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KASTURI COTTON BHARAT

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Currency Watch			
USD	EUR	GBP	JPY
86.57	90.16	107.66	0.56

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INTERNATIONAL NEWS

Pre-Lunar New Year Rush Escalates Congestion Across Chinese Ports

As China's Lunar New Year begins, worldwide port congestion has gotten so hectic that nearly one of out every nine ships is now idling somewhere.

According to data from container shipping analysis firm Linerlytica, 10.5 percent of global vessel capacity is waiting at port anchorages worldwide—meaning that 3.3 million 20-foot equivalent units (TEUs) are out of commission as of Tuesday.

The company attributes the congestion to severe weather conditions and high pre-Lunar New Year cargo volumes, which were largely pulled forward earlier than normal during the winter in anticipation of Donald Trump's return to the U.S. presidency.

"Chinese ports are extremely congested in the run-up to the holidays, with both the Yangtze River ports and Pearl River Delta ports recording a significant surge in gate and berth congestion," said Linerlytica in a blog post. "The pre-holiday cargo rush has been exacerbated by heavy demand to beat potential U.S. tariffs for Chinese imports, with carriers also scrambling to build cargo roll pools ahead of the holiday lull."

Thus far, it appears the biggest hangups are in China, where container vessels are picking up final shipments ahead of the two-week factory closures across the country. China already saw a 10.7 percent annual increase in exports in December, reaching a record 2.5 trillion yuan ($344.8 billion) due to the impending tariff threats under Trump. These were expected to take effect Feb. 1, but specifics still have not been ironed out.

The top culprits to kick off the year are the Chinese ports of Shanghai, Ningbo and Shenzhen, with the first two enduring ongoing port congestion throughout much of 2024. Already the world's busiest port, Shanghai's traffic resulted in the port becoming the first to handle 50 million TEUs in 2024.

As of Jan. 28, the queue-to-berth ratio at the Shanghai and Ningbo ports combined was 1.96, meaning there were 157 vessels (696,134 TEUs) at anchorage compared to 80 ships (554,336 containers) docked at the ports.

Shenzhen follows the two hubs with 49 ships and 204,572 TEUs at anchorage, compared to 35 vessels and 272,257 TEUs at port. Yantian Port, a major hub within Shenzhen that handles more than one fourth of China's exports to the U.S., said in a statement that it increased the daily quota on containers by 15 percent during Jan. 20-28.

A Jan. 24 report from Reuters indicated that one truck driver, Li Guoliang, took two hours to transport a loaded container to a container yard at Yantian, a fourfold increase from the typical time spent on that task on a normal day.

As congestion at Yantian worsened, trucking fees escalated, the report said, ultimately costing more for exporters.

"The major reason is that factories rushed to ship before the holiday, and limited container quota at the port and space at container yards resulted in the congestion," Li told Reuters.

Outside of China, ports in Northern Europe and the southern U.S. East Coast are seeing a buildup of vessels at anchorage due to the escalating congestion.

Rotterdam and Antwerp are harboring 20 ships at anchorage (161,125 TEUs) and 18 vessels at anchorage (136,438 TEUs) respectively, according to Linerlytica. Savannah and Charleston are the two other gateways worldwide with more than 100,000 TEUs currently awaiting to dock at their respective ports, the firm says.

Additionally, there is potential for more congestion out of Bangladesh's largest seaport, Chattogram Port, as employees of the country's state-owned railway system went on strike Tuesday. Already seeing backlogs in its rail cargo due to a shortage of boxcars, the suspension of freight trains from Chattogram is expected to result in an immediate buildup of containers on Wednesday.

If global congestion happens to get worse, it "could provide some relief for carriers as they will be forced to remove more capacity than originally planned," according to Linerlytica. Such concerns from the container

shipping industry come as more ships are expected to come online in 2025 as the major carriers set new vessel-sharing alliances starting in February.

While there is no seeming end to the port congestion just yet amid the current geopolitical backdrop of a tariff-heavy U.S. presidential administration, a possible return to the Red Sea amid an Israel-Hamas ceasefire could potentially help push the situation in the right direction. With the mass rerouting of ships away from the Suez Canal all throughout 2024 contributing to vessel bunching at major global ports, all eyes will remain on the ocean carriers to determine if they feel it is safe to return to the conflict-ridden waterway.

Source: sourcingjournal.com– Jan 29, 2025

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USA: Outlook: Jobs, Inflation Lead 2025 Consumer Concerns

Consumers are getting more cautious.

That caution comes just as Donald J. Trump starts his second presidency. And while he seems to be hitting the ground running signing at least 37 executive orders since Inauguration Day on Jan. 20, from withdrawing the US. from the Paris climate accord to an America First Policy and securing U.S. borders, what still needs to be clarified is his plan for tariffs.

The National Retail Federation, a retail trade organization, along with Trade Partnership Worldwide LLC, conducted a study that concluded American consumer spending power would be reduced by $46 billion to $78 billion each year that tariffs are in place for six product categories that include apparel and footwear. Trump made the talk on tariffs a substantial component of his campaign agenda. With even the possibility of a broad-based levy on all imported goods to incentivize domestic manufacturing, the impact on consumers could go beyond just apparel and footwear.

Consumer concerns

At the top of their list of concerns are jobs and inflation. In the latest Conference Board's Consumer Confidence Index, confidence retreated in January, falling by 5.4 points to 104.1. Both components of the Index reflected declines. The Present Situation Index experienced the largest decline, dropping 9.7 points to 134.3. The Expectations component, which measures the short-term outlook six months out, fell 2.6 points to 83.9.

