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Currency Watch			
USD	EUR	GBP	JPY
87.50	101.33	116.25	0.59

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INTERNATIONAL NEWS

Trump Announces Dozens of New Reciprocal Tariff Rates

Hours before the pause on "reciprocal" tariffs was due to expire, President Donald Trump released an executive order modifying the duty rates for dozens of U.S. trade partners.

Ranging from 10 percent to 41 percent, the new tariffs will go into effect on Aug. 7, the order indicated. Goods that are found to have been transshipped—or rerouted through third countries to evade higher duties—will be subject to an additional 40-percent tariff. These rates will replace those announced by Trump on "Liberation Day" in early April.

According to the White House notice, trading partners that "have agreed to, or are on the verge of concluding, meaningful trade and security agreements" with the U.S. will be subject to Thursday's modified rates until those agreements are concluded.

Meanwhile, countries that weren't listed, and import more American-made products than they export to the U.S., will be subject to 10-percent duties—the same universal baseline tariff that was announced April 2.

"I found that conditions reflected in large and persistent annual U.S. goods trade deficits constitute an unusual and extraordinary threat to the national security and economy of the United States that has its source in whole or substantial part outside the United States," the president wrote in the executive order. "I declared a national emergency with respect to that threat, and to deal with that threat, I imposed additional ad valorem duties that I deemed necessary and appropriate."

A Washington, D.C.-based Court of Appeals for the Federal Circuit heard oral arguments for and against that justification earlier in the day.

Trump wrote that information and recommendations from senior cabinet officials regarding the country's trade relationships and foreign trading partners' existing tariff barriers informed his decisions on the modified rates. Heightened duties are designed to prioritize America's domestic manufacturing base and supply chains, and its defense industrial base, he wrote.

While Trump has often said in recent weeks that there would be no delays to his tariff scheme, they will take effect one week later than he initially planned. Shipments that have been loaded onto vessels to the U.S. before that date, arriving by Oct. 5, will not be subject to the new duties, giving importers a small window to rush orders.

Notably, the president made good on his threat to hit Canadian imports to the U.S. market with steeper tariffs, raising the country's rate from 25 percent to 35 percent, beginning Friday (aside from goods covered by the U.S.-Mexico-Canada Agreement (USCMA), which include clothing, footwear and textiles). Mexico was not featured on the list, as Trump announced earlier in the day that he and President Claudia Sheinbaum had agreed to extend the current deal for 90 days while they pursue a long-term agreement. The country is currently subject to 25-percent tariffs on goods not covered by USMCA.

The president also walked back his threat to hit Brazil with 40-percent duties earlier this week, bringing the South American nation's rate down to just 10 percent.

The hardest hit nations were Switzerland at 39 percent, Myanmar and Laos at 40 percent, and Syria at 41 percent.

The full list is as follows:

Afghanistan: 15 percent
Algeria: 30 percent
Angola: 15 percent
Bangladesh: 20 percent
Bolivia: 15 percent
Bosnia and Herzegovina: 30 percent
Botswana: 15 percent
Brazil: 10 percent
Brunei: 25 percent
Cambodia: 19 percent
Cameroon: 15 percent
Chad: 15 percent
Costa Rica: 15 percent
Côte d`Ivoire: 15 percent
Democratic Republic of the Congo: 15 percent
Ecuador: 15 percent
Equatorial Guinea: 15 percent

European Union: Goods with a Column 1 Duty Rate over 15 percent: 0 percent

European Union: Goods with Column 1 Duty Rate less than 15 percent: 15 percent minus Column 1 Duty Rate

Falkland Islands: 10 percent

Fiji: 15 percent

Ghana: 15 percent

Guyana: 15 percent

Iceland: 15 percent

India: 25 percent

Indonesia: 19 percent

Iraq: 35 percent

Israel: 15percent

Japan: 15percent

Jordan: 15percent

Kazakhstan: 25percent

Laos: 40 percent

Lesotho: 15 percent

Libya: 30 percent

Liechtenstein: 15 percent

Madagascar: 15 percent

Malawi: 15 percent

Malaysia:19 percent

Mauritius: 15 percent

Moldova: 25 percent

Mozambique: 15 percent

Myanmar (Burma): 40 percent

Namibia: 15 percent

Nauru: 15 percent

New Zealand: 15 percent

Nicaragua: 18 percent

Nigeria: 15 percent

North Macedonia: 15 percent

Norway: 15 percent

Pakistan: 19 percent

Papua New Guinea: 15 percent

Philippines: 19 percent

Serbia: 35 percent

South Africa: 30 percent

South Korea: 15 percent

Sri Lanka: 20 percent

Switzerland: 39 percent

Syria: 41 percent
Taiwan: 20 percent
Thailand: 19 percent
Trinidad and Tobago: 15 percent
Tunisia: 25 percent
Turkey: 15 percent
Uganda: 15 percent
United Kingdom: 10 percent
Vanuatu: 15 percent
Venezuela: 15 percent
Vietnam: 20 percent
Zambia: 15 percent
Zimbabwe: 15 percent

Source: sourcingjournal.com – July 31, 2025

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UK manufacturing downturn eases slightly in July, but risks remain

The UK manufacturing sector showed tentative signs of stabilisation at the start of Q3, with the S&P Global UK Manufacturing PMI inching up to 48.0 in July from 47.7 in June—a six-month high. While the index remained below the neutral 50 mark, indicating contraction for the tenth consecutive month, the rate of decline in output was the mildest since the current downturn began.

Business optimism improved to a five-month high, driven by expectations of a future recovery, new product launches and internal improvements. Nonetheless, sentiment stayed below the long-run average, weighed down by weak demand, policy uncertainty, and global trade challenges, S&P Global said in a press release.

Output shrank for the ninth month in a row, but contraction was notably softer. Consumer and intermediate goods producers returned to growth after prolonged declines, though investment goods output worsened. New orders fell at a quicker pace, extending a ten-month slide, with firms citing low client confidence and tighter budgets—partly influenced by recent government decisions on the National Minimum Wage (NMW) and employer National Insurance Contributions (NICs).

Export orders declined for the 42nd straight month, reflecting global tariff concerns, Brexit-related frictions, and rising foreign competition. Weaker demand was reported from key markets including North America, the EU, India, and China.

Employment in the sector continued to shrink, with July marking the ninth consecutive month of job losses. Hiring freezes and layoffs were reportedly used to offset cost pressures stemming from wage and tax reforms. Backlogs fell further despite reduced capacity, indicating under-utilisation of resources.

Stocks of finished goods declined for a sixth month, while purchasing activity and input inventories were also cut to align with softer demand. Although cost pressures remained stable overall, firms noted rising transport, shipping, and supplier charges.

Despite glimmers of hope, the data underscores a sector still under stress, with subdued domestic and international conditions tempering any immediate recovery.

Rob Dobson, director at S&P Global Market Intelligence, said: “The UK manufacturing sector is starting to send some tentatively encouraging signals, with the downturn moderating in July as factory output came close to stabilising and future output expectations hit the highest since February. However, it’s clear that there’s no assured path back to strong growth. Clients in the home market often remain unwilling to spend due to cost factors such as higher minimum wages and employer NICs, while export markets are being buffeted by geopolitical stresses and trade and tariff uncertainties.

“The biggest concern remains the labour market, with the rate of job cutting through much of 2025 among the steepest since the pandemic year of 2020. With the Autumn budget only a few months away, manufacturers will likely remain cautious and focussed on stabilisation while waiting to see if future budget announcements provide much needed support or further challenges to overcome."

Source: fibre2fashion.com– Aug 03, 2025

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How will U.S. cotton fare in the new season after the third round of China-U.S. talks?

According to a report by People's Daily, Li Chenggang, China's International Trade Representative and Vice Minister of Commerce, stated in Stockholm, Sweden on the evening of July 29 that in line with the consensus reached in the new round of China-US economic and trade talks, both sides will continue pushing for the continued extension of the pause on 24 percent of reciprocal tariffs of the U.S. side, as well as counter measures of the Chinese side.

The core of the talk is to make time-related preparations for the subsequent discussions on tariff-related matters by the heads of state of the two countries. Therefore, the current result is that the tariff level imposed by the United States in the trade war against China remains at 20% (fentanyl-related) + 34% (reciprocal tariffs) - 24% (90-day exemption of reciprocal tariffs)=30% additional tariffs. Plus the 25% tariff on textiles and 7.5% tariff on clothing after the Section 301 investigation, the tariff level for Chinese exports to the United States remains at around 37.5%-55%.

