

**IBTEX No. 10 of 2026**

**February 02, 2026**

<b>Currency Watch</b>			
<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>JPY</b>
<b>91.68</b>	<b>109.73</b>	<b>125.43</b>	<b>0.60</b>

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## INTERNATIONAL NEWS

### **US retail customer satisfaction edges up in 2026 despite pressures**

Customer satisfaction across US retail sector has edged higher in 2026 despite a challenging economic backdrop, according to the latest Retail and Consumer Shipping Study by American Customer Satisfaction Index (ACSI).

General merchandise and specialty retailers each improved by 1 per cent, reaching ACSI scores of 79 and 80, respectively, on a 0–100 scale. Online retail satisfaction remained steady at 79, while supermarkets slipped 1 per cent to 78. The results point to incremental progress, even as shoppers become more price-conscious and selective.

Behind the topline numbers, retailers are adjusting to a more disciplined, value-focused consumer, particularly among Generation Z. Narrowing gaps between top and bottom performers, changing buying patterns, and rising expectations around price and experience are intensifying competition across formats.

In apparel retail, Gap slipped 1 per cent but still shared the category lead with ACSI newcomer H&M, with both scoring 77. In sporting goods and sports apparel, Foot Locker edged up 1 per cent to lead the segment at 80.

Among online retailers, Nordstrom surged 5 per cent to an ACSI score of 82, tying with Amazon (down 1 per cent) for the top spot. Nordstrom's blend of AI integration with human-led service was cited as a key driver.

Notable gains were also recorded by Macy's (79) and Walmart (77), each up 3 per cent. Walmart benefited from AI-enabled features such as personalised shopping tools and direct purchasing through ChatGPT via its OpenAI partnership.

In contrast, higher prices linked to tariffs weighed on home improvement retailers. Home Depot fell 5 per cent to 75, while Lowe's declined 3 per cent to 74.

Mobile apps remain central to the shopping journey, with 58 per cent of respondents using them. App quality rose 1 per cent to 88 and reliability climbed 2 per cent to 87, the highest-rated experience metrics. Ease of checkout improved to 86, while product images and descriptions also saw notable gains.

ACSI introduced two new benchmarks in 2026: delivery quality (83) and ease of returns (80). While both scored well overall, company-level differences of up to 20 points highlight uneven execution.

Despite a 2 per cent dip to 83, Sam's Club retained its lead in general merchandise, supported by operational efficiency. BJ's Wholesale Club improved to 80, while Costco eased to 81.

Discount retailers continued to resonate with value-seeking shoppers. TJX led the segment at 81, despite a slight dip. Burlington climbed to 76, while Dollar General and Dollar Tree were unchanged at 73.

In specialty retail, the performance gap narrowed sharply. Home Depot, Lowe's, and Menards are now tied at 81, reflecting a more consolidated competitive landscape.

"Retailers are facing a cost-conscious consumer who isn't necessarily spending less in most cases, but spending differently. These individuals are starting holiday shopping earlier, avoiding last-minute splurges, and trading down to discount and thrift options to stretch every dollar.

Together, these shifts are tightening the field between retail winners and laggards and rewarding brands that deliver clear value and a smooth experience online and in store," said Forrest Morgeson, associate professor of marketing at Michigan State University and director of research emeritus at the ACSI.

Source: fibre2fashion.com– Jan 31, 2026

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## **US retail to hit \$6.2 trn as in-store sales stay dominant: Forrester**

US total retail sales, excluding automotive and gasoline, are forecast to rise to \$6.2 trillion by 2030 from \$5.2 trillion in 2025, according to Forrester's latest US Retail E-Commerce Forecast, 2025 to 2030. The projected growth reflects resilient consumer demand despite tariff-related uncertainty early in 2025, supported by stable inflation and interest rates, low unemployment, and wage growth outpacing inflation.

However, spending patterns are diverging, with higher-income households driving growth while lower-income consumers remain focused on essentials. The research notes a widening divergence in spending patterns across income groups.

US e-commerce sales are projected to reach \$1.8 trillion by 2030, accounting for 29 per cent of total retail sales. Growth will be driven by demographic shifts as Generation Z enters the workforce, improvements in logistics enabling faster and more reliable fulfilment, and technology innovations such as agentic commerce.

Retailer strategies, including curated marketplaces, are also expected to expand product selection and unlock additional retail media opportunities.

Physical retail will continue to dominate overall sales. In-store channels are forecast to generate \$4.4 trillion in 2030, representing 71 per cent of total retail sales. Forrester highlighted that tangible experiences, immediate gratification, product comparison, social interaction and personalised assistance will remain core strengths of brick-and-mortar retail.

Reflecting this, retailers are prioritising investments to enhance the in-store experience through technology. Key initiatives include empowering store associates, improving customer self-service, strengthening omnichannel inventory visibility, expanding product assortments, and stepping up efforts to prevent shoplifting and theft to maintain secure retail environments.

