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INTERNATIONAL NEWS

Onshoring Sustainability With American Manufacturing

Brands are exploring onshoring to gain control of their supply chains, mitigate tariff uncertainties and grow localized manufacturing, but they don't want to sacrifice quality or sustainability.

In the panel "American-Grown Fiber Meets Made in New York Fashion" Libby Haan, founder of the Who Shirt Company, detailed her journey to create a domestically manufactured, premium T-shirt and how she came to partner with American-grown Supima cotton.

Supima cotton, known for its softness and durability due to its extra-long staple fibers, intrigued Haan because of its reputation for exceptional quality. "I Googled 'What is the best premiere cotton in America?' and Supima was the number one answer," she said, adding how the benefits of a Supima T-shirt are apparent as soon as you put it on.

But it wasn't just Supima's durable yarns and hand feel that enticed Haan. The cotton's American provenance was another selling point for supply chain resilience, quality control, transparency and the revival of Americas manufacturing.

"I'm absolutely obsessed with [Dyson founder] James Dyson, and he kept saying you have to control your supply chain," she said.

To create her unique T-shirt with built-in sport-like bra, Haan imported a specialized cup molding machine from Taiwan to ensure she could produce every component of her line domestically. "Everything is here," Siegel said proudly.

Supima's many cotton growers also offered a compelling Made in America story. The success of Supima cotton begins at the farm level, where more than 300 multigenerational family farms grow the fiber in the Western and Southwestern United States, noted Buxton Midyette, vice president, marketing and promotions, Supima. "They put their hearts into this work."

Supima's commitment to transparency is enhanced with TextileGenesis, a platform using blockchain technology that details the life cycle of every bale of Supima cotton and is authenticated by Oritain. "You can see the entire journey—from the farm through the fabric and into the final product," said Midyette, explaining there's no substitute for that kind of granular visibility.

Illustrating the rising demand among brands for traceability, the number of Supima active partners on its AQRe platform has grown from 550 to nearly 800 since the system's inception.

When it comes to sustainability, Haan emphasized she designs with durability in mind and that product longevity is a hallmark of the Who Shirt Company's ethos. "The idea of pounds and pounds, hundreds, billions of tons of clothing ending up in landfills, it just makes you sick," she said. "So, when you think about Supima back to the extra-long staple fiber, it's so soft, washes so well, and it looks amazing for such a long period of time."

Both panelists agreed that onshoring manufacturing initiatives represent a new era of American textile innovation. Midyette praised the resources available in New York and Los Angeles, where vibrant manufacturing communities are eager to partner with brands looking to produce high-quality, locally made products.

"We have an incredible group of manufacturers that are still here in the U.S. doing beautiful product; we have a long list of amazing knitting resources in LA, which is kind of fun, because it's California product," said Midyette. "It's California cotton, California knitting, so you will not have to sacrifice to make it USA.," Midyette noted.

Supima cotton traditionally caters to global export markets, but domestic usage is rising as brands respond to increasing consumer and regulatory expectations for localized, traceable product. From the farmers who cultivate the cotton to the brands that bring it to life, Supima and its partners are proving that America-grown and America-made products are more than viable—they're vital for the industry's future.

Source: sourcingjournal.com— Sep 30, 2025

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China Preps Potential Retaliatory Port Fees, Access Limits

In the wake of the impending U.S. Trade Representative's (USTR) port docking fees on Chinese-built and -operated vessels, China has opened the door to take countermeasures where it could impose restrictions of its own.

Chinese Premier Li Qiang signed a State Council decree to revise the established rules on international maritime transport that would allow the country's government to conduct the retaliatory measures against all countries or regions that support discriminatory bans, restrictions or similar measures targeting Chinese operators, vessels or crew.

Such measures will be enacted unless "relevant treaties or agreements offer adequate and effective remedies," according to the decree.

"These countermeasures include, but are not limited to, charging special fees on their vessels when calling at Chinese ports, prohibiting or restricting these vessels' port access in China, and barring or restricting their organizations or individuals from accessing China-related maritime data or operating in international shipping and related services to and from Chinese ports," the revision says.

The decree also requires operators of international shipping trading platforms to submit information to Chinese transport authorities, including name, place of registration, contact information, platform service agreement and shipping transaction rules.

The revised decree provides the power to charge a fee of between approximately \$2,800 and \$14,000 if a company does not provide the required information.

Additionally, it further establishes that "if the circumstances are serious, it shall be ordered to cease conducting relevant business."

The regulations went into effect on Sunday.

Chinese state-owned news agency Xinhua first reported the news Monday, with the State Council posting the article on its website.

China did not specifically identify any country in the decree. But the order appears to be a response to last year's USTR ruling that China violated Section 301 trade laws, which prompted the port fees.

After a nine-month investigation, the office determined that China had an "unreasonable" dominance of the global maritime, logistics and shipbuilding sectors based on various state-sponsored policies.

The U.S.-levied port fees are set to go into effect Oct. 14, and will be imposed differently depending on whether the ship is operated by a Chinese company, or simply built in China. Chinese operators like Cosco Shipping and Orient Overseas Container Line (OOCL) would have to pay a fee of \$50 per every net ton they carry on all voyages that include U.S. ports. Starting next April, an additional \$30 per net ton will be tacked on each year through 2028.

The fees could add up significantly for those companies, with one report tacking on an additional \$2.1 billion in fees for the two carriers if they don't make network adjustments. Such numbers could erode 74 percent of Cosco's pre-tax earnings margins, as well 65 percent at OOCL, the HSBC report said.

Ocean carriers that order their container vessels from China will be impacted as well, although most have indicated they will be able to work around the USTR fees via their vessel-sharing alliances. These ships will be charged \$18 per net ton, with annual fee increases of \$5 through 2028.

All fees, both for Chinese-operated and Chinese-built vessels, will be charged up to five times per year.

The USTR still has yet to finalize the rules and formalize the plan to collect the fees. The USTR and Customs and Border Protection (CBP) are expected to release official documentation ahead of the Oct. 14 scheduled start of the fees.

It is unclear if the response from China would impact U.S.-built ships, American company-owned ships or U.S.-flagged ships. U.S.-flagged ships don't have to be built in the U.S., but must be registered in the country and have a crew comprised entirely American citizens.

There are currently 188 U.S.-flagged ships, according to the Bureau of Transportation Statistics, with 17 general cargo vessels and 59 container ships.

Such a decision could affect U.S. container shipping companies like Matson or CMA CGM subsidiary American President Lines.

Matson has a 0.2 percent share of the container shipping industry's total container capacity, at 71,221 20-foot equivalent units (TEUs), according to Alphaliner data. The Hawaii-headquartered company offers shipping services on the trans-Pacific trade lane, covering the U.S. and select Pacific territories, China and Japan.

The U.S.-levied port fees and China's retaliatory revision are an extension of the enduring trade war between the countries instigated by the Trump administration. The countries have until Nov. 10 to come to a new trade deal, with U.S. duties on Chinese goods currently standing at 55 percent.

Source: sourcingjournal.com— Sep 30, 2025

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Italy's exports drop 7.7% YoY in August, non-EU trade weakens

Italy's foreign trade with non-European Union (EU27) countries weakened in August 2025, according to preliminary figures released by the Istituto nazionale di statistica (Istat). Exports to non-EU27 markets fell by 7.7 per cent year-over-year (YoY), while imports dropped 3.1 per cent compared with August 2024.

On a month-on-month (MoM) basis, seasonally adjusted data revealed even steeper declines: exports shrank by 8.1 per cent and imports by 7.1 per cent from July 2025 levels, Istat said in a press release.

Over the last three months, seasonally adjusted trade flows showed marginal contractions, with exports edging down 0.1 per cent and imports slipping 0.8 per cent compared with the preceding three months.