And the export of U.S. cotton to China in the new season has basically failed. China will maintain the 15% additional tariffs on chicken, wheat, corn and cotton originating from the United States imposed since March 10, and the 10% additional tariffs on sorghum, soybeans, pork, beef, aquatic products, fruits, vegetables and dairy products. Affected by this, ICE cotton futures dropped again on Jul 29.

With this round of tariff exemptions extended until November, it is expected that U.S. new cotton export sales to China will remain on hold. First, the demand for traceable orders in August and September will once again fail to materialize.

Although both sides have extended the 24% tariff exemption and reduced tariffs on China's small parcels, the average tariff of over 45% has become an unbearable burden for textile and apparel enterprises. Except for a small number of high-value-added traceable orders, most export orders cannot be fulfilled. As a result of this reduction in rigid demand, even if the tariffs on U.S. cotton are not that high, the replenishment demand for U.S. cotton will not be strong.

Second, policy expectations will inevitably reshape China's cotton textile industry structure. Before this year's tariff war, textile enterprises had already adjusted their layouts to adapt to new industrial patterns: upstream players like Lihua and Zhongtai expanded into Central Asia, building cotton-planting-to-spinning chains; downstream denim enterprises invested in spinning and weaving in Southeast Asia and Africa, adopting a dual domestic-overseas strategy.

Domestically, spinning, dyeing and finishing links have also shifted heavily to Xinjiang, where policy-driven local consumption of Xinjiang cotton has risen rapidly. Not only Trump's tariffs but also domestic policies profoundly impact the sector. Thus, our focus should extend beyond U.S. cotton imports to broader changes in domestic and foreign cotton markets.

Third, the import cost of U.S. cotton restricts its imports. Currently, the average offers for U.S. cotton, green card, 31-3-37 under shipment is around 80-82cent/lb. With 1% tariff quota and an additional 25% tariff, the import cost ranges from 17,727 to 18,162yuan/mt. In contrast, the import cost of Australian cotton SM 1-5/32 is approximately 14,618-14,968yuan/mt, and that of Brazilian cotton M 1-1/8 is about 13,396-13,745yuan/mt, both enjoying obvious price advantages over U.S. cotton. Therefore, after China's tariff countermeasures on March 10, Chinese buyers basically canceled U.S. cotton contracts, and shipments were halted before the April deadline.

Back to the U.S. cotton exports, despite the likely long-term absence of Chinese buyers, there remains potential for a recovery in demand for U.S. cotton. As of the 51st week, USDA data on U.S. cotton exports show that Vietnam, Pakistan, and Turkey accounted for 57% of total U.S. cotton exports. Export sales to China were 168kt, down 86% year on year. For the 2024/25 season, the absence of Chinese buyers has not disrupted U.S. cotton sales, with 2024/25 U.S. cotton sales progress reaching 108%.

Global cotton consumption has shown resilience: the USDA's July supply and demand report projects global cotton consumption at 25.72 million tons for 2025/26, a year-on-year increase of 310,000 tons, following a 410,000-ton rise in 2024/25. This recovery in consumption is partly driven by the ongoing decline in cotton prices-ICE cotton futures have fallen from a 2022 high of 140cent/lb to around 70cent/lb currently, spurring a rebound in demand.

Another reason to be optimistic about sustained growth in U.S. cotton exports is the import preference under tariff compromises. Among Southeast Asian textile-producing countries, the U.S. currently imposes a 20% tariff on Vietnam (Vietnam claims the negotiated result is 11%), 40% on re-exported goods, 19% on Indonesia, 25% on Malaysia, and 35% on Bangladesh.

Tariffs for other major textile and apparel exporting countries have not yet been finalized, with Pakistan previously having a reciprocal tariff of 29% and India 26%. Although tariffs in July are lower than in April, the meager profits in the textile and apparel industry make it hard to absorb such costs.

Insights from Vietnamese enterprises show that the industry is now facing intensified internal competition and difficulties in shipping goods. However, this presents multiple benefits for U.S. cotton exports: Vietnam enjoys zero tariffs on U.S.-bound exports, and Indonesia has pledged to increase imports of U.S. agricultural products. Some textile enterprises note that Vietnamese textile and apparel exports to the U.S. may qualify for tariff exemptions if they contain over 30% U.S. cotton (this policy is yet to be implemented).

Alternatively, Vietnamese export enterprises can still "transship" textile and apparel products to the U.S., EU, etc., even if their raw materials contain 30% or less Chinese components, upon paying 30%-40% value-added tax. In other words, the consumption of U.S. cotton will not disappear but will be transferred-and this logic applies equally to Xinjiang cotton.

Source: ccfgroup.com– Aug 01, 2025

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South Africa's textile imports rise slightly in H1 2025

South Africa's imports of textiles and textile articles (under Chapters 50–63) totalled 31,209.6 million rand (~$1.7 billion) during January–June 2025, according to preliminary data released by the South African Revenue Service in its June 2025 report. This represents a 1.5 per cent increase compared to the same period last year. The trade figures include transactions with Botswana, Eswatini, Lesotho, and Namibia (BELN).

Official merchandise trade statistics show that during the same period in 2024, the country imported textiles and textile articles worth 30,762.9 million rand. South Africa continues to be a net importer in this product segment.

Exports of textiles and related products edged up by 5.4 per cent, reaching 12,150.4 million rand (~$668.50 million) in the first six months of 2025, compared to 11,524.2 million rand in the corresponding period of 2024.

In June 2025, South Africa's imports of textiles and textile articles under Chapters 50–63 stood at 4,900.5 million rand (~$269.60 million), reflecting a 3.3 per cent increase from imports of 4,742.9 million rand in May 2025.

Exports under the same chapters rose by 7 per cent to 2,165.5 million rand (~$119.12 million) in June 2025, from 2,024.6 million rand in May 2025.

South Africa's textile trade showed an upward trend in May 2025 on a month-on-month basis. Its cumulative textile trade also maintained a positive trajectory.

In 2024, the country's imports of textiles and textile articles reached 65,476 million rand (~$3,551.95 million), up 10 per cent from 59,528.9 million rand in 2023. Exports of textiles and related products edged up by 1.8 per cent, amounting to 23,578.8 million rand (~$1,279.11 million) in 2024, compared to 23,155.9 million rand in 2023.

Source: fibre2fashion.com– Aug 04, 2025

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ICE cotton falls for 4th straight day on selling pressure, crude drop

ICE cotton futures extended their decline for the fourth consecutive trading session on Friday. A downtrend in broader markets, a stronger US dollar, and falling crude oil prices weighed heavily on sentiment in the US cotton market. Speculative selling further contributed to the bearish trend.

ICE's most active December 2025 contract settled at 66.36 cents per pound (0.453 kg), down 0.89 cent or 1.32 percent. The contract lost 187 points, or 2.7 per cent, on a weekly basis. Other contracts registered declines of up to 119 points, though a few distant contracts recorded gains.

Contracts from October 2025 through October 2027 posted weekly losses ranging from 121 to 259 points, underscoring the severity of the medium-term slump. A new contract, July 2028, was listed but saw no trading activity on its debut day.

The US dollar recorded its sixth straight day of gains, making US cotton more expensive for importers and encouraging selling by foreign producers. Crude oil prices fell nearly $2 per barrel due to speculation that OPEC+ may increase output and sluggish US employment data. The decline in crude indirectly pressured cotton as polyester became cheaper.

Total trading volume reached 55,382 contracts—marking the highest daily volume in five weeks—compared to 30,846 contracts cleared the previous day. As of July 31, ICE reported deliverable inventory for No. 2 cotton at 21,617 bales, unchanged from the prior day, indicating stable certified stock levels.

The ongoing decline was attributed to widespread risk aversion across global markets, including agricultural commodities, equities, and bonds, amid mounting macroeconomic fears. Technical breakdowns triggered speculative selling.

US stock markets plunged, with the S&P 500 posting its biggest one-day drop in over two months, driven by new US tariffs and a weaker-than-expected July jobs report. A downward revision to June employment data further heightened concerns about a potential economic slowdown, shaking investor confidence.

A weaker USDA Export Sales Report for the week ending July 24 also added pressure on cotton prices.

ICE cotton for December 2025 settled at 66.36 cents per pound (down 0.89 cent), cash cotton at 64.36 cents (unchanged), the October 2025 contract at 64.42 cents (down 1.19 cent), the March 2026 contract at 67.89 cents (down 0.91 cent), the May 2026 contract at 68.86 cents (down 0.88 cent) and the July 2026 contract at 69.74 cents (down 0.83 cent).

Source: fibre2fashion.com– Aug 02, 2025

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Cambodia sees opening of 116 new garment units in H1 2025; Total 1,682

The manufacturing sector in Cambodia recorded significant growth in the first half (H1) this year, with a notable increase in both garment and non-garment factories.