Source: fibre2fashion.com– Feb 01, 2026

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## **German export expectations rise in January but stay negative: ifo**

German export sentiment showed a modest improvement in January 2026, although uncertainty around international trade remains elevated, according to the latest ifo Export Expectations survey. The index rose to minus 1.2 points in January, up from minus 3 points in December, signalling a slight easing of pessimism among exporters.

Manufacturers of clothing continue to expect exports to decline. Export expectations rose to their highest level since February 2022, with positive and negative assessments currently in balance. Despite the improvement, there are still no clear signs of a sustained recovery in the near term, ifo said in a press release.

“Even though companies are less sceptical with regard to their international business, uncertainty remains high. There are no clear signs of an upward trend for the first quarter of 2026,” said Klaus Wohlrabe, head of surveys at ifo.

Source: fibre2fashion.com– Feb 02, 2026

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## **Canada could lift GDP 7% by easing internal trade barriers**

Canada could boost long-term economic output by nearly 7 per cent if it dismantles policy-related barriers that restrict the movement of goods, services, and labour across provinces, according to new analysis by the International Monetary Fund (IMF).

Despite being one of the world's most open economies globally, Canada's internal market remains fragmented, with non-geographic barriers equivalent to an average 9 per cent tariff nationwide.

Model-based estimates suggest that fully removing these barriers could add around C\$210 billion (~\$153.04 billion) to real GDP over time, driven largely by productivity gains rather than short-term demand, IMF said in a release.

While full liberalisation will be gradual, targeted reforms in high-impact sectors could deliver sizable benefits and improve economic resilience. Analysts argue that stronger federal–provincial coordination, wider mutual recognition of standards and credentials, and transparent benchmarking of internal trade barriers will be key to turning Canada's fragmented domestic market into a more integrated national economy.

Source: fibre2fashion.com– Feb 02, 2026

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## **Dutch economy grows 1.8% YoY in Q4 2025: CBS**

Dutch gross domestic product (GDP) increased by 0.5 per cent quarter on quarter (QoQ) and 1.8 per cent year on year (YoY) in the fourth quarter (Q4) last year, according to the first estimate from Statistics Netherlands (CBS).

In Q3 2025, the economy grew by 0.5 per cent QoQ as well.

The MoM growth in Q4 was primarily due to exports and public consumption, a CBS release said.

The Netherlands' GDP grew by 1.9 per cent YoY in 2025, mainly due to increased exports and public and household consumption. In 2024, the economy grew by 1.1 per cent.

In Q4 2025, exports of goods and services grew by 1.3 per cent QoQ, while such imports grew by 0.6 per cent QoQ. As a result, the trade balance made the most positive contribution to growth in the quarter. Exports grew by 2.6 per cent YoY, while imports grew by 2.5 per cent YoY in the quarter.

Public consumption grew by 1.1 per cent QoQ, while household consumption in Q4 2025 increased by 0.3 per cent QoQ.

Investment in fixed assets decreased by 0.5 per cent QoQ in the quarter.

Average GDP growth of the country over the past 30 years was approximately 2 per cent per year.

Source: fibre2fashion.com– Feb 02, 2026

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## **Turkiye's unemployment rate drops to 25-year low of 7.7% in Dec 2025**

The number of unemployed aged 15 and above in Türkiye decreased by 286,000 month on month (MoM) to 2.736 million in December last year as the seasonally-adjusted unemployment rate, estimated at 7.7 per cent, decreased by 0.8 percentage point (pp) MoM, according to the Household Labour Force Survey by the Turkish Statistical Institute (TurkStat).

The unemployment rate was an estimated 6.3 per cent for men and 10.5 per cent for women during the month.

The number of employed persons in the country decreased by 42,000 MoM to 32.685 million in the month as the seasonally-adjusted employment rate was estimated at 49.1 per cent—no change MoM. This rate was 66.8 per cent for men and 31.7 per cent for women, a TurkStat release said.

The number of persons in the labour force decreased by 328,000 MoM to 35.421 million in December 2025. The labour force participation rate (LFPR) was 53.2 per cent—a drop of 0.5 pp MoM. This rate was 71.3 per cent for men and 35.5 per cent for women.

Source: fibre2fashion.com— Feb 02, 2026

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## **Tariffs Are Back and So Is the Apparel Price Panic**

A new report from the Gold Institute for International Strategy warns that the next cost-of-living spike could land in Americans' closets, not just at the pump or checkout line—depending on how quickly apparel supply chains adjust to new tariff conditions.

Because if tariffs are a structural shock, the small DC-area nonprofit argued, then its fix is distributed sourcing under a “many-nodes, one-standard” regime across the Bangladesh–Kenya–Peru corridor—what the Gold Institute explicitly framed as aligned with Trump-era economic doctrine.

“Turning Tariffs into Opportunity: How the Global South Can Reshape U.S. Textile Supply Chains” examined how elections and industrial reform are reshaping apparel sourcing—plus, the resulting direct implications on both stateside shops and their shoppers.

“America First ultimately seeks to reshape globalization so that critical value chains reinforce American security, strategic leverage and middle-class prosperity,” the Baltimore-based “think-and-do-tank” said. “The doctrine prioritizes reducing dependence on adversarial states by dispersing production across a broader network of democratic, reform-oriented partners rather than concentrating it within a single authoritarian hub.”