Italy's trade balance with non-EU partners remained in surplus but narrowed considerably. In August 2025, the surplus stood at €1,777 million (~\$2.08 billion), down from €2,794 million a year earlier. Excluding energy, the surplus reached €5,348 million, also lower than the €7,038 million recorded in August 2024.

Source: fibre2fashion.com– Oct 01, 2025

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EU-US deal stabilises trade outlook despite concerns: Survey

Despite lingering pessimism, the July EU-US Framework Agreement is seen as having helped stabilise the outlook for transatlantic trade and investment, a new survey of American companies in Europe has shown.

Nearly half (46 per cent) of respondents still expect the relationship to worsen, but this is down sharply from 89 per cent in the last survey, conducted in January 2025, American Chamber of Commerce to the European Union (AmCham EU) said in a release.

Following the Turnberry deal, more companies foresee stability (33 per cent, up from 9 per cent), suggesting the deal is viewed as having averted further deterioration in EU-US relations. Optimism has also risen tenfold, with 21 per cent anticipating improvement, compared with 2 per cent in January.

The results contrast with the political debate surrounding the Framework Agreement, which has been marked by vocal opposition in the European Parliament and in certain EU Member States.

While businesses' view of transatlantic relations has softened, their concerns over how EU and US policies are shaping the business climate in Europe remain acute. A majority (56 per cent) anticipate a negative effect from EU policies on their European operations over the coming years, up slightly from 52 per cent in the last survey.

Meanwhile, 31 per cent expect EU policies to have a 'somewhat positive' impact on their European operations. For US policies, 60 per cent predict a negative impact on their European operations, down from 67 per cent previously, while positive sentiment rose from 3 per cent to 13 per cent.

Against this backdrop, businesses' priorities for implementation of the Framework Agreement are clear. Half of the respondents identified timely tariff reductions as their top priority for implementing the deal. Addressing non-tariff barriers, including those stemming from regulations highlighted in the Joint Statement (eg the EU Deforestation Regulation, the Carbon Border Adjustment Mechanism and the Corporate Sustainability Due Diligence Directive), and strengthening regulatory cooperation and mutual recognition completed the top three.

Looking ahead, companies remain consistent in their expectations for the next stage of EU–US cooperation. As in January, companies call for EU and US policymakers to reduce regulatory burdens, enhance their engagement with the business community and continue to lower tariffs across more sectors.

“Much of the debate in Brussels and EU capitals has focused on what is wrong with the Framework Agreement. Yet the view among businesses – those actually experiencing the day-to-day realities of the transatlantic marketplace – is different. They see it as having averted unprecedented damage to transatlantic trade and investment, even as real concerns about the policy environment remain,” said Malte Lohan, CEO, AmCham EU.

“While it feels like so much has changed in EU-US relations since the start of the year, what our members are calling for has stayed the same: lower tariffs and a reduced regulatory burden. This period of steadier relations should not be wasted. Policymakers on both sides of the Atlantic must use this opportunity to lock in predictability so businesses can plan and invest with confidence,” Lohan added.

Source: fibre2fashion.com– Sep 30, 2025

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What Now? Legacy Africa Trade Preference Program Expires

After nearly a quarter century, the Africa Growth and Opportunity Act (AGOA) has expired.

The legacy trade preference program lapsed Tuesday without a renewal from Congress, shocking some and disappointing many, including lawmakers, importers and the Sub-Saharan African (SSA) exporters and heads of state who have been lobbying with mounting fervor for an extension.

Those calls have grown louder in recent months and even days, apparently to no avail. Last week, leaders from countries like Lesotho, South Africa and Kenya implored the Trump administration and Congress to prioritize the program's continuation as America's ties with its longstanding allies become ever more fraught and tenuous.

Signed into law by President Bill Clinton in 2000, AGOA provided some three dozen SSA nations and 1,800 products with duty-free access to the United States market. Eligibility was determined by the developing countries' efforts to evolve and establish policies that prioritize and protect human rights and economic freedoms.

Largely viewed as a standout example of successful American trade diplomacy by legislators on both sides of the aisle, AGOA's renewal was once viewed as a foregone conclusion. But that certainty devolved as the program faded from discussion amid the chaos of rapidly evolving trade policy, and relationships with bigger partners—China, India, the European Union—have dominated the discourse.

"It's frustrating to see this program lapse despite its clear, mutually beneficial advantages for Sub-Saharan nations and U.S. businesses, its long history of bipartisan support in Congress, and its alignment with the President's America First policy," Steve Lamar, president and CEO of the American Apparel and Footwear Association, told Sourcing Journal.

"For American companies, Sub-Saharan Africa had become a vital sourcing opportunity to diversify away from China. While those relationships will continue, they are no longer as seamless or beneficial

without the program. We urge Congress to renew it as soon as possible, even as the government faces a pending shutdown.”

“With avoiding a government shutdown being the administration’s and Congress’s top priority, there is little room left to consider AGOA,” added Dr. Sheng Lu, professor of fashion and apparel studies at the University of Delaware.

Beyond the growing list of five-alarm fires that legislators are currently contending with, a successful renewal of AGOA would require “deliberate effort” and strong support from President Donald Trump, he added. However, the administration “has not sent a clear signal” that it supports or believes in the program’s objectives.

“On the contrary, the U.S. trade deficit with AGOA members has surged by more than 47 percent so far in 2025, and the Trump administration has shown a preference for pursuing bilateral trade deals rather than reaching regional ones with a group of countries,” Lu said. “In other words, given its trade policy priorities and preferences, the Trump administration does not see AGOA renewal as a compelling and urgent goal.”

The U.S. is the single largest export market for SSA nations producing apparel, accounting for around 36 percent of the region’s apparel exports in 2023 (the latest year for which data is available). AGOA is a major driver of trade, with U.S. Office of Textiles and Apparel (OTEXA) data showing that nearly 95 percent of the \$758 million in apparel imports from SSA nations were brought in using the trade preference program over the first seven months of this year.

“If AGOA were to expire, in the short run, SSA’s apparel exports to the U.S. would be subject to the most-favored nation (MFN) tariff rate—averaging about 16 percent—plus the additional IEEPA tariffs,” Lu explained. This sizable shift would “sharply undermine the price competitiveness of SSA countries as an apparel sourcing base, particularly since most of their exports to the U.S. are price-sensitive basic items like T-shirts and tops.”

Such items are widely available from other sourcing locales, including Asia, Mexico and Central and South America.

More concerning still is what the expiration of AGOA portends for the future, the academic believes. Without a duty-free U.S. trade program to spur investment into SSA countries, the region’s long-term potential could

be called into question just as it begins to emerge as a bona-fide option for international sourcing.

“Likewise, if AGOA were to lapse for an extended period, U.S. fashion companies might permanently shift away from sourcing in SSA countries, given the lack of incentives to continue sourcing from the region,” Lu said. “Such a shift could greatly reduce SSA countries’ apparel exports and, as a result, lead to significant job losses, ultimately creating a humanitarian crisis and worsening the region’s political stability.”

Data from the United National Trade and Development (UNCTAD) released Monday underscored that point. Absent an AGOA renewal, market access to the U.S. stands to further deteriorate for many African countries.

In 2023, imports from AGOA beneficiary countries amounted to nearly \$10 billion—small potatoes when compared to overall American imports, but massively meaningful to countries like Lesotho and Madagascar, for example, which rely on the U.S. relationship for a substantial portion of outbound trade.

The program provides symbiotic benefits; American firms have “enjoyed greater choice and lower prices on imported raw material and intermediates, which enhances competitiveness in downstream industries,” UNCTAD wrote.

