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INTERNATIONAL NEWS

Bangladesh, US Engage in Free Trade Agreement Talks

The United States has agreed in principle to a bilateral free trade agreement (FTA) with Bangladesh, according to one of the country's top officials.

A meeting between the Bangladeshi government and U.S. Trade Representative (USTR) Ambassador Jamieson Greer last month spurred discussions about rebalancing trade and lowering trade barriers between the two nations. Bangladeshi Commerce Secretary Mahbubur Rahman confirmed this week that the U.S. has agreed to negotiate a new deal, per a report in the country's daily newspaper, The Business Standard.

Rahman said Bangladesh has previously proposed the development of a FTA to the U.S., but "This time, they have agreed, and we are now actively preparing to commence negotiations."

Calling the step a "major breakthrough for Bangladesh," Rahman indicated that the agreement would likely grant Bangladesh duty-free access to the U.S. market—a pivotal development for the country's ready-made garment (RMG) industry, which is responsible for more than 80 percent of the country's total exports. The U.S. is the country's largest export market, taking in more than 17 percent of total exports and 18 percent of its garment exports, according to Commerce Ministry data.

As it stands, the U.S. charges an average duty rate of 15 percent on imports from Bangladesh, while the average tariff on American imports entering Bangladesh sits at 6.1 percent.

The Ministry established an eight-member committee on May 12 "to swiftly prepare a draft text of the agreement," Rahman said. The committee was given 15 days to turn over a preliminary text for the FTA.

Reports from several Bangladeshi news sources say that the country is prepared to offer the U.S. generous terms—a total zeroing out of duties on hundreds of U.S.-made products, to be exact—in order to placate President Donald Trump, who levied 37-percent tariffs on Bangladesh on April 2. Following the "Liberation Day" tariff announcements, the president deferred the duties for a period of three months to allow for negotiations with trade partners.

More recently, Trump has said that his cabinet—including Greer, as well as Commerce Secretary Howard Lutnick and Treasury Secretary Scott Bessent—would be revising tariff rates for impacted countries rather than meeting with each one directly, seemingly indicating that the high double-digit duties many are facing come July 9 could be reduced.

But in order to secure the most favorable terms for Bangladesh, Chief Advisor Muhammad Yunus's interim government was given provisional approval to reduce import duties in the upcoming budget during a Monday meeting with the National Board of Revenue (NBR), according to news portal BDnews24.com.

Members of the RMG sector in Bangladesh have been antsy about what will happen when the reciprocal duties resume. While the USTR is actively engaging with trade partners to hash out new terms for trade policies, the nation's foremost trade authority has also pulled no punches when it comes to attacking other nations over business practices and labor rights issues.

Earlier this month, the agency posted on X to "[call] out the unfair trade practices undercutting the American textiles and apparel sector," including, in the case of Bangladesh, "pervasive" problems related to labor violations and wages, shift lengths, factory safety and anti-union discrimination.

Source: sourcingjournal.com– May 21, 2025

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China sees growth in consumer spending & manufacturing in April

China's retail sales of consumer goods rose by 5.1 per cent year-over-year (YoY) in April 2025, reaching 3.72 trillion yuan (~$517.27 billion), signalling steady consumption recovery, according to the National Bureau of Statistics (NBS).

Cumulatively, retail sales increased 4.7 per cent in the January–April period, slightly up from 4.6 per cent in the three months or first quarter (Q1).

Meanwhile, the country's value-added industrial output climbed 6.1 per cent YoY in April, reflecting robust industrial momentum. The manufacturing sector grew by 6.6 per cent, with equipment and high-tech manufacturing surging by 9.8 per cent and 10 per cent, respectively.

From January to April, industrial output advanced 6.4 per cent YoY. The figures track activity from large enterprises with annual main business revenues of at least 20 million yuan (~$2.78 million), said a Chinese state-owned media outlet.

Source: fibre2fashion.com– May 21, 2025

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Trans-Pacific Cargo Space Vanishing Fast Ahead of Tariff Deadlines

Retailers, brands and other importers are in a scramble for ocean freight space as they seek to bring goods into the U.S. ahead of two tariff deadlines in July and August, and a batch of new expected surcharges.

Seko Logistics is advising its customers to make bookings as soon as possible as the order rush flows in and the traditional peak shipping season potentially gets pulled forward.

The logistics services provider says it doesn’t expect additional space to open until June.

“Almost all clients who had cancelled shipments have started booking again,” said Clint Dvorak, vice president of ocean freight at Seko Logistics, in an update Monday. “Peak season surcharges and general rate increases are due to be implemented, and additional space won’t be available until next month—and we are coming into the normal pre-holiday peak season.”

According to Frank Wiltgen, senior vice president at freight forwarder American Shipping Company, “with limited capacity at this time, the talk has changed from the tariffs to space.”

In a customer update posted on LinkedIn early Wednesday, Wiltgen shared similar concerns as the Seko team about low capacity and tight space in the trans-Pacific ocean freight market.

“It is likely at this stage, reading this news flash, that all new bookings from this point forward are for June vessel sailings,” the update read.

American Shipping Company told customers that booking requirements are now at a minimum of three to four weeks before the target vessel sailing date. Several carriers in contact with the company are recommending booking five weeks in advance, if possible, due to the volume surge.

While importers had sought to avoid the higher prices caused by the tariffs by cancelling bookings, they are now ramping up orders to get out in front of costs added by the new surcharges and rate increases.

For example, as of June 1, Maersk is hitting customers with peak season surcharges totaling an extra $1,000 per 20-foot equivalent unit (TEU) and $2,000 per 40-foot container (FEU) for any cargo shipped from China and east Asia to the U.S. and Canada.

And on June 1, major ocean carriers on the trans-Pacific trade lane will implement a GRI that will add approximately $3,000 more cost per 40-foot container, according to Wiltgen's analysis.

"Those capable of pushing orders out now, want to avoid the higher rates and are trying to a sailing before the end of the month," said Wiltgen. "This has put major constraints on the ocean carriers in the last two weeks of May and while they contend with a short supply of capacity. The savings can be thousands of dollars for shippers, yet many will not get space in time to avoid this."

This rush is compounded by the fact that some carriers started to cancel bookings already made in advance in favor of higher-revenue cargo or higher-priority clients as they look to capitalize on the increased volumes. The update indicated that carriers were honoring larger contract holders that have been sidelined in recent weeks, due to the high China tariffs, which at one point were 145 percent.

The back and forth has exacerbated the ongoing reshuffling out at sea.

After weeks of blanking sailings due to the drop in demand when the tariffs were put in place, many carriers are now working to normalize vessel capacity and reinstate services they removed and insert vessels back into their normal rotation. In one such recent example, ZIM reinstated its trans-Pacific Z2X service that it scrapped in April.

According to American Shipping Company, the carriers have said this realignment could take another two to four weeks to balance out.

As more services come back online and vessels keep rushing out of China, port congestion in the market has start to become more of a concern.

Hapag-Lloyd said in a customer advisory that vessels are waiting up to 72 hours to berth at Qingdao and at Shanghai's main Yangshan offshore port complex due to heavy vessel bunching and congestion.

Qingdao has a 1.75 queue-to-berth ratio, with 232,196 TEUs at anchorage and 131,529 TEUs docked at the port, according to data from Linerlytica. This represents the second-highest queue-to-berth ratio of any major port with more than 100,000 TEUs at anchorage and at port, after the Port of Gibraltar.