The country saw the opening of 116 new garment factories in H1 2025, bringing the total to 1,682 factories, and rising from 1,566 at the end of last year, a report from the ministry of labor and vocational training said.

Cambodia exported garments, footwear and travel products (GFT) worth $7.38 billion in H1 2025—up by 22 per cent year on year (YoY), said another report from the general department of customs and excise.

Garment products accounted for $5,283 million during the period—up by 22 per cent YoY, the report noted.

Imports of raw materials used in the garment sector reached $3,489 million during H1 2025—a YoY increase of 21.43 per cent, domestic media outlets reported.

Source: fibre2fashion.com– Aug 03, 2025

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JAAF welcomes revised 20% US tariff on Sri Lankan apparel

The Joint Apparel Association Forum (JAAF) has welcomed the revised reciprocal tariff rate of 20 per cent on Sri Lankan exports to the United States and commended the Government of Sri Lanka for its steadfast efforts in securing this critical outcome for the apparel sector.

JAAF extends its sincere gratitude to President Anura Kumara Dissanayake for his leadership, and to the negotiating team led by Dr. Harshana Suriyapperuma, secretary to the Treasury, for their pragmatic and sustained engagement since the initial tariff announcement in April. Their appreciation is also directed toward the tireless efforts throughout this complex process, which have been instrumental in achieving a fair and competitive outcome for Sri Lankan exporters.

The association also wishes to acknowledge the invaluable role played by Mahinda Samarasinghe, ambassador of Sri Lanka to the United States, and the Sri Lankan Embassy in Washington, DC. Their ongoing diplomatic engagement and advocacy were pivotal in facilitating constructive dialogue with US stakeholders, JAAF said in a release.

The revised tariff rate brings Sri Lanka into closer alignment with other leading apparel-exporting nations in the region—including Bangladesh, Cambodia, Vietnam, Indonesia, and Pakistan—thereby ensuring a more level playing field and preserving the competitiveness of Sri Lanka's apparel industry in the key US markets.

JAAF remains firmly committed to working in close partnership with the Government of Sri Lanka and its counterparts in the United States to promote ethical labour practices, environmental sustainability, and innovation in apparel manufacturing.

The association is confident that these shared values, combined with continued diplomatic engagement, will contribute to deeper bilateral trade relations, and pave the way for further tariff reductions in the future.

Source: fibre2fashion.com– Aug 02, 2025

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NATIONAL NEWS

Donald Trump's 25% tariff hit triggers layoff warning from exporters

No Russia penalty yet; key meetings between Goyal and exporters today, tomorrow

US President Donald Trump on Friday formally imposed a sweeping 25 per cent import tariff on Indian goods, sparking fears of mass layoffs among exporters, especially in the textiles sector.

Though the anticipated "penalty" tied to India's purchases from Russia was absent, the tariff hike placed Indian exporters at a disadvantage compared with regional peers such as Bangladesh, which secured a lower 20 per cent rate from Washington.

According to a White House executive order, the new tariffs are set to come into effect from August 7 and will be imposed over and above the existing World Trade Organization-compliant tariffs, except for a special concession granted to the European Union. The list excluded China, which will continue to attract a 30 per cent tariff.

The presidential order listed higher import duty rates ranging from 10 per cent to 41 per cent for 69 trading partners, increasing the US' effective tariff rate to about 18 per cent, up from 2.3 per cent last year, according to Capital Economics.

Indian goods shipped before August 7 and arriving in the US by October 5 will pay the baseline 10 per cent tariff on most products, except for sectors such as automobiles, steel and aluminium, where specific sectoral tariffs are already in place. In addition, exemptions remain for categories including pharmaceutical drugs, semiconductors, electronic products such as smartphones, and energy products like crude oil and coal -- for now.

Delhi-based think tank the Global Trade Research Initiative (GTRI) said quick estimates suggest that India's goods exports may fall by 30 per cent, from $86.5 billion in FY25 to $60.6 billion in FY26.

Commerce and Industry Minister Piyush Goyal is likely to meet exporters in Mumbai on Saturday and Sunday.

India faces higher tariffs than most nations, as New Delhi and Washington failed to finalise an interim trade agreement before the August 1 deadline. Washington's insistence on greater market access for sensitive agriculture and dairy sectors proved to be a deal breaker.

While Trump has partially blamed India's BRICS membership for the 25 per cent tariff, US Secretary of State Marco Rubio said that India's crude oil purchases from Russia remained a "point of irritation" in India-US relations.

The Ministry of External Affairs (MEA) on Friday issued a measured response to the tariff situation. "The US and India partnership has weathered several transitions and challenges.

We remain focused on the substantive agenda that our two countries have committed to and are confident that the relationship will continue to move forward," said MEA spokesperson Randhir Jaiswal in New Delhi.

He added that the two countries "share a comprehensive global strategic partnership anchored in shared interests, democratic values, and robust people-to-people ties".

Fear of layoffs

Indian apparel exporters raised the alarm on Friday, warning that the 25 per cent tariff imposed by the United States may result in "mass layoffs" in manufacturing units, and appealed to the government to intervene.

"Exporters have their backs against the wall and will have to sell below cost to keep their factories running and avoid mass layoffs," said Sudhir Sekhri, Chairman of the Apparel Export Promotion Council (AEPC).

This is significant, given that the textile and apparel industry is the second-largest employment generator after agriculture, directly employing over 45 million people, including many women and members of the rural population.

Nearly 80 per cent of the sector's capacity is spread across micro, small and medium enterprises (MSME) clusters throughout the country.

Another exporter, requesting anonymity, said businesses were bracing for potential layoffs due to the uncertainty. “There should be a mechanism where the higher duty is partly offset by the exporter and the rest borne by the government. That apart, there’s also a threat of an additional penalty. The government should roll out the support schemes under the Export Promotion Mission announced in the Budget,” he said.

On Friday, the Federation of Indian Export Organisations (FIEO) and other export promotion councils held meetings and are likely to submit their recommendations to the Commerce and Industry Ministry early next week.

The Confederation of Indian Textile Industry (CITI) also said the latest US tariff announcement had worsened an already challenging environment for India’s textile and apparel exporters.

CITI expects the government to step in during this difficult period. It said facilitating the availability of raw materials at internationally competitive prices would provide critical support, allowing local industry players to better compete with global peers.

“The latest US tariff announcement, following which the tariff rates have been substantially reduced for many countries, including Bangladesh, with whom we compete for a larger share of the US market, will compound the difficulties for India’s textile and apparel exporters, as we will be handicapped by a severe duty disadvantage,” said Rakesh Mehra, chairman of CITI.

The US is India’s largest market for textile and apparel exports. Between January and May 2025, US imports of textile and apparel from India were valued at $4.59 billion, a rise of more than 13 per cent compared to the same period last year, when the figure stood at $4.05 billion.

Apart from Bangladesh, Indonesia (19 per cent), Cambodia (19 per cent), and Vietnam (20 per cent) currently enjoy a tariff advantage over India. China remains the biggest exporter of textiles and apparel items to the US, followed by Vietnam, India and Bangladesh.

Gems and Jewellery Export Promotion Council (GJEPC) Chairman Kirit Bhansali said the 25 per cent tariff would also hit that sector hard.

According to Bhansali, 30 per cent of India's gems and jewellery exports, worth $10 billion, is shipped to the US. "In the case of jewellery, buyers may still be ready to pay more. However, it will be much harder to survive in the case of loose diamonds, where the margin is only 4–5 per cent," he said.

A senior government official told Business Standard that the Commerce Department is closely assessing the executive order and is also engaging with industry and other stakeholders to evaluate its impact. "Despite an increase in tariff, exports to the US will continue. Even if other countries pay lower tariffs, US buyers won't shift to another country overnight," the official said.

New Delhi will remain engaged in trade talks with Washington, with the next formal round of discussions scheduled for 25 August in the Indian capital. "We signed a trade deal with Australia without giving market access to dairy. We didn't compromise then, and we will not compromise now," the official added.