With AGOA now expiring, both SSA countries and U.S. companies are slated to face a “compounded impact”; new tariffs levied by the Trump administration will mean shrinking options for importers and diminished competitiveness for exporters. Meanwhile, the country-specific and sectoral tariffs will stack on top of most-favored nation duty rates, eliminating the preferential treatment AGOA has provided.

“This sudden jump in tariffs could disrupt long-standing trade relations and severely disadvantage African exporters, particularly in highly protected sectors like textiles and apparel, where AGOA has so far provided critical market access,” UNCTAD wrote, noting that Kenya will see its trade-weighted average U.S. tariff nearly triple from 10 percent to 28 percent. “Without AGOA’s renewal, Africa’s export competitiveness in the US market could quickly erode at a time when competition for alternative export markets intensifies globally,” the group said.

Moving forward, Lu believes the fight for AGOA isn't over.

“I would not be surprised if AGOA members continue to advocate for the agreement's renewal. There is also strong support among the U.S. fashion industry for extending AGOA,” he said.

However, as so many American trade partners have come to understand, “negotiating so-called bilateral trade deals with the Trump administration takes time,” he added—and leverage.

“It is uncertain what each individual AGOA member could realistically offer in such negotiations, given their small economic size and limited demand for U.S. products.”

Source: sourcingjournal.com– Sep 30, 2025

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What's Driving Cotton's Pricing 'Predictability' Amid Trade Turbulence

Despite recent trade volatility, cotton prices this year have remained reliably flat and relatively low.

In a one-on-one chat with editor-in-chief Peter Sadera at the Sourcing Journal Fall Summit, Cotton Incorporated's senior economist, corporate strategy and insights Jon Devine pointed out that since January, the per-pound price for cotton has shifted a mere three to four cents. And in contrast to the growing costs tied to tariffs and exchange rates, cotton prices are actually at their lowest point over the past five to six years.

"Cotton's here to help," Devine said. "Prices are lower. Prices are stable, maybe adding a little predictability to your business in this very unpredictable environment."

Like most goods, cotton pricing is closely tied to supply and demand. Compared to the \$1.50 price per pound that was reached amid Covid-era stimulus "euphoria," cotton costs took a downturn as inflation and worries of a recession introduced "sobriety" and fewer orders. "If cotton prices were already lower, there's less room for us to fall with some of this tougher news that's been coming out about tariffs and the trade environment," said Devine.

Cotton is a global crop. It is the second most internationally traded agricultural product after soybeans, and looking specifically at the U.S., 85 percent of American-grown cotton is exported.

Because of this global trade, U.S. growers' cotton prices are affected by production and import trends in other growing regions. In the 2023-24 crop year, China imported a decade-long high of 15 million bales, causing scarcity and creating a pricing bump. This was largely tied to the government gathering cotton for its reserves, and this level of demand from cotton's number one importer has not been seen since.

At the same time, Brazil's production has roughly doubled over the last 10 years. The U.S.—which is the fourth largest grower of cotton—also has to compete with production regions like West Africa and Australia, contributing to the current lower prices.

U.S. cotton's focus on exports has also left it exposed to trade turbulence. Offering a potential respite, enacted and proposed policies are aimed at getting more American-made inputs back into U.S.-destined goods. As part of the "Liberation Day" tariff announcement on April 2, a rule was introduced that allows products with at least 20 percent of their value from U.S. content to avoid tariffs on the portion of the good that has an American origin.

However, this requires companies to not only meet this threshold but also prove it. Companies could also be incentivized to use U.S. cotton if the proposed Buying American Cotton Act passes. This legislation gives larger tax credits the more the cotton is transformed on U.S. soil. For instance, using American-made cotton yarn would yield a larger credit than fiber.

To circumvent rising tariffs, onshoring seems like an answer. However, the U.S. manufacturing trend is pointing in the opposite direction as domestic demand and the volume of fiber being spun in the States has been on the decline. There has been an uptick in mill use within Central America, offsetting some of the U.S. reduction and providing another yarn sourcing option in the region.

In some cases, other countries have altered or removed their cotton tariffs in response to rate changes for accessing the U.S. market. For instance, India recently eliminated import duties on U.S.-grown cotton. Devine noted that tariffs on cotton imports are uncommon in textile producing countries since the nations want to support the sector. However, India had import duties in place to protect its domestic cotton growers. The recent abolition of these tariffs comes as the country has shifted from exporting more cotton to importing more fiber.

"The reduction in tariffs in India could be a shift in policy longer term, beyond some of these shorter-term tariff issues, towards India becoming less focused on agriculture or its cotton production, towards being more focused on textile manufacturing and wanting to be competitive in terms of the fiber prices that its textile industry has access to," said Devine.

Source: sourcingjournal.com– Sep 30, 2025

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Canada's apparel & home textile imports from India up 13.8%

Canada's imports of apparel and home textiles from India rose by up to 13.82 per cent during the first seven months of the current year. Imports of apparel stood at \$244.460 million and home textiles at \$177.433 million in this period. Both countries are resetting mutual ties after a decline last year, as buyers seek to diversify sourcing beyond China and secure competitive suppliers.

Canada's imports of apparel increased 13.82 per cent from \$214.778 million in the first seven months of 2024. Imports of home textiles rose 11.19 per cent from \$159.576 million in January–July 2024, according to sourcing intelligence tool TexPro. This reflects steady demand in Canada's retail sector, supported by population growth and consumer spending resilience.

In apparel, India was the fourth-largest supplier, with a market share of 3.71 per cent in January–July 2025. Canada's apparel imports totalled \$6.594 billion in the same period, with China, Vietnam and Cambodia ranking higher as suppliers. India's position shows competitiveness but also highlights strong dependence on Asian suppliers for apparel trade.

India accounted for 13.16 per cent of Canadian home textile imports during the first seven months of this year, making it the third-largest supplier after China and the US. Canada imported \$1,348.451 million worth of home textiles globally during January–July 2025. Its fabric imports totalled \$404.916 million, of which \$35.188 million came from India—12.22 per cent lower than \$40.088 million in the same period of 2024. The decline in fabric imports from India reflects sourcing shifts to lower-cost producers and reduced Canadian demand for intermediate textiles.

Canada's imports of apparel from India were \$338.994 million in 2024, \$356.916 million in 2023, and \$413.192 million in 2022. Inbound shipments of apparel and home textiles peaked in 2022 before slowing in subsequent years, TexPro noted. This slowdown was mainly due to post-pandemic consumption normalisation and inventory corrections by Canadian retailers.

Similarly, Canada's imports of home textiles stood at \$329.022 million in 2022 but eased to \$254.480 million in 2023 and \$281.480 million in 2024. Fabric imports were \$61.561 million in 2022, declined to \$47.561 million in 2023, but bounced back to \$64.987 million in 2024. The rebound indicates renewed Canadian investment in housing and home décor demand.

Source: fibre2fashion.com– Oct 01, 2025

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US policy uncertainty weighs on global growth outlook: S&P Global

Persistent US policy uncertainty continues to cast a shadow over the global economic outlook, even as recent data point to surprising resilience across major economies, according to S&P Global. Tariffs and trade policies remain front and centre in credit conditions forecasts, dampening investment, consumer spending, and employment.

S&P Global analysts argued that it is uncertainty itself—rather than policy outcomes—that is holding back growth. Despite these headwinds, Q2 data in many economies exceeded expectations, aided by healthy corporate and household balance sheets and near full employment. Services spending remains robust, and survey-based sentiment has begun to align with activity data as purchasing managers' indices, European investor confidence, and US manufacturing sentiment all improved in August, S&P Global said in its latest outlook titled, 'Global Economic Outlook Q4 2025: Global Resilience Battles US Policy Unpredictability.'