The vessel bunching has also impacted the Port of Ningbo, which is seeing berthing delays of up to 36 hours.

Outside the country, ships at the Port of Singapore are enduring berthing delays of as much as 36 hours, while those in Busan's Newport International Terminal could see backlogs extending to 72 hours.

Congestion is also befalling some European ports. In a webinar on Thursday, Jannik Amstutz, senior manager of ocean freight, Germany at Flexport, said Europe's ports including Bremerhaven are averaging "roughly about five to six days of congestion."

While the congestion in Bremerhaven is due largely to labor constraints, weather patterns have impacted major northern European gateways like Antwerp and Rotterdam.

"Too little rain is not helping the Rhine levels to allow us to use barges to the full extent, especially from Antwerp and Rotterdam, so this is likely to impact the congestion," Amstutz observed.

While Port of Los Angeles executive director Gene Seroka noted that there won't be "a deluge of freight" at the port when the newest wave of cargo orders flocks in next month, there's no guarantee U.S. ports won't encounter a similar fate to their Asian and European counterparts.

"The U.S. infrastructure and West Coast Canadian ports (Vancouver and Prince Rupert) will be tested in the coming weeks to see if surging freight can be managed seamlessly without congestion, transit delays and equipment shortages after reaching the port of unloading," said the update from American Shipping Company. "Past surges have shown weakness at times, yet ports and railroads in the U.S. say they are ready."

Source: sourcingjournal.com– May 21, 2025

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Multiple factors to back stable performance, sustained recovery: China

The fundamentally positive outlook for China's economy has not changed, with multiple favorable factors existing for stable performance and sustained economic recovery, according to the country's National Bureau of Statistics (NBS).

The country's retail sales of consumer goods, a major indicator of the country's consumption strength, expanded by 5.1 per cent year on year (YoY) in April to 3.72 trillion yuan (~$517.27 billion), while the total value of goods trade in the month reached 3.84 trillion yuan—an increase of 5.6 per cent YoY, NBS data showed.

China's economy withstood pressure and maintained stable growth, continuing on a path of positive development amid internal challenges and increasing external shocks, NBS spokesperson Fu Linghui told a recent press conference.

In the first four months this year, retail sales of consumer goods rose by 4.7 per cent YoY, accelerating from the 4.6-per cent growth in the first quarter, and the general trade volume grew by 0.6 per cent YoY, accounting for 64 per cent of the total trade value, a state-controlled media outlet reported citing NBS data.

In the first four months, private enterprises saw a YoY increase of 6.8 per cent in foreign trade, representing 56.9 per cent of the overall trade volume, and an increase of 2.3 percentage points YoY.

China's fixed-asset investment went up by 4 per cent YoY in the first four months to 14.7 trillion yuan, the data showed. Excluding the property sector, the country's fixed-asset investment grew by 8 per cent YoY during this period.

During the period, infrastructure investment rose by 5.8 per cent YoY, while manufacturing investment increased by 8.8 per cent.

In April, the added value of the high-tech manufacturing industry increased by 10 per cent YoY, surpassing the overall industrial growth rate by 3.9 percentage points.

However, the current international environment remains complex and challenging, with a rise in unilateralism and protectionism posing serious challenges to the international economic and trade order and hindering global economic growth, Fu added.

Source: fibre2fashion.com– May 21, 2025

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EU and Japan step up tax measures on Shein and Temu parcels amid import rise

The European Union has proposed a €2 flat fee on billions of small parcels shipped directly to consumers, primarily from China, in a move targeting platforms like Shein and Temu. The plan aims to end customs exemptions on parcels worth less than €150, shifting the financial burden onto major online marketplaces.

EU Trade Commissioner Maros Sefcovic said the surge in low-value parcels 4.6 billion in 2023, with over 90 per cent from China has strained customs systems and complicated safety and standards enforcement. The fee would help offset inspection costs and boost EU budget contributions. Parcels routed to warehouses will incur a lower €0.50 charge.

The EU's action mirrors recent US measures. Earlier this month, the US slashed tariffs on small packages from 120 per cent to 54 per cent but retained a $100 flat fee per parcel. These moves are designed to close the 'de minimis' loophole that allows duty-free shipments of inexpensive goods, which Chinese platforms had long exploited.

Japan is also reviewing its current exemption on parcels worth under 10,000 yen, citing concerns about unfair competition, illegal goods, and lost tax revenue. Officials are weighing the impacts of removing exemptions amid a fivefold rise in small parcel imports over five years.

With Shein and Temu facing tightened rules in the US, there are fears of redirected excess inventory flooding EU markets. Both platforms claim compliance with regulations and boast over 220 million users in Europe.

As France and the UK explore similar clampdowns, the global backlash is reshaping the future of cross-border e-commerce and raising the cost of cheap online goods for millions of consumers.

Source: fashionatingworld.com– May 21, 2025

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Tariffs make 'American Dream' unreachable for most

When Walmart announced that it will have to raise prices due to tariffs imposed by his administration, US President Donald Trump lashed out at the giant retailer and said the company should just "EAT THE TARIFFS" and "not charge valued customers ANYTHING".

"I'll be watching and so will your customers!!!" Trump posted on social media over the weekend, saying that "Walmart should stop trying to blame Tariffs as the reason for raising prices throughout the chain".

In response, a Walmart spokesperson said: "We have always worked to keep our prices as low as possible, and we won't stop. We'll keep prices as low as we can for as long as we can, given the reality of small retail margins."

Walmart won't be the only business to raise prices to offset the extra cost from tariffs, and the "American Dream" will be further out of reach for the majority of people as a result, according to studies.

An analysis by the Ludwig Institute for Shared Economic Prosperity, which tracks the Minimal Quality of Life Index, or MQL, found that for the bottom 60 percent of US households, a "minimal quality of life" is out of reach.

The study analyzed not only basic necessities like housing, food and healthcare but also education, transportation, technology, leisure and more.

"By tracking costs associated with this 'basket of American Dream essentials', the MQL provides a more holistic view of what it means for individuals to have a minimal quality of life in America," the study said.

Doubling cost

The study found that between 2001 and 2023, the cost of affording a basic level of economic security doubled — housing costs soared 130 percent, healthcare 178 percent and savings required to attend an in-state, public university 122 percent. However, median earnings declined for this group by 4 percent after adjusting for MQL.

The study said in 2023, the bottom 60 percent of households earned just 22.1 percent of all disposable income, but needed 39 percent to meet MQL. On average, these households earn $38,000 per year, a shortfall of more than $29,000 to meet the MQL.

These households now face rising costs of living as a result of the new tariffs. Goods such as clothing and textiles will see the highest price jumps, according to an analysis by The Budget Lab at Yale. The study was based on the effective tax rates as of May 12, when the US and China reached a deal to lower the 145 percent tax hike on Chinese goods to 30 percent.

In the short run, consumers will see prices increase 15 percent for leather products (shoes and handbags), 14 percent for apparel and 11 percent for textiles (beddings and towels).

In the long run, after global supply shifts, leather prices will remain 19 percent higher, while apparel will stay 16 percent and textiles 14 percent higher, according to the analysis.

Food prices will rise 2.3 percent in the short run and stay 2.3 percent higher in the long run. Fresh produce will initially be 3 percent more expensive, while stabilizing at 2.9 percent higher.

Meanwhile, prices of motor vehicles will rise 9.3 percent in the short run and will stay 6.2 percent higher (an additional $3,000 per car on average) in the long run.

