussions these past weeks about a proposed increase in GST tax.

The proposal would raise the rate from 12 percent to 18 percent for the category of goods ranging in price from 1,500 rupees ($17.55) to 10,000 rupees ($117). Apparel priced at more than 10,000 rupees would see an increase from 12 percent to 28 percent, while the highest price category's tax rate would jump from 28 percent to 35 percent. Apparel priced below 1,500 rupees would maintain a rate of 5 percent.

Discussions began heating up from the first week of December through the 55th meeting of the GST council on Dec. 21, chaired by finance minister Nirmala Sitharaman.

"It did not come up at the meeting, which is a welcome relief for the industry, but it has not been dropped, just deferred. So the fear of the same issue at subsequent meetings is there," Sanjay K. Jain, managing director of TT Ltd. told Sourcing Journal.

"The industry is making strong representations to the government, advising that these increments should not be made in the different slabs." He explained that it was unusual for an industry to have multiple slabs, or tax brackets, and opined that the apparel industry should not be singled out for such treatment.

"In India, even a poor man buys apparel and saris that cost more than 1,500 rupees ($17.55) for marriages and festivities. Even though it looks like a luxury, it isn't really so; in the past years inflation and purchasing power parity has changed, so the same goods now come at a higher price. Higher taxes on this will hurt both the consumers and the manufacturers. Increasing the taxes on the other categories will lead to more complexities," he said.

"A lot of the industry huddled together when this issue was raised a few weeks ago," said Chandrima Chatterjee, secretary general of Confederation of Indian Textile Industry (CITI).

"We are very happy that it has not been taken up—at least in this round. We want wider stakeholder consultations and discussion about the impact of such an additional tax. It can have many dimensions—we will have to look closely at the elasticity of this demand. Also increasing the above-10,000-rupee category to a 28 percent tax is a very large jump, and instead of seeing this as luxury purchase, it should be linked to entrepreneurship and rather for ways to foster and grow these entrepreneurs. Many of the sales in this category are for the bridal segment, and are small boutiques."

A government official explained, on the condition of anonymity, that the government aim was both to increase tax revenue and tackle the issue of tax evasion in certain price segments.

Arguments from the industry have been strident, emphasizing that this would likely work the opposite way, and defeat the very goal that the government was aspiring towards. More companies could be pushed into the informal sector to avoid the high taxes, they argue.

Even as the year comes to a close with strong sales (India's apparel market is expected to reach $105.5 billion in revenue and reach $387.3 billion by 2028), associations and garment manufacturers have been teaming with retailers to bring these points to government notice. The issue of job losses if these increases do come into effect are a critical concern. The textile industry is the second highest employer in the country after agriculture.

The Clothing Manufacturers Association of India (CMAI) has warned that the effects would reverberate through the economy, including closure of small and medium enterprises (SMEs), and a disruption of the entire textile value chain.

"The proposed GST rate hike risks severely disrupting the formal retail sector by driving both consumers and businesses toward informal channels. This shift would adversely affect legitimate retailers and potentially benefit unscrupulous sellers and illegal merchants," a spokesperson for CMAI observed, adding that this move could impact up to 100,000 jobs.

The small and medium-sized enterprises in spinning, weaving, and garment manufacturing operate on thin profit margins, facing income losses and squeezed profitability. He said that the proposed change in GST slabs would result in a reduction of compliance, as well as the focus on bringing more of the industry into the formal sector, and it could potentially work the opposite way, by eroding the tax base.

"A more effective strategy might involve encouraging compliance through lower tax rates and better enforcement," he said.

Rahul Mehta, chief mentor of the CMAI said, "The government must consult industry stakeholders to fully understand the implications and avoid further challenges before making decisions. The government's commitment to ease of doing business should reflect in their actions, supporting policies that drive growth, reduce obstacles, and help the industry to thrive."