The nonprofit organization—self-characterized as dedicated to fostering strategic, forward-thinking policy to counter authoritarianism and emerging global threats—argued that U.S. tariffs are, actually, not so bad. Rather than simply raising costs, tariffs can create a strategic opening to rebuild a more resilient, diversified and values-aligned apparel supply chain.

“This new tariff architecture has generated far-reaching effects across the global economy, with labor-intensive supply chains bearing the brunt of adjustment pressures. The apparel sector exemplifies this vulnerability: few industries rely so heavily on cross-border inputs, sequential processing and tight cost margins.”

The report asserted that the tariff actions introduced in April 2025—including a “10 percent baseline tariff” on almost all imports, followed by “reciprocal measures” that raised duties on some categories above 50 percent—have reset the economics of apparel sourcing, the organization argued.

It goes further, attributing to Yale Budget Lab an estimate that the effective U.S. tariff rate reached roughly 22.5 percent—an estimate the report characterizes as the highest level since 1909. Yale’s own top-line summary on average effective tariff didn’t quite translate.

Shared last summer, the nonpartisan policy research center placed the average effective tariff rate at 18.6 percent (the highest since 1933), with post-substitution at 17.7 percent (the highest since 1934). And, according to the lab that’s been closely tracking the progress and fiscal impacts of the trade agenda, tariffs “directly reduce the purchasing power of low-income households—either by decreasing nominal incomes or by increasing prices.”

The Gold Institute’s report did not publish a full methodology or tariff-line list in the public text.

With that in mind, the charity did claim that reciprocal U.S. duties on major exporters—including Bangladesh, Vietnam and Cambodia—now sit in the high-40-percent range. Those costs, the report warned, can translate into consumer price increases without rapid supply-chain adjustment.

“This pressure is compounded by reciprocal U.S. duties on other major textile- and apparel-exporting nations,” per the paper; what the Gold Institute reported as “representing the steepest increase in decades and a structural shock to low-cost apparel pricing.”

In fact, the Gold Institute doubled down, stating that tariffs are now a “new normal,” not a blip—and that if supply chains don’t reroute, U.S. consumers pay. The report claims that “the 2025 tariff package” could lift apparel prices by roughly 38 percent in the short term and keep them around 17 percent higher in the long term.

How? Well, by “shifting production from China toward a coordinated global South network—anchored in Bangladesh, Kenya and Peru—under shared labor, environmental and transparency standards.”

The Gold Institute's proposed fix to tariff-driven cost shocks and sourcing volatility is a tri-regional production network—organized under a “many-nodes, one-standard” sourcing model—meant to distribute risk while maintaining compliance and credibility.

With Bangladesh positioned as the scale anchor, Kenya was framed as a preferential-access play contingent on the African Growth and Opportunity Act.

The Gold Institute said that without it, tariffs would snap back—reaching “the mid-teens for cotton garments and exceeding 30 percent” for key synthetics. The report noted, however, that the risk has been “temporarily contained by U.S. support for a one-year AGOA extension now before the United States Congress, preserving duty-free access through 2026.”

Peru, meanwhile, was pitched as a nearshoring and duty-free option under the bilateral U.S.-Peru Trade Promotion Agreement (PTPA).

“Major upgrades at Callao and the new deep-water port of Chancay are expected to further reduce lead times and strengthen Peru's nearshore value proposition,” the report reads. “These infrastructure investments are projected to add \$4.5 billion to the economy and will lift GDP by approximately 1.8 percent, reinforcing Peru's emergence as a strategic logistics hub in the hemisphere's reconfigured industrial landscape.”

To make the corridor “work,” the Gold Institute's proposed policy architecture is aimed squarely at brands' operational pain points—such as a Trusted Textiles accreditation regime for streamlining customs and enforcement. It's a proposed trade facilitation framework that was designed to modernize how the U.S. interacts with its supply chain partners by rewarding reform and compliance.

In its recommendations section, the report called for a “Trusted Textiles” accreditation modeled on trusted-trader programs, pairing streamlined treatment with enforcement mechanisms.

Drawing on models such as U.S. Customs and Border Protection's Customs-Trade Partnership Against Terrorism, aka CTPAT, and Australia's Trusted Trader scheme, the accreditation effort “would allow compliant factories to move through green-lane clearance, mutual recognition, and reduced inspections, while snap-back penalties would

deter non-compliance,” the report reads. “This rewards the very reforms the U.S. seeks to encourage.”

It also called for expanded U.S.-backed finance for renewable energy and water-efficiency upgrades in export zones, pointing to a 40 MW rooftop solar array in Bangladesh’s Korean Export Processing Zone—the country’s first and largest private industrial park located in Anwara, Chattogram—as proof of concept.

“Taken together, these steps align tariff policy with economic diplomacy,” the report reads. “By backing verifiable ESG standards, green infrastructure, flexible market access and multi-node operations, the U.S. can build a supply network that is resilient, diversified and consistent with American values—a future-proof model of globalization rather than a retreat from it.”