The analysis said tariffs burden households at the bottom of the income ladder more than those at the top as a percentage of income.

"Traditional headline economic indicators like GDP and unemployment tell us the economy is thriving, but they don't reflect the lived reality of most Americans," Gene Ludwig, chairman of Ludwig Institute for Shared Economic Prosperity, said in a statement.

"Americans are working harder than ever, fueling our economic growth, but the benefits of that hard work are not being distributed in a way that supports upward mobility for too many middle- and low-income Americans."

The tariff policy is not just causing price increases for US consumers, but it is also projected to reduce the country's GDP and increase the rate of unemployment, according to an analysis by The Budget Lab at Yale, based on the effective tax rates.

According to the analysis, the effective tariff rates will result in extra expenses of $2,823 per household, and the 2025 GDP output will be reduced by 0.65 percent with a long-term reduction of 0.3 percent per year.

By the end of the year, unemployment is projected to rise by 0.35 percent — meaning 456,000 more people will go without a paycheck compared to a year ago.

Source: chinadaily.com.cn– May 22, 2025

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Cotton linter import from Turkey witnesses a remarkable surge in Apr

China's cotton linter import market has shown relatively high enthusiasm this year, and Turkish cotton linter in particular has stood out prominently. In Feb-Mar, the import market experienced significant growth in volume, witnessing another blow-out surge in Apr.

The import market popularity is sustained this year. The total import volume in the first four months was 42,547.1 tons, a year-on-year increase of nearly 24%. Among them, the import of Turkish cotton linter has dominated overwhelmingly, showing a sharp upward trend in volume.

According to customs data, the import volume of Turkish cotton linter in Apr was 6,443.41 tons, a year-on-year increase of 208.4%, accounting for 55.5% of China's total import volume.

This single-month figure hit a 3-year high since Jun 2022. In Jan-Apr of this year, the cumulative import volume was 15,497.29 tons, a year-on-year surge of about 451.8%, accounting for 36.4% of the total.

Due to the higher maturity and better product quality of Turkish cotton linter, especially the comparative advantage in import price, it has been highly sought after by Chinese traders and refined cotton and nitrocellulose enterprises in Anhui, Shandong, and Sichuan.

The import price of Turkish cotton linter has been significantly lower than China's average import price this year, as well as the prices of Brazilian and Central Asian cotton linter.

In Apr, the average import price of Turkish cotton linter was $416.57/mt, 5.7% lower than the national average import price, and 4.4% and 27.2% lower than the average import prices of Brazil and Turkmenistan, respectively.

In Jan-Apr, the average import price of Turkish cotton linter was $418.91/mt, 4.9% lower than the national average import price, and 3.1% and 26.5% lower than the average import prices of Brazil and Turkmenistan, respectively.

In summary, cotton linter import of China shows a high concentration this year, mainly from Turkey, India, Turkmenistan, and Brazil. In Apr, the import from these four origins collectively accounted for as high as 98% of total. In Jan-Apr, their combined share was nearly 95%.

Among them, Turkish cotton linter has shown obvious cost-performance advantages, with import volume soaring rapidly, up 208% year-on-year in Apr and 452% year-on-year in Jan-Apr, dominating the market overwhelmingly.

Source: ccfgroup.com– May 22, 2025

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EU to see GDP growth of 1.1%, euro area 0.9% in 2025: Spring Forecast

The European Commission's Spring Forecast for the European Union (EU) released recently projected 2025 real gross domestic product (GDP) growth at 1.1 per cent in the EU and 0.9 per cent in the euro area—broadly those seen in 2024. This is a considerable downgrade compared to the Autumn 2024 Forecast.

EU growth is likely to rise to 1.5 per cent in 2026, backed by continued consumption growth and a rebound of investment. Growth in the euro area is projected to reach 1.4 per cent in 2026.

Exports from the EU are expected to grow by a modest 0.7 per cent this year and by 2.1 per cent in 2026, in line with the lower global demand for goods, the Forecast notes. This marks a significant downward revision from the autumn projections—at 2.2 per cent and 3 per cent respectively.

Weakness in exports is amplified by competitiveness losses, as well as heightened trade uncertainty.

Although EU firms are adapting their trade strategies in response to geopolitical tensions and trade fragmentation, many might hesitate to bear the high fixed costs associated with product adaptation, regulatory compliance and finding new distribution networks, necessary to enter new export markets, the Forecast says.

Growth in imports was also revised down, in line with lower export growth and weaker domestic demand, although the re-routing of some Chinese exports and the euro's appreciation lend some support to import growth.

Consequently, in 2025, net external demand is set to subtract nearly 0.5 per cent from growth, but this drag is expected to fade in 2026, the Spring Forecast says.

Despite adverse trade volume developments, the sharp drop in energy commodity prices, cheaper industrial goods imports and a stronger currency will enhance the terms of trade further. These movements in terms of trade help maintain a largely unchanged inflow of income from the rest of the world.

Disinflation is anticipated to proceed more swiftly than expected in autumn, with new disinflationary factors from ongoing trade tensions outweighing higher food prices and stronger short-term demand pressures.

After averaging 2.4 per cent in 2024, headline inflation in the euro area is expected to meet the European Central Bank (ECB) target by mid-2025—earlier than previously anticipated—and to average 1.7 per cent in 2026. Starting from a higher level in 2024, inflation in the EU is projected to continue easing to 1.9 per cent in 2026.

The current account surplus is expected to fall only slightly from 4.4 per cent of GDP in 2024 to 4.2 per cent in both this year and the next.

Following a 1.9-per cent contraction in 2024, EU gross fixed capital formation is expected to expand over the forecast horizon. With a growth rate of 1.5 per cent in 2025 and 2.4 per cent in 2026, the expected rebound and acceleration are significantly less pronounced than projected in autumn.

As the labour force expands more modestly, the EU unemployment rate is projected to decline to a new historic low of 5.7 per cent in 2026. Tight labour markets and improving productivity are set to drive further wage growth.

After increasing by 5.3 per cent in 2024, growth in nominal compensation per employee is expected to slow to 3.9 per cent in 2025 and 3 per cent in 2026.

On aggregate in the EU, this year, real wages should fully recover the purchasing power losses accrued since mid-2021, though in a few member states the recovery in real wages is still lagging behind, the report adds.

Source: fibre2fashion.com– May 22, 2025

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UK-EU trade ties conditions pose challenges for luxury brands: Walpole

The current conditions around Britain's trading relationship with the European Union (EU) present several challenges for luxury brands, with delays, increases to costs and paperwork, and tariffs and rules of origin all making trade more difficult, according to Walpole, a UK-based trade association representing the interests of British luxury brands.

In response, some luxury brands have been forced to set up fulfilment centres in Europe, diverting investment and jobs away from the United Kingdom.

Beyond the policy landscape, there are several broader challenges that have hit the sector, with consumers losing confidence, while inconsistent enforcement at the border has led to luxury brands struggling with exporting even after agreements to smooth trade have been made.

Particular challenges around value-added tax (VAT), returns and shipping of samples have been raised as areas where progress could be made.

Walpole, in its new 'Trading with Europe' report outlining the 'Brexit effect' on the luxury sector, recommended a series of measures that the UK government could take, in partnership with industry to improve trading relations.