Source: business-standard.com– Aug 02, 2025

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Banks may tighten lending to MSMEs

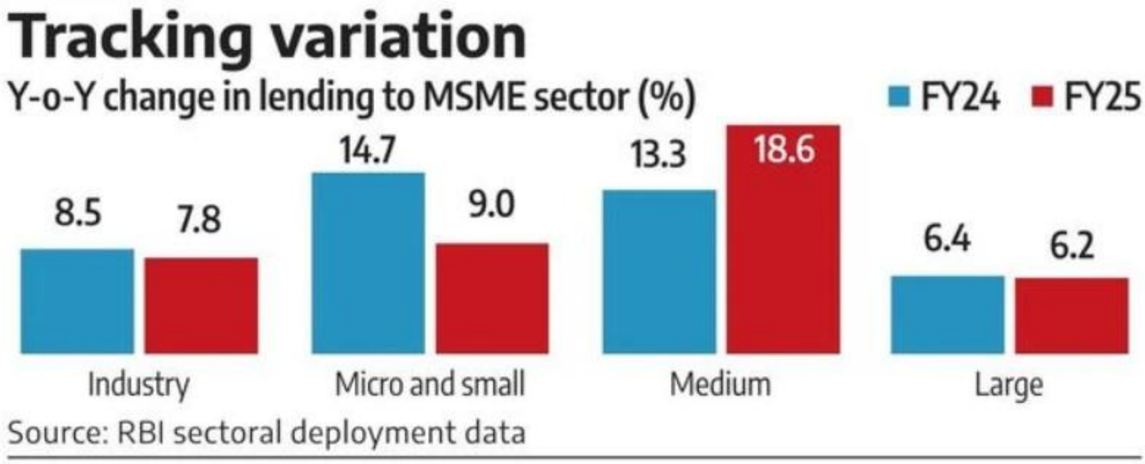
Banks may adopt a risk-averse approach and slow down fresh lending to export-oriented micro, small, and medium enterprises (MSMEs) to avoid stress in their portfolios after the US imposed a 25 per cent tariff on goods imported from India.

Lenders may also ask for more collateral when extending credit to this segment, they added.

The asset quality of the MSME sector has remained stable so far. MSME lending outpaced credit growth in the retail and services sectors in FY25, rising by 14.1 per cent amid an overall decline in bank credit.

A senior official at a state-owned bank, requesting not to be quoted, said around 45-50 per cent of MSMEs were export-oriented, and lenders would now have to choose amongst MSMEs whether they are export-oriented or not.

“We do not want stress in exports to trickle down to our books. Hence, to avoid any such risk, risk aversion may increase. As a bank, we may tighten our lending to MSMEs,” the official said.



Experts pointed out that former US President Donald Trump’s tariff move could dent growth in key MSME sectors such as textiles, gems and jewellery, footwear, and furniture, that are heavily reliant on export income. The 25 per cent tariff, they said, would render Indian exporters less competitive compared to nations like China and Vietnam.

Sachin Sachdeva, vice-president and sector head (financial sector ratings) at Icra, said the tariff would not only impact credit demand but also raise asset quality concerns as MSME cash flows would get affected. "Nevertheless, any government incentives or shift to other markets would help them reduce the impact and the same would remain monitorable," Sachdeva said.

State Bank of India, Canara Bank, Bank of Baroda, UCO Bank, Union Bank of India, ICICI Bank, and Axis Bank are among the lenders with large exposure to the MSME sector.

"Fresh lending to MSMEs may get impacted," said a senior official at a private-sector bank.

Further, banks may increase collateral requirements or charge higher interest rates, particularly for subprime borrowers. "Overall credit growth will not get affected and banks' asset quality will also not deteriorate. We cannot deny that some sectors are going to witness some stress, and MSME is one of them, due to tariffs," said a senior banking official with another public-sector bank.

According to economists, MSMEs that are unable to absorb or pass on the impact of the tariffs may face margin compression, leading to delayed payments or order cancellations. This, in turn, could increase the burden of unsold inventories, and create a shortfall in working capital and cash crunch, they said.

According to the latest data from the MSME ministry, gross non-performing assets in the sector dropped to 3.59 per cent of total advances as of March 31, 2025, down from 11.03 per cent in FY20.

State-owned banks, supported by central government initiatives, have increased lending to the MSME sector under government-backed schemes.

The surge was driven by guarantee schemes such as the Credit Guarantee Fund for Micro Units and the Emergency Credit Line Guarantee Scheme.

Source: business-standard.com– Aug 01, 2025

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Trump, tariffs, and trouble: India's textile exports to US may face severe hit due to 25% tariff

The imposition of 25 per cent tariff along with an unspecified penalty by the United States, is likely to severely impact India's exports of textiles and apparels (T&A) to the US market. It is also expected to make importers hold back on placing new orders.

"This development has created considerable uncertainty among US buyers, who are currently unclear about the final tariff structure that will be applicable. As a result, many importers have adopted a cautious approach and are holding back on placing new orders," A Ravikumar, Executive Director, Manmade Fibre and Technical Textiles Export Promotion Council (MATEXIL), told DH.

Further, several US buyers have advised Indian exporters to suspend shipments even against confirmed export orders until further clarity emerges. This abrupt disruption in trade is expected to cause significant financial losses to exporters and may also impact the production pipeline and employment within the textile sector, he said. In the immediate term, American retailers may delay or scale back orders as they reassess cost structures, leading to a dip in purchase volume.

This steep tariff increase puts immense pressure on Indian exporters, many of whom operate on wafer-thin margins. Exporters may be forced to either absorb the additional costs - hurting profitability - or pass them on to US buyers, which could further dampen demand.

The impact will be particularly severe on MSMEs and labour-intensive units, which have limited ability to absorb tariff costs, leading to risks of underutilisation and delayed shipments, said Siddhartha Rajagopal, Executive Director, The Cotton Textiles Export Promotion Council (TEXPROCIL). During the initial stages of tariff negotiations, textile hubs such as Tirupur witnessed a temporary surge in buyer interest as importers rushed to advance shipments before duties escalated.

However, Indian exports of textiles and apparels to the US - valued at Rs 9,34,14,79,85,000 crore ($10.7 billion) and accounting for 29 per cent of India's total exports of textiles and apparels - is at a risk of losing its competitive edge.

"To mitigate the impact of US tariffs and reduce dependency on the US market, India must strategically look at diversifying its export markets by expediting the conclusion of Free Trade Agreements (FTAs) with the EU and Canada. Further, India should also look at the options of exporting T&A products in the high value niche segments," Rajagopal added.

Source: deccanherald.com– Aug 01, 2025

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India at 25% amongst the worst hit in Trump's new reciprocal tariff list

India is one of the worst-hit amongst South and Southeast Asian countries following US President Donald Trump's announcement of new reciprocal tariffs on Thursday. Competitors such as Vietnam, Bangladesh, Sri Lanka, Pakistan, Indonesia, Thailand and Philippines fared better, but not by a wide margin.

The country now faces tariffs of 25 per cent, to be applicable from August 7, while a tariff of 19 per cent has been imposed on Pakistan, Indonesia, Thailand, Philippines, and Malaysia and 20 per cent on Bangladesh, Sri Lanka and Vietnam. China, for now, attracts a higher tariff of 30 per cent.

New Delhi, however, maintains that it will not budge on its red lines in the ongoing bilateral trade agreement (BTA) negotiations with the US, which include access to dairy, sensitive agriculture items and GM crops and also some prohibitions linked to religious considerations, sources close to the development told businessline.

Fair trade

Many trading partners including Vietnam, Indonesia, the Philippines, Japan and the EU still got slapped with tariffs, albeit lower than India, despite extending concessions in trade deals with the US. India which wants a trade pact to be mutually beneficial, the source said.

"The government and exporters are hopeful that ongoing negotiations on an the India-US BTA would yield positive results in the months to come. But till that happens things would be challenging," the source said.

Officials reiterated that India would stick to its stand of not taking action against the US at the WTO on the higher tariffs while the BTA negotiations were on.

The penalty threatened by Trump on India for doing business with Russia has not yet been announced and it could make things worse, pointed out Israr Ahmed, a top exporter of leather products. "Other Asian countries have 19-20 per cent tariffs which may prompt customers to shift orders away from India. Hopefully, the two governments can swiftly negotiate a mutually beneficial solution," Ahmed said.

Reciprocal tariffs

Trump announced reciprocal tariffs on all major trading partners, including India, on April 2 but postponed it first to July 9 and then to August 1 to give time for trade deals.

Many countries seemed to have negotiated well at the last minute to get their tariffs reduced, said Sanjay Jain, Chairman, ICC National Textiles Committee. “India needs to protect industry, especially MSME, by announcing a 5 per cent incentive on exports to the US,” Jain proposed.

The US was India’s largest export destination in FY25 with shipments valued at $86.51 billion. But it accounted for less than a fifth of its total goods exports of $437.42 billion.

There are just a handful of countries that have tariffs higher than India which includes Switzerland at 39 per cent, Serbia at 35 per cent, Myanmar at 40 per cent, and Libya and Bosnia & Herzegovina at 30 per cent.