Source: [sourcingjournal.com](https://sourcingjournal.com)– Jan 30, 2026

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## **Apparel imports from India, Bangladesh decline while shipments from Vietnam rise in 2025: OTEXA**

The American apparel import market underwent a significant structural reshuffle in late 2025, according to the latest OTEXA data. In a stark divergence of fortunes, US textile and apparel imports from India plummeted by 31.4 per cent Y-o-Y in November 2025, reaching approximately \$0.54 billion.

This contraction is largely attributed to the compounding effect of a 50 per cent cumulative tariff wall on Indian goods, which has rendered staples like cotton knits 35 per cent more expensive than competing products.

While India grapples with this price disadvantage, Bangladesh also witnessed a 14.5 per cent decline in November, signaling a broader volatility across traditional South Asian manufacturing hubs as buyers prioritize cost-predictability and stable trade access.

Vietnam emerges as the primary beneficiary of trade diversification

In contrast to the regional downturn, Vietnam's apparel shipments to the US increased by 12.2 per cent in November 2025, solidifying its position as a preferred 'China+1' alternative.

Vietnam's total textile exports for 2025 are projected to hit \$46 billion, supported by a 52 per cent localization rate in raw materials and strategic utilization of its vast free trade agreement (FTA) network.

The shift we are seeing is not just seasonal; it is a strategic migration toward vendors who can absorb geopolitical shocks, noted an analyst from the Confederation of Indian Textile Industry (CITI).

As global brands actively de-risk their supply chains, Vietnam's consistent double-digit growth throughout 2025 underscores a decisive move toward Southeast Asian sourcing for high-volume retail.

Global Sourcing Monitor: Apparel & Textiles

This initiative tracks the performance of key global suppliers - China, Vietnam, India, and Bangladesh - in the \$100 billion US fashion market.

Focused on apparel and home textiles, the tracker monitors how tariffs and FTAs drive sourcing shifts. Growth plans for 2026 involve deeper integration into technical textiles and sustainable fabrications to offset rising labor costs.

Source: fashionatingworld.com– Jan 31, 2026

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## **Vietnam textile-garment sector targets \$50 mn in exports in 2026**

Following a record export value of \$475 billion achieved in 2025, up by 17 per cent year on year (YoY), Vietnam's Ministry of Industry and Trade aims at adding nearly \$38 billion to the figure this year.

The goal, however, is challenging due to external pressures, including stricter technical barriers, reciprocal tariffs on goods exported to the United States, and the European Union's Carbon Border Adjustment Mechanism (CBAM) for selected industrial products.

Therefore, major export industries in the country have started restructuring and adjusting strategies early in the year to seize market opportunities.

The textile and garment sector, which earned \$46 billion in 2025, has set a target of \$50 billion in exports in 2026.

The sector is focusing on strengthening domestic supply chains, raising localisation rates and making more effective use of free trade agreements (FTAs), Vu Duc Giang, chairman of the Vietnam Textile and Apparel Association (VITAS), was cited as saying by a domestic media outlet.

Exports may grow by 15-16 per cent this year, driven by market expansion and a shift towards higher-value products, according to MB Securities' Vietnam Outlook 2026 report.

Source: fibre2fashion.com– Feb 02, 2026

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## **Bangladesh's Textile Mills Threatened an Indefinite Shutdown. Here's What Happened Next.**

It was an ultimatum that sent ripples through Bangladesh's garment industry: If the interim government failed to safeguard domestic yarn production by suspending duty-free yarn exports under the bonded warehouse facility, the Bangladesh Textile Mills Association warned, all mills would be indefinitely closed starting February.

"We do not have the capacity to repay bank loans," BTMA president Showkat Aziz Russell said at a press conference in Dhaka last week. "Even if we sell off all our assets, it will not be possible to clear the debts."

While the BTMA on Thursday announced a "temporary suspension" of its declaration, the move had by then provoked a standoff between textile producers and ready-made garment manufacturers, exposing long-simmering tensions between the two sectors.

For years, export-focused suppliers have relied on cotton from India and polyester from China for their lower cost and greater consistency. Imposing import duties on these inputs, the Bangladesh Garment Manufacturers and Exporters Association and the Bangladesh Knitwear Manufacturers and Exporters Association said, would be tantamount to industrial suicide, especially since factories were already struggling with muted demand from trade disputes and other geoeconomic uncertainties. The mills, for their part, cited crippling financial losses that were compounded by high borrowing costs and a worsening fuel deficit.

"More competitive pricing from Indian yarn that's about 15-20 percent cheaper, plus higher energy costs that have almost doubled in the last two years, have caused a major slowdown in the Bangladeshi spinning industry because of the depressed domestic demand," Munir Mashooqullah, founder and chairman of M5 Groupe, a business network whose portfolio includes Simco Spinning & Textiles, told Sourcing Journal. "A lot of these factories were already headed toward closure with mounting debts and layoffs."

Mustafain Munir, director of Cyclo, a recycled fiber manufacturer operated by Simco, said that U.S. tariffs on Indian exports have created a surfeit of Indian cotton at even lower prices, further eroding Bangladeshi

mills' ability to compete if they don't have value-added advantages like sustainable certifications.