Source: sourcingjournal.com– Jan 02, 2025

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'Need to create biofuel supply chains to replace coal in textile mills': Shahi Exports' Anant Ahuja

Shahi Exports, one of India's largest apparel exporters, employs over one lakh people across eight states, supplying major fashion brands in the US and Europe. With sustainability standards set to define the future of textile trade, Shahi and other large exporters in India are actively pursuing compliance. In a conversation with Aggam Walia, Anant Ahuja, Director of ESG and Sustainability at Shahi Exports, discusses sustainability reporting, the need for biofuel supply chains, and the viability of switching to electric boilers. Edited excerpts:

Sustainability reporting is not mandatory for private companies like Shahi. Why do it then?

This is our third year publishing a sustainability report. Shahi is a privately-held company, so a lot of the compliances that public companies have to meet don't apply to us. But we still decided to publish this sustainability report because the customers we work with, there's an advantage to providing them the data. Secondly, it helps set our targets and track our progress. It's a good discipline to have. We're following the GRI (Global Reporting Initiative) guidelines, but because of the shifts in the legislative landscape, we're also now reporting on traceability and due diligence, things that weren't on the radar before.

Shahi's mills and factories sourced 65 per cent of their electricity from renewables in FY24, targeting 100 per cent by FY27. How is your renewable energy mix structured, and what shaped these choices?

It's almost all solar, we have some wind capacity as well. They're all off-site solar installations or solar farms. People say, why don't you just put solar panels on your rooftops. A lot of companies do that and it makes sense, but first you have to build your structure with the capacity to hold the weight of the solar panels. The other problem is uneven generation of power. Also, where we choose to set up our factories is determined by the availability of workers. But when you're setting up solar, it's kind of the opposite. You set it up in places where there is a lot of sunshine, but also a place where the land is not being used for something else. So the strategy that's worked for us is off-site solar on the electricity side.

A majority of Shahi's on-site energy generation is in the form of thermal energy generated by burning coal. How do you see this evolving?

Most industries use some form of thermal energy. For us, it's for our boilers. It's not a big deal if you're in a factory that's just making clothing. But if you're making fabric, then you probably need a boiler for the purpose of processing. Thermal energy usually requires burning something. It's been coal for the last 100 or so years. Now, the solution that people are moving to is biofuel or biomass. Globally, there's a commitment to eliminate coal by 2030 for OECD countries and by 2040 for non-OECD countries. If you're an exporter working with the large brands that we work with, a lot of them are saying let's not wait till 2040. They expect us to do it sooner, like 2025, which is not even the It's a bit surprising that they would try to accelerate it to that extent. It's a challenge because coal supply chains have been around for hundreds of years, whereas biofuel supply chains don't exist. Even when we figure out how to create this biomass supply chain, you're still burning organic waste. It's still some emissions.

In the long-term, what is going to be the way forward to replace both coal and biofuels? How are electric boilers as an alternative?

We did a study on whether we could switch to electric boilers with energy storage and full electrification. With current technology, the study concluded that the ROI was around 40 years. Basically, what that told us is that the technology is not there yet for us to electrify our whole system. But there's also a pressure to get off coal quickly.

What's going to happen is, next year is going to be focused on eliminating coal as much as possible. Ideally, 100 per cent. That's what we're targeting. Once we do that, we immediately think of a longer-term solution to stop burning biomass also.

The textile industry is heavily water-intensive. What's your approach to water recycling?

The cost of getting fresh water might exceed the cost of just treating the water, that's the reality we're heading towards. Our largest textile mill is in Shimoga, Karnataka and over there, the laws are really strict around what you can discharge. If you want to essentially discharge water and then get fresh water, that water has to be treated almost fully.

That standard is not common around the world, but because we've been operating there and that's the rule, we've had to invest a lot in treatment plants, through which we now have zero discharge of any chemicals. As a group, we're recycling somewhere close to 80 per cent water and the goal obviously is to get to 100 per cent.

Source: indianexpress.com– Jan 03, 2025

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