A key concern has emerged in the US, where job creation has slowed sharply. Over the past three months, net job gains averaged just 22,000 per month compared with 123,000 earlier in the year. Healthcare remains the only sector adding jobs, while manufacturing and federal government employment have contracted. Unemployment, however, remains close to longer-run estimates of stability.

Global oil prices have fallen due to oversupply, with OPEC+ output increases compounding the decline. While Chinese restocking has temporarily cushioned prices, demand support from lower energy costs is expected to benefit households and industries, especially in emerging markets.

Meanwhile, a surge in data centre construction linked to the US–China AI race has driven non-residential investment growth to 8 per cent annualised in H1, contributing 1 percentage point to US GDP growth. Though long-term productivity effects of AI remain uncertain, near-term spending on infrastructure, equipment, and power capacity is providing a notable boost.

Asset markets have also provided support. Global equities are near record highs after a strong earnings season, while housing markets show mixed signals as higher borrowing costs weigh on affordability.

US inflation remains elevated, with August core CPI at 3.1 per cent and services inflation near 4 per cent. Producer prices rose 2.8 per cent. In response to softer labour data, the Federal Reserve cut rates by 25 basis points to 4–4.25 per cent in September, balancing employment risks against tariff-driven inflation.

Other central banks are treading cautiously. The European Central Bank (ECB) and Bank of England held policy rates steady, while Australia and Canada trimmed rates earlier this year. Emerging market central banks, supported by stronger currencies and falling oil prices, have cut more aggressively. The US dollar has weakened 4 per cent since the November 2024 election, with sharper declines against the euro and yen but relative strength versus the Indian rupee.

Global GDP growth is now expected to exceed 3 per cent in 2025 following stronger Q2 performance. The US forecast has been raised by 20 basis points, the eurozone by 30, and China by 30, with upgrades also for Japan and Mexico. Canada is the lone downgrade due to tariff impacts. For 2026, forecasts are broadly unchanged except for a modest US uplift to 1.8 per cent.

In the US, defence spending and tech investment support activity, though weaker immigration and labour market softness weigh on momentum, with Fed funds rates expected at 3.6 per cent by end-2025 and 3.1 per cent by late 2026.

The eurozone recovery is aided by rate cuts and German fiscal stimulus, with GDP set to rise above potential by mid-2026 despite subdued consumer confidence.

In Asia-Pacific, China's growth is forecast to slow to 4 per cent in H2 2025–2026 amid weak exports and tepid domestic demand, though resilient demand elsewhere in the region and further rate cuts provide some cushion. Emerging markets benefit from firm domestic demand and a weaker US dollar, which offset softer trade flows as tariff frontloading fades.

The chief risk remains a sharper US labour market downturn leading to recession, with spillovers to trade partners and global finance. Another risk lies in higher global interest rates, which could destabilise debt dynamics given elevated public and corporate leverage.

On the upside, sustained lower oil prices could boost global consumption, particularly in energy-intensive emerging economies. Accelerated data centre expansion also offers potential near-term growth and productivity gains, though risks of an overbuild remain.

While cyclical resilience is evident, analysts caution that growth will remain constrained until the US shifts towards a steadier policy environment. Abrupt tariff and industrial policy moves have disrupted confidence. A sustained period of low policy uncertainty—backed by tax and regulatory reforms—could set the stage for healthier long-term growth. Without this, the drag on global output is likely to persist, added the outlook.

Source: fibre2fashion.com— Sep 28, 2025

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Australia's average cotton export price falls 29% since 2022

The average price of cotton (HSN code 5201) exports from Australia has been consistently declining since 2022. The country's average export price has dropped nearly 29 per cent over the last three years.

It fell 10.47 per cent to \$1.88 per kg during January–July 2025. The fall is largely due to global cotton oversupply and weak downstream demand, which have pressured prices internationally.

The average export price was \$2.65 per kg in 2022, falling to \$2.17 per kg in 2023 and \$2.04 per kg in 2024.

During January–July 2024, the average price stood at \$2.10 per kg, according to sourcing intelligence tool TexPro. The year-on-year decline reflects both reduced global consumption and competitive pricing from other major suppliers such as the US and Brazil.

In terms of volume, Australia exported 461.077 million kg of cotton in the first seven months of 2025—9.25 per cent lower than the 508.053 million kg exported in the same period last year.

This decline is partly due to a smaller domestic crop following adverse weather in some growing regions and slower buying by key importers.

Australia shipped cotton worth \$868.709 million in January–July 2025, compared with \$1,068.599 million in the same period of 2024—an 18.72 per cent drop in value.

This sharper fall in value versus volume underlines the impact of weaker prices on export earnings.

Total cotton exports were 1,193.885 million kg in 2024, 1,310.897 million kg in 2023, and 1,113.373 million kg in 2022.

Export earnings were \$2,439.654 million in 2024, compared with \$2,842.855 million in 2023 and \$2,953 million in 2022, TexPro data shows. The downward trend in value highlights persistent global headwinds for the fibre market despite relatively strong export volumes.

China was the top buyer of Australian cotton, taking 22.20 per cent of exports in the first seven months of 2025, worth \$102.337 million. Bangladesh imported \$82.649 million (17.93 per cent), Vietnam \$75.703 million (16.42 per cent), India \$74.511 million (16.16 per cent), and Indonesia \$64.747 million (14.04 per cent).

The diversified buyer base helped cushion the impact of slower demand from China, but overall shipments remained subdued.

Source: fibre2fashion.com– Sep 28, 2025

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Germany's H1 home textile imports jump 22%, led by made-ups

Germany's home textile imports jumped 22.22 per cent in the first half of the current year, reaching \$3.278 billion. The rise was driven by higher consumer demand for furnishing upgrades and steady retail restocking amid signs of economic stabilisation. Within total imports, made-ups were the leading category, accounting for nearly one-fourth of overall imports.

In the same period last year, Germany imported \$2.682 billion worth of home textiles, according to sourcing intelligence tool TexPro.

Made-up imports stood at \$803.066 million in January–June 2025, representing 24.49 per cent of the total.

Bed linen imports were valued at \$669.894 million (20.43 per cent), floor coverings at \$590.299 million (18 per cent), window coverings at \$389.241 million (11.87 per cent), bathroom & kitchen textiles at \$257.191 million (7.84 per cent), and camping textiles at \$222.029 million (6.77 per cent). Other categories contributed less than 5 per cent each.

Higher demand for bed and floor coverings was partly due to seasonal refurbishments and hospitality sector purchases ahead of summer.

Imports of made-ups rose 23 per cent compared to the same period last year, when they totalled \$648.762 million (24.18 per cent of total home textile imports).

In H1 2024, floor covering imports were \$546.022 million (20.35 per cent), bed linen \$524.774 million (19.56 per cent), window coverings \$308.811 million (11.51 per cent), bathroom & kitchen textiles \$215.662 million (8.04 per cent), and camping textiles \$166.654 million (6.21 per cent).

Germany imported \$5.673 billion worth of home textiles in 2024, slightly higher than \$5.663 billion in 2023, as per TexPro.

The marginal growth indicates a stabilisation in demand after two years of normalisation from pandemic highs.

The country's home textile imports had witnessed an unprecedented surge during the COVID-19 pandemic, more than doubling in 2020 to \$12.714 billion compared to \$5.489 billion in 2019. This was largely due to work-from-home trends and increased focus on household improvements during lockdowns.

However, imports normalised as demand cooled in subsequent years, falling to \$7.844 billion in 2021, \$6.938 billion in 2022, and \$5.663 billion in 2023. Post-pandemic lifestyle normalisation, inflationary pressures, and slower discretionary spending contributed to this decline.