"Notably, views of current labor market conditions fell for the first time since September, while assessments of business conditions weakened for the second month in a row," The Conference Board's chief economist Dana M. Peterson said. "Meanwhile, consumers were also less optimistic about future business conditions and, to a lesser extent, income. The return of pessimism about future employment prospects seen in December was confirmed in January."

In the latest survey, 18.4 percent of consumers said current business conditions were "good," down from 21 percent in December. And their assessment of the labor market plunged, with 33 percent stating that jobs were "plentiful," down from 37.1 percent last month. Looking six months

out, 20.9 percent of respondents expect business conditions to improve, down from 22.7 percent in December. Their assessment of the labor market outlook also reflected pessimism, with 19.4 percent expecting more availability of jobs, down from 19.8 percent last month.

And in other Conference Board data points, the average 12-month inflation expectations rose to 5.3 percent from 5.1 percent in January. In addition, references to inflation and prices by survey respondents continued to dominate write-in responses. More than half of consumers, at 51.4 percent, now expect higher interest rates over the next 12 months.

Economists at Wells Fargo noted that January's consumer confidence report fell to a four-month low. And while the labor front was an issue, of more "urgent concern" to Fed policymakers will be that the average inflation expectation for 2025 came in at 5.3 percent in January, reflecting the second-straight monthly increase.

Tariffs and inflation

Economist Lauren Saidel-Baker at ITR Economics said that while inflation was ticking down at the end of 2024, she expects the rate to climb back up "by the tail end of 2025. So anything that the Trump administration does with tariffs is going to add on top of where we already saw inflation coming back." She noted that many of his policies "tend toward the inflationary side."

The Federal Reserve kept interest rates steady on Wednesday signaling inflation concerns are still are their mind.

The ITR economist doesn't see that as necessarily a bad thing, and she's definitely not foreseeing runaway inflation. "A lot of the fundamental factors [causing inflation to rise] has to do with our expectation for the macro cycle to be picking up again. More macro-economic growth does tend to stimulate activity, and that tends to be a bit inflationary," Saidel-Baker said. She described the increase as a "modest uptick in inflation."

According to Saidel-Baker, inflation is neither good nor bad. "It just creates different winners and losers [depending on] what side of the table you're sitting on," she said, adding that even with tariffs, it's "neutral" overall for the economy because its good for some people, but not so great for others. Data from the round of tariffs in 2018 from Trump's first administration shows higher inflation for textiles goods because that

category tends to be imported rather than domestically produced, she said. But the economist also noted that wasn't all that happened in 2018.

"What's really interesting to me is what we saw in 2018, which was that it wasn't just foreign products that saw higher prices. A lot of domestic producers took that competitive landscape, the higher prices with tariff costs of those foreign competitor goods, and raised their own domestic prices," she said. That resulted in broad-based price increases, whether it was domestic producers taking margin or just trying to bump up their own pricing.

Piyush Patel, Algolia's chief strategic business development officer, expects shoppers to continue to spend in an upward trend in 2025, although at a slower growth rate "due to consumers still reeling from inflation impact, high interest rates and increasing household debt." Mindful consumption is likely the theme for the year, he said.

Tariffs and the Trump administration

Scott Bessent, President Donald J. Trump's new head of the Treasury Department, is in favor of a new universal tariff plan where levies rise gradually each month at a rate of 2.5 percent. But Trump has said he favors larger increases, threatening countries such as Canada and Mexico with a new across-the board tariffs on imports that could begin on Sunday.

Trump also wants to implement an additional 10 tariff on Chinese imports, although he had threatened a tariff as high as 60 percent when he was on the campaign trail. Another country on Trump's watch list is India. India is a high-textiles producer among the Asian nations, although it still has ways to go before it catches up with China. India is also growing scale in apparel production, although it still isn't yet as dominant as either China or Bangladesh.

TD Cowen's Washington strategist Chris Krueger believes the first key date for trade policy is April 1, when a report from Commerce, Treasury and the U.S. Trade Representative is due on multiple topics ranging from goods deficit, exports, discriminatory taxes, China Phase One Deal and the U.S.-Mexico-Canada Agreement (USMCA) to Buy America.

"Increased tariffs remain a question of when, not if," Krueger concluded. He expects the tariffs initially flagged for Mexico and Canada on Feb. 1 will be delayed because of border control issues, Trump's current priority. And

the strategist believes the tariff threats for America's North American trading partners are "more of an accelerant for USMCA talks."

Trump has shown he's also capable of using tariff threats as a negotiation tactic. That was evidenced last weekend when Trump threatened an "emergency" 25 percent tariffs on Columbian goods coming into the U.S. after Gustavo Petro, the country's president, refused to allow U.S. military planes carrying Latin American migrants from landing. Trump also said Columbian government officials would face travel bans and visa revocations, and that banking and financial sanctions also would be imposed. While Petro threatened retaliatory tariffs, the impasse was later diffused after Petro acceded to Trump's demands.

The implementation of tariffs also raises other concerns.

In addition to potential pass-along costs to consumers, the tariff impact could result in the potential loss of jobs.

"Simply put, tariffs on footwear are a hidden tax on hardworking families—Americans see it that way and understand they ultimately bear the cost," Matt Priest, president and CEO of the Footwear Distributors & Retailers of America, said. "Higher tariffs will raise consumer prices, and lawmakers should be aware that these decisions will affect not just families but also have the potential to influence the outcome of the 2026 midterm elections."

