TEXPROCIL
THE COTTON TEXTILES EXPORT PROMOTION COUNCIL
(SPONSORED BY GOVERNMENT OF INDIA)

IBTEX No. 9 of 2025 | **January 13, 2025**

Currency Watch			
USD	EUR	GBP	JPY
86.41	88.66	105.02	0.55

INTERNATIONAL NEWS

INTERNATIONAL NEWS

US faces several fiscal policy challenges in 2025: Fitch Ratings

The United States (AA+/stable) faces significant fiscal policy challenges this year relating to debt limit, appropriations and tax cuts in the context of already large deficits and an increasing debt burden, Fitch Ratings recently cautioned.

It believes it is unlikely that these will be resolved expeditiously because of long-standing weaknesses in the federal government's budgetary process and a narrow Republican House majority.

The latest debt limit suspension expired at the start of this year, and the Treasury estimates that the new limit of $36.1 trillion will become binding between January 14 and 23 this year.

December's continuing resolution (CR) keeps the federal government funded until March 14. And the tax cuts enacted in 2017 are set to expire at end of the year.

Based on previous events, Fitch Ratings assumes that the debt limit will be increased, or suspended again, before the so-called x-date, when cash balances and 'extraordinary measures' used to meet financial obligations are exhausted.

It thinks the x-date will likely fall in the summer, perhaps as late as July or August, considering the Treasury's cash balance ended 2024 at close to $722 billion and given its expectation that tax receipts will pick up significantly from last year, the rating agency said in a release.

However, it thinks it is unlikely that debate to increase or suspend the debt limit will be resolved early in 2025 given the significant disagreements on spending policies in Congress.

A pre-Christmas government shutdown was only averted at the last minute, after a contentious debate around president-elect Donald Trump's insistence that funding be tied to a fresh suspension/increase of the debt limit, and disagreements over certain spending items.

Persistent policy disagreements, especially on spending matters, and the narrow Republican House majority led Fitch Ratings to doubt that all the required appropriations bills will be passed by March 14, requiring another CR to avoid a shutdown.

The policy assumptions underlying Fitch's US fiscal deficit and debt projections reflect the weak fiscal framework and apparent lack of appetite across the political spectrum for a policy mix that would ensure durable and structural deficit reduction.

Fitch forecasts general government (GG) deficits to exceed 7.5 per cent of gross domestic product (GDP) in 2025 and 2026, notwithstanding resilient GDP growth and the associated cyclical personal and corporate revenue benefits, plus capital gains from strong stock markets in 2024, and additional tariff revenues.

Large fiscal deficits in line with these forecasts would push GG debt above 120 per cent of GDP in 2026, over twice the forecast 'AA' category median.

Source: fibre2fashion.com– Jan 11, 2025

HOME

****

US' textiles & apparel imports grow 1.7% to $99 billion in Jan-Nov

The United States' textile and apparel imports increased by 1.78 per cent, totalling $99.125 billion from January to November 2024, compared to $97.390 billion during the same period in 2023. China remained the largest supplier to the US, holding a 24.23 per cent market share, followed by Vietnam at 15.10 per cent.

During the first 11 months of 2024, apparel imports, which constitute the majority of US textile imports, increased by 0.63 per cent to $72.943 billion, up from $72.488 billion in the same period of 2023. However, non-apparel imports rose by 5.14 per cent to $26.181 billion, according to the US Department of Commerce's Major Shippers Report.

US apparel imports from Cambodia grew by 13.02 per cent, while those from Pakistan rose by 6.57 per cent. Apparel imports from India and Vietnam also saw gains of up to 4.49 per cent. In contrast, imports from China fell by 0.30 per cent, Bangladesh by 0.44 per cent, Indonesia by 0.14 per cent, Mexico by 7.67 per cent, Honduras by 4.56 per cent, and Italy by 3.05 per cent. In the non-apparel sector, imports increased by 8.67 per cent from China, 3.10 per cent from Turkiye, 18.90 per cent from Vietnam, 7.84 per cent from India, and 10.12 per cent from Cambodia. Meanwhile, shipments from Mexico to the US dropped by 5.01 per cent, with further declines from Italy, Canada, and South Korea.

During the review period, total US textile and apparel imports stood at $99.125 billion. Man-made fibre products accounted for the largest share, totalling $51.587 billion, followed by cotton products at $40.870 billion, wool products at $3.889 billion, and silk and vegetable fibre products at $2.778 billion.

In 2023, the US imported textiles and apparel worth $104.959 billion, marking a 20.51 per cent decrease from 2022. Apparel imports fell by 22.05 per cent to $77.840 billion, while non-apparel imports declined by 15.73 per cent to $27.119 billion. In 2022, US textile and apparel imports had risen to $132.201 billion, up from $113.938 billion in 2021, following a sharp decline in 2020 when imports dropped to $89.596 billion, compared to $111.033 billion in 2019.

Source: fibre2fashion.com– Jan 12, 2025

HOME

****

China's export growth quickens amid trade risks, imports surprise

China's export growth picked up steam in December, while imports recovered, closing out the year on a positive note as the world's second-largest economy braces for mounting trade risks with the incoming U.S. administration.

Outbound shipments in December rose 10.7% year-on-year, customs data showed on Monday, beating 7.3% growth forecast in a Reuters poll of economists, and improving from November's 6.7% increase.

Imports surprised to the upside with 1.0% growth, the strongest performance since July 2024. Economists had expected a 1.5% decline.

U.S. President-elect Donald Trump, set to return to the White House next week, has proposed hefty tariffs on Chinese goods, sparking fears of a renewed trade war between the two superpowers.

Adding to the challenges, unresolved disputes with the European Union over tariffs of up to 45.3% on Chinese electric vehicles threaten to hinder China's ambitions to expand its auto exports.

Meanwhile, China's trade surplus grew to $104.8 billion last month, up from $97.4 billion in November.