Source: fibre2fashion.com– Sep 29, 2025

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ICE cotton slips on macro concerns, crop progress

ICE cotton futures closed lower on concerns about the macroeconomic outlook and geopolitical tensions. Rising short positions added pressure on US cotton, while higher harvesting rates and good crop progress also weighed on the market.

ICE's most active December 2025 contract settled at 65.50 cents per pound (0.453 kg), down 0.90 cent or 1.36 per cent.

Market analysts said the market is currently in a wait-and-see mode, with many unresolved factors likely to influence cotton prices. Broad macroeconomic and geopolitical uncertainties, combined with the possibility of a US government shutdown, are keeping all markets on high alert.

The Atlantic region is closely monitoring the potential impacts of Hurricane Humberto and Tropical Storm Imelda on agriculture and energy infrastructure.

After the market closed, the US Department of Agriculture (USDA) released a crop progress report showing that 47 per cent of US cotton was in good to excellent condition for the week ending September 28, 2025—unchanged from the previous week but significantly higher than 31 per cent in the same period last year.

The US cotton harvest rate reached 16 per cent, compared to 12 per cent the previous week and 19 per cent in the same period last year, aligning with the five-year average of 16 per cent.

Data from the US Commodity Futures Trading Commission (CFTC) showed that speculators increased their net short positions in ICE cotton futures and options by 3,304 contracts to 68,812 contracts in the week ending September 23.

The USDA's export sales report released last week showed that US cotton export sales for the current marketing year rose by 86,100 bales in the week ending September 18. This represented a 54 per cent drop from the previous week and a 53 per cent decline compared with the previous four-week average.

ICE data showed that as of September 26, deliverable No. 2 cotton contract stocks remained unchanged at 15,474 packages.

Currently, ICE cotton for December 2025 is trading at 65.32 cents per pound (down 0.18 cent), cash cotton at 63.50 cents (down 1.40 cent), the October 2025 contract at 63.05 cents (down 0.90 cent), the March 2026 contract at 67.23 cents (down 0.21 cent), the May 2026 contract at 68.66 cents (down 0.11 cent) and the July 2026 contract at 69.65 cents (down 0.15 cent). A few contracts remained at their previous closing levels, with no trading recorded today.

Source: fibre2fashion.com– Sep 29, 2025

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Europe's man-made fibre industry at a crossroads, says CIRFS

Europe remains the world's third-largest producer of man-made fibres (MMFs), although now some distance behind China and India in terms of volume. The region is renowned for quality, innovation and sustainability, yet the sector is under mounting pressure. Weak demand, soaring energy prices and intensifying trade distortions are reshaping the competitive landscape.

At the recent 64th Dornbirn Manmade Fibres Congress in Austria (10-12 September), Frederic van Houte, director general of CIRFS, the European man-made fibres association, warned that Europe's wider manufacturing base is stagnating. Energy-intensive industries such as petrochemicals and fibres are increasingly shutting down under financial strain.

Energy and competitiveness

Since 2022, energy prices have soared across Europe. Gas remains more than double its pre-war level and almost triple the cost in the United States. Electricity prices too are still elevated compared with 2022. Combined with high labour tax, and compliance costs, this has eroded Europe's competitiveness and left producers exposed.

Global competition is adding further strain. Protectionist tariffs, non-tariff barriers, and subsidised dumping have created a glut of imports that undercut European producers.

Many of these imports bypass compliance checks, raising health and environmental concerns and creating what industry leaders describe as a fundamentally unfair playing field. Producers outside Europe face far fewer regulatory hurdles, yet dominate markets where European standards must still be met.

The sustainability dilemma

The EU Green Deal has made Europe a world leader in sustainable innovation, but it also imposes the strictest environmental standards anywhere. Fibre producers are under pressure to invest in clean production and recycling technologies, but shrinking margins and complex bureaucracy often stall progress.

Consumers are demanding eco-labelled, traceable and ethically sourced fibres. Yet price remains the decisive factor in purchasing, creating a gap between ambition and reality. The challenge is not innovation but affordability, and this tension is one of the greatest hurdles to scaling sustainable solutions. At the same time, the shortage of skilled labour threatens the sector's ability to accelerate innovation and manage the transition effectively.

Despite these headwinds, the industry sees opportunity in moving towards circular and bio-based models. Fibre-to-fibre recycling, closed-loop systems and bio-based polymers such as PLA and bio-PET are gaining ground. Innovative business models like textile take-back schemes and product-as-a-service offerings are emerging, reflecting a shift in both consumer and corporate thinking.

Europe's research strength positions it to lead in next-generation fibres, waterless processing and low-impact dyeing technologies. This capacity for innovation could allow Europe to pioneer models that others will follow.

The role of digitalisation

Digital tools are also beginning to transform the industry. Blockchain, AI and digital product passports are being integrated to improve traceability and monitor fibre lifecycles. Transparency is fast becoming a competitive advantage, while convergence between materials science and digital technologies is opening pathways in smart textiles and additive manufacturing.

Industrial revival and policy support

In February 2025, the European Commission launched the Clean Industrial Deal, echoing the Antwerp Declaration signed by 1,317 industry leaders across 25 sectors, including CIRFS. The aim is to revitalise competitiveness while accelerating decarbonisation.

Measures on the table include funding for clean tech deployment, stricter enforcement of EU standards at borders, secure access to raw materials and affordable energy supplies.

At the same time, Europe is prioritising strategic autonomy. Closer collaboration between fibre producers, textile brands, recyclers and public-private partnerships is seen as vital to strengthening supply chains. Reshoring green plants is increasingly viewed as a pathway to resilience and growth.

Urgent action needed

Europe's man-made fibre industry finds itself at a decisive moment. The region leads the world in sustainable innovation and has set global benchmarks in quality, recycling, and low-impact production. Yet without decisive action on energy costs, enforcement at the borders, and policies that strengthen demand for sustainable materials, these achievements risk being eroded.

If Europe can combine its tradition of scientific excellence with fairer competition and supportive policy, it has the chance not merely to preserve a sector under strain but to set the global standard for a cleaner, more resilient textile economy. The foundations are in place—what is needed now is the urgency and cohesion to turn potential into leadership.

Source: fibre2fashion.com— Sep 27, 2025

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NATIONAL NEWS

TEXPROCIL held its 71st Annual General Meeting on 30th September 2025 at its Head Office in Mumbai



Source: Texprocil Textile Intelligence– Sep 30, 2025

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India-European Free Trade Association Trade and Economic Partnership Agreement (TEPA) to come into effect on 01 October 2025

India-European Free Trade Association(EFTA) Trade and Economic Partnership Agreement (TEPA) will come into effect on 01 October 2025. The agreement was signed on 10th March 2024 at New Delhi. TEPA is a modern and ambitious agreement that incorporates, for the first time in any Free Trade Agreement (FTA) signed by India, a commitment linked to investment and job creation.

The agreement comprises of 14 chapters with main focus on market access related to goods, rules of origin, trade facilitation, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, investment promotion, market access on services, intellectual property rights, trade and sustainable development and other legal and horizontal provisions.

The EFTA's market access offer under TEPA covers 100% of non-agri products and tariff concession on Processed Agricultural Products (PAP). Sensitivity related to PLI in sectors such as pharma, medical devices & processed food etc. have been taken while extending offers.

The agreement goes beyond goods and services and committed to promote investments with the aim to increase the stock of foreign direct investments by USD 100 billion in India in the next 15 years, and to facilitate the generation of 1 million direct employment in India, through such investments.

Key features of the agreement

EFTA is an important regional group, with several growing opportunities for enhancing international trade in goods and services. EFTA is one important economic block out of the three (other two - EU & UK) in Europe. Among EFTA countries, Switzerland is the largest trading partner of India followed by Norway.