Both the BGMEA and BKMEA have balked at the prospect of bonded yarn imports being withdrawn just as Bangladesh prepares to graduate from the United Nations' Least Developed Country status this year. Removing duty-free access, they said, would hike yarn prices by nearly 37 percent, adding roughly 60 cents per kilogram to the cost of raw materials.

In 2025, Bangladesh paid \$2 billion to import 700 million kilograms of cotton yarn, 78 percent of which hailed from India. The country's semi-protectionist restriction on yarn imports from India through its land ports last April, however, has added to logistical costs and caused delays, apparel producers said.

To address their concerns—and broker a détente—senior government officials from the Ministry of Commerce held a meeting on Tuesday with the BTMA, BGMEA and BKMEA.

“As buyers, we are free to buy anywhere; there should not be any restrictions,” Faisal Samad, managing director of Surma Garments and a member of the BGMEA's board of directors, told Sourcing Journal. “But we tried to come to a mutual understanding, based on which the government is considering increasing the incentive on domestic yarns or increasing the incentive on garments. All that is under consideration right now.”

Another meeting has been scheduled for Feb. 3, two days after the original shutdown date, at the Ministry of Finance.

Even so, the BTMA announcement should be seen as a “warning signal,” Md. Rafiqul Islam Rana, an assistant professor of retailing at the University of South Carolina, wrote in an email. Not only are local mills under “extreme pressure” from “cheap yarn dumping from India, gas shortages, and high bank loan burdens,” he said, but many of them are no longer able to operate or repay loans.

Rana also described this crisis as unfolding at a “very difficult political moment,” with most policy decisions effectively on hold by Muhammad Yunus's caretaker leadership until the general election on Feb. 12.

“Because of this, long-standing industry requests such as duties on imported yarn or temporary incentives have not moved forward,” he said. “The industry is asking for urgent, short-term support to survive this transition period. If spinning mills shut down now, Bangladesh will become more dependent on imported yarn, which will hurt the entire apparel supply chain in the long run.”

In other words, the next elected government will need to move fast or risk permanent damage to the domestic textile base, Rana added.

For now, the BTMA is waiting—and seeing—though it reserves the right to reactivate its earlier threat.

“BTMA expresses confidence that the government will address the issues of the spinning sector in a timely, transparent and lawful manner contributing to export competitiveness, employment protection and macroeconomic stability,” Md. Ziaur Rahman, the organization’s joint secretary general, said in a statement. “BTMA will review subsequent developments and announce its future course of action accordingly.”

Source: [sourcingjournal.com](http://sourcingjournal.com)– Jan 29, 2026

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## NATIONAL NEWS

### Highlights of the Union Budget 2026-27

Hon'ble Union Minister of Finance and Corporate Affairs, Smt. Nirmala Sitharaman has announced the Union Budget for 2026-27 on 1st February, 2026.

You may view the following details by clicking the link:

<https://www.indiabudget.gov.in>

- 1) Budget Speech
- 2) Key features of Union Budget 2026-27
- 3) The relevant extract of the Union Budget 2026–27: Key Highlights ([enclosed](#)).

### **Please make a note of the Relevant Customs Notifications –**

-- 02/2026-Customs, dated 1st February 2026 – Seeks to further amend notification No. 45/2025-Customs dated the 24th October, 2025 to notify Basic Customs Duty related changes.

against S. No. 142,- (a) in column (3), in the proviso, for the figures, letters and word “31st March, 2026”, the figures, letters and word “31st March, 2028” shall be substituted; (b) in column (6), for the entries, the entries “3 and 88” shall be substituted;

Sr.No.142 refers to goods specified in List 10 appended to Table1, when imported by Bonafide exporters for use in the manufacture of textile or leather garments, for export

-- 12/2026-Customs (N.T.) dated 01.02.2026 – Seeks to add a new class of eligible importers as ‘Eligible Manufacturer Importers’ under Section 47 of the Customs Act, 1962 for duty deferral facility.

-- 13/2026-Customs (N.T.) dated 01.02.2026 – Seeks to amend the Deferred Payment of Import Duty Regulations, 2016 to extend duty deferral facilities for trusted entities from 15 to 30 days.

-- 14/2026-Customs (N.T.) dated 01.02.2026 – Seeks to notify the Baggage Rules, 2026.

-- 15/2026-Customs (N.T.) dated 01.02.2026 – Seeks to notify the Customs Baggage (Declaration & Processing) Regulations 2026.

Source: Texprocil Intelligence– Feb 01, 2026

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## **Budget Unveils ₹10,000 Crore SME Growth Fund to Ease Credit and Boost MSME Exports**

The Union Budget 2026–27 places international trade and exports at the heart of India's growth strategy, reaffirming the Government's commitment to building a competitive, resilient, and globally integrated economy. Anchored in macroeconomic stability, fiscal discipline, and sustained public investment, the Budget advances a comprehensive reform and investment agenda aimed at strengthening India's position as a trusted global trading partner and accelerating progress towards the vision of Viksit Bharat.