Source: thehindubusinessline.com– Aug 01, 2025

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Leather, textiles, shrimp exports to hit hard from 25% US tariff, say experts

Domestic export sectors such as leather, footwear, textiles and shrimp will be hit hard by the imposition of the 25 per cent tariff by the US, industry experts say.

"Quick estimates suggest that India's goods exports in FY 2026 may come down by 30 per cent from $86.5 billion in FY 2025 to $60.6 billion in FY 2026," GTRI Founder Ajay Srivastava said.

The duty, announced this week, will come into force from August 7 (9.30 am IST). These will be over and above the exiting standard import duty in the US. The 25 per cent tariff will replace the existing 10 per cent baseline tariff.

The modified tariff is one per cent less than the 26 per cent levy announced by President Donald Trump on April 2.

A White House executive order mentions that tariffs may be reduced once countries make a deal with the US.

The executive order also clarifies that goods in transit until October 5, 12:01 am eastern daylight time (EDT), or 09:30 am IST, will be subject to a 10 per cent tariff, provided that such goods have entered into transit before August 7 12:01 am EDT.

The sectors, which would bear the brunt of 25 per cent duty include textiles/ clothing (10.3 billion), gems and jewellery (12 billion), shrimp ($2.24 billion), leather and footwear ($1.18 billion), chemicals (2.34 billion), and electrical and mechanical machinery (about $9 billion).

According to think tank GTRI, the duty on all Indian-origin goods could severely hit the country's exports to America.

Federation of Indian Export Organizations (FIEO) Director General Ajay Sahai said that the order provides relaxation for goods in transit and those loaded on ship for final sailing to the US by August 7.

Goods cleared for consumption in the US by October 5 will also not be subject to reciprocal tariffs, thus providing some relief to exporters of goods already shipped or likely to be shipped this week, he said.

In 2024-25, the bilateral trade between India and the US stood at $131.8 billion ($86.5 billion exports and $45.3 billion imports).

Sudhir Sekhri, Chairman, AEPC (Apparel Export Promotion Council), said: "We request immediate government intervention to offset this huge setback.

"Exporters have their back against the wall and will have to sell below cost to keep their factories running and avoid mass layoffs." Indian shrimp exporters face an unprecedented new challenge in the US market, which contributes close to 48 per cent of their exports, Crisil Ratings Senior Director Rahul Guha said.

Exporters are hoping that early finalisation of the India-US bilateral trade agreement will help in dealing with the tariff challenges.

The negotiations between India and the US are still going on for an interim trade deal, though there will be no compromise on the red lines with regard to duty concessions on agriculture items, dairy, and genetically modified (GM) products, sources said.

The two countries are negotiating a bilateral trade agreement (BTA). They are aiming to conclude the first phase of the pact by fall (October-November) this year.

Source: thehindubusinessline.com– Aug 02, 2025

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Will India's Strength Be Sapped by 25 Percent Tariff?

"Still, a shock," Indian manufacturers told Sourcing Journal, as the impact of the 25 percent U.S. tariff on Indian exports rippled through markets.

The tariff, announced by President Trump on Truth Social on Wednesday, came just as India was being seen as an increasingly vital sourcing destination. Over the past few months, India had begun positioning itself for a larger role in global apparel exports, especially as other sourcing nations in Asia were hit with steep U.S. tariffs announced in April: at the time, Vietnam at 46 percent, Cambodia at 47 percent, Sri Lanka at 44 percent, and Bangladesh at 37 percent.

Indian manufacturers had begun drawing up aggressive growth plans, factoring in the newly unfavorable environment for their competitors.

But since then, the playing field has shifted. Vietnam's tariff was negotiated down to 20 percent earlier this month, Indonesia's to 19 percent, and Bangladesh to 35 percent and Sri Lanka's to 30 percent. India's tariff, in contrast, was reduced by just one percentage point—from 26 to 25 percent.

"It's not good news," said Sanjay K. Jain, chair of the ICC National Textiles Committee. "Suddenly everyone feels it is a disaster for India. But is it so bad? India, in any case, doesn't have the capacity for more than 10 percent growth at the moment.

Capacity is being built, driven by U.K demand and other buyers who have already committed to India." He said that a tariff of less than 20 percent had not been expected anyway. "So, yes, it's a five percent hit—maybe the bullish sentiment is gone, but we're not bearish either. India is still in a strong position and normal apparel growth will continue."

Among his recommendation to help the industry, and reduce the pain—is to remove the 11 percent import duty on U.S. cotton, which would immediately boost competitiveness.

"If the U.S. cotton duty is removed, prices will be more attractive, benefiting exports of value-added garments and home textiles. This would help offset the tariff impact," he said.

Exporters and analysts are urging patience, noting that political posturing remains in play, and upcoming diplomatic engagements—including the scheduled U.S. delegation visit to India in August—could reopen negotiations. However, concern grew after President Trump also mentioned additional trade penalties tied to India's energy purchases from Russia.

Trump's comment that "India was a dead economy" was met with sharp criticism, too.

India's economy grew by over 6.5 percent in 2024, compared to U.S. GDP growth of 2.8 percent.

Speaking in Parliament on Thursday, commerce Minister Piyush Goyal reaffirmed that India's interests would be safeguarded and highlighted the country's status as the world's fastest-growing major economy, on track to becoming the third-largest in terms of GDP.

"The government is assessing the impact of these new tariffs, which come in addition to the 10 percent baseline duty imposed since April," he said. He also spoke about the fact that negotiations were still on, with five rounds of physical discussions, and more in virtual meetings already taking the agreement on the Bilateral Trade Agreement (BTA) with the U.S and India towards a more balanced negotiation.

"The terms of reference were finalized in March, and we're working towards a mutually beneficial trade pact," he said, while emphasizing that India would "take all necessary steps to protect national interests."

He praised the contributions of Indian farmers, small businesses, and industry leaders, reaffirming that their interests would be protected in all upcoming trade decisions.

Industry players, meanwhile, expressed surprise that India hadn't secured a better deal, citing possible repercussions on employment and small businesses.

"The U.S. is a key market for Indian apparel exports. In 2024, 33 percent of India's apparel exports went to the U.S.," said Sudhir Sekhri, chairman of the Apparel Export Promotion Council (AEPC). "India's share in the U.S. apparel import market has grown from 4.5 percent in 2020 to 5.8 percent in 2024, ranking fourth among major exporters."

According to AEPC, India's top apparel exports to the U.S. include cotton T-shirts (9.71 percent), women's or girls' cotton dresses (6.52 percent), and babies' cotton garments (5.46 percent). These three categories account for 10 percent, 36 percent, and 20 percent of total U.S. imports of these products globally.

"The 25 percent tariff is higher than expected, but it's manageable as long as Vietnam and Bangladesh don't see further tariff reductions," Sekhri added. "Exports may slow until an interim Bilateral Trade Agreement (BTA), hopefully concluded between October and December 2025. The penalty clause is a grey area—we expect the government to address this before August 1."

The added penalty clause—linked to India's military and energy ties with Russia—has raised fresh concerns over the $190 billion bilateral trade relationship, which includes a $45 billion deficit on India's side.

"Remember, while India is our friend, we've done relatively little business with them because their tariffs are among the highest in the world," Trump posted on Truth Social. "They also impose the most strenuous and obnoxious non-monetary trade barriers. India buys most of its military gear from Russia and is one of Russia's largest energy customers. These are not good things. Starting August 1, India will pay a 25 percent tariff—plus a penalty."

Rahul Mehta, Chief Mentor of the Clothing Manufacturers Association of India (CMAI), called the 25 percent tariff a "surprising twist."

"If these terms are implemented, Indian products will be 7–10 percent more expensive than some competitors. That will hurt apparel exports to the U.S. Fortunately, we've just signed a free trade agreement with the UK, and the one with the EU is progressing quickly," he said.

Final tariff numbers for other sourcing countries are still awaited. Negotiations for Bangladesh have been on this week, with manufacturers in Dhaka telling Sourcing Journal that they "expect a drop to under 18 percent." That's being closely watched, as Bangladesh remains one of the largest apparel exporters after China and manufacturers in India observed wryly that retailers and big brands are 'usually poised to shift sourcing to the lowest-cost locations', and more so, as global production costs rise.

Market volatility remains a top concern. “The lack of clarity on the penalty amount adds to the uncertainty,” said Rakesh Mehra, chairman of the Confederation of Indian Textile Industry (CITI).

Others pointed towards the silver lining, that despite everything, India still holds a price advantage over Bangladesh, Sri Lanka, and Cambodia, based on the numbers so far.