In a press briefing earlier this month, Priest described the next four years as a "roller coaster ride," with perhaps some opportunities for collaboration, including a hope for the Trump administration to think about tariffs in a "surgical way" so it's "not long lasting if they go big."

"Our hope is that the President, his team, thinks very clearly about the inflationary aspects of tariffs on things like footwear that are not strategic industries, do not have robust domestic manufacturing— meaning they do not have robust union membership here in the States—and are absolutely inflationary, and so that's our biggest concern," Priest said.

Whether Trump gets the 60 percent tariff hike on products from China or 10 percent to 20 percent, Priest said what is known is that Trump wants to create some negotiating leverage with key trading partners.

For Kim Glas, president and CEO of the National Council of Textile Organizations (NCTO), a key concern is the survival of the U.S. textiles industry.

“We need more middle class jobs. We’ve seen a wage erosion in this country over decades, which has forced a lot of American consumers to buy the cheapest products from offshore, and we need a recalibration of some of that,” Glas said.

Glass hopes Trump refrains from placing penalty tariffs on Western Hemisphere Free Trade Agreement countries. “Seventy percent of what the U.S. textile industry makes is exported to USMCA or CAFTA-DR (Central America-Dominican Republic Free Trade Agreement). Under the rules of those agreements, it incentivizes the use of U.S. or regional yarns and fabrics, and to make sure that production chain is really benefitting the countries who are party to the agreement, and not China, to get the duty free access,” she said. Glas added that the U.S. textile industry doesn’t want to see those preferences eroded, because penalty tariffs on countries using U.S. inputs could harm the sector, noting that in the past 18 months, there have already been 25 plant closures.

At the top of her agenda is the protection of apparel production jobs. Glas said there are 500,000 workers in the U.S., from the fiber stage all the way to the finished production chain. They support 1.5 million workers in the Western Hemisphere free trade and trade preference partner countries. Seventy percent of what is made in the America is exported to them, which then comes back to the U.S. as finished garments, she said. Those free trade agreements developed co-production chains to compete against China and the jobs going offshore following what Glas described as “unfair trade practices over the last 20 years” for the upstream textile industry after China’s accession to the World Trade Organization.

As for the apparel production hubs in the U.S., Glas said the survivors have thrived making “incredible product here,” and said that producing closer to home allows for quick inventory turns, as well as smaller production runs so brands and retailers don’t have to worry about the over-purchasing of goods and subsequent slashing of prices when they don’t sell. She said there are 20,000 textile and apparel firms across the U.S.

The NCTO president added that while there is a wave of brands and retailers sourcing closer to home, there’s also economic harm facing everyone due to the growth of de minimis. “There are 4 million de minimis

packages—duty free packages—coming in a day from China and everywhere else in the world, and half of it is estimated to be textile and apparel goods," she said, adding that Trump needs to close the de minimis loophole. According to Glas, the failure to collect duties for goods normally subject to penalty tariffs under different U.S. trade remedy statutes has exacerbated the flow of goods that violate U.S. trade laws, which in turn cost American jobs and damage the U.S. manufacturing sector.

Source: sourcingjournal.com– Jan 29, 2025

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Supplier hubs in SE, S Asia remained popular globally in 2024: QIMA

Supplier hubs in Southeast and South Asia were popular with buyers globally during 2024, and performed strongly despite multiple disruptions, according to testing, inspection, certification, and compliance company QIMA.

Vietnam remained one of the key beneficiaries of the ongoing sourcing shifts from China, with QIMA data showing demand for inspections and audits there expanding by 30 per cent year on year (YoY) in 2024—plus 26 per cent from US- and EU-based buyers.

The anticipated higher US tariffs on Chinese goods may place Vietnam at an even greater advantage this year. However, if viewed as a 'middleman country' for Chinese businesses, Vietnam itself may also come under the risk of tariffs, QIMA noted in a release.

Other Southeast Asian countries also attracted robust volumes of new business from the West in 2024. QIMA recorded double-digit YoY growth of inspection and audit demand in Indonesia (plus 33 per cent YoY), Thailand (plus 15 per cent YoY) and the Philippines (plus 50 per cent YoY). The region is expected to remain resilient in this year, with economic growth projected at 4.9 per cent in 2025.

South Asian sourcing hubs continued to play a crucial role in the procurement portfolios of US-based and European buyers.

QIMA data shows demand for India inspections and audits expanding by 25 per cent YoY, including a 25-per cent YoY growth among Western buyers.

Bangladesh also closed 2024 with double-digit growth, despite a challenging year marked by protests, factory shutdowns and extreme weather, highlighting its importance as a key supplier hub for Western brands. Pakistan and Sri Lanka saw an increase in manufacturing orders as well last year as their economies have continued to stabilise following recent crises.

Source: fibre2fashion.com– Jan 30, 2025

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Germany's export expectations fell to -7.3 in January: ifo

Germany's export expectations dropped to -7.3 points in January, down from -6.1 points in December, according to the ifo Institute for economic research, an institution based in Munich. The latest data signals a continued decline in export outlook, as manufacturing companies anticipate weaker international demand.

Most industries anticipate a decline in international sales, including textile manufacturers (-6 points), apparel manufacturers (-20.8 points), and leather product manufacturers (-40.5 points). Meanwhile, companies in the chemical industry expect business to remain stable, ifo said in a press release.