The TEPA will empower India's exporters by providing access to specialized inputs and create conducive trade and investment environment. This would boost exports of Indian made goods as well as provide opportunities for services sector to access more markets.

Investment and Employment Commitments

As per Article 7.1 of TEPA , the EFTA States shall aim to increase foreign direct investment (FDI) from their investors into India by USD 50 billion within 10 years from the entry into force of the Agreement, and an additional USD 50 billion in the succeeding 5 years, amounting to a total of USD 100 billion over 15 years. Concurrently, the EFTA States shall aim to facilitate the generation of 1 million direct jobs in India resulting from these investment inflows.

This investment commitment explicitly excludes foreign portfolio investment (FPI), focusing on long-term capital for productive capacity building.

Market Access for Goods

Under TEPA, EFTA has offered 92.2% of tariff lines encompassing 99.6% of India's exports. Includes 100% of non-agricultural products and tariff concessions on Processed Agricultural Products (PAP).

India's offer to EFTA covers 82.7% of tariff lines, accounting for 95.3% of EFTA exports. Over 80% of these imports are Gold, with no change in effective duty on Gold. Sensitive sectors protected, including pharma, medical devices, processed food, dairy, soya, coal, and sensitive agricultural products.

[Click here for more details](#)

Source: pib.gov.in– Sep 30, 2025

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India-EU to discuss FTA next week

The negotiations between India and the European Union (EU) are “proceeding well” and trade officials from both countries will be meeting next week in Brussels to take it forward, a source said.

“The trade talks between the two are proceeding well. Indian negotiators will be in Brussels from October 6-10 for the talks,” said the source.

The same source informed that trade talks with Qatar will also resume next week

Goyal to visit Singapore

Besides, Commerce Minister Piyush Goyal is scheduled to visit Singapore next week, which will be followed by trips to Qatar, and South Africa. The Minister is expected to meet EU’s Trade Commissioner in course of his visit to South Africa, where he will attend G20 Trade Ministers’ meeting, the source added.

Earlier this month, the EU unveiled a new strategic agenda to ramp up its engagement with New Delhi in several key sectors such as defence, trade and technology.

The new strategic agenda will have to be ratified by all the 27 member nations of the EU. After the ratification process, it will be adopted at the India-EU summit that is expected to be held in the first quarter of next year.

It identifies five areas of shared interest that include security and defence, connectivity and global issues, prosperity, sustainability, technology and innovation.

“Beyond the bilateral dimension, the new strategic agenda highlights EU-India joint engagement on global issues and with third partners, reflecting India’s growing global influence,” the EU said.

Source: thehindubusinessline.com– Sep 30, 2025

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India extends RoDTEP scheme till Mar 2026 to counter US tariffs

India has extended the Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme for another six months beyond September 30, 2025. The Directorate General of Foreign Trade (DGFT) has extended the export-oriented scheme at a crucial time when Indian exporters are facing 50 per cent reciprocal tariffs imposed by the United States. The scheme is expected to provide much-needed support to exporters at this critical juncture.

“In exercise of the powers conferred under Section 5 of the Foreign Trade (Development and Regulation) Act, 1992, as amended, read with Para 1.02 of the Foreign Trade Policy (FTP) 2023, the Central Government hereby notifies the extension of the RoDTEP Scheme beyond September 30, 2025.

Accordingly, the RoDTEP Scheme shall remain in force and be applicable to exports made from Domestic Tariff Area (DTA) units, Advance Authorisation (AA) holders, Special Economic Zone (SEZ) units, and Export Oriented Units (EOUs) up to March 31, 2026,” the DGFT said in a notification issued today.

The existing RoDTEP rates, as notified, shall continue to apply for all export items. However, the operation of the scheme will remain subject to the budgetary framework provided under Para 4.54 of FTP 2023, so that remissions during the financial year are managed within the approved allocation.

In August 2021, the government announced tax refund rates for 8,555 products, including yarn. Various central and state duties, taxes, and levies on input products are refunded under the scheme, with rates ranging from 0.3 per cent to 4.3 per cent.

RoDTEP refunds taxes and duties not covered by other schemes, in line with WTO provisions for compensating duties, taxes, and levies on exported products. In the textile industry, the scheme provides relief for exports of 18 items, including sarees and lungis.

Source: fibre2fashion.com– Sep 30, 2025

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Govt puts e-comm platforms on radar for GST rate cut benefit compliance

The government has placed e-commerce platforms under scrutiny as it monitors prices of daily use FMCG products ranging from shampoo to pulses to ensure that the benefits of Goods and Services Tax (GST) rate cuts are being appropriately passed on to consumers, a source said on Tuesday.

Authorities are monitoring whether these platforms are complying with pricing norms and not withholding the intended consumer benefits from tax reductions.

Amid complaints of not commensurate price reduction of daily essential items being sold on some e-commerce platforms, sources said that the government has informally ticked off certain e-commerce operators for the prices they are offering on certain items.

"The government is monitoring e-commerce operators for a smooth and genuine passage of GST cuts. The revenue department is monitoring whether taxes have been cut commensurately," the source said. Sources said the e-commerce platforms cited 'technical glitches' when discrepancies in pricing pre- and post-GST reduction were pointed out.

"Government is keeping a strict vigil," the source added.

Effective September 22, Goods and Services Tax (GST) has become a two-tier structure of 5 per cent and 18 per cent. The earlier rates of 5, 12, 18, and 28 per cent have been clubbed into two rates of 5 per cent and 18 per cent, resulting in a reduced price of 99 per cent of daily use items.

Although the anti-profiteering mechanism has not been enabled for complaints relating to profiteering, the government has been monitoring pricing, and various companies have themselves come forward and said that they are passing on tax cut benefits by reducing prices.

On September 9, the finance ministry had written to Central GST field officers to submit a monthly report of price changes in 54 commonly used items. The first report on the comparative details of the Maximum Retail Price (MRP) of these commodities brand-wise, will have to be submitted to the Central Board of Indirect Taxes and Customs (CBIC) by Tuesday.

The list of 54 items includes butter, shampoo, toothpaste, tomato ketchup, jams, ice cream, AC, TV, all diagnostic kits, Glucometer, bandages, thermometer, erasers, crayons, and cement, among others.

Source: thehindubusinessline.com– Sep 30, 2025

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India's RBI holds repo rate at 5.50%, FY26 GDP growth seen at 6.8%

The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) has voted unanimously to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 5.50 per cent. Consequently, the standing deposit facility (SDF) rate remains at 5.25 per cent while the marginal standing facility (MSF) rate and the Bank Rate remains at 5.75 per cent.

The MPC, under the chairmanship of Sanjay Malhotra, governor, RBI, also decided to continue with the neutral stance, after a detailed assessment of the evolving macroeconomic and financial developments and the outlook.

In India, real gross domestic product (GDP), driven by strong private consumption and fixed investment, recorded a robust growth of 7.8 per cent in the first quarter (Q1) of FY26. On the supply side, growth in gross value added (GVA) at 7.6 per cent was led by a revival in manufacturing and steady expansion in services.

Looking ahead, rising capacity utilisation, conducive financial conditions, and improving domestic demand should continue to facilitate fixed investment. However, ongoing tariff and trade policy uncertainties will impact external demand for goods and services.

The implementation of several growth-inducing structural reforms, including streamlining of GST are expected to offset some of the adverse effects of the external headwinds. Taking all these factors into account, real GDP growth for FY26 is now projected at 6.8 per cent, with Q2 at 7 per cent, Q3 at 6.4 per cent, and Q4 at 6.2 per cent. Real GDP growth for Q1 FY27 is projected at 6.4 per cent.

Headline CPI inflation declined to its eight-year low of 1.6 per cent year on year (YoY) in July 2025 before rising to 2.1 per cent in August – its first increase after nine months. Core inflation remained largely contained at 4.2 per cent in August.