Export momentum has been a critical driver for China's economy, which remains weighed down by a prolonged property market slump and fragile consumer confidence.

There have been signs, however, of stabilisation following China's stimulus push in recent months.

Factory activity remained in modest expansion for the third consecutive month, while services and construction recovered in December, an official survey showed.

South Korea, a key indicator of China's imports, reported a 8.6% increase in shipments to China in December, suggesting resilience in demand for technology products.

China's top leaders have pledged to loosen monetary policy and adopt a more proactive fiscal policy in 2025, aiming to offset external pressures and revitalise domestic demand.

The government is targeting economic growth of around 5% for the year, a goal that had proved challenging to achieve at times in 2024.

Source: uk.fashionnetwork.com– Jan 13, 2025

HOME

****

Australia's apparel imports rise 6.6% to $5.5 bn in Jul-Nov 2024

Australia's imports of apparel and clothing accessories (classified under code 84) increased by 6.65 per cent to $5.561 billion during July-November 2024, the first five months of fiscal 2024-25 (July-June), according to the latest trade data released by the Australian Bureau of Statistics (ABS). The country had imported apparel and clothing accessories worth $5.214 billion during the same period in 2023. There was an impressive month-on-month increase in imports during November 2024.

Imports of textile yarn, fabrics, and made-up articles (classified under code 65) also rose by 5.86 per cent, reaching $1.985 billion in the first five months of the current fiscal, compared to $1.875 billion in the same period last year. Conversely, fibre imports (classified under code 26) fell by 9.09 per cent to $50 million from $55 million during the period under review.

In November 2024, imports of apparel and clothing accessories increased by 13.93 per cent to $1.014 billion, up from $0.890 billion in November 2023. Imports of textile yarn, fabrics, made-up articles, and related products increased to $399 million in November 2024 from $370 million in November 2023. Fibre imports decreased to $10 million from $11 million in November 2023.

During fiscal 2023-24, Australia's apparel and clothing imports totalled $12.231 billion, a decline of 5.2 per cent from the $12.903 billion recorded in 2022-23. Similarly, imports of textile yarn and fabrics dropped by 9.40 per cent, from $4.825 billion in 2022-23 to $4.371 billion in 2023-24.

Meanwhile, Australia's exports of textile fibres (code 26) were valued at $3.485 billion during July- November 2024, marking a 9.97 per cent decrease from $3.871 billion in the corresponding period of the previous year. Exports in November 2024 fell by 10.83 per cent to $584 million, compared to $655 million in November 2023. For fiscal 2023-24, Australia exported textile fibres worth $7.053 billion, a decline of 13.97 per cent from $8.199 billion in 2022-23. Notably, Australia is a significant producer and exporter of cotton.

Source: fibre2fashion.com– Jan 13, 2025

HOME

****

US Fashion Retailers Added 23K Jobs in December

The U.S. labor market's "not too hot" and "not too cold."

That's the conclusion from economists at Wells Fargo, following the Department of Labor (DOL) report that nonfarm payroll employment rose by 256,000 in December. That number is above the consensus growth estimate of 155,000 jobs.

"Over the past three months, nonfarm payroll growth has averaged 170,000, a solid pace of hiring that should be fast enough to keep the unemployment rate relatively steady," concluded Wells Fargo economists Sarah House and Michael Pugliese in a research note on Friday. "To that end, the unemployment rate fell by one-tenth to 4.1 percent and is right in the sweet spot of the Fed's projections for a 'not too hot' and 'not too cold' labor market."

The DOL data indicates that retail trade added 43,400 jobs, following a job loss of 29,200 in November. Fashion retailers in apparel, accessories, footwear and jewelry added 23,000 jobs in December. The data doesn't break down how many positions are full time or part time.

Upcoming January data points can reflect declines as seasonal workers hired for holiday end their employment. Employment data for January will be available on Feb. 7, 2025, and could provide more information on the health of retail employment in fashion. Meanwhile, the tentative agreement on new six-year ILA-USMX Master Contract, announced this week, indicates a framework for implementing technologies that will create new jobs while modernizing the East and Gulf coast ports.

Earlier in the week, the ADP National Employment Report on Wednesday indicated that job creation by private employers increased by 122,000 last month, less than the expected 136,000. Data from ADP and DOL can suggest different trends due to how they measure the monthly data.

Nela Richardson, ADP's chief economist, said December data reflected a "more modest pace" of growth" and that health care created more jobs than any other sector. Manufacturing created just 10,000 jobs last month, while the service sectors, including retail, added 112,000 positions. The bulk of the new jobs were on the West Coast at 82,000, followed by the Northeast and South at 19,000 each and the Midwest at 7,000.

While the ADP report suggests that hiring might be slowing, the DOL data indicates economic strength that gives the Federal Reserve little incentive to cut rates to stimulate economic growth. The Wells Fargo economists concluded that a rate cut at the Fed's Jan. 29 meeting is "off the table, and March looks increasingly unlikely as well."

And according to Mitchell Barnes, The Conference Board's economist for labor markets, "December's U.S. Employment Report provides the Fed with plenty of room to stay on hold in the coming months and assess how the policies of the incoming administration affect growth and inflation outlook."

Monthly payrolls grew by 186,000 on average in 2024. Barnes said that pace exceeds 2019 and continues to reflect a resilient labor market. "Looking ahead to 2025, the U.S. labor market is expected to remain stable, with the potential for hiring to accelerate later in the year as uncertainty about the election outcome clears," the economist said.

Source: sourcingjournal.com– Jan 10, 2025

HOME

****

Cotton Highlights From January 2025 WASDE Report

USDA has released its January 2025 World Agricultural Supply and Demand Estimates (WASDE) report. Here's this month's summary of the U.S. domestic and global cotton balance sheets.

For the 2024/25 U.S. cotton balance sheet, production and ending stocks are increased while exports are reduced. Domestic use and beginning stocks are unchanged.