"The start to the year in export business was sobering. The positive momentum abroad has so far had no significant impact on domestic exporters. The potential tariff threats from the new Trump administration are dragging sentiment down," said Klaus Wohlrabe, head of surveys at ifo.

Source: fibre2fashion.com– Jan 30, 2025

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Canada's apparel imports from Cambodia up 9.6%, trousers on top

Canadian apparel imports from Cambodia increased by 9.60 per cent during January–November 2024. The inbound shipment reached $976.655 million during this period. Trousers and shorts were the most dominant garments in Canada's total apparel imports from Cambodia, accounting for 33.28 per cent of the total.

According to Fibre2Fashion's market insight tool TexPro, Canada imported apparel worth $891.038 million in January–November 2023. The country's total apparel imports from Cambodia amounted to $947.213 million in 2023. The inbound shipment peaked at $1,253.715 million in 2022 but declined in the following two years. Previously, Canada had imported apparel worth $1,009.641 million from Cambodia in 2019, but this decreased to $873.093 million in 2020. However, it recovered quickly in 2021, reaching $1,047.883 million.

During January–November 2024, Canadian imports of trousers and shorts were valued at $325.016 million, making up 33.28 per cent of the total. Jerseys were the second most dominant garment, with imports valued at $235.139 million, representing 24.08 per cent of total garment imports.

Canadian imports of T-shirts were $66.052 million (6.76 per cent), nightwear $56.881 million (5.82 per cent), shirts $53.274 million (5.45 per cent), coats $51.852 million (5.31 per cent), innerwear $30.949 million (3.17 per cent), dresses $22.965 million (2.35 per cent), jackets and blazers $22.005 million (2.25 per cent), and skirts $21.256 million (2.18 per cent), as per TexPro.

Canada imported cotton garments worth $452.660 million in the first 11 months of 2024, accounting for 46.35 per cent of total imports from Cambodia. The import of man-made garments was $418.995 million (42.90 per cent), wool/animal hair garments $18.988 million (1.94 per cent), silk garments $0.161 million (0.02 per cent), and other garments $85.889 million (8.79 per cent).

Source: fibre2fashion.com– Jan 30, 2025

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Can Bangladesh's RMG industry untangle its import reliance?

Bangladesh's ready-made garment (RMG) industry, a critical pillar of the nation's economy, is grappling with a growing dependence on imported yarn and fabrics, despite significant domestic production capacity. This shift poses challenges to local textile mills and raises concerns about the long-term sustainability of the industry.

Rising imports and falling domestic consumption

While Bangladesh has invested heavily in its textile production capabilities, recent years have seen a marked increase in yarn and fabric imports. In 2024 alone, cotton yarn imports surged by 39 per cent, reaching a record $2.28 billion, with fabric imports close behind at $2.59 billion. This trend is particularly concerning given that local mills supplied approximately 85 per cent of the yarn for knitwear exports just two years ago (BTMA data).

What makes imports attractive?

Price competitiveness: Indian yarn, in particular, undercuts local prices, often by as much as $0.20 per kg. This is largely due to government incentives and subsidies provided to Indian textile exporters, such as the Remission of Duties or Taxes on Exported Products (RoDTEP) scheme.

Rising production costs: Production costs have been rising for local textile mills due to higher gas prices (up 179 per cent), increased wages, and an unreliable gas supply. These factors limit their ability to compete on price with foreign suppliers. For example, MB Knit Fashions, a leading knitwear manufacturer, exemplifies this trend. Once sourcing 80 per cent of its yarn domestically, the company now imports nearly 90 per cent, primarily from India.

"By importing 800 tonnes of yarn, we save $208,000," says Mohammad Hatem, MD, MB Knit Fashions. "If we bought yarn locally, the tax incentives would only result in a post-tax saving of $56,000... So, why would I choose to purchase yarn from local mills under these conditions?"

Falling government incentives: Incentives for garment makers to source yarn domestically have been significantly reduced. Cash incentives have fallen from 4 to 1 per cent, and special incentives from 1 to 0.3 per cent. Also, delays in processing these incentives and tax deductions further diminish their appeal. Zahid Hussain, former lead economist at the World Bank's Dhaka office, argues that long-term support for the textile industry through direct financial aid is unsustainable. Instead, he advocates for focusing on reducing business costs, such as logistics, port charges, and banking fees, to enhance overall competitiveness.

These are concerning for local yarn makers as the growing dependence on imports threatens the viability of local textile mills. Over 30 mills have shut down in the past year, and capacity utilization rates have plummeted. Concerns have been raised about potential dumping practices by Indian exporters, who may be selling yarn below its domestic market value. Moreover relying heavily on imports exposes the RMG sector to external price shocks and supply chain disruptions.

Ways to reduce import dependence

Meanwhile To mitigate the challenges and ensure the long-term health of the RMG sector, Bangladesh should consider:

Reviewing incentive structures: Re-evaluate and potentially enhance incentives for domestic yarn sourcing to make it more attractive for garment manufacturers.

Addressing dumping concerns: Investigate allegations of dumping by Indian exporters and consider imposing anti-dumping duties if necessary.

Improving efficiency and reducing costs: Focus on streamlining logistics, improving infrastructure, and reducing bureaucratic hurdles to lower production costs for local mills.

Promoting vertical integration: Encourage greater vertical integration within the RMG sector to reduce reliance on imports and strengthen the entire value chain.