“The recently implemented GST rate rationalisation would lead to a reduction in prices of several items in the CPI basket. Overall, the inflation outcome is likely to be softer than what was projected in the August MPC

resolution, primarily on account of the GST rate cuts and benign food prices,” RBI said.

Despite the anticipation of moderate momentum during H2, large unfavourable base effects are likely to exert upward pressure on headline CPI inflation, especially in Q4. Considering all these factors, CPI inflation for FY26 is now projected at 2.6 per cent with Q2 at 1.8 per cent; Q3 at 1.8 per cent; and Q4 at 4 per cent. CPI inflation for Q1 of FY27 is projected at 4.5 per cent.

The average headline inflation for FY26 is now revised lower from 3.7 per cent and 3.1 per cent projected in June and August policy, respectively, to 2.6 per cent. Headline inflation for Q4 FY26 and Q1 FY27 too have been revised downwards and are broadly aligned with the target, despite unfavourable base effects. Core inflation for this year and Q1 FY27 is also expected to remain contained.

Though the growth projection for the financial year FY26 is being revised upwards, the forward-looking projections for Q3 and beyond are expected to be slightly lower than projected earlier, primarily due to tariff-related developments, despite being partially offset by the impetus provided by the rationalisation of GST rates.

The current macroeconomic conditions and the outlook has opened up policy space for further supporting growth. However, the MPC noted that the impact of the front-loaded monetary policy actions and the recent fiscal measures is still playing out. The trade related uncertainties are also unfolding.

The global economy has been more resilient than anticipated in 2025, with robust growth in the US and China. The outlook, however, remains clouded amidst elevated policy uncertainty.

Source: fibre2fashion.com– Oct 01, 2025

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Beyond the tariff tears: The 99 per cent opportunity in India's MSME engine

The recent spectre of 50 per cent “Trump tariffs” targeting key Indian export sectors — particularly textile, sea food, and gems and jewellery — has generated understandable anxiety across several geographical clusters. The anticipation of a financial squeeze on micro, small, and medium enterprises (MSMEs) in Surat, where 80 per cent of diamond-export units are concentrated, and in Tiruppur, where garment exporters face the potential of cumulative duties soaring over 61 per cent, is a genuine crisis. These tariffs, which are seen to affect sectors that account for a significant 25 per cent of India’s exports to the United States, are a palpable threat to firms with limited margins and pricing power, compelling them “to the wall”.

This immediate distress, however, must be framed against the colossal, untapped potential of the MSME ecosystem. The national dialogue and the media focus, currently dominated by the grief of the afflicted, risks missing the strategic opportunity presented by the vast, non-exporting majority.

The number of exporting MSMEs, despite a commendable trebling in the last four years, was a meagre 173,350 in May last year. When viewed against the 73 million-strong MSME base, this figure represents a minuscule 0.236 per cent. Put simply, the enterprises generating nearly half of India’s exports (45.79 per cent precisely) are less than one-quarter of 1 per cent of the MSME base. The real economic lever — the engine of future export-led growth — is the remaining enterprises, which are serving only the domestic market or operating in the informal economy.

The geopolitical invitation and the 99%

The current global scenario — a matrix of geopolitical conflict, pandemic aftershocks, rising logistics costs, and stringent ESG (economic, social, and government) mandates — is driving an irreversible shift in multinational corporate strategy. Global value chains (GVCs) are moving decisively away from single-region sourcing toward diversified, de-risked, and resilient supply ecosystems. India’s strategic challenge is to mobilise its core enterprises to secure the “China+1” mandate and transform its economy from one that merely navigates disruption to one that dominates the supply-chain recalibration.

The large majority of India's MSMEs are micro enterprises, many of them informal. They lack the scale, technology, and governance structures to meet the stringent demands of GVCs in several critical areas, including adherence to complex international certifications (like the norms of the International Standards Organisation, Conformité Européenne marking, and Total Quality Management), the ability to execute sophisticated inventory management models, such as “just-in-time (JIT) and lean manufacturing”, which rely on digital integration and high logistical reliability, and integration with Industry 4.0 tools, which are mandatory for real-time supply-chain synchronisation.

This gap explains why only a small tier of well-capitalised, mid-sized firms currently drive the bulk of the MSME export growth, as highlighted by a recent NITI Aayog analysis. The opportunity for India lies in converting the vast, dormant base into a formal, GVC-ready supplier pool.

To harness this opportunity, a strategic pivot from general welfare measures to targeted, execution-focused intervention is required. Access to finance remains the single biggest constraint.

The sector faces an estimated credit demand-supply mismatch of up to ₹30 trillion, with micro-enterprises disproportionately affected. Integration into GVCs requires fresh capital specifically directed at technology upgrades, involving funding for new machinery, certification compliance, and digital tools.

Policy must incentivise FinTech solutions that move beyond traditional collateral and use goods and services tax/Udyam data for dynamic, artificial intelligence-driven credit scoring, facilitating factoring and working-capital needs for export orders.

What would also help is a system of cluster financing with the creation of specialised, government-backed funds that offer competitive interest rates and long-term capital based on the export potential of specific clusters.

Policy would also need to understand that a “one-size-fits-all” regulatory approach severely penalises micro and small firms, which require simplified compliance regimes and digital governance that dramatically cut the regulatory clutter.

Furthermore, while the macro-level estimate for logistics cost for India is now a competitive 7.97 per cent of gross domestic product, the granularity matters. A recent report by the Department for Promotion of Industry and Internal Trade and National Council of Applied Economic Research reveals that small firms (with a turnover below ₹5 crore) incur logistics costs as high as 16.9 per cent of their output, compared to 7.6 per cent for large firms. This disparity instantly renders small enterprises uncompetitive.

The execution of the PM Gati Shakti National Master Plan must be accelerated to build multi-modal logistics parks, which offer shared warehousing and efficient first/last-mile connectivity, thereby pooling costs and reducing the burden on small players. It would also help to mandate the use of the Unified Logistics Interface Platform for MSME cargo to ensure complete, paperless, and low-cost tracking, which meets GVC traceability requirements.

Technology is inert without skilled labour. India must rapidly scale up vocational programmes focused on the skills GVCs demand: Quality assurance, digital operations, machine maintenance, and supply-chain management. This must be coupled with the establishment of shared testing facilities and certification hubs in manufacturing clusters. These facilities spread the fixed costs of compliance across multiple small firms, building the buyer confidence necessary to plug into multinational supply chains.

The global economy is diversifying its supply chains. This current confluence of tariffs and trade reconfiguration offers India an extraordinary opportunity to transform its massive MSME sector. However, the window for action is narrow. If India fails to move quickly and decisively to empower its 99.76 per cent, the opportunity will inevitably be seized by more agile competitors like Vietnam, Mexico, or Indonesia. The road to becoming a global manufacturing powerhouse is paved not with intent but with rigorous, focused, and large-scale execution.

Source: [business-standard.com](https://www.business-standard.com)- Sep 28, 2025

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GST without a seamless input tax credit system fails its core principles

We are losing touch with the soul of the indirect tax

Indirect taxation, when designed poorly, is an enemy of economic growth. We were part of the early dreams of cleaning this up by going to the “value-added tax” (VAT), an internationally established idea, which was rebranded for India by us as goods and services tax (GST). This is intended to be a clean consumption tax, which is neutral to the methods of production or international trade. It is the right way to do indirect taxation in any country.

The engine of GST is input tax credit (ITC). Comprehensive ITC eliminates the cascading of taxes, ensures that tax is levied only on the value added at each stage of production and therefore (ultimately) only on consumption, and creates a unified national market.