These include pursuing further bilateral trade agreements, similar to the UK-Italy deal agreed earlier in 2023; arranging an agreement with third-party logistics firms to standardise processes; negotiating an increase to the €150 VAT threshold; supporting UK businesses seeking to export through the tax system; and striking a sanitary and phytosanitary (SPS) agreement with the EU.

These measures should also include backing a consumer confidence campaign to win back European customers and stopping the proposed increases to paperwork and introduction of physical checks on foodstuffs entering the United Kingdom from the EU.

Walpole research has found when accounting for global market conditions, EU exports are 43 per cent lower than they would have been without Brexit.

It called on the UK government to join the Pan-Euro-Mediterranean Convention to support automotive and textile exports.; introduce a new digital labelling scheme to reduce complexity; and bring together freight and courier companies to deliver consistent approach to trade rules.

Source: fibre2fashion.com– May 21, 2025

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ASEAN member nations, China conclude negotiations on CAFTA 3.0

Ten members of the Association of South Asian Nations (ASEAN) and China have concluded negotiations on the Version 3.0 China-ASEAN Free Trade Area (CAFTA), the Chinese Commerce Ministry has announced.

Economic and trade ministers from both sides met virtually for the announcement.

The upgraded agreement introduces nine new chapters covering digital economy, green economy and supply chain connectivity, the ministry said.

CAFTA 3.0 is expected to back free trade and open cooperation, and inject greater certainty into regional and global trade, a state-controlled Chinese media outlet reported.

The negotiations, which began in November 2022, concluded substantially in October 2024 after nine rounds of formal talks.

CAFTA 3.0 will offer key institutional guarantees for building a China-ASEAN mega market, while supplying lasting momentum for building the China-ASEAN community with a shared future and promoting common prosperity and development for both sides, added the ministry.

Both sides will advance their respective domestic signing and ratification procedures, with the goal of formally signing the CAFTA 3.0 upgrade protocol before the end of this year.

Source: fibre2fashion.com– May 21, 2025

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Egypt's SCZone attracts $15 mn garment project, to create 2,000 jobs

The Suez Canal Economic Zone (SCZone) and GS Global Sourcing Co Ltd have recently signed an agreement to set up a project for ready-to-wear clothes in the West Qantara area of Egypt with 15-million-dollar investments, as per Egypt's state information service.

The project, covering an area of over 27,000 square metres, is expected to manufacture more than 12 million ready-to-wear garments annually, all designated for export, and will generate direct employment for 2,000 individuals.

West Qantara Zone is emerging as a key hub for investment in the textile and ready-made garments sector, according to Walid Gamal el Din, head SCZone.

He attributed the zone's success to its strategic location near the Suez Canal and Egypt's main ports, making it well-suited for labour-intensive industries. He added that the latest project highlights growing international investor confidence and the zone's ability to attract global supply chains and support major brands.

The addition of the new project brings total investments in the West Qantara Zone to $579.5 million, encompassing 19 projects and creating more than 27,300 direct job opportunities.

Source: fibre2fashion.com– May 21, 2025

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Bangladesh expected to remain world's leading cotton importer in 2025-26

The United States Department of Agriculture (USDA) predicts that in the 2025–2026 marketing year, Bangladesh, the world's second-biggest producer of ready-made garments (RMG), would remain the world's largest importer of raw cotton.

The USDA's latest report, titled Cotton: World Markets and Trade, indicates that Bangladesh is likely to import approximately 8.5 million bales of cotton in Marketing Year 26 (MY26), which begins in August. This marks an increase from about 7.5 million bales imported in MY24 and an estimated 8.2 million bales in MY25.

In comparison, Vietnam, another key player in RMG exports, is expected to import around 8 million bales in MY26. China's imports are projected to be around 7 million bales, down from 15 million bales in MY24. Bangladesh has consistently ranked as the top cotton importer, with imports of 7 million bales in MY23 and 8.45 million bales in MY22.

The USDA's Cotton and Products Annual report, released on 31st March, also highlights a slight increase in Bangladesh's cotton imports in MY26, driven by rising demand for RMG products.

Supporting this trend, Bangladesh's RMG exports grew by 10.86 per cent year-on-year to US $ 30.25 billion in the July-April period of FY '25, according to the Export Promotion Bureau.

At 37 per cent of Bangladesh's imports, West African cotton currently accounts for the highest market share, followed by Brazil (17 per cent), India (23 per cent), and the US (9 per cent). For a long time, American cotton exporters have aimed to increase their market share in Bangladesh.

Despite recent tariffs imposed by the US administration, initially announced at 37 per cent and later paused for a 90-day period, Bangladesh's importers have taken steps to increase US cotton imports. Bangladesh removed the twofold fumigation requirement for US cotton in early April, saving importers money and time.

Experts and industry leaders, including Mohammad Hatem, president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), have underlined that increasing Bangladesh's imports of US cotton might assist close the trade imbalance and increase its negotiating leverage for duty-free access to the US market.

Hatem further emphasised that although Bangladesh produces only 153,000 bales of cotton locally on 45,000 hectares, less than 2 per cent of its total consumption, cotton is still an essential raw material for the spinning and knitwear sectors in the nation.

Overall, the USDA's prediction highlights Bangladesh's strategic significance in the global textile and apparel supply chain as well as its ongoing dominance in cotton imports.

Source: apparelresources.com– May 21, 2025

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NATIONAL NEWS

India hopes to clinch early harvest trade deal with EU by July

After clinching a free trade deal with the UK earlier this month, India is hoping to seal an early harvest trade agreement with the 27-member European Union by July, this year. The agreement is expected to lead to greater market opportunities for India's labour-intensive sectors such as readymade garments, pharmaceuticals, engineering goods and electrical machinery, sources said.

"The India-EU early harvest deal will focus on core trade issues, primarily tariff cuts and market access, while the tricky issues around sustainability – including labour, environment and gender – are likely to be dealt with later in the second phase of the agreement," a source tracking the matter told businessline.

The early pact will also include commitments in the areas of government procurement and intellectual property rights, in line with the FTA signed with the UK, but the nitty-gritties of it are yet to be hammered out, the source added.

Team to visit Brussels

India's negotiating team for the India-EU free trade agreement (FTA) is in Brussels this week to build on the momentum generated by the eleventh round of negotiations that successfully concluded in Delhi on May 16.

"The EU is keen on steep duty cuts for items such as automobiles, alcohol, meat, poultry and medical devices. It also wants concessions in government procurement and IPR. The last mile issues are being sorted out. Hopefully the deal can be completed by July this year," the source said.

India hopes that tariff cuts for labour intensive items, including readymade garments, will create a level playing field for its goods in the EU market where countries like Vietnam and Bangladesh enjoy an advantage as they are beneficiaries of the Generalised System of Preferences (GSP) scheme.

"India and the EU decided to try and quickly conclude an early harvest deal in the backdrop of the increased volatility in the global trading environment due to US President Donald Trump's erratic tariff policies. Since both are doing significant trade with each other, the deal holds a lot of potential," the source said.

The EU is India's largest trading partner with bilateral trade at $137.41 billion in FY 2023-24. India is the EU's 9th largest trading partner, accounting for 2.4 per cent of the bloc's total trade in goods in 2024.

CBAM concerns

New Delhi's concerns around the EU's Carbon Border Adjustment Mechanism (CBAM), which could lead to imposition of carbon taxes of an estimated 20-35 per cent on carbon intensive goods, including steel, aluminium, cement and fertilisers from next year, may not get fully addressed in the interim deal.