In fact, to effectively meet higher apparel export targets, Bangladesh needs a multifaceted approach to yarn and fabric sourcing. First while prioritizing domestic sourcing, Bangladesh should strategically diversify its import sources to mitigate risks associated with over-reliance on a

single country. This could involve exploring suppliers in countries like Vietnam, Indonesia, and Pakistan.

The country should invest in technology upgrades and skills development to enhance the competitiveness of domestic textile mills. This will enable them to produce higher-quality yarn and fabrics at more competitive prices. Another important step is to promote the production of specialized and value-added yarns and fabrics, such as those made from recycled materials or organic cotton, to cater to the growing demand for sustainable and high-quality apparel.

Foster collaboration between research institutions, textile mills, and garment manufacturers to drive innovation and develop new textile technologies and manufacturing processes. And explore opportunities to increase domestic cotton production, even if it involves collaborations with other countries, to reduce reliance on imported raw materials.

Source: fashionatingworld.com– Jan 30, 2025

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Abu Dhabi Ports Group keen to invest in Bangladesh ports

UAE enterprise Abu Dhabi Ports Group is keen to invest in infrastructural development of Bangladesh's Mongla and Chittagong Ports, according to the latter's shipping adviser Brig Gen (retd) M Sakhawat Hossain, who recently said the government plans to turn the south-western seaport into a regional trade hub.

A delegation from the group, which specialises in developing seaports, is visiting Bangladesh.

"Mongla Port, as the country's second biggest seaport, will be built as an inter-country communication and trade centre," a shipping ministry statement quoted the adviser as telling the delegation.

Hossain said the geographic location and closer proximity made the port a potential location of foreign trades of neighbouring India, Bhutan and Nepal.

Riverine and railway communication systems exist connecting the port to different parts of the country, he noted.

The delegation particularly expressed interest to be a party in constructing the Bay Terminal of the Chittagong Port, domestic media outlets reported.

Source: fibre2fashion.com– Jan 27, 2025

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NATIONAL NEWS

Govt unveils new Mutual Credit Guarantee Scheme to support MSME growth

The Centre has approved the introduction of the Mutual Credit Guarantee Scheme for MSMEs (MCGS—MSME), which provides 60 per cent guarantee coverage by National Credit Guarantee Trustee Company Limited (NCGTC) to Member Lending Institutions (MLIs) for credit facilities up to ₹100 crore sanctioned to eligible MSMEs. This fulfils the budget announcement of 2024-25.

MCGS-MSME is expected to facilitate the availability of credit for the purchase of Plant and Machinery/Equipment by MSMEs, giving a major boost to manufacturing and thereby to Make in India.

MLIs include All Scheduled Commercial Banks (SCBs), Non-Banking Financial Companies (NBFCs) and All India Financial institutions (AIFIs) that register with NCGTC under the scheme.

SCHEME'S SALIENT FEATURES

Borrower should be an MSME with a valid Udyam Registration Number. The loan amount guaranteed shall not exceed ₹100 crore. Project costs could be higher. The minimum cost of equipment /machinery is 75 per cent of the project cost. Loans up ₹50 crore under the scheme shall have a repayment period of up to 8 years with a moratorium period of up to 2 years on principal instalments.

For loans above ₹50 crore, a higher repayment schedule and moratorium period on principal instalments can be considered. An upfront (initial) contribution of 5 per cent of the loan amount shall be deposited at the time of application for guarantee coverage; the annual guarantee fee on the loan under the scheme shall be Nil during the year of sanction.

During the next 3 years, it shall be 1.5 per cent per annum of loan outstanding as of March 31 of the previous year. Thereafter, the Annual Guarantee Fee shall be 1 per cent p.a. of the loan outstanding as on March 31 of the previous year

The scheme will be applicable to all loans sanctioned under MCGS-MSME during the period of 4 years from the date of issue of operational guidelines of the scheme or till a cumulative guarantee of ₹7 lakh crore is issued, whichever is earlier.

Source: thehindubusinessline.com– Jan 29, 2025

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India needs fiscal policy changes for 6.4% GDP growth rate in 2025: Moody's

India needs to change its fiscal and monetary policy to achieve a 6.4 per cent GDP growth in 2025 amid a weak rupee, declining foreign investment and volatile inflation, Moody's Analytics said on Wednesday.

Moody's Analytics said it expects the 2025-26 Union Budget to support domestic demand, particularly investment while aiming for a fiscal deficit of less than 4.5 per cent of GDP for the next fiscal.

In 2023-24, the fiscal deficit was 5.6 per cent of GDP, which is estimated to come down to 4.9 per cent in the current fiscal.

"India is facing a bumpy road in 2025. A weakening rupee, declining foreign investment, and volatile inflation are the areas of greatest economic risk. Changes in fiscal and monetary policy, likely in the first half of the year, is needed if India is to achieve 6.4 per cent growth," Moody's Analytics Associate Economist Aditi Raman said.

Moody's said that while India had one of the fastest-growing economies in Asia in 2024, GDP growth waned over the first three quarters.

GDP growth likely picked up in the December quarter, resulting in an overall expansion of 6.8 per cent in 2024. That compares with 7.8 per cent in 2023.

"The slowdown versus 2023 sets a cautious tone for 2025. With interest rates staying higher for long, domestic demand will moderate.

"Potential US tariffs on Indian imports will make for a challenging export environment that hampers growth. However, that won't be too influential, given India's relatively closed economy. Our baseline has GDP growth slowing to 6.4 per cent in 2025," Raman said.