Today’s GST, however, repeatedly violates this core principle. The system has become an example of what Lant Pritchett calls “isomorphic mimicry”: It has adopted the external form of a modern GST to seek the legitimacy that comes with the name, but without the underlying function. The ITC mechanism has been increasingly obstructed by legal and procedural blockages. In many respects, the Indian GST has become a tax on production, similar to the previous system of excise and service tax.

A functional GST is built on a seamless ITC system. When a business pays tax on its inputs — materials, services, or capital goods — it should receive a full and immediate credit. This ensures the tax is a pass-through. When ITC is blocked, the economic logic is undermined. The tax ceases to be a levy on consumption and becomes a tax on business inputs, embedding itself as a cost that cascades through the supply chain. The effective level of taxation can become very high.

One obstruction came up in the treatment of refunds under an “inverted duty structure”, which arises when inputs are taxed at a higher rate than the final output. In this situation, excess credit should be refunded (as is done with zero-rating of exports). But, under Rule 89(5) of the Central GST Rules, refunds are restricted to the tax paid on input goods only. The ITC accumulated on input services and capital goods is not refunded.

The divergence between the nominal GST rate and the effective tax burden shows the impact. For a business in the 5 per cent slab, the blocked ITC can mean the tax incidence is higher than the nominal rate. A supplier of goods might face an effective rate of 14 per cent, while a service provider's burden can increase to 28.4 per cent. In this form, GST is not a modern consumption tax; it is an old-style tax on production.

The departure from a true VAT is not a theoretical problem; it inflicts broad, systemic damage across the economy, penalising our most dynamic sectors.

This rule disproportionately affects the services sector. A manufacturer can claim refunds on its raw materials but must still accumulate ITC for services and capital goods. In contrast, a software or logistics firm, even though treated equitably in law, does not receive the same relief since their inputs are primarily other services and capital equipment. As a result, costs remain elevated in both manufacturing and services, but the burden is heavier in services where refunds are effectively most restricted.

The broken credit chain has a bias in favour of imports. A domestic product may have a nominal 5 per cent GST, but its final price is inflated by uncredited taxes on its inputs, pushing the effective tax burden towards 14 per cent or higher. An imported equivalent, however, is taxed cleanly at the border at the nominal rate. This puts domestic producers at a structural disadvantage. The disadvantage is sharper for services, where blocked credits on inputs and capital goods push the effective incidence even higher, further eroding competitiveness.

GST has become a tax on investment. Credit for GST paid on capital goods is often deferred until a project is operational and generates its own tax liability. But a credit of ₹100 today is worth more than a credit of ₹100 in three years. This delay raises the cost of capital.

Within the logic of the flawed system, the “GST 2.0” reforms of September 2025 have unfortunately made things worse. By merging the 12 per cent slab into the 5 per cent slab, the range of goods under cascading taxes went up, and high effective production taxation rates have emerged.

Exporters under GST are not fully neutralised for embedded taxes, since refunds exclude ITC on capital goods. The international best practice is to zero-rate exports completely, so that we never tax foreigners. Our rules try to tax foreign buyers and hamper the competitiveness of Indian exporters.

The ITC blockage weighs far more heavily on micro, small, and medium enterprises (MSMEs). Larger firms can manage refunds, restructure supply chains, or absorb financing costs. MSMEs, operating on thin margins and limited access to credit, lack such flexibility. Their costs stay elevated, their competitiveness erodes, and they face a deeper import bias. The tax system, therefore, penalises smaller firms disproportionately.

The traditional GST reform agenda has focused on two goals: Achieving a single rate with a comprehensive base and improving the treatment of imports and exports. A third priority must now be added: The restoration of a purist ITC mechanism, to create a genuine GST/VAT.

The path forward requires a three-pronged approach. First, the law must be amended to guarantee flow-based, immediate, and full ITC across all inputs: Goods, services, and capital goods. Second, once the credit chain is fixed, the rate structure should be rationalised by merging the lower rates upwards into a single, revenue-neutral rate of 12-14 per cent.

Finally, the administration of refunds requires improvement. Refunds are a persistent problem in VAT systems, but India has the technology to address this. A GST-CPC (Central Processing Centre), modelled on the successful Income-Tax CPC, could automate return processing and issue refunds based on risk-based checks.

Source: business-standard.com - Sep 29, 2025

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Tamil Nadu may get 100 crore from Union govt to boost cotton productivity

Coimbatore: The Union govt's Mission for Cotton Productivity is expected to be a game-changer for the textile industry in Tamil Nadu. Under the initiative, which aims to double the yield and farmers' income, and modernize ginning units, the state is likely to receive around 100 crore from the total allocation of 5,900 crore.

Industry stakeholders say the initiative, if effectively implemented, could help Tamil Nadu reduce its dependence on high-cost cotton from other states and become more competitive in global markets. According to K Selvaraju, general secretary, South India Mills Association, textile mills in Tamil Nadu require about 120 lakh bales of cotton a year.

"However, the state produces only around five lakh bales a year. With proper interventions, production has the potential to touch 25 lakh bales. The production should at least touch 15 lakh bales by 2030. Even if output increases to 10 lakh bales, it will only meet about 8% of the requirement." He says one of the focus areas of the mission is seed development and agronomy research.

"If implemented with the support of the Central Institute for Cotton Research (CICR) or private seed companies, production could be enhanced significantly. While farmers now plant 25,000 plants per hectare, adopting high-density planting technology could increase this to 60,000 plants.

A pilot project was carried out in select regions over the past two years." Pointing out that cotton is cultivated on about 1.75 lakh hectares in Tamil Nadu, he says the area under cotton cultivation could go up to two lakh hectares under the mission.

"Tamil Nadu is also one of the few states cultivating cotton in both winter and summer, offering scope to introduce extra-long staple cotton." Labour shortage continues to be a major hurdle in cotton farming, making mechanization critical, says Selvaraju. Another focus area of the mission is the modernization of machinery and cotton ginning - the process of separating fibre from seeds and impurities.

"Ginning in Tamil Nadu is outdated. Upgradation will improve quality and efficiency," he says. J Thulasidharan, president, Indian Cotton Federation, welcomed the focus on research, pointing out that allocations were meagre over the past decade.

"With soil and climate specific seed varieties, precision farming techniques, and better support for research institutions like CICR in Coimbatore, Tamil Nadu could increase its yield.

As productivity improves, the cost of production will come down, MSP pressure will reduce, and Indian cotton will become globally competitive." Cotton is grown in areas such as Kumbakonam, Perambalur, Manaparai, Ottanchathiram, Vasudevanallur and Kovilpatti in the state.

Source: timesofindia.com– Sep 29, 2025

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Telangana wants CCI to start cotton procurement from Oct. 1

The Telangana government has appealed to Union Textiles Minister Giriraj Singh to make the Cotton Corporation of India (CCI) to start cotton procurement from October 1.

The State, which grew cotton on 17.52 lakh hectares, is expecting an output of 24.70 lakh tonnes of cotton. “Most of the cotton farmers are small and medium farmers. Their livelihood hinges on the procurement at the minimum support price,” Telangana Agriculture Minister Tummala Nageswara Rao said in the letter to the Minister.

The State government held a meeting last week with the representatives of the CCI, ginning mills association and marketing department to discuss the likely output and pricing prospects for farmers.

“Though the CCI called for tenders twice, ginning mills stayed away citing certain rules in the new guidelines,” Rao pointed out.

The Minister directed the marketing department to set up monitoring committees at the procurement centres to ensure farmers get their due.

Currently, the market price of cotton in the State is only ₹6,700 per quintal, which is ₹1,410 less than the MSP of ₹8,110. In such circumstances, the Minister expressed concern in the letter that farmers are at risk of going for distress sales.

Source: thehindubusinessline.com– Sep 30, 2025

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