"The UK did not address India's concerns around CBAM in the bilateral FTA. The EU, too, does not seem to be inclined to do so," an industry source said.

In June 2022, India and the 27-nation EU bloc resumed negotiations for a comprehensive free trade agreement, an investment protection agreement and a pact on geographical indications (GIs) after a gap of over eight years.

Source: thehindubusinessline.com– May 21, 2025

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US cannot lower MFN tariffs for India in early trade deal

India is hoping that an early trade deal with the US – being negotiated during the ongoing 90-day tariff pause period – will help the country gain exemption from the full US reciprocal tariff of 26 per cent, including the 10 per cent baseline tariff already imposed. However, additional concessions are currently ruled out, according to sources.

"At present, the Trump administration requires approval from the US Congress to bring tariffs below the MFN (most-favoured nation) rates which are the standard tariff rates. But the administration has the authority to remove the reciprocal tariffs as it is over and above the MFN. So, in the early trade deal, which will be an interim pact, India wants exemption from the entire 26 per cent, including the 10 per cent baseline tariffs, as that is within the purview of the Trump government," a source tracking the matter told businessline.

However, New Delhi will demand market access for its labour-intensive sectors in the extended negotiations, which will take place for the first full tranche of the bilateral trade agreement (BTA), which has a deadline of September-October 2025.

"We will ask the US to explain to us how it plans to go about seeking trade promotion authority from the US Congress that will allow it to give India concessions by bringing down tariffs below MFN rates," the source said.

The US has sought tariff breaks and other concessions from India in a number of sectors such as automobiles, motorcycles, alcohol, medical equipment and a variety of agricultural products, some of which New Delhi may have to give as part of the interim deal.

Washington also wants digital trade, including data localisation rules, to be part of the early trade pact, the source added.

"Commerce Minister Piyush Goyal has had fruitful talks with US Commerce Secretary Howard Lutnick and US Trade Representative Jamieson Greer in Washington this week. The two negotiating teams are holding their meetings now. Hopefully, an early deal will be struck before the 90-day tariff pause period ends on July 8," the source said.

On April 2, US President Donald Trump announced reciprocal tariffs on most countries that have trade surpluses with the US, including India which got slapped with 26 per cent levies. He then paused the tariffs for 90 days to give time for trade deals, but imposed a baseline tariff of 10 per cent on all countries.

"If India manages to avoid the reciprocal tariffs, it will gain an advantage over its competitors such as Vietnam, Bangladesh and Indonesia, who have been hit by reciprocal tariffs higher than India. These countries are also trying to strike a deal with the US by giving concessions, so it is kind of a race," an industry source said.

Source: thehindubusinessline.com– May 21, 2025

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India pushes for full waiver of 26% tariff in interim trade pact with US

India and the US may announce an interim trade agreement before July 8, with New Delhi seeking full exemption from the additional 26 per cent tariff on domestic goods, an official said.

The US on April 2 imposed an additional 26 per cent reciprocal tariff on Indian goods, but suspended it for 90 days till July 9. However, the 10 per cent baseline tariff imposed by America remains in place.

The government official said India's endeavour to protect its sensitive sectors may entail some quota or minimum import price (MIP). Such sectors include agri goods and dairy.

Commerce and Industry Minister Piyush Goyal was there in Washington earlier this week to give an impetus to the trade talks. He held meetings with US Trade Representative (USTR) Jamieson Greer and US Commerce Secretary Howard Lutnick.

"Talks are moving positively. Before July 8, we are looking at concluding an interim deal before the first tranche. It will include goods, non-tariff barriers, some areas of services also like digital. We are trying that the 26 per cent additional duty and the 10 per cent baseline tariff should not be there for India," the official said, adding that India is seeking concessions for its labour-intensive sectors such as textiles and leather.

At present, the Trump administration requires approval from the US Congress to bring tariffs below the MFN (most favoured nation) rates.

But the administration has the authority to remove the reciprocal tariffs imposed on a number of countries, including India.

India may look at certain commitments from the US on the duty concessions for its labour-intensive sector in the first tranche of the proposed bilateral trade agreement (BTA). Both countries have fixed a deadline to conclude the first phase of the pact by fall (September-October) of this year to more than double bilateral trade to USD 500 billion by 2030.

The minister-level meetings were followed by the deliberations between chief negotiators of the two countries, which will continue until May 22.

Officials from New Delhi and Washington are looking to take advantage of the 90-day tariff pause window to advance the talks. The US has suspended the additional 26 per cent tariffs on India till July 9. It was announced on April 2 to bridge the widening trade deficit.

To boost bilateral trade, India is seeking duty concessions for labour-intensive sectors like textiles, gems and jewellery, leather goods, garments, plastics, chemicals, shrimp, oil seeds, chemicals, grapes, and bananas in the proposed pact with America.

On the other hand, the US wants duty concessions in sectors like certain industrial goods, automobiles (electric vehicles in particular), wines, petrochemical products, dairy, agriculture items such as apples, tree nuts and GM (genetically modified) crops.

While the import of GM crops from the US continues to remain a non-starter due to regulatory norms in India, New Delhi is open to import non-GM products like Alpha alpha hay (a kind of cattle feed).

The US has on multiple occasions raised concerns over certain non-tariff barriers being faced by American goods in the Indian markets.

Whether another round of talks will happen on the proposed pact between the two countries, the official said, "We are trying to finalise things as early as possible." The US remained India's largest trading partner for the fourth consecutive year in 2024-25, with bilateral trade valued at USD 131.84 billion. The US accounts for about 18 per cent of India's total goods exports, 6.22 per cent in imports, and 10.73 per cent in the country's total merchandise trade.

With America, India had a trade surplus (the difference between imports and exports) of USD 41.18 billion in goods in 2024-25. It was USD 35.32 billion in 2023-24, USD 27.7 billion in 2022-23, USD 32.85 billion in 2021-22 and USD 22.73 billion in 2020-21. The US has raised concerns over this widening trade deficit.

Source: thehindubusinessline.com– May 21, 2025

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India's position favourable to deal with impact of US tariffs: Moody's

With domestic growth drivers and low dependence on exports anchoring India's economy, the country is well-positioned to deal with the negative effects of US tariffs and global trade disruptions, Moody's Ratings said today.

Government initiatives to boost private consumption, expand manufacturing capacity and raise infrastructure spending will help offset the weakening outlook for global demand, the rating agency said in a note on India.

Easing inflation offers the potential for interest rate cuts to further support the economy, even as the banking sector's liquidity facilitates lending.

Tensions between India and Pakistan would weigh on the latter's growth more than on the former's, and Moody's does not expect major disruptions to India's economic activity as it has minimal economic relations with Pakistan.

However, Moody's noted that higher defense spending would potentially weigh on India's fiscal strength and slow its fiscal consolidation, a news agency reported.

The central government's infrastructure spending supports GDP growth, while personal income tax cuts bolster consumption. India's limited reliance on the trade of goods and its robust service sector are mitigants to US tariffs.

Source: fibre2fashion.com– May 21, 2025

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India's economy likely to have grown 6.4-7.2% in Q4 FY25

The Indian economy is likely to have grown between 6.4 and 7.2 per cent during January-March quarter (Q4) of Fiscal Year 2024-25 (FY25), four key economic research agencies estimated on Wednesday. Growth, based on changes in Gross Domestic Product (GDP), was 6.2 per cent during October-December quarter (Q3) of FY25.