The U.S. all-cotton production is revised upward 159,000 bales to 14.4 million as the national all-cotton yield estimate is raised 44 pounds to 836 pounds per harvested acre, reflecting a larger crop and lower harvested area. Most of the reduction in harvested area occurred in the Southwest, while yields in numerous Southeast, Delta, and Southwest states are expected to be higher. Projected exports are lowered 300,000 bales to 11.0 million.

Ending stocks are raised to 4.8 million bales for a stocks-to-use ratio of about 38%. The 2024/25 season average upland farm price is reduced to 65 cents per pound.

Global production, consumption, trade, and ending stocks are raised in the 2024/25 world cotton balance sheet while beginning stocks are unchanged.

World production for 2024/25 is increased just over 2 million bales to 119.4 million – largely the result of a 1.8-million-bale increase for China's crop. Larger crops are also projected for Australia and the United States, while production in Pakistan is reduced.

World consumption is raised 100,000 bales as increases in Bangladesh and Vietnam more than offset a reduction for Turkey. Projected exports are raised 225,000 bales as increases for Brazil, Australia, and India exceed the reduction for the United States. Ending stocks are increased almost 1.9 million bales as increases in China, the United States, Australia, and India more than offset the reduction for Brazil.

Source: cottongrower.com– Jan 10, 2025

HOME

****

Malaysia to focus on leveraging RCEP as ASEAN chair: Trade minister

Malaysia will focus on leveraging the Regional Comprehensive Economic Partnership (RCEP) by fully implementing it as the 2025 chair of the Association of Southeast Asian Nations (ASEAN), according to the country's investment, trade and industry minister Tengku Zafrul Aziz.

"This could be the key highlight of Malaysia's chairmanship," he said in his closing remarks at the ASEAN Economic Opinion Leaders Conference in Kuala Lumpur recently.

RCEP has 15 countries, including ASEAN member countries Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. The other five are Australia, China, Japan, South Korea and New Zealand.

Malaysia also intends to strongly drive negotiations on the ASEAN Digital Economy Framework Agreement launched in 2023, Aziz was cited as saying by a news agency.

"By 2030, the digital economy could add $2 trillion (RM 9 trillion) to the region, but for that to happen, Malaysia must help ASEAN nations harmonise their digital policies," he said.

The country will also propose a joint declaration on the ASEAN-Gulf Cooperation Council economic cooperation during the 46th ASEAN summit in May, the minister added.

Source: fibre2fashion.com– Jan 12, 2025

HOME

****

China's goods trade with RCEP members in Jan-Nov 2024 hits $1.67 trn

Between January and November last year, China's trade in goods with members of the Regional Comprehensive Economic Partnership (RCEP) reached 12 trillion yuan ($1.67 trillion)—an increase of 4.4 per cent year on year (YoY), China's commerce ministry spokesperson He Yadong announced recently.

The RCEP comprises 15 countries, including 10 countries of the Association of Southeast Asian Nations (ASEAN), as well as China, Japan, South Korea, Australia and New Zealand.

It has deepened trade and investment cooperation among its members since it came into force three years ago, and has effectively consolidated the fundamentals of China's foreign trade, he was cited as saying by a state-controlled news agency.

The third anniversary of the implementation of the RCEP fell on January 1 this year.

As the non-ASEAN rotating chair of the RCEP last year, China worked to facilitate new members in joining the pact, he said, adding that Hong Kong, Sri Lanka and Chile have submitted formal applications to join RCEP, while other economies have shown strong interest.

An Asian Development Bank study revealed the RCEP is expected to raise the incomes of member economies by 0.6 per cent by 2030, adding $245 billion annually to regional income and 2.8 million jobs to regional employment.

Source: fibre2fashion.com– Jan 11, 2025

HOME

****

Trade, investment cooperation - important pillar in Vietnam-UK ties

Vietnam and the UK have identified trade and investment cooperation as an important pillar of their Strategic Partnership and will step up measures to ramp up economic cooperation in the coming time.

This was agreed during a recent London meeting between Vietnamese Ambassador to the UK Do Minh Hung and Minister of State at the Department for Business and Trade Douglas Alexander.

During the meeting, the two sides discussed economic cooperation potential and consented to speed up the implementation of bilateral cooperation mechanisms, particularly the Joint Economic and Trade Committee (JETCO) and closely coordinate to effectively realise the UK-Vietnam Free Trade Agreement (UKVFTA).

With the UK's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) on December 15, 2024, both sides agreed to capitalise on the opportunities to promote trade and investment between the two nations and among CPTPP member countries, contributing to the trend of regional economic integration. Minister Alexander also expressed gratitude to Vietnam for its support during the UK's CPTPP accession negotiations.

As both countries are making efforts to achieve economic growth targets and respond to climate change, the two sides reaffirmed their commitment to advancing energy transition collaboration within the framework of the Just Energy Transition Partnership (JETP).

The UK vowed to support Vietnam in establishing an international financial centre in Ho Chi Minh City, creating a new momentum for economic cooperation between the two countries.

Ambassador Hung shared Vietnam's remarkable socio-economic achievements, highlighting the nation's dynamic economy, which recorded the highest GDP growth rate in the region in 2024 at 7.09%. He emphasised Vietnam as an open economy connected to major global markets through 17 free trade agreements (FTAs), including several new-generation ones.

Economic and trade cooperation remains a highlight in the multifaceted Vietnam-UK relationship. Since 2021, bilateral trade has consistently grown year by year, reaching 8.4 billion USD in 2024, a significant 18% increase compared to 2023. Notably, Vietnam's export value to the UK surpassed 7 billion USD for the first time, totaling 7.5 billion USD, up 18.9% year-on-year.

Most of Vietnam's key exports experienced robust growth, including computers, electronic products and components, fruit and vegetables, pepper, coffee, rubber products, confectionery and cereal products, machinery, equipment, steel, paper products, wood products, and textiles and garments.