Moody's Analytics said the rupee has weakened significantly since the start of the US Federal Reserve's easing cycle in September.

Donald Trump's win in the US presidential race only put more pressure on the rupee as investors sold Indian assets, jumping on a greenback rally.

Despite interventions by the Reserve Bank of India, the rupee lost more ground in the opening weeks of 2025, hitting a record low of Rs 86.6 to the US dollar in mid-January.

"Although the rupee hasn't weakened as much as some other developing economies' currencies, we expect it to keep depreciating over the long term as a growing middle class increases the country's reliance on imports. The central bank will be hard-pressed to offset that pressure on the currency," Raman said.

Moody's Analytics expect inflation to cool to 4.7 per cent in 2025 from 4.8 per cent in 2024.

Food inflation should ease, but the tumbling rupee will likely add to input costs, driving up imported inflation.

Currency weakness may also delay rate cuts, Raman said.

"India faces a challenging 2025; growth is slowing, the rupee looks set to tumble against the greenback, and headline inflation is far from the midpoint of the central bank's target range," Raman said.

Source: business-standard.com– Jan 29, 2025

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India Budget 2025: Will demands of textile industry be addressed?

India's garment and textile industry is grappling with complex challenges that Finance Minister Nirmala Sitharaman will need to address in her Budget speech on February 1. While Sitharaman will be presenting her eighth consecutive Budget, the million-dollar question remains—will she accept the numerous demands and recommendations from industry leaders? Industry organisations continue to stress the urgency of these challenges, urging the minister to consider their proposals.

Rajeev Gupta, CEO, RSWM Limited expected, "There are several recommendations to improve the industry's viability and cost competitiveness. To begin with, raw materials prices in India are much higher than global rates since Indian companies deal with QCOs (quality control orders) on MMF (man-made fibres) and yarn. These non-tariff barriers restrict the free flow of raw materials, resulting in a shortage of specialised yarns and fibres, which in turn affects local prices.

Therefore, the Centre should liberalise import policies to ensure a more competitive market for raw materials and lower or eliminate customs duty on MMF fibres and essential chemicals that are crucial in raw material production. Since specialised cotton (like organic and contamination-free varieties) is currently imported due to domestic unavailability, import duties to safeguard local farmers are hurting the textile value chains.

Another anomaly is the PLI (production-linked incentive) scheme applying only to synthetic fibre. To support textile and garment firms, the PLI must be applicable to the entire industry, which will incentivise greater investments. The government must reinstate the Technology Upgradation Fund Scheme (TUFS), which offered subsidies for new machinery but was discontinued later, Gupta said.

"The cotton procurement scheme under MSP (minimum support price) should be replaced with a DBT (direct benefit transfer) programme. This will benefit cotton farmers with more liquidity as they can sell produce without awaiting official procurement. Price volatility also needs to be addressed by creating a Cotton Price Stabilisation Fund, which will ensure the competitive availability of raw materials.

An extended credit limit period of eight months (instead of three months) for cotton procurement and an interest subvention scheme could also curb price volatility. The industry finally seeks the deferment of Section 43B(h) of the Income Tax Act, 1961," Gupta added.

Siddharth Dungarwal, founder of clothing brand Snitch, said, "The apparel and retail industry is a vital contributor to India's economy, and we are optimistic that the upcoming Union Budget will address some of the critical challenges faced by the sector. We anticipate measures that simplify operations, encourage sustainable manufacturing, and support local brands and retailers in scaling globally. Policies such as tax rationalisation, investment in technology upgrades, and incentives for developing a future-ready workforce can empower businesses like ours to drive innovation, create jobs, enhance customer experiences, and solidify India's position as a global fashion and retail hub."

Anand Nichani, Managing Director, Magniflex India, said, "We remain optimistic about the possibility of measures that promote consumer-centric growth and assist sectors devoted to health and wellness. Improving accessibility for customers looking for high-quality solutions requires lowering GST rates and reducing import taxes on certified, premium, and specialised products. Maintaining current customs rates is also essential to prevent additional expenses that can hinder company operations. We can establish a dynamic market environment by stabilising operating costs and boosting economic expansion."

He said that Budget 2025-26 would be an opportunity to balance between retail expansion spurred by sustainability and innovation and economic prosperity. "We look forward to strengthening India's standing as a major consumer of high-end products and promote a culture of conscious, high-quality living."

Vinay Thadani, CEO, Vishal Fabric Limited, said, "India's textile sector is likely to focus primarily on the domestic market. It also looks to achieve strong export growth driven by increasing consumer interest in key markets such as the United States, Europe, and the Middle East. The government should levy a reasonable import tax on certain essential commodities. In addition to which there is a possibility that they work towards devising and implementing a cotton price stabilisation fund scheme to stabilise domestic cotton prices."

He added that "We are looking to the government to set up PPP model that foster for research and innovation in earth-friendly textile manufacturing."

Pallav Bihani, CEO & Founder, Boldfit said, "India's fitness and activewear market is growing at an incredible pace and as wellness becomes a lifestyle priority for millions, this Budget is a chance to give the textile industry a real boost. Activewear has become a core part of fitness culture, but there is still so much untapped potential in terms of domestic manufacturing and sustainable innovation. We need policies that make it easier for Indian brands to create high-performance and eco-friendly fabrics. Reconsidering GST rates on fitness apparel could also go a long way in making high-quality, affordable activewear more accessible, especially in tier 2 and tier 3 cities where fitness adoption is rising rapidly."