The government will come out with data for Q4 and full fiscal of FY25 on May 30.

Based on projections of different agencies, growth is mainly on account of some improvement in consumption. However, the Q4 number could be lower than the number based on advance estimates given by Statistics Ministry. It may be noted that earlier it was estimated that full-year growth could be 6.5 per cent. Based on the three-quarter numbers, the implied growth rate for Q4 was estimated at 7.6 per cent.

In its research report, SBI said that to estimate GDP statistically, it has built a 'Nowcasting Model' with 36 high-frequency indicators associated with industry activity, service activity and global economy.

The model uses the dynamic factor model to estimate the common or representative or latent factor of all the high-frequency indicators from Q4 of FY13 to Q2 of FY23.

"As per our (SBI) 'Nowcasting Model', the forecast GDP growth for Q4 FY25 should come around 6.4-6.5 per cent," it said. Assuming there are no major revisions in Q1 to Q3, estimates, it estimates full fiscal of FY25 growth at 6.3 per cent.

Morgan Stanley's report, 'India Economics Mid-Year Outlook', noted that India's growth cycle has been on a gradual cyclical recovery following a partially policy-induced slowdown in 2HCY24.

As such, high-frequency data have staged some recovery at the margin, especially from the trough in QE September 2024; however, the trend is not yet broad-based. The report expects growth to be 6.7 per cent at QE (quarter ending) March 2025.

Farm sector

With the same estimates, Nomura sees good growth in the farm sector. “Robust Rabi (winter) crop output should ensure continued strength in the agricultural sector,” it said. While industrial growth is likely to be weaker, a broad-based pick-up in services growth is expected. “On the demand side, we expect a moderation in growth of private consumption, fixed investment and exports, but a sharper contraction in import growth should mean a positive contribution from net exports to overall GDP growth,” it said.

Though Barclays has questioned data in India, it expects a higher growth rate than the others. In a report, it said estimates of GDP in an India context are becoming increasingly challenging due to issues such as incomplete proxy data and sizable revisions. With Q4 FY24-25 data set to be released by month-end, it believes these complicating factors are set to make a comeback. The firm has projected growth rate at 7.2 per cent.

“Given a sharp 30 per cent y-o-y increase in net indirect taxes (nominal) in the January-March quarter, we expect the gap between real GDP and GVA growth to widen again, reflecting different realities. Accordingly, we estimate FY24-25 real GVA (Gross Value Added) growth will average 6.2 per cent, and real GDP growth average 6.4 per cent,” it said.

Source: thehindubusinessline.com– May 21, 2025

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Datanomics: Imports of readymade garments from B'desh to suffer amid curbs

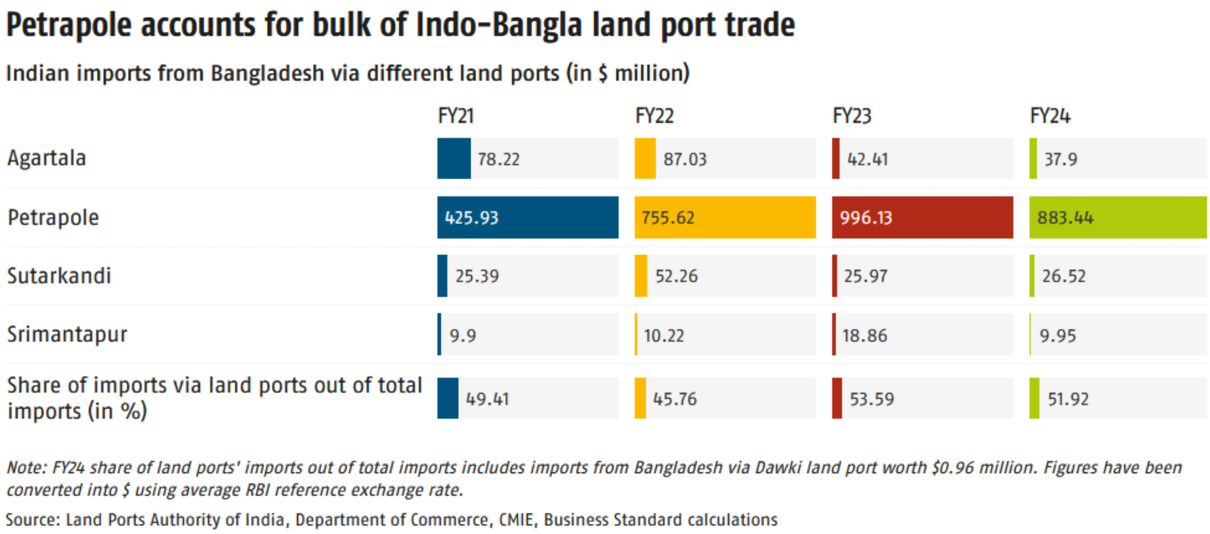
India has disallowed import of ready-made garments from Bangladesh via its land ports even as there are no curbs through the Nhava Sheva and Kolkata seaports.

Moreover, import of other products has been stopped via India's land custom stations and integrated check points.

The move came after Dhaka, under Muhammad Yunus, imposed trade restrictions on Indian exports to Bangladesh and a transit fee on Indian goods moving through the country.

As on March 31, 2024, India had 12 operational land ports, of which six were with Bangladesh. Two of these six — Dawki and Sabroom — became operational in 2023 and 2024. respectively.

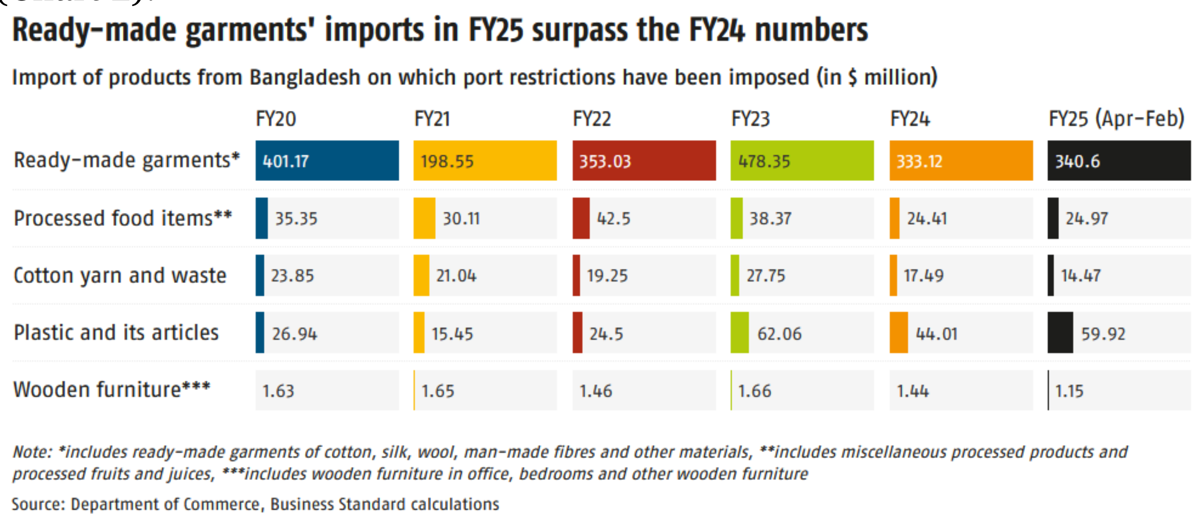
(Chart1):



In FY24, around 52 per cent of total imports from Bangladesh into India came through these land ports. Nearly 92 per cent of all imports from Dhaka through the land ports took place via Petrapole, the largest land port in South Asia.