Recognising exports as a critical driver of employment, industrial upgrading, foreign exchange earnings, and global value chain integration, the Budget announces a wide range of measures spanning the services sector, manufacturing, Special Economic Zones (SEZs), infrastructure, ease of doing business, and sector-specific reforms.

A major highlight of the Budget is its sharp focus on scaling domestic manufacturing in strategic and labour-intensive sectors, thereby strengthening export competitiveness and reducing critical import dependence. Flagship initiatives include Biopharma SHAKTI, the launch of India Semiconductor Mission 2.0, expansion of the Electronics Components Manufacturing Scheme, development of Rare Earth Corridors, establishment of Chemical Parks, and targeted support for capital goods and container manufacturing.

Labour-intensive sectors such as textiles, footwear, sports goods, handicrafts, and handlooms receive renewed attention through integrated parks, modernisation schemes, skilling initiatives, cluster rejuvenation, and sustainability-focused programmes.

The revival of 200 legacy industrial clusters through infrastructure and technology upgradation will help lower costs, improve productivity, and make traditional export hubs more competitive.

The gems and jewellery sector, one of India's largest foreign exchange earners, stands to benefit significantly from indirect measures aimed at trade facilitation and logistics efficiency.

Removal of the ₹10 lakh value cap on courier exports will support small exporters and e-commerce-led shipments, while improvements in handling of returned consignments will reduce friction in global B2C trade. Extensions of concessional customs duty regimes for gold and silver dore bars and lab-grown diamond inputs will further support domestic refining and value addition.

The services sector receives a strong policy thrust. A High-Powered Education-to-Empowerment and Enterprise Standing Committee has been proposed to guide coordinated reforms and position India as a global leader in services, with an aspirational target of a 10 per cent share in global services exports by 2047. Targeted tax and regulatory reforms for IT and IT-enabled services—such as a unified classification of IT services, higher safe-harbour thresholds, automated approvals, faster Advance Pricing Agreements, and long-term certainty—will enhance India's attractiveness for Global Capability Centres (GCCs) and international service providers.

The Budget also proposes tax holidays up to 2047 for foreign companies providing global cloud services through India-based data centres, along with safe-harbour norms for related-party services. These measures are expected to accelerate foreign investment, deepen digital infrastructure, and establish India as a global hub for digital and data-driven services.

Reforms in Special Economic Zones are designed to enhance capacity utilisation, economies of scale, and overall resilience of the SEZ ecosystem while maintaining export orientation.

One-time facilitation for limited Domestic Tariff Area sales at concessional duties and extended tax incentives for cloud and data-centre operations are expected to attract global manufacturers and technology players to SEZs.

A powerful push for infrastructure development underpins the export strategy. Increased public capital expenditure, expansion of Dedicated Freight Corridors, new National Waterways, coastal shipping promotion, container manufacturing, logistics parks, and high-speed rail corridors will significantly reduce logistics costs and improve connectivity, particularly for tier-2 and tier-3 cities. These investments will directly enhance export competitiveness by reducing dwell times and improving supply-chain efficiency.



The Budget advances a trust-based, technology-driven approach to ease of doing business in trade. Key measures include electronic sealing of export cargo, trusted supply-chain recognition, automated customs processes, expansion of non-intrusive scanning, longer validity of advance rulings, enhanced duty deferment for Authorised Economic Operators, and removal of value caps for courier exports. Together, these reforms will improve predictability, reduce transaction costs, and strengthen India's standing on global trade facilitation indices.

MSMEs—India's export backbone—receive focused support through a ₹10,000 crore SME Growth Fund, enhanced credit guarantee mechanisms, mandatory use of TReDS by CPSEs, and integration of GeM with TReDS to improve access to timely and affordable finance. These measures directly address working-capital constraints and enable MSMEs to scale in global markets.

Sector-specific initiatives in agriculture, marine products, pharmaceuticals, tourism, AVGC, and allied health services open new export opportunities and reinforce India's diversified export base.

Overall, Union Budget 2026–27 presents a coherent and forward-looking trade and export strategy—one that combines competitive manufacturing, services excellence, logistics modernisation, regulatory simplification, and infrastructure investment. It reinforces India's role as a reliable global partner and lays a strong foundation for sustained export growth, job creation, and long-term economic resilience.

Source: [pib.gov.in](http://pib.gov.in)– Feb 01, 2026

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**Press Release: Ministry of Finance**

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## **Budget 2026: TReDS-anchored liquidity to drive structural shift in MSME working capital access, say stakeholders**

Union Budget 2026-27: Finance Minister Nirmala Sitharaman on Sunday, while delivering the Budget speech, said liquidity concerns of micro, small, and medium enterprises (MSMEs) will be addressed by using the Trade Receivables Discounting System (TReDS) as a pricing benchmark and mandating its use by all central public sector enterprises (CPSEs) for MSME transactions to ensure faster payments.