Notably, Vietnamese products, including clothing, footwear, tools, equipment, food, and fresh produce, have established a strong presence in the UK's reputable retail chains. Vietnamese brands are now available in leading UK clothing stores such as Marks & Spencer (M&S), NEXT, PRIMARK, and UNIQLO, as well as major supermarket chains like Tesco and Sainsbury's, and premium food retailers such as Whole Foods and M&S.

Source: en.vietnamplus.vn– Jan 12, 2025

HOME

****

Vietnam continues to shine in global apparel trade

Cao Huu Hieu, general director of Vietnam National Textile and Garment Group (Vinatex), acknowledged the challenges the industry faced from the outset of last year, including weak market demand and declining export prices. Nevertheless, a recovery in the latter half of the year enabled the sector to achieve its 11 per cent growth target.

"In the first half of 2024, our company struggled to meet targets due to sluggish market conditions," said Hieu. "However, a notable shift occurred in the second half of the year as political instability in markets such as Bangladesh redirected orders towards Vietnam, resulting in a substantial influx of new orders from July onwards."

Thanks to this recovery, Vinatex achieved significant improvements in business performance. The company's consolidated revenue exceeded $754 million in 2024, reflecting a 2.8 per cent increase, while its consolidated profit surged to an estimated $30.8 million, up 37.5 per cent compared to 2023.

Pham Quang Anh, director of Dony Garment Co., Ltd. based in Ho Chi Minh City's Binh Chanh district, believes that while market dynamics played a role, the company's impressive growth was primarily driven by its proactive market expansion strategies.

"Last year was significant for us, as we achieved a growth rate of over 70 per cent compared to 2023, far exceeding our initial target of 15 per cent set at the end of 2023," said Anh.

Dony's success was driven by robust growth in markets such as the US and the Middle East, as well as the domestic market, which accounted for over 20 per cent of its growth last year. Success was also found in new markets, including Cambodia, Thailand, Malaysia, Singapore, and Russia. The company began exploring the African market mid-year and secured orders by year-end.

Experts anticipate sustained momentum for Vietnam's apparel exports in 2025, underpinned by the sector's ability to deliver high-quality products at competitive prices, bolstered by continued investments in advanced machinery and technology.

As a champion of integrated AI within the garment and textiles industry, Viet Thang Jean, a large southern-based fashion producer serving export markets, has made significant strides in digital transformation.

"The application of AI in areas such as production management and pattern-making has reduced data management workload by half, operational costs by 70 per cent, and improved data accuracy to 99 per cent," according to Pham Van Viet, chairman of Viet Thang Jean.

Amidst emerging trends and stringent standards for green production and raw material self-sufficiency, Tran Van Quy, general director of southern-based Trung Quy Textile Co., Ltd., emphasised the company’s focus on sustainable practices.

"Trung Quy is investing in green production, generating carbon credits, and remains on track to achieve net-zero emissions by the end of this year. We have allocated over $11.25 million to establish a 10,000 square-metre facility in the southern province of Long An, as part of its accelerated transition to green manufacturing," said Quy.

Advanced dyeing and weaving processes implemented at the facility enable water savings of 60-70 per cent compared to conventional methods.

These technologies ensure a closed production cycle and provide high-quality, internationally certified fabric to domestic garment manufacturers, with an annual capacity of 2 million metres of fabrics.

Trung Quy plans to expand its export footprint to major international markets, including the EU, the US, Japan, and Australia, later this year.

Source: vir.com.vn– Jan 10, 2025

HOME

****

Pakistan: What does 2025 have in store for world cotton markets?

The weekend was full of surprises for the commodity markets. The US Department of Agriculture announced a flurry of revisions to its forecast of world agricultural output for the marketing year 2024-25, also upending its earlier estimates for cotton. If USDA is to be believed, world cotton output is all set to breach 26 million metric tons (MMT) in the ongoing marketing year, climbing to its highest levels in seven years.

If accurate, USDA's forecast of global cotton output for the ongoing season delivers the highest upward revision for any given month in recent years. World cotton output is now by nearly 2 percent over last month's forecast, with upward revisions to output across all major producing countries such as China, India, Brazil, USA, and Australia.

Per USDA's forecast, global cotton production in the marketing year 2024-25 is now set to rise by 6 percent over last year, delivering the highest boost to inventories since the pandemic year 2019-20. Meanwhile, year-end stocks are expected to climb up to 17MMT, taking the stock-to-use ratio to 68 percent, only the second highest level (second only to the Covid year) over the last decade. On the other hand, world consumption is expected to rise only organically, improving by just 1.3 percent despite abundant supplies and weak prices.

The enormous rise in output comes largely on the back of revisions to yields for major producing countries, with average land productivity improving by over 7 percent compared to the previous season, especially in China, India, and Australia, which together account for 55 percent of the aggregate area under cotton cultivation. Brazil and the USA remain significant exceptions, where aggregate land area rose by over 25 percent compared to last year, even as yields slowed down just a tad bit.

Meanwhile – USDA estimates that the rise in domestic production in major processing countries such as China and India will significantly take the pressure off world prices. Global trade is expected to slow down by nearly half a million metric tons or roughly five percent over last year. Although the two export giants – which together account for 55 percent of global trade – are expected to maintain their trade volumes, small exporting countries – especially those of West Africa – are slated to suffer as a result.

World cotton prices, which in 2024 had already declined to their lowest levels since the pandemic year 2020 – may weaken further in the upcoming year, as new stocks from Brazil and the US drive the price down further. The biggest dent to prices is expected to be delivered by China, whose import demand is expected to fall by nearly half from 3.3MMT in 2023-24 to a little over 1.7MMT in the ongoing year, 2024-25. Although cotton consumption in major processing countries such as China, India, Bangladesh, and Vietnam is expected to hold at levels similar to last year, overall consumption in China is still a far cry from peak levels, as strategic de-coupling from China reinforces its hold on global commodity markets.