They also felt that the many opaque terms of agreement made in the deals struck with other countries were also best avoided.

Analysts have noted the same. “A deal may still emerge, but only on fair terms,” think tank Global Trade Research Initiative (GTRI) noted. “India’s principled stand has helped it avoid a one-sided agreement. That itself is a win.”

GTRI added that some of the deals with Vietnam and Japan showed “contradictions in understanding” on both sides.

Others pointed out that India’s vertical integration from fiber to finished garment, and the country’s relative political and economic stability compared to others in the region, would still stand it in good stead as a strong sourcing country,

All eyes are now on what happens next.

Source: sourcingjournal.com– July 31, 2025

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Has scheme to help MSMEs gain global exposure worked? Time for a review

New Delhi: As global geoeconomic uncertainty and tariff wars disrupt supply chains, the government has started reviewing the scheme that offers incentives to small businesses to develop international business relations.

The ministry of micro, small & medium enterprises (MSMEs) has begun reviewing its 2019 International Co-operation Scheme, according to two people aware of the development.

The scheme provides financial aid to industry associations, and state and central government organisations that promote the MSME sector.

The review will cover the participation of MSMEs in the scheme to examine whether the implementation has had a positive impact on the sector, especially on first-time exporters, the people mentioned above said.

The assessment is in its initial stages, one of the people said.

The scheme reimburses airfares, rent for showcase spaces, and visits to international conferences by representatives of the MSME sector. It also refunds costs to conduct international seminars and conferences. It also provides benefits for capacity building to first-time exporters.

A query emailed to the MSME ministry on 31 July remained unanswered. In FY24, the government assisted 545 MSMEs under the scheme with a support of ₹19.22 crore, according to a Lok Sabha disclosure in March 2025. India’s MSMEs contribute to about 45% of the country’s exports.

MSMEs must register to receive benefits under the scheme. For instance, a company must be registered under the Companies Act, and a society needs to be registered under the Societies Act.

But once registered, they must fulfil regulatory compliance requirements and may not have adequate financial resources for that, according to reports by multiple lenders.

Closer scrutiny

Mint reported in March that government officials scrutinise MSMES more closely when securing registration under the goods and services tax (GST) regime.

Under the International Co-operation Scheme, MSME industry associations can participate in three events in a year, and in the same event for three years at a stretch. After three consecutive years of participation, MSMEs or their industry associations can participate in an event after a gap of two years.

First-time exporters can get financial assistance for securing registration-cum-membership certificates in export promotion councils and paying fees for quality certification of exports.

MSMEs have been facing export-related concerns.

“The sector needs to be provided with better market access facilities to sustain and further enhance its contribution towards output, employment generation and exports. However, currently lot of MSMEs do not have a clear strategy for effective sales promotion because they lack the resources and knowledge for it,” said the 2019 expert committee report on MSMEs led by UK Sinha.

Small Industries Development Bank of India (SIBDI) said in its recent outlook that trading MSMEs may have apprehensions about the constantly changing global tariff regime impacting their margins.

“About 40% of exporters were affected directly or indirectly by ongoing tariff issues,” the small business lender said in its MSME Survey Outlook for April-June 2025. Both the manufacturing and services sector MSMEs have been impacted by tariff-related global trade headwinds, the report said.

Source: livemint.com– Aug 03, 2025

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Exporters seek assistance, credit at affordable rates to deal with Trump tariff

New Delhi, Aug 3 (PTI) Indian exporters from various sectors, including food, marine, and textiles, have sought financial assistance and affordable credit from the government to cope with the 25 per cent Trump tariff, industry officials said.

In a meeting with Commerce and Industry Minister Piyush Goyal in Mumbai, certain exporters sought plans on the lines of the production-linked incentive (PLI) scheme, they added.

"Exporters share issues, which they may face in the American market because of the high duty announced by US President Donald Trump," one of the officials said, adding that the minister has suggested that the exporting community send their suggestions in writing.

They also demanded loans at affordable rates and fiscal incentives.

In India, according to exporters, interest rates range between 8 and 12 per cent or even more, depending on the spread and risk assessment of the borrower by authorised dealer banks. In competing countries, the interest rate is very low. For instance, the central bank rate is 3.1 per cent in China, 3 per cent in Malaysia, 2 per cent in Thailand, and 4.5 per cent in Vietnam.

The situation for sectors like apparel and shrimp is not good. US buyers have started cancelling orders or are holding back orders. In the coming months, it can impact India's exports to the US, and because of a dip in shipments, there could be job losses," they said, adding that it will be difficult for the government to extend fiscal incentives.

The 25 per cent duty, announced this week, will come into force from August 7 (9.30 am IST). These will be over and above the existing standard import duty in the US.

The sectors, which would bear the brunt of this high tax, include textiles/ clothing (10.3 billion), gems and jewellery (12 billion), shrimp (USD 2.24 billion), leather and footwear (USD 1.18 billion), chemicals (2.34 billion), and electrical and mechanical machinery (about USD 9 billion).

The US accounts for over 30 per cent of India's leather and apparel exports.

According to think tank GTRI, quick estimates suggest that India's goods exports in FY 2026 may come down by 30 per cent from USD 86.5 billion in the last fiscal to USD 60.6 billion in 2025-26.

Sudhir Sekhri, Chairman, AEPC (Apparel Export Promotion Council), last week requested immediate government intervention to offset this huge setback.

"Exporters have their back against the wall and will have to sell below cost to keep their factories running and avoid mass layoffs," he has said.

Plastic exporter from Delhi NCR region Arvind Goenka said that exports to the US will face stiff competition from competing countries as tariffs on India are one of the highest.

"The USA has fixed substantially lower tariffs on countries like Vietnam (20 per cent), Thailand (19 per cent) and South Korea (15 per cent), all of which excel in plastic goods production, and they may encroach into India's share, which currently is USD 2.2 billion annually," Goenka said.

India's leading footwear exporter and Farida Group Chairman Rafeeq Ahmed said the government should come forward to help the industry before a trade pact is finalised between India and the US.

Source: livemint.com– Aug 03, 2025

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Trump Tariffs: Textile Ministry to meet top industry players next week, say sources

New Delhi: Union Textiles Minister Giriraj Singh will meet industry stakeholders next week to deliberate upon the potential impact of US President Donald Trump's announcement to impose a 25 per cent tariff on India and seek their views on the issue, according to sources.

The US is India's largest market for textile and apparel exports, accounting for about 25 per cent of the country's total outbound shipment from the sector.

Discussions in the meeting will also revolve around realising opportunities arising for India's textile sector from the UK-India FTA, which was signed last month, as the government and industry want to leave no stone unturned to achieve the textile export target of USD 100 billion by 2030, and mitigate the potential impact of the US tariff announcement, sources told PTI.

While it would be "premature" to talk about any measures being considered to support domestic textile exporters in light of the US announcement, they said, the government wants to seek the industry's feedback at this juncture and discuss the challenges and opportunities in terms of the UK-India FTA and other markets with untapped potential.

"We are continuously engaging with the industry. The minister has asked for a meeting. We will be talking to different players, the major garment export firms from India. Discussions will also revolve around realising opportunities arising for the textile sector from the UK-India FTA," according to sources.

"The industry has set a target of USD 100 billion by 2030, which it is keen to achieve. So, they are looking at a variety of products and also at different markets. They are looking at strengthening and consolidating the existing markets. The government has also announced the Export Promotion Mission."

The US on Friday slapped a 25 per cent tariff on India, potentially impacting about half of the USD 86 billion Indian exports to America, while the other half, including pharmaceuticals, electronics, and petroleum products, continued to be exempted from the levy.

The sectors, which would bear the brunt of 25 per cent duty include textiles/ clothing (10.3 billion), gems and jewellery (12 billion), shrimp (USD 2.24 billion), leather and footwear (USD 1.18 billion), animal products (USD 2 billion), chemicals (2.34 billion), and electrical and mechanical machinery (about USD 9 billion).

Source: economictimes.com– Aug 03, 2025

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Ministry of Textiles Press Release

- THE MINISTRY OF TEXTILES IS PROUDLY ANNOUNCING THE "KNOW YOUR WEAVES" CAMPAIGN FROM 1ST TO 7TH AUGUST 2025
- COMPETITIVENESS OF TEXTILE SECTOR
- BENEFICIARIES UNDER SAMARTH SCHEME
- NEW TEXTILE PARKS UNDER PM MITRA SCHEME
- REVIVAL OF KOLHAPURI CHAPPAL ARTISANS
- GROWTH OF TEXTILE INDUSTRY IN 2025

Source: pib.gov.in– Aug 01, 2025

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U.S. is the largest market for some of the Indian textile and engineering goods, say exporters

Exporters of textiles, garments, and engineering goods fear that the 25% tariff imposed by the U.S. will not only lead to loss of orders but also put them in a quandary as no other market has the high volume demand as the U.S.