“With TReDS, more than Rs 7 lakh crore has been made available to MSMEs. To leverage its full potential, I propose 4 measures: mandate TReDS as the transaction settlement platform for all purchases from MSMEs by CPSEs, serving as a benchmark for other corporates; introduce a credit guarantee support mechanism through CGTMSE for invoice discounting on the TReDS platform; link GeM with TReDS for sharing information with financiers about government purchases from MSMEs, encouraging cheaper and quicker financing; and introduce TReDS receivables as asset-backed securities, helping develop a secondary market, enhancing liquidity and settlement of transactions,” Sitharaman said in her Budget speech.

The Budget’s push to SMEs through equity support and TReDS-anchored liquidity signals a structural shift in MSME working capital access, say industry experts and stakeholders.

Launched in 2014, TReDS allows MSMEs to discount receivables from large buyers through an auction-based platform, enabling quicker access to funds at competitive rates.

Sundeep Mohindru, Founder and Promoter, Mixchange, says, by positioning TReDS as the settlement platform for MSME supplies to CPSEs, the government will drive wider adoption of invoice discounting and reinforce TReDS’ role in addressing delayed payments to MSMEs.

“Credit guarantee support on invoice discounting on TReDS and the integration of GeM with TReDS will enable quicker and more affordable financing for suppliers. Treating TReDS receivables as asset-backed securities will deepen liquidity multifold and enhance the secondary market expansion for discounted invoices.

Equally critical is the creation of corporate mitras through professional institutions, which will strengthen affordable compliance support in Tier II and Tier III towns. Together, these measures reinforce MSMEs as India's engine of growth," adds Mohindru.

Ketan Gaikwad, MD & CEO, RXIL, says that mandating TReDS as the transaction and settlement platform for CPSEs is a welcome move, as it will ensure timely payments and competitive financing for MSMEs, while giving the government a transparent, system-driven view of MSME payment cycles and setting a benchmark for other corporates.

"The proposed extension of CGTMSE credit guarantee support to invoice discounting on TReDS further deepens the availability of working capital for MSMEs and will enable TReDS platforms to onboard a wider and more diverse MSME base.

Linking the GeM portal with TReDS for sharing information with the financiers will be a major enabler, allowing MSME suppliers access to quicker and cheaper financing in a seamless manner, especially when combined with CPSE participation and credit guarantees.

The proposal to introduce trade receivables as asset-backed securities is a forward-looking reform that has the potential to unlock additional liquidity by attracting new classes of investors and developing a secondary market for MSME receivables.

We look forward to further details on this framework and believe it can meaningfully enhance market depth, liquidity, and settlement efficiency for MSME financing in the years ahead," adds Gaikwad.

Meanwhile, TReDS bill financing crossed Rs 2 lakh crore by June 2025, driven by rising digital adoption. Under government mandates, companies with turnover above Rs 250 crore must register on TReDS to enable MSME payments.

Similarly, Jay Deepak Shah, CEO & Managing Partner, Jay Wood Industry, says that the improved credit access and liquidity support through platforms like TReDS will enable manufacturers to plan expansion with greater financial confidence.

Sanjay Doshi, Partner and Head, Transaction Services and Financial Services Advisory, KPMG in India, says, "Recognising TReDS receivables as asset backed securities would fundamentally elevate MSME financing by transforming verified invoices into a trusted investment asset.

This shift can attract deeper institutional capital, lower the cost of working capital for MSMEs, and create a more liquid, transparent, and resilient credit ecosystem, benefiting both the financial sector and the backbone of India's supply chain"

Source: [economictimes.com](https://economictimes.com)– Feb 01, 2026

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## **Union Budget pushes National Fibre Scheme to enhance textile self-reliance**

The 2025-26 Union Budget introduced a five-year Mission for Cotton Productivity ,while also proposing a National Fibre Scheme . These are efforts to spur Aatmanirbhar (self-reliance) in the textile industry, said sources. For the labour-intensive textile sector, the Finance Minister Nirmala Sitharaman in this year's Budget proposed an Integrated Programme with 5 sub-parts -the National Fibre Scheme for self-reliance in natural fibres such as silk, wool and jute, man-made fibres, and new-age fibres.

She also announced the Textile Expansion and Employment Scheme to modernise traditional clusters with capital support for machinery, technology upgradation and common testing and certification centres. A National Handloom and Handicraft programme will integrate and strengthen existing schemes and ensure targeted support for weavers and artisans. She announced setting up Mega Textile Parks in challenge mode. They can also focus on bringing value addition to technical textiles.

She also proposed to launch the Mahatma Gandhi Gram Swaraj initiative to strengthen khadi, handloom and handicrafts and a dedicated initiative for sports goods that will promote manufacturing, research and innovation in equipment design as well as material sciences. Textile industry is the second largest employment provider, next only to agriculture and providing jobs to over 105 Million people, especially for the rural masses and women folks.

The centre had set a target of increasing the textile business size from the current level of \$179 Billion to \$350 Billion and exports from \$38 billion to \$100 billion by 2030, attracting new investments to the tune of \$100 Billion and create new jobs for around 20 Million people, apart from sustaining the existing jobs.