He said that India can position itself as a global hub for activewear exports, with the right support for textile parks and production capabilities. The combination of innovation, sustainability and affordability could truly redefine what the Indian textile and fitness industries can achieve together.

Anand Aiyer, CEO of retail brand Arrow said, "We are optimistic about the government's continued commitment to fostering economic resilience and growth. This is a pivotal moment to prioritise policies that drive innovation, enhance ease of doing business, and strengthen consumer confidence. At Arrow, we remain committed to honouring our legacy while evolving to meet the ever-changing needs of today's consumers. We eagerly anticipate the opportunities this Budget could create for our business and the industry. We are hopeful the upcoming Budget will introduce initiatives that foster retail growth and simplify business operations."

Source: fibre2fashion.com– Jan 30, 2025

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India, UK to relaunch talks on free trade, investment pact: UK high commissioner

New Delhi: The UK and India will relaunch talks on free trade and a bilateral investment treaty, British High Commissioner to India Lindy Cameron said Wednesday.

This follows Prime Minister Narendra Modi and UK Prime Minister Keir Starmer's decision to resume FTA negotiations, on the sidelines of the G-20 Summit in November.

"The UK and India will relaunch talks on free trade and a bilateral investment treaty. Our partnership on growth is vital - we're ready to go further and faster to unlock economic opportunities, benefitting businesses and communities across both countries," Cameron said in a post on X.

Britain's Business and Trade Secretary Jonathan Reynolds will visit India next month to restart talks on the India-UK trade deal.

As many as 14 rounds of negotiations have taken place between the two sides with the last round of negotiations taking place in March 2024.

The outstanding issues in the India-UK bilateral trade pact relate to electric vehicles, alcoholic beverages and services.

The UK is seeking a significant cut in import duties on goods such as Scotch whisky, automobiles, including electric vehicles, and chocolates, besides opportunities for British companies in India's services sectors such as telecommunications and financial services.

The two sides have been negotiating a trade pact since January 2022 and had aimed to ink the deal by Diwali in October 2022, but it was delayed due to political changes in the UK and elections in both nations.

Source: economictimes.com– Jan 29, 2025

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Brics+ eyes alternative payment systems, but dollar dominance looms

The Brics has been among the first inter-regional organisations to be targeted by the new US administration. President Donald Trump has announced a 100 per cent tariff if the grouping proceeds with the objective of de-dollarisation. The apprehension of a currency alternative to the dollar under the aegis of the Brics has gained ground with the expansion of its membership in 2024 and the use of alternative payment systems for trade settlement that was to some extent successful in blunting the economic sanctions on Russia in the wake of the Ukraine crisis. Furthermore, with the US-China bilateral relationship getting increasingly defined by trade and tech competition, China's efforts to internationalise the renminbi (RMB) further aggravate US concerns about the dollar.

Originally propounded as an acronym by Goldman Sachs for the leading emerging market economies of Brazil, Russia, India, China, Bric held its first summit as an inter-regional organisation in 2009. South Africa was included in 2010. The next round of expansion , which happened only in 2024, had four new members — the UAE, Egypt, Ethiopia and Iran — join Brics, along with the creation of a new category of partner countries. Most recently, in January 2025, Indonesia has also formally joined as a member.

The expanded grouping with 10 members and nine partners referred to as Brics plus/ Brics+ accounts for about 55 per cent of the global population, 40 per cent of global gross domestic product (GDP) at purchasing power parity (PPP), and almost a quarter of global merchandise exports.

Thus, with sufficient economic heft, Bric+ is being viewed as representative of the voice of the Global South as well as a progenitor of an alternative global order. In particular, fostering financial and trade cooperation through a Brics cross-border payment system, minimising trade barriers, and settling trade transactions in local currencies among partner countries was emphasised in the leaders' joint statement at the most recent meeting held in 2024 in Kazan, Russia. While having caught the attention of the West, several doubts have been raised about the practicality of these objectives, especially the proposed alternative system of settlement of trade transactions.

The diversity of political systems and levels of economic development across member countries is considered a major impediment to the realisation of these ambitions of Brics plus. In addition, given global dominance of the dollar in central bank forex reserves, international debt and foreign currency trading and export invoices, doubts have been raised on the feasibility of an alternative currency for trade settlement.

Notwithstanding the desire among member economies to reduce their dependence on the dollar, particularly after the West denied Russia access to the Society for World Interbank Financial Telecommunications (SWIFT) payment system, effectively locking it out of the world economy, the extent to which major Brics economies would risk their relationship with the US is questionable.

China and India, both leading buyers of oil from Russia over the past two years, now face an altered context of transactional bilateralism with the US, their largest export market.

The scope for these two economies and the other member countries to move away from the dollar towards developing alternative currency, trade and financial mechanisms may, therefore, be limited. There may also be a contradiction with these larger member economies seeking greater representation in the existing international financial institutions and reform of the multilateral order.

However, what cannot also be ignored is the evolving landscape of payment systems and financial infrastructure across some of the Brics member economies, even though their use may still be limited to bilateral or regional trade and financial transactions.

China, in an attempt to overcome the limitations imposed by its relatively closed capital account, has set up alternative institutional structures and financial arrangements, such as bilateral swap lines and offshore clearing banks. RMB clearing licences are given to both foreign branches of Chinese banks and even foreign bank branches.