The Union Minister for Commerce and Industry Piyush Goyal met delegations from the textile and engineering export councils on Saturday.

"We have impressed upon the Minister that for some of the textile products, 60% to 70% exports goes to the U.S. We cannot get such high volume from any other market and if we lose the US buyers, companies supplying these products will be hit hard," said one of the textile exporters.

In the case of engineering goods too, the U.S. is the leading buyer for some of the products for several years. "The competing countries have relatively lesser tariff. Countries that have tariff higher than India are really not competitors. Hence, there should be a detailed study now on the product lines that will be hit by the 25% tariff," said an engineering exporter.

The exporters have urged the government to reintroduce the interest subvention scheme. Indian exporters, mainly the micro, small and medium-scale enterprises, have 2% to 3% disadvantage because of the high interest rates in India compared to the competing countries. Now, they will face higher cost disadvantage because of the tariff. The exporters have also sought supportive measures from the government so that they can supply at competing prices to the U.S. buyers.

Source: thehindu.com– Aug 02, 2025

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RBI seen holding rates, but US tariffs raise odds of cut

India's central bank is expected to hold rates steady on Wednesday, but the odds of another cut have risen after the United States slapped steep tariffs on Indian exports last week, adding to pressure on growth even as inflation stays subdued.

A large majority of economists, or 44 of 57, in a July 18–24 Reuters poll expect the Reserve Bank of India's monetary policy committee (MPC) to hold the repo rate at 5.50% on August 6.

However, sentiment has shifted following the tariff announcement.

"Even without that tariff announcement, a case could be made for a 25 basis point rate cut. The 25% tariff rate is an added growth shock," ANZ Research said, adding that both growth and inflation are likely to undershoot the RBI's forecasts.

The RBI delivered a larger-than-expected 50bp cut in June and shifted its stance to "neutral", signalling that further moves would depend on incoming data.

India's manufacturing sector expanded at its fastest pace in 16 months in July, with the HSBC-S&P Global PMI rising to 59.1. But business confidence fell to a three-year low, with firms citing competitive pressures and inflation concerns — a sign that underlying demand may be softening.

India's annual retail inflation slowed to a more than six-year low of 2.10% in June, near the lower end of the central bank's tolerance band, as food prices continued to ease. Inflation is seen falling to a record low in July.

"While this backdrop is conducive for further monetary easing, we believe it is not yet compelling enough to deliver a fourth straight rate cut and exhaust the policy arsenal," said Aastha Gudwani, India chief economist at Barclays.

RBI Governor Sanjay Malhotra said last month the central bank had won the battle against inflation but the war was ongoing, and future policy decisions would be guided by the outlook for growth and inflation rather than current levels.

Nomura also said the bar for an August cut is high after the June easing and stance shift, though it raised the probability of a cut to 35% from 10% earlier.

"Neither bonds nor the swaps market is pricing in a rate cut on Wednesday, and if it happens, we could actually see a rally. Currently the base case is a dovish commentary and a pause on rates," a trader at a state-run bank said.

Traders are also awaiting the announcement of a revised liquidity framework, which may come alongside the policy.

Source: thehindubusinessline.com– Aug 04, 2025

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With 25% reciprocal tariffs round the corner, govt consulting exporters on next round of trade talks

With US President Donald Trump's reciprocal tariffs of 25 per cent set to hit Indian exporters from August 7, the government is in fresh consultations with the industry for inputs for the next round of negotiations on the India-US bilateral trade agreement (BTA) scheduled later this month.

"Exporters not only want the BTA to have provisions that would turn the tariff disadvantage that they have right now with respect to competing countries into a distinct advantage, they also want the uncertainty over the unspecified penalty for buying oil and arms from Russia to be addressed on priority," a source tracking the matter told businessline.

Trump's revised reciprocal tariffs formalised on August 1 places India at a 5-6 per cent disadvantage over countries like Bangladesh, Vietnam, Indonesia, Malaysia, Philippines and Pakistan which have been hit with tariffs of 19-20 per cent.

Back & forth

As most of these countries have already entered into trade deals with the US and are still only marginally better off than India, there are expectations that if India manages to work out a BTA with the US, it could turn around its disadvantage into an advantage, the source said.

"To sharpen its negotiating posture, the government is working with exporters to finetune its list of demands on both tariff and non-tariff barriers that the US could address for better market access," the source said.

A negotiating team from the US will be in India on August 25 for the next round of the India-US BTA which has been stuck over America's demands for market access for a large number of items, including agriculture. New Delhi has reiterated that it will not compromise on its redlines in the negotiations which include sensitive farm products, dairy, GM products and product specifications that are connected with religious sentiments.

Some exporters are of the view that while they could deal with the current tariff differential over competitors with some help from the government, what was absolutely essential was clarity over the penalty element.

Cloud around penalty

Trump had earlier said that the US would not only impose a 25 per cent reciprocal tariff on Indian exports, but also a penalty for buying oil and defence goods from Russia. However, the executive order that he signed on August 1 only mentioned the reciprocal tariff and not the penalty.

"We have absolutely no idea about the extent of penalisation being planned by the US. It is an unspecified quantum. There is no reference to it in the executive order. The buyers will hesitate in placing orders and exporters would not know how to include it in their costing for long-term orders," a Delhi-based garments exporter told businessline.

Meanwhile, exporters have sought incentives from the government to export to the US that could help counter some of the tariff advantage that competing economies have. Commerce & Industry Minister Piyush Goyal met exporters from sectors like engineering goods, steel, agriculture, seafood & food processing on Saturday, and more are in the pipeline.

Interventions sought by exporters include re-introduction of the popular Merchandise Export from India Scheme (MEIS); early resumption of the interest equalisation scheme with higher interest subsidy, and enhanced rates under existing schemes like Remission of Duties and Taxes on Exported Products (RoDTEP).

Source: thehindubusinessline.com– Aug 03, 2025

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A post-tariff playbook for India

President Trump's 25 per cent tariff — and an extra, unspecified penalty — on most Indian goods leaves India with three major tasks: understanding which sectors will be hit hardest, taking steps to protect its exports, and, negotiating a trade deal with the US without crossing its red lines.

India now faces a 25 per cent country-specific tariff on its exports to the US — one of the highest among Asian exporters, second only to China at 30 per cent. In contrast, competitors such as Vietnam (20 per cent), Bangladesh (18 per cent), Indonesia, Malaysia, and the Philippines (19 per cent), and Japan and South Korea (15 per cent) enjoy lower rates. This puts Indian exports at a clear disadvantage across most sectors, barring a few exemptions.

The new US tariff regime excludes pharmaceuticals, energy products, critical minerals, and semiconductors. But outside these, Indian goods are under pressure. As a result, India's exports to the US — currently its largest export market — are projected to decline by nearly 30 per cent, from $86.5 billion in FY25 to around $60.6 billion in FY26.

Sectors facing the most significant risk include shrimp, organic chemicals, knitted and woven apparel, diamonds, base metals (such as steel, aluminium, and copper), machinery, vehicles, and furniture. These products now face cumulative US tariffs ranging from 25 per cent to over 51 per cent, sharply undermining their competitiveness against exporters such as Vietnam, Bangladesh, Mexico, and Switzerland, many of whom face significantly lower or no duties.

Carpets and made-up textiles fall into the medium-impact bracket. Though they are subject to increased tariffs of 27.9 per cent and 34 per cent respectively, India retains a strong market position, especially in carpets. Still, elevated duties could squeeze profit margins and weaken India's pricing advantage over rivals like Turkey and China.

Pharmaceuticals, petroleum products, and smartphones are largely insulated from the tariff hike. These sectors benefit from either full exemptions or unchanged low rates, allowing India to retain its export share in these critical and high-value segments.

The attached Table provides detailed information on the tariffs Indian products face in the US and data on competing countries, their respective shares in US global imports of a commodity, and the US tariffs applied to them.