Rajeev Gupta, Joint Managing Director, RSWM Limited, a leading yarn manufacturer based in Rajasthan, said that the National Fibre Scheme is significant in strengthening self-reliance across natural, man-made and new-age fibres, while mitigating supply-chain vulnerabilities amid global disruptions.

Competitiveness in textiles begins with raw material security and competitive pricing. The Budget's proposal for a National Fibre Mission, covering the full fibre spectrum, will ensure supply stability, price competitiveness, and stronger global positioning of finished textile and apparel products, said Prabhu Dhamodharan, Convenor, Indian Texpreneurs Federation (ITF), Coimbatore.

The Budget's push for technology upgrades in clusters and mission-mode Mega Textile Parks will enable faster scaling, higher productivity, and globally competitive supply chains, he said. According to Durai Palanisamy, Chairman, The Southern India Mills' Association, National Fibre Scheme will strengthen availability of raw materials including man-made fibres and new age fibres.

The Centre had already allocated ₹5,900 crores under "Mission for Cotton Productivity" that covers new age fibres, he said.

A. Sakthivel, Chairman, Apparel Export Promotion Council (AEPC), said the National Fibre Scheme is a significant step towards self-reliance across natural fibres such as silk, wool and jute, man-made fibres and new-age fibres. This integrated approach will help India build a robust raw material base and reduce import dependence while supporting innovation.

Mahatma Gandhi Gram Swaraj Initiative will energise khadi, handloom, and handicrafts, promoting inclusive growth and rural livelihoods, he said.

The launch of Samarth 2.0 to modernise and upgrade the textile skilling ecosystem through collaboration with industry and academic institutions will help bridge skill gaps and promote employment especially for youth and women, he said.

For the Central Silk Board, the Budget has made a higher provision of Rs 960 crore for 2026-27 over previous year's Rs 854.34 crore. Similarly, for the development of jute industries, a higher provision of 135 crore has been made over previous year's Rs 107.10 crore. For the integrated wool development programme a provision of Rs 20 crore has been made during 2026-27.

Source: thehindubusinessline.com– Feb 01, 2026

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## **\$2 trillion export goal within reach by 2032: Piyush Goyal**

Commerce and Industry Minister Piyush Goyal elaborated how the Union Budget 2026-27 will boost exports, ramp up investments and create employment. In an interview with businessline, the Minister highlighted the focus on labour-intensive sectors, boost to data centres and the services sector as well as a calibrated push for SEZ sales in the domestic market. Excerpts:

**This budget has considerable focus on labour intensive sectors, especially textiles, marine and leather. To what extent will it help exporters navigate the current turbulence in global trade?,**

India continues to do well despite the turbulence in global trade. The budget will help us do even better as it provides huge opportunities to look at growth in these labour intensive sectors.

The same holds true for the services and technology sector. In technology, for example, data centres getting a tax holiday up to 2047 will give a big boost to investments by foreign companies to setup data centers in India, to provide cloud services internationally. Look at the holistic benefits..investments will come to India, jobs will be created in India; they require large amount of real estate so construction activity will get a boost; they require large amounts of renewable energy, so huge investments will come into clean energy. It will give a fillip to our power sector, green hydrogen, green ammonia, nuclear, solar, hydro pump storage and battery storage, all of them will get a boost with the data centres being attracted to India.

I can list out so many such areas from the budget. The self help groups of women will give a fillip to their income. And then correspondingly to consumption level. Consumption will give a fillip to trade and the economy, creating jobs. And there is a lot of focus on rescaling to prepare our youth for technology of tomorrow.

And I cannot but mention infrastructure spending– once again there has been a 10 per cent growth. Expenditure of Rs 12,20,000, crores in infrastructure and the multiplied impact of that will give a boost to India's growth story.

**Will it be possible to quantify the export boost for the labour intensive sectors because of these measures?**

Boost will come when people exploit the available opportunity. But I have no doubt that our business and industry are ready. They are also very excited with all the free trade agreements that we have entered into, which will open up a plethora of opportunities in the developed world. And my sense is that we are moving rapidly towards the \$2 trillion export target.

Of course, we lost two-and-a-half years due to Covid. So, maybe by about 2032-33, we can expect to have \$ 1 trillion of merchandise exports and \$1 trillion of services exports given all the various measures in this budget and which otherwise we are doing through international trading arrangements, FTAs, reduction in compliance burden, simplification of businesses.

**Could you explain the one time measures proposed to facilitate sale from SEZ units to the domestic market?**

Basically, existing units in SEZs will be allowed to sell a certain proportion of their production (predominance will continue to be for exports), in the domestic tariff area with a rebate on the duty that they have to pay. The idea is to allow them to replace some of the imports that come in from abroad (such as those at concessional duties from ASEAN nations with which India has an FTA). This will provide SEZ units an opportunity to use their excess capacity in India to service the domestic market.

We will also at the same time, keep in mind that domestic manufacturers, should not suffer, so that there is a equalisation of benefits.

**How will the domestic sale limits and eligibility of sectors be determined under the one-time SEZ rules relaxation?**

That will be determined sectorally by the Finance Ministry. So broadly, all the existing units will be eligible. But we may keep some sectors out of it. For example, petrol and diesel refineries may