These complementary structures are buttressed by the inclusion of the RMB in special drawing rights (SDRs) and global bond indices. This has contributed to a higher share of trade transactions being settled in RMB.

Available literature in this context highlights that even though the global use of the RMB is small—about 2 per cent of total cross-border transactions—there are regional variations within this trend. A greater use of RMB is evident in some Asian and Latin American economies, as well as parts of Africa.

These regional trends reflect not just geographical and political proximity, but also a high trade intensity of these economies with China, given its centrality in the dense network of global value chains, as well as increasing investments, often as a part of the Belt and Road Initiative (BRI). The use of RMB in crisis situations has also been evident, as in the case of Argentina using China's Central bank swap line to settle part of its debt with the IMF in 2023.

India has also been actively signing memorandums of understanding with countries like the UAE, Malaysia and Indonesia for trade settlement in local currencies. The arrangement allows exporters/ importers to invoice in their domestic currencies, thereby optimising settlement costs and speed. Additionally, the arrangement is expected to use India's successful Unified Payments Interface for facilitating digital payments. All other major Brics member economies — China, Russia, Brazil, Indonesia — too have their own digital payment systems. The digital wallet technology and quick response code systems of these payment mechanisms can perhaps be used to develop the cross-border payment and messaging system to facilitate trade among member countries in their local currencies. This will help reduce the risk of sole dependence on the SWIFT and a single currency— the dollar. The compatibility and inter-operability of these national payment systems and local fintech infrastructure remains to be worked out. Apart from the technological aspect, developing a common regulatory framework that aligns with individual, national regulations will also be a challenging task for the Brics+ member countries.

In the current global context of growing uncertainty, weaponisation of tariffs, and frequent threat of sanctions, it is important that the Brics+ cross-border payments system is viewed and promoted as a necessary risk diversification strategy and a means to develop an intra-Bric+ trading mechanism. It is not necessarily aimed at, or yet even capable of challenging the US dollar.

Source: business-standard.com– Jan 30, 2025

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Textile machinery exhibition to be held in Mumbai from Feb 21 to 23

The Indian International Textile Machinery Exhibitions Society (India ITME Society) will organise the third edition of Global Textile Technology and Engineering Show (GTTES) in Mumbai from February 21 to 23.

According to Ketan Sanghvi, chairman of ITME India, investments in the textile sector will be defined by sustainability and productivity. Hence, machinery for all segments of the textile value chain will have to include innovation, energy efficiency, automation, artificial intelligence, etc.

The GTTES will showcase advancements, innovations, and opportunities in the post spinning sectors, covering weaving, processing, finishing, garments, knitting, and technical textiles with eco-friendly practices and sustainable growth.

With 175 exhibitors from India and four other countries in eight major categories, the GTTES 2025 expects visitors from various countries, including business to business meetings with delegations from African countries, Sri Lanka, etc.

There will be 42 exhibitors in weaving and 38 in processing segments.

There will be an exclusive investment promotion programme by the Chhattisgarh government to highlight the opportunities in the State, he said.

Source: thehindu.com– Jan 30, 2025

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What does Union Budget 2025 have in store for India's trade policy?

The Ministry of Micro, Small, and Medium Enterprises (MoMSME), in partnership with the Open Network for Digital Commerce (ONDC), has announced the launch of an initiative to enable small and micro enterprises to join ONDC.

The initiative with a budget of ₹277.35 crore over three years will focus on onboarding 5 lakh micro and small enterprises, with 50 per cent of these being women-led businesses.

The MSME Trade Enablement and Marketing (TEAM) Initiative is aimed to enable MSMEs to embrace digital commerce and expand their market presence.

"The TEAM Initiative will connect MSMEs with the ONDC Network. By providing access to digital storefronts, integrated payment systems, and logistics support, the initiative aims to reduce operational barriers and helps businesses tap into wider customer bases. Beyond these tools, it emphasizes formalizing operations and establishing digital transaction histories, which will enhance the credibility and trust of participating MSMEs," an official statement added.

Over 150 workshops will be held across Tier 2 and Tier 3 cities, targeting key MSME clusters, with special attention to women and SC/ST-led enterprises. These workshops will guide businesses through the process of joining the ONDC Network, creating compliant digital catalogues, and using the ecosystem to its full potential.

T. Koshy, MD & CEO of ONDC, said, "The MSME TEAM Initiative is more than just a program — it's an opportunity to empower small businesses with the tools and resources they need to thrive in the digital age.

By connecting SMEs to the ONDC Network, we are creating a level playing field that enables them to scale, compete, and succeed. Most importantly, this is now the right time for Indian startups to leverage ONDC to tap into the immense potential of India's MSME ecosystem."

To ease the transition to digital commerce, financial assistance will be provided to Seller Network Participants to facilitate catalogue creation, operations and account management, thereby ensuring that SMEs have the help they need to successfully navigate and grow in the digital commerce space.

"This is also an opportunity for startups and technology enablers in India to leverage the ONDC Network to create unique value propositions for India's vast MSME ecosystem," Koshy said

By working in tandem with existing government programs like PM Vishwakarma and the Digital MSME scheme, the TEAM Initiative offers a cohesive and comprehensive approach to addressing the needs of small businesses in today's rapidly evolving economy.

ONDC is a Network of 200+ apps, including buyer apps and seller apps. Shoppers can choose from one of the buyer apps to buy their desired products based on the categories of products those apps have enabled. Sellers can choose from one of the seller apps listed on the Network.

Source: thehindubusinessline.com– Jan 29, 2025

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