The biggest surprise to world markets then can only come from a thaw in the US-China trade war, the chances of which happening in 2025 are near zero. Unsurprisingly, Pakistan remains an exception to these trends, turning out to be the only major producing country where output has taken a significant beating, bucking world trends for the fifth consecutive year.

Source: brecorder.com– Jan 13, 2025

HOME

****

Pakistan: Export growth not possible without policy reforms

While the government celebrates its ambitious five-year Transformation Plan: The URAAN Pakistan, (2024-2029), the business community is left wondering how this will be achieved given the current economic environment.

The initiative structured around five core pillars: Exports, E-Pakistan, Environment, Energy & Infrastructure, and Equity, Ethics & Empowerment (5Es), has no implementation strategy.

All eyes are now on what new measures the government intends to introduce to liberate the industrial community from the recurring cycle of weak policy enforcement, which continues to hinder industrial growth, investment, and export expansion.

The document, which sets its sights on seeing Pakistan "among the ten largest economies of the world by 2047" alongside a target of USD 50 billion in exports over the next four years (though some pages of the document suggest USD 60 billion), is unlikely to lead to any policy shift.

Such policy frameworks have been introduced repeatedly in the past — with little or no real impact.

Meanwhile, the textile industry, the country's leading export sector, continues to be suffocated by unrealistic tax regimes, the removal of zero-rating on local inputs for export manufacturing, exorbitant energy prices, regressive policies on captive power plants, and declining cotton production.

Team URAAN must recalibrate its approach by reversing these policies and redirecting its efforts toward addressing the real issues.

Textile exports remain the first line of defense:

Pakistan's import dependency is precarious. Initially concentrated on petroleum products and machinery, imports have expanded to cover a broad range of food commodities, including palm oil, tea, and pulses, driving up the import bill. Alarmingly, this trend is now extending to the textile sector. The rising import of raw cotton is particularly concerning, surging to USD 1.7 billion in FY 2023 and already reaching USD 706 million in the first four months of FY 2025, a more than 50 percent increase from the same period of last year.

Once self-sufficient in cotton, Pakistan has now become a major net importer; in fact, the largest importer of US cotton; a shift driven by successive crop failures. With that, production costs for key crops, including cotton, have doubled since 2023, further increasing the sector's reliance on imports.

The country's export mix is rapidly deteriorating. Apart from IT and agricultural exports -which remain opportunistic and unreliable - textile exports are the only glimmer of hope for Pakistan's balance of payments and therefore require urgent attention and support.

Yet, the sector is facing increasing pressure from government policies that threaten its long-term sustainability. Export diversification will come with the right infrastructure:

Diversifying the product mix and export markets is essential for Pakistan's export growth. However, advancing sophistication and value addition requires the country to ascend the economic complexity ladder - an area that has consistently been neglected and remains uncertain.

Pakistan ranks 85th in economic complexity globally as of 2022, unchanged since 2000. This stagnant position highlights the country's ongoing struggle to produce technologically advanced goods and services, with negative performance across key indicators such as trade, technology, and research (Table 1).

The IT sector stands out as a relatively more complex industry with growth potential. However, unstable connectivity and frequent internet slowdowns cast a long shadow over ambitions to expand IT exports. Without guaranteed, reliable infrastructure, investment in the sector will remain elusive.

In a country always grappling with basic internet stability, the transition to the 4th and 5th Industrial Revolutions is more of a distant aspiration than an imminent possibility. Until critical infrastructure gaps are addressed, Pakistan's vision of entering the 5th industrial revolution – as highlighted in the document - will remain unachievable.

Forced pre-mature deindustrialization:

The 5th industrial revolution remains a distant goal; instead, Pakistan's policy landscape is driving key industries, including textiles, toward premature deindustrialization.

Historically, the textile sector benefited from a vertically integrated value chain, keeping import dependency low by relying on local raw materials such as cotton and intermediates like yarn. However, with over 25 percent of spinning units closed, other units operating at 50 percent or less capacity, and millions of jobs lost - adding to the 4.5 million already unemployed in the economy - the industry is now on the path to rapid deindustrialization, especially as the share of manufacturing in the country continues to decline(Figure 1).

This industrial decline is contributing to rising poverty, which has become a growing concern. According to a recent World Bank report, high inflation has deepened poverty in non-agriculture sectors, with the poverty rate rising to 40.5 percent in FY24, up from 40.2 percent in FY23. As industrial activity slows and employment opportunities dwindle, an additional 2.6 million Pakistanis have fallen below the poverty line, and this number is likely to increase rapidly.

Deindustrialization typically occurs as economies progress and per capita incomes rise beyond middle-income levels. However, Pakistan remains far below this threshold. The country's premature deindustrialization, driven by the shutdown of upstream industries, risks triggering severe economic disruptions.

Considering this troubling trend, achieving export-led growth will not be possible unless critical policy reforms are undertaken.

Counterproductive economic policies come with a significant economic cost:

This premature deindustrialization is largely driven by the government's counterproductive economic policies, particularly the heavy tax burden and frequent policy shifts that exacerbate the challenges faced by the textile industry.

The FY25 budget has placed exporters under the normal tax regime, subjecting them to a 1 percent advance minimum turnover tax, adjustable against a 29 percent final income tax, along with an additional super tax of up to 10 percent. Despite this, exporters are still required to pay a 1.25 percent advance tax on export proceeds (including a 0.25 percent export development surcharge). Subjecting exporters to double taxation is unjustified and discriminatory, particularly given that textile businesses operate on high volumes and low margins.

No other country taxes its export sector in such an illogical manner. Achieving USD 50 billion in exports within four years under this tax structure is nothing short of absurd.

This is further compounded by the removal of zero-rating on local supplies for export manufacturing under the EFS, leading to an 18 percent sales tax that undermines competitiveness by making domestically sourced raw materials more expensive than imported alternatives, which are exempt from both duties and sales tax. As a result, exporters have shifted to imported inputs, with imports of raw cotton and cotton yarn surging by 52 percent and 288 percent, respectively, in the first four months of the current fiscal year compared to the same period last year (Figure 2).