Indian exports to US: Sectoral impact of Trump tariffs

Product Group	Exports to US ($ bn, FY25)	US share in India's exports (%)	US MFN tariff (%)	New Trump tariff (%)	Total tariff payable (%)	Top suppliers (Share %, Tariff %)	Impact on India
Shrimps	2	32.4	0	25	25	Canada (16.16, 35), Chile (15.02, 10), India (9.52, 25+penalty)	High
Petroleum products	4.1	4.3	6.9	0	6.9	Canada (52.16, 35), Mexico (6.71, 25), Saudi Arabia (4.26, 10), India (1.29, 25+penalty)	Low
Organic chemicals	2.7	13.2	4	25	29	Ireland (36.11, 15), China (12.58, 30), Switzerland (6.46, 39), India (5.11, 25+penalty)	High
Pharmaceuticals	9.8	39.8	0	0	0	Ireland (23.66, 15), Switzerland (8.94, 39), Germany (8.10, 15), India (5.98, 25+penalty)	Low
Carpets	1.2	58.6	2.9	25	27.9	India (35.48, 25+penalty), Turkey (24.23, 10), China (12.88, 30)	Medium
Apparel; knitted	2.7	34.5	13.9	25	38.9	China (22.45, 30), Vietnam (17.99, 20), Cambodia (5.90, 18), India (5.09, 25+penalty)	High
Apparel; woven	2.7	32.2	10.3	25	35.3	China (21.36, 30), Vietnam (18.73, 20), Bangladesh (13.15, 18)	High
Textiles, made-up	3	48.4	9	25	34	China (51.78, 30), India (17.14, 25+penalty), Pakistan (8.70, 17)	Medium
Diamonds, gold and products	10	40	2.1	25	27.1	Switzerland (17.02, 39), India (13.63, 25+penalty), Canada (10.44, 35)	High
Steel, aluminium, copper	4.7	16.6	1.7	50	51.7	China (25.02, 30), Mexico (13.95, 25), Canada (10.35, 35), India (6.69, 25+penalty)	High
Machinery and mechanical appliances	6.7	20	1.3	25	26.3	Mexico (19.92, 25), China (16.03, 30), Taiwan (10.00, 15), India (6.79, 25+penalty)	High
Smartphones	10.6	43.9	0	0	0	China (81, 30), [blank], India (13.7, 25+penalty), Vietnam (4.2, 20)	Low
Vehicles, and parts	2.6	11.4	1	25	26	Mexico (35.06, 25), Japan (13.10, 15), Canada and parts (12.97, 35), India (0.72, 25+penalty)	High
Furniture; bedding, mattresses	1.1	44.8	2.3	25	27.3	China (28.82, 30), Vietnam (20.65, 20), Mexico (17.65, 25), India (1.93, 25+penalty)	High
Total goods exports	**86.5**	**19.8**					

Source: DGCI&S Data for India's exports, USITC data for calculating share of each country in US market; GTRI

Curbing export decline

India must act swiftly across several fronts to cushion the blow of high US tariffs and prevent a sharp decline in exports. Key steps include reviving the Interest Equalisation Scheme with a larger budget to make export credit cheaper for MSMEs, and setting up a simple, mobile-friendly helpdesk to give small exporters real-time guidance on tariffs and trade rules.

India should also finalise trade deals with the UK and EU — though gains may be modest — and diversify its services export base beyond IT by building strength in travel, insurance, and finance. Reducing import dependence on China, fixing inverted duty structures that hurt local manufacturing, and setting up a National Trade Network to bring 200,000 new firms into global trade are equally critical.

Finally, India must invest in promoting new products and pushing them to ease dependence on the US.

These steps, taken together, can help stabilise exports and build long-term resilience.

The US executive order says tariffs can be lowered once a country signs a trade deal, putting pressure on countries like India to move faster. The US is India's biggest export market, accounting for nearly 20 per cent of exports. With Indian exporters now losing business to countries facing lower US tariffs, pressure may mount on the government to close the deal quickly.

Despite months of talks — and India reportedly offering zero-duty access on 95 per cent of US goods — the deal hasn't happened. People think the main obstacle is India's no to cut tariffs on agriculture and dairy.

However, the US knows this limitation and may agree to a deal without these. But it may press India to agree to many non-trade concessions.

For example, the US wants India to allow free cross-border data flows and free access to India's huge data market. It overlooks that China blocks US tech firms and that American companies are using large Indian data sets to build new tools and train AI models. The US also wants India to agree to a permanent ban on digital taxes.

The US also wants India to drop rules that restrict US e-commerce firms' operations, give US firms full access to government contracts, and change its patent laws to allow "evergreening", which would delay cheaper generic drugs and raise medicine prices.

Trump also wants India to stop buying oil from Russia, Iran, and Venezuela; buy more US weapons and aircraft; exit BRICS; and abandon efforts to trade in local currencies that bypass the dollar.

In short, the deal is less about fair trade and more about reshaping India's foreign and domestic policies to suit Washington. Meanwhile, Trump has begun warming up to Pakistan — offering financial aid, energy deals, and even cooperation on crypto — despite its past harbouring of Osama bin Laden. This shift may help us understand Trump's expectations. Washington doesn't want an independent, self-respecting China Plus One partner in India — it wants a pliant subordinate. Talks are still ongoing. A US team is expected in India later this month, with a possible deal deadline for the fall.

The US may agree to leave agriculture and dairy out of the trade deal, but will push India to meet other demands. As detailed above, these include buying more US oil, Boeing, and military equipment; cutting oil trade with Russia and Iran; and changing India's patent laws, data rules, government procurement policies, and other domestic regulations to favour US firms.

In return, Trump may reduce India's tariff rate from 25 per cent to 15-20 per cent. So, what should India do? Be flexible on most trade issues, but protect core red lines like agriculture and dairy. India should also avoid changing its patent laws, digital rules, and procurement policies to please Washington. On geopolitical issues like oil imports and BRICS, India must make its own sovereign decisions outside the trade deal, without giving in to pressure. India must stay calm, clear-headed, and focused as before.

Source: thehindubusinessline.com– Aug 04, 2025

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US tariffs on the horizon: Exporters seek rollout of promotion schemes

With the United States (US) set to impose a 25 per cent tariff on Indian goods starting August 7, exporters have urged the government to shoulder a part of the burden and expedite the rollout of the ₹2,250 crore Export Promotion Mission that has been pending since its announcement.

The mission was announced in the Budget for 2025-26 (FY26) but has not been rolled out yet. This has raised concerns among exporters bracing for a potential hit not only from the impending tariffs but also from an unspecified penalty that may be imposed on India for its energy purchases from Russia.

A government official said that various schemes have been designed under the Export Promotion Mission to include World Trade Organization (WTO)-compliant interventions, focusing on trade finance and to make market access easier for exporters. However, the schemes will be rolled out as per the 'need and priority' after the Cabinet's approval.

"The department of commerce has sent its proposal to the Expenditure Finance Committee (under the finance ministry). It is pending for approval, after which the Cabinet's nod will be sought," the official told Business Standard.

However, firming up a mechanism where the increased duty is partially absorbed and the remainder supported by the government may be tricky. A direct subsidy-based approach is difficult to implement, raising concerns of 'moral hazard'. This is because it will be difficult to assess the actual impact on exporters and justify the corresponding subsidy that would be received. That apart, it may potentially violate WTO norms.

"Currently, there has been no discussion on this and the government is yet to take a call," the official said.

India will face relatively higher tariffs as compared to most nations as New Delhi and Washington failed to finalise an interim trade agreement before US President Donald Trump's August 1 deadline.

On August 2, Commerce and Industry Minister Piyush Goyal met exporters representing several sectors like engineering goods, marine, textiles, leather, and food processing.

According to a report released by rating agency ICRA, textiles, auto components, tyres, chemicals, agrochemicals, and cut and polished diamonds sectors could be worst-hit.

On August 1, Indian apparel exporters had raised the alarm. The steep US tariffs, they red flagged, may result in mass layoffs in manufacturing units and sought government intervention.

"We request immediate government intervention to offset this huge setback. Exporters have their backs against the wall and will have to sell below cost to keep their factories running and avoid mass layoffs," Sudhir Sekhri, chairman of the Apparel Export Promotion Council (AEPC), had said.

"For instance, the US accounts for 27 per cent of India's auto component exports, and around 36 per cent of cut and polished diamond (CPD) exports are directly routed to the US. CPD also faces indirect risks due to potential transshipment tariff enforcement on intermediaries like Dubai or Israel. Tyre exports to the US (17 per cent of total) and agrochemical exports (18 per cent) are exposed similarly, with Indian firms now facing tariff disadvantages relative to key regional competitors," the report said.

The US is India's biggest trade partner and export destination. During FY24, India exported goods worth $86.5 billion, up 11.6 per cent year-on-year. Imports stood at $45.7 billion, taking the surplus at $40.8 billion.

Delhi-based think tank Global Trade Research Initiative (GTRI) has said that quick estimates suggest that India's goods exports may come down by 30 per cent from $86.5 billion in FY25 to $60.6 billion in FY26.

Source: business-standard.com– Aug 03 2025

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