The share of ready-made garments made of cotton and man-made fibres accounted for 44 per cent of India's imports from Bangladesh through Petrapole in FY24.

(Chart 2):



Ready-made garments constituted bulk of the Indian imports from Bangladesh. In FY25 (April 2024-February 2025), garment imports into India touched $340.6 million, surpassing FY24 numbers.

Port restrictions have been imposed on around one-fourth of all Indian imports from Bangladesh (FY25). These goods will now be transported via sea or air, thereby increasing transportation cost. This will drive up their prices in the Indian market.

Source: business-standard.com– May 21, 2025

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Why India must rethink its use of quality control orders in trade policy

India is on a path of increasing openness in its markets, and this heralds the start of a far more confident, less reactive, and more proactive import policy regime. This change in gear appears to have occurred sometime last year but has since been gathering momentum through the previous Budget and now with the various possible free-trade agreements (FTAs).

As is evident, there is a bully in town that Indian industry needs to be protected against. But as every parent knows, there is such a thing as too much protection. The child also needs to be left alone in the playground. Take that self-respect away from the child, and you will have to bear the burden of perpetual dependence and unending support. Let us work with that same analogy. Yes, there is a Chinese bully in the manufacturing town, but there are also mechanisms of addressing that challenge. We need to use the tools that protect Indian industry judiciously, too much of them, and we get relative stagnancy in manufacturing's share of the total value at between 16 and 17 per cent.

Of the various forms of protection, the more insidious ones go by the name "quality control orders" or QCOs. QCOs are requirements that a particular product achieve a certain quality for it to be bought and sold in the country. There are currently several hundreds of QCOs operating in the country and countless ones globally.

When a QCO is imposed on a product, all sellers — domestic or international, large or small, old or new — need to meet that quality standard. Typically, the new, small, and international units bear the adverse effects much more, but all of this eventually flows back to impacting the Indian consumer. To appreciate the issue, let us differentiate between the imposition and implementation of QCOs.

Implementation-related issues in the context of India's QCOs relate to the cost of testing and evaluation, certification requirements, fuzzy or inappropriate specifications, complex evaluation processes, inadequate availability of facilities and personnel, delays, etc. Note that smaller units are affected more because of greater dependence on single products and a lesser ability to engage with the government; consequently they tend to suffer greater delays and bear greater costs relative to their size.

Moreover, international units also require domestic certification when a QCO is imposed, and for products that have a small value, it's rarely worth the effort. Many operate through Indian traders, who are also impacted adversely. Conversations with businesses — including micro, small and medium enterprises — reveal a host of issues ranging from the poorly resourced Bureau of Indian Standards, to poorly framed processes and rules, etc. As a consequence, they lead to not only a rise in costs and fall in the ease of doing business, but products previously available may also disappear after the imposition of QCOs.

So why impose a QCO at all? There are two reasons. First, it is to ensure that good-quality products are not overwhelmed by cheaper, low-quality ones. That is, the government enforces a minimum acceptable quality standard to ensure good quality in the market.

But here is the interesting part: In a dynamic, growing economy, a spectrum of price-quality combinations should exist in almost all product-market segments.

Lower-quality items are as important as better-quality ones in any mature market, be it food, steel, chemicals, or toys. It is indeed critical to have a variety of such price-quality combinations available. This variety helps in manufacturing flexibility, innovation, choice for a range of customers, and also inclusion. Buyers and sellers in any market can typically differentiate between different types of quality and therefore don't need a government department telling them what's good enough or not.

Moreover, even if they can't observe product quality before purchase, once a bad-quality product is experienced by a buyer, the seller's reputation and ability to sell are damaged. Therefore, even if poor quality is not observed by the buyer, we don't necessarily need a QCO. It is required only when two criteria are met simultaneously: First, the buyer cannot make out the quality of a product, and second, the potential damage from its use is large and irreversible. Why only India? Compare any country's QCOs against these criteria, and we will need to eliminate a large majority.

But there may also be a second reason why QCOs are imposed in India. It is to protect a nascent sector or firm against imports. In fact, in almost all product segments where India has imposed QCOs, imports from China have been significant. If indeed that is the underlying problem, then it's not necessarily quality that's the challenge but price. (Industry participants can make out quality better than government laboratories do.) And therefore, the right tools for that are price-related tools, such as tariffs and anti-dumping measures. Therefore, before deciding to impose a QCO, the key question that needs to be assessed is: What is the need for it? Can buyers themselves not ascertain the quality of their purchase?

And this gets to the one strange feature of protectionism as it operates in the world today. Typically, the various forms of protection, including QCOs, are meant to be used to support the weak and the small from being overwhelmed by the large and the powerful. Many, if not most, QCOs in operation tend to be on products manufactured by larger domestic firms. In effect, that leads to a perverse situation where the larger units are being protected, whereas it is the smaller downstream units and consumers who bear the consequences. This tendency is not necessarily by design but the political economy of industry. Larger firms will always be better resourced to engage with the government than smaller ones. If there is also a public sector in the same product segment, then the likelihood of protectionist tendencies further increases.

As India matures as an economy and a manufacturing centre, our policy tools also need to be used judiciously. By all means, use QCOs when they are required, but not for price or strategic objectives because those harm India more than they benefit. India, therefore, must reassess all its QCOs and retain only a very few, not the hundreds operating currently.

Source: business-standard.com– May 20, 2025

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To revive manufacturing, India must focus on strengthening six key pillars

The world's attention in the last few weeks has sharply turned to global trade, driven by the United States administration's escalated import tariffs. These shifts have rekindled debates over economic competitiveness. For India, this poses both challenges and opportunities: While exporters may encounter higher trade barriers, there is also potential to expand their global market share. The pivotal question remains: What strategy will India adopt?

Despite its large economic size, India has struggled to integrate into manufacturing global value chains (GVCs), unlike many of its Asian peers. India's share in global manufacturing exports has remained largely stagnant in recent years, inching up from 1.7 per cent in 2017 to 1.8 per cent in 2023, while Vietnam's share rose from 1.5 per cent to 1.9 per cent during the same period, reflecting a more export-oriented and globally integrated manufacturing ecosystem. To move forward, it is critical to identify and address the structural barriers limiting India's participation in GVCs compared to its competitors.

A recently released CSEP Competitiveness Index benchmarks India against key "China Plus One" Asian economies — Malaysia, Vietnam, Thailand, and Indonesia — across six pillars of manufacturing competitiveness: Factor conditions, demand conditions, firm strategy, supporting industries, regulatory quality, and global trade policy.

The findings reveal that India lags behind its peers on most pillars, weighed down by structural issues such as high tariffs, low research & development (R&D) investment, excessive firm concentration, limited engagement in free trade agreements (FTAs), to name a few. These insights were reinforced through industry consultations across sectors like auto components, pharmaceuticals, apparel, and electronics, which highlighted persistent competitiveness challenges specific to their sectors.

These factors have contributed to a steady decline in the manufacturing sector's share of gross domestic product (GDP), from 16 per cent in 2015 to just 13 per cent in 2023, despite successive policy efforts. To reverse this trend, India needs a bold, forward-looking strategy focused on four key areas: Tariff rationalisation, deepening FTAs, regulatory reform, and accelerating technology adoption.