Adding to the financial strain, the sales tax refund system is plagued with delays, with refunds often taking six months or longer – or, in most of the cases, partially deferred, further intensifying the burden on exporters. As highlighted in the World Bank's Economic Memorandum, the current tax regime in Pakistan is 'complex and opaque,' with refunds taking an average of 18 months to process, as compared to the 72-hour timeline stipulated under the sales tax rules.

In addition to these challenges, the government's decision to cut gas supplies to the CPPs has dealt a further blow to the industry. How can team URAAN pursue USD 50 billion in exports while implementing policies that make it impossible to even maintain the current export levels?

Revival of fresh investment and the up-gradation of industrial plants are the need of the hour:

As Milton Friedman once observed, trade deficits are not inherently harmful. The true concern arises when trade imbalances coincide with fiscal mismanagement, as is the case with Pakistan.

A few years ago, Pakistan was a cotton exporter. Today, it has transformed into a net importer, becoming the largest buyer of US cotton. How much longer can Pakistan sustain this growing import dependency without seeing a corresponding boost in exports?

For Pakistan to achieve export-led growth, it is imperative to safeguard every segment of the value chain, with an emphasis on reducing import dependency wherever possible. The ongoing decline in cotton production and the closure of textile units will continue to undermine net exports. Preserving progress in value-added textile exports is critical to prevent turning the balance of trade into a zero-sum game.

In this context, reassessing Pakistan's corporate tax structure is urgent, as the current burden stifles investment. The EFS must be reinstated to its pre-Finance Act 2024 form, including the zero-rating of local supplies used in export manufacturing. This restoration is essential to ensure fair competition for domestic producers against imported substitutes, which has become critical as businesses face closure due to the changes in EFS rules.

Cotton remains the cornerstone of Pakistan's textile industry, and immediate action is needed to enhance domestic production. Declining cotton yields, driven by factors such as the lack of climate-resilient seeds, limited mechanization, and insufficient advisory services, are costing Pakistan an estimated USD 4 billion annually in direct losses, along with USD 15 billion in GDP, as per our estimates.

In short, the government's 5E framework cannot drive export growth if businesses remain stifled under oppressive tax regimes and structural challenges. Pakistan must avoid premature deindustrialization and focus on safeguarding net exports by addressing these issues and adopting the proposals outlined above.

Without delay, the team URAAN needs to prioritize fixing structural issues faced by the businesses, rather than focusing on repetitive rhetoric.

Source: brecorder.com– Jan 13, 2025

HOME

****

NATIONAL NEWS

Budget 2025: Govt mulls setting up marketing support fund to boost exports to US, other key markets

Budget 2025 may provide some succour to the country's exporters if a proposed marketing support fund with an estimated annual corpus of about ₹1,000 crore finds favour with the Finance Ministry.

The idea is to help promote exports to promising markets, including the US, where a potential tariff penalisation of China by the Trump administration could open up more opportunities, sources have said.

"The Commerce Department is holding discussions with the Finance Ministry on the possibility of making provisions for a marketing support fund for exports in the forthcoming budget. The outlay could be around ₹1,000 crore annually but it is still being negotiated. This would push exports of key products in important markets," a source tracking the matter told businessline.

The proposed marketing support fund could be used by beneficiary exporters not only for participating in exhibitions, fairs and road-shows in foreign markets but also meeting various regulatory requirements for products such as pharmaceuticals, the source said.

$1 trillion target

Special focus would be on the US because of the increased possibilities there as US President-elect Donald Trump has warned of stiff tariffs on Chinese goods after he assumes office later this month, the source added.

"The Commerce Department believes that if the country has to go for massive growth in exports keeping the $1 trillion goods exports target by 2030 in mind, then marketing is the key and a dedicated fund could help," the source said.

Efforts to push exports of six identified items in 20 identified high potential markets has already begun. The Commerce Department recently hosted a meeting with commercial heads from Indian missions in these countries to discuss growth strategies. The countries include US, Australia, France, China, Russia, the UK, Japan, South Korea, Singapore and Indonesia. The focus items include engineering goods, electronics and pharmaceuticals amongst others.

"The market support scheme being envisaged is likely to be based on product-market linkage. It would be extended for export of identified items to particular markets after potential for growth is assessed, " the source explained.

Anti-China factor

For the US, where exporters see greater opportunities after Trump warned China of additional 60 per cent import tariffs, there is demand for a separate carve-out.

Exporters' body FIEO proposed that a marketing scheme focussing on the US with a corpus of ₹250 crore per year for three years could generate additional exports of $25 billion.

Indian exporters have been struggling to make their shipments grow in an unstable global market with the Russia-Ukraine war and conflict in West Asia continuing to fuel geo-political uncertainties.

Following a decline in 2023-24 by 3.11 per cent (year-on-year) to $437 billion, goods export growth inched up in the April-November 2024 period by 2.17 per cent to $ 284.31 billion. But exports in November 2024 fell 4.8 per cent to a 25-month low of $32.1 billion.

Source: thehindubusinessline.com– Jan 12, 2025

HOME

****

Unnecessary confusion on continuation of Rodtep scheme for exporters

Since the beginning of this year, exporters are being confused by the government regarding availability of duty credits under the Rodtep (Remission of Duties and Taxes on Export Products) scheme for physical exports of goods in discharge of export obligation against advance authorisations and exports by export oriented units (EOU) and units in Special Economic Zones (SEZ).

The Rodtep scheme seeks to refund the duties/taxes/levies, at the Central, State and local level, borne on the exported product, including prior stage cumulative indirect taxes on goods and services used in the production of the exported product and such indirect duties/taxes/levies in respect of distribution of exported product that are not rebated through other schemes like the duty drawback or duty exemption scheme. Under the scheme, a rebate is granted against export of notified products at notified rates as a percentage of FOB value.

The Rodtep rates are notified by the commerce ministry but the scheme is implemented through grant of rebate by way of duty credit in an electronic ledger maintained by ICEGATE (Indian Customs and Excise Gateway) portal that can be used for payment of basic customs duties on imported goods.

The Rodtep scheme was announced in August 2019 by the finance minister, who said that the financial outlay for the scheme is ~50,000 crore. When the scheme was implemented in 2021, the outlay for the scheme was cut to about a quarter of that estimate.

The overall budget/outlay for the scheme is finalised by the ministry of finance in consultation with commerce ministry and operates within a budgetary framework for each financial year.

Rates of rebate/value cap per unit under Rodtep were notified in Appendix 4-RE of Handbook of Procedures (HBP) for items exported under advance authorisation scheme and by EOUs and SEZ units and were valid till December 31, 2024.

For products exported by other eligible exporters, the rates are notified under Appendix-4R of HBP and continue to be available till 30.09.2025. As the last year ended, the advance authorisation holders, EOUs and SEZ units were hoping for an extension of the Rodtep scheme, as it only seeks to give back the duties/taxes/levies already paid i.e. borne on the export product. However, no notification for extension came through from the commerce ministry.

The Jawaharlal Nehru Customs House at Nhava Sheva issued a trade notice clarifying that the scheme is not available for such exporters and asking them not to opt for the Rodtep scheme in the shipping bill. Surprisingly, the JNCH withdrew that trade notice, the next day reviving unnecessary speculations. On Wednesday, unexpectedly, the ICEGATE put out a message that the Rodtep scheme for SEZ/EOU/AA exports has been extended until 14.01.2025 as an interim measure to facilitate trade.

The basis for this message is unclear as there is no other notification/communication from either the commerce ministry or the finance ministry. The net result is utter confusion among the exporters as well as the Customs officers.

Some Customs field formations do not allow the exporters to opt for the Rodtep scheme in the shipping bill, some are allowing that and some have even generated a scroll for grant of the duty credit. All the confusion could have been avoided had the commerce ministry or the finance ministry come out with a clear communication on continuation or otherwise of the scheme.

Source: business-standard.com– Jan 12, 2025

HOME

****

Budget 2025: Amnesty Scheme for customs may be announced to reduce litigation, say experts

In a bid to reduce litigation, Finance Minister Nirmala Sitharaman in the upcoming Budget may announce an Amnesty Scheme for customs to foster ease of doing business.

"The main asks of the industry would certainly be aligned with the objectives of the government and one objective of the government has been litigation reduction. On that front, having an amnesty scheme for customs especially covering pre-GST legacy taxes like additional duty, special additional duty has been one of the asks of the industry," Price Waterhouse & Co LLP managing director Anurag Sehgal said.

The government had in the past announced amnesty schemes for excise and service tax and even for the income tax but not for customs.

There are estimates that over 40,000 cases were pending in various courts and tribunals pertaining to customs duty alone.

Another consultancy firm EY India said customs litigations are pending at various forums for a very long time and the same require time and effort to be spent by both the taxpayer and the government in resolving them.

EY India also suggested that a one-time dispute/litigation resolution/settlement scheme should be introduced under the Customs Law to settle and resolve pending disputes.

According to Deloitte India partner Mahesh Jaising, the government should end long-drawn litigation to resolve long-standing disputes, alleviate the burdened judicial pipeline and upgrade the law to keep pace with technological advancements and international best practices.

"An amnesty scheme, along the lines of Sab ka Vishwas, will be a welcome decision. The industry has been waiting for such a scheme for years to address pending litigation matters under customs. This will especially help small businesses avoid past disputes and move ahead with a clean slate," Jaising said.

Another important wishlist of the industry on customs would be rate rationalization to support the Make in India initiative, Sehgal said.

"You have PLI, Phased Manufacturing Programme coming up in many sectors. So rate rationalization would help promote investment in India," he said.

Besides, he said, the industry is expecting the review of exemptions.

Review of exemptions is very important because there are certain exemptions with sunset dates, which are very critical for sectors like, sustainability, green tech, maybe MSMEs, healthcare where industry wants that they should be reviewed and extended, he added.

Asked about the increase in duty on gold in view of rising import, Sehgal said, it was reduced only in the July Budget so tinkering with rate on this high value and sensitive item may not come so quickly.

However, he said, customs duty-related decisions can happen anytime and are not limited to the Budget.

Source: economictimes.com– Jan 12, 2025

HOME

****

Trump 2.0 era: Govt asks industries to identify import prospects from US

India is prodding industry to identify the challenges and opportunities in goods that can be imported from the US after Donald Trump takes over as the President next week, two people aware of the matter, said.

India's key imports from the US include oil and petroleum products, pearls, plastic, aircraft, electrical machinery and parts, among others.

TRADE NUMBERS

Imports from US

Year	Value (in $ bn)	Share (%)
2019-20	35.8	7.5
2020-21	28.8	7.3
2021-22	43.3	7
2022-23	50.8	7.1
2023-24	42.2	6.2

Source: Department of Commerce

While the department of commerce is currently awaiting inputs from the industry, officials said that there could be pressure from the US to buy more petroleum products, aviation and defence equipment.

"In the times to come, India will continue to increase its procurement from the US. Some big-ticket items where we could see more imports from the US include defence, aircraft, and oil and gas, among other products," Ajay Sahai, director-general (DG) and chief executive officer (CEO), Federation of Indian Export Organisations (Fieo) said.

"India's aviation sector is growing and we could expect placing more orders from the US. Similarly, India will be importing technology as well as medical and diagnostic equipment," Sahai said.

Even during Trump's previous stint as US President, India's imports of petroleum products had increased substantially. The share of crude oil imports from the US increased from 0.7 per cent in FY18 to 9 per cent in FY21, government data showed.

"We had asked the industry for suggestions over two weeks ago. We are yet to get the feedback. We have asked them to look at the opportunities and the challenges — both in terms of what we can buy and what we can sell (from the US).