First, India's high and fragmented tariff regime inflates input costs, reduces export competitiveness, and pushes firms to focus on domestic rather than global markets. Tariff reform must be seen not merely as a fiscal issue but as a strategy for integrating into global value chains, which cover 70 per cent of the global trade. While duty drawback schemes offer some relief, they are insufficient. What's needed is comprehensive, supply-chain-wide tariff reduction, rather than selective adjustments.

Second, India must deepen its FTA engagement, signing agreements with new partners and deepening existing agreements. Its absence from major trade blocs such as the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) puts its exporters at a disadvantage compared to peers like Vietnam.

Recent FTAs with Australia, the United Arab Emirates (UAE), and the European Free Trade Association (EFTA), as well as the announcement of an agreement on an FTA with the United Kingdom on May 6, are promising steps. However, India must now finalise a deal with the European Union, a major market and supplier. In today's environment of trade tensions and a weakening multilateral system, bilateral agreements remain the most politically viable option.

These FTAs should transcend traditional tariff reductions and encompass broader, more comprehensive elements. They should focus on facilitating investment flows, technology transfers, and services trade, while also addressing non-tariff barriers (NTBs) and promoting mutual recognition of standards.

Third, regulatory reform is crucial to help firms grow and scale. Current labour laws impose restrictions once firms cross certain workforce size limits, discouraging expansion. Raising these thresholds and simplifying compliance would remove these barriers. Additionally, effective urban planning and affordable housing policies are vital to boost labour mobility and lower costs for both workers and employers. Practical measures — such as building worker dormitories and improving transport — can significantly attract skilled workers, especially women, who remain vastly underrepresented in India's workforce. Addressing these challenges will help resolve labour shortages, boost productivity, and strengthen India's manufacturing competitiveness.

Finally, India must prioritise technology adoption and scale up investment in R&D. This is essential to move up the value chain — from producing low-value-added goods to high-value-added, high-tech products — where India continues to lag behind its global peers. Currently, India invests only 0.6 per cent of its GDP in R&D, which is insufficient compared to competitors like Malaysia (0.9 per cent) and Thailand (1.2 per cent). Despite various government incentives, private R&D remains low, primarily due to limited competitive pressure. Innovation thrives under exposure to both domestic and international competition, not through subsidies alone. A more open, competitive market environment is essential to push Indian firms up the value chain.

A thriving manufacturing sector is not just about growth — it is central to solving India's employment challenge. As highlighted in the Economic Survey 2023–24, India needs to generate nearly 7.85 million non-farm jobs annually. While the services sector may absorb highly skilled professionals, a robust manufacturing base is vital for creating jobs for semi-skilled and unskilled workers transitioning from agriculture.

To increase manufacturing's share of GDP from 13 per cent to 25 per cent over the next decade — assuming GDP growth of 6.5 per cent — the sector must grow at an average annual rate of 13.6 per cent. This level of growth cannot be achieved through domestic demand alone. A much stronger export performance, built on the suggested policy reforms, is essential. India's window of opportunity is open — for now. Seizing it requires bold coordinated action across these four pillars to unlock manufacturing's full potential.

Source: business-standard.com – May 21, 2025

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Labour codes' rollout: Centre nudges states to get in driver's seat

In the absence of a clear timeline for notifying the four labour codes, the Centre has asked all states and Union Territories (UTs) to make "necessary" amendments to their existing labour laws to align them with the "spirit and provisions" of the new codes, according to official sources.

"The nudge by the Centre to have states amend their existing laws is part of the government's efforts to advance ease of doing business and attract investments and create job opportunities, without getting entangled with the labour unions, which have adopted an obstinate and adamant stance while dealing with the question of labour reforms," a senior official told Business Standard. "The government is ready to talk on all provisions, if unions provide some constructive feedback, rather than engaging in consultations with a zero-sum-game approach."

The Joint Platform of Central Trade Unions — comprising 10 central unions, excluding the Rashtriya Swayamsevak Sangh (RSS)-affiliated Bharatiya Mazdoor Sangh — has postponed a planned nationwide general strike against the implementation of the new labour codes from May 20 to July 9 after "due consideration of prevailing situation" in the country.

"There is no timeline yet to notify the new labour codes," said an official source. "During the past couple of years, we have deliberated extensively with states and tried to convince them to take the lead in undertaking these reforms. A majority of states have already made these amendments, which align their state laws in line with the spirit of the Centre's codes."

Parliament passed the four labour codes between 2019 and 2020, consolidating 29 existing labour laws into 'Code on Wages', 'Code on Social Security', 'Occupational Safety, Health and Working Conditions Code', and 'Industrial Relations Code'.

The reforms were intended to streamline regulation, improve working conditions, and support industry growth.

Several states have since amended their labour laws to align with industry demands as part of a broader strategy to position themselves as investment-friendly destinations.

At least 20 states and UTs have increased the threshold for retrenchment without government approval from 100 to 300 workers -- a long-standing demand of industry. Similarly, 19 states and UTs have doubled the threshold under the Factories Act to 20 workers (for units with power) and 40 (for those without). An equal number of jurisdictions have raised the threshold for the applicability of the Contract Labour Act to 50 workers, up from the current 20.

“It’s not that the amendments in labour laws are limited only to the National Democratic Alliance (NDA)-governed states. Many Opposition-ruled states have also gone ahead and made these changes, which indicate that these states also value the importance of investments, especially in the manufacturing sector,” a source said.

Among other changes, 31 states and UTs have allowed women to work night shifts, while all states and UTs have notified reforms related to compliance notices before prosecution.

Certain provisions of the new labour codes, particularly those concerning social security for gig and platform workers, may be implemented separately, officials added, noting that these workers now constitute a significant part of the country’s labour force.

Source: business-standard.com – May 21, 2025

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Tamil Nadu textile mills hoping for sustained demand improvement

Tamil Nadu textile mills are hoping for a gradual market recovery and improved performance this fiscal year after nearly two years of declining demand and growing production costs.

According to Indian Texpreneurs Federation convenor Prabhu Dhamodharan, the spinning business experienced a very difficult period in the fiscal year 2023–2024 as a result of low yarn demand and high inventory levels throughout the value chain.

Over the past nine months, yarn demand has steadily improved due to value chain inventory exhaustion and a 10 per cent decrease in installed spindles throughout India, which has somewhat restored supply-demand equilibrium.

There were no stocks, and the textile mills were able to sell their monthly output. According to him, some mills were currently using 70 per cent to 80 per cent of their capacity, while the larger mills were currently running at 95 per cent.

However, the price differential between domestic and foreign cotton as well as growing conversion costs continue to put pressure on profits. According to him, there is still hope that steady demand will eventually result in an improvement in margins from this fiscal year.

In order to increase efficiency over the medium term, textile mills with financial means were also investing in automation and modernisation. According to him, the mills would be able to invest in modernisation if demand continued to rise.

About 19 million of Tamil Nadu's 24 million spindles were in use, according to S.K. Sundararaman, chairman of the Southern India Mills' Association. One-third of these were doing well since they used only renewable energy sources. For long-term survival, an additional six million spindles should boost manufacturing efficiency and competitiveness. He recommended that they consider pursuing value-added or synthetic yarns.

Due to free trade agreements, the textile industry has a lot of chances. To obtain sustainable, additional industry sources, the mills should concentrate on a number of areas, including fibres, modernisation, and value-added yarns.

Source: apparelresources.com– May 21, 2025

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