Especially, if there are tariffs—whether on most-favoured nation (MFN) basis (for all countries) or country specific, how they can impact specific sectors and what can be the mitigation effort," one of the persons cited above told Business Standard.

Major economies across the world are closely following the pronouncements being made by Trump since winning the election in November.

Government officials said that India is also looking at what the "implications of these pronouncements can be."

Among other things, Trump has been vocal about espousing the 'America First' policy upon taking charge.

Apart from his intentions to raise tariffs on countries like China, Mexico and Canada, US's concerns regarding its widening trade deficit is expected to continue.

While India-US bilateral relations have been growing consistently over the last two decades, the trade balance has been in favour of India. India's merchandise trade surplus with the US stood at $35.3 billion during 2023-24. During Trump's previous tenure, he had said that India was not importing enough from the US.

Even though India is the ninth largest contributor to the US' trade deficit, the size of the deficit is way smaller compared to China, Mexico and the European Union (EU).

"We are definitely looking at things being said and based on that examining what can be the implications for the industry, our exports and trade. We are keeping a close watch so that we can take appropriate action as and when these kinds of things happen," the official said

Source: business-standard.com– Jan 12, 2025

HOME

****

Indian economy likely to remain 'a little weaker' in 2025: IMF MD

The Indian economy is expected to be "a little weaker" in 2025 despite steady global growth, IMF Managing Director Kristalina Georgieva has said.

Georgieva also said she expects quite a lot of uncertainty in the world this year mainly around the trade policy of the US.

In her annual media roundtable with a group of reporters on Friday, she said global growth is expected to be steady in 2025, but with regional divergence.

Georgieva said she expects the Indian economy to be a little weaker in 2025. However, she did not explain it any further. The World Economy Outlook update week will have more details about it.

The US is doing quite a bit better than we expected before, the EU is somewhat stalling, (and) India a little weaker," she said.

Brazil was facing somewhat higher inflation, she said.

In China, the world's second-largest economy, the International Monetary Fund (IMF) was seeing deflationary pressure and ongoing challenges with domestic demand, she said.

"Low-income countries, despite all the efforts they are making, are in a position when any new shock can affect them quite negatively, Georgieva said.

What we expect in 2025 is to have quite a lot of uncertainty, especially in terms of economic policies. Not surprisingly, given the size and role of the US economy, there is keen interest globally in the policy directions of the incoming administration, in particular on tariffs, taxes, deregulation and government efficiency, Georgieva said.

This uncertainty is particularly high around the path for trade policy going forward, adding to the headwinds facing the global economy, especially for countries and regions that are more integrated in global supply chains, medium-sized economies, (and) Asia as a region," she said.

That uncertainty is actually expressed globally through higher long-term interest rates, even though short-term interest rates have gone down, the IMF Managing Director said.

Donald Trump will be sworn in as the 47th President of the United States on January 20, replacing Joe Biden at the White House.

Trump, 78, has announced plans to impose additional tariffs on countries like China, Canada and Mexico. He has publicly announced the use of tariffs as a key policy tool.

On inflation, the IMF expects global disinflation to continue, Georgieva said.

"As we all recognise, the higher interest rates that were necessary to fight inflation did not push the world economy into recession. They have delivered the desired results. Headline inflation is converging back to target sooner in advanced economies than in emerging markets, she said.

Source: business-standard.com – Jan 11, 2025

HOME

****

India's IIP sees 5.2% growth in Nov 2024 at 148.4

The growth rate of India's index of industrial production (IIP) was 5.2 per cent in November last year and 3.5 per cent in October, according to quick estimates released recently by the ministry of statistics and programme implementation. The IIP stood at 148.4 in November 2024 against 141.1 in the same month in the preceding year.

The growth rate of manufacturing for November 2024 was 5.8 per cent; the index for manufacturing was 147.4.

Within the manufacturing sector, 18 out of 23 industry groups saw positive year-on-year (YoY) growth.

The November indices stood at 147.7 for primary goods, 106.8 for capital goods, 158.8 for intermediate goods and 180.6 for infrastructure /construction goods. The indices for consumer durables and non-durables stood at 120.5 and 158.1 respectively.

Source: fibre2fashion.com– Jan 11, 2025

HOME

****

International cargo operations set to resume at Vizag airport

International air cargo operations are set to resume at Visakhapatnam International Airport, with the Andhra Pradesh Trade Promotion Corporation (APTPC) stepping in to take over the operations management. In addition to significantly developing the region's economy, the move is expected to bring relief to traders who have relied solely on road transport since 2019-20 for their exports and imports.

Pharmaceutical, textiles, and seafood industries are expected to benefit greatly from this initiative. The absence of international cargo facilities since 2019-20, when Visakhapatnam Airport last handled 470 tonnes of international cargo, has been a concern for exporters.

Visakhapatnam MP M. Sribharat made consistent efforts to ensure that the matter received attention from the Union Government. Collaborating closely with Union Minister K. Rammohan Naidu and State HRD Minister Nara Lokesh, the MP facilitated discussions with airport authorities and central committees, which ultimately paved the way for the revival of air cargo operations, said to O. Naresh Kumar, a Member of the Airport Advisory Committee of Visakhapatnam Airport, on Sunday, January 12.

"The resumption of international air cargo services is a significant milestone for Visakhapatnam's industrial sector. It not only ensures efficient logistics solutions but also showcases the city's potential on the global stage," Mr. Sribharat said, expressing his gratitude to Mr. Rammohan Naidu and Mr. Lokesh for their support.

Industry associations and entrepreneurs have welcomed the decision, describing the move as a game-changer for exports and imports in the region. The availability of international air cargo services is expected to streamline operations and enhance Visakhapatnam's competitiveness in global markets.

The stakeholders are optimistic about scaling up exports from Visakhapatnam and leveraging the city's strategic geographical advantage to attract more investments.

Source: thehindu.com– Jan 13, 2025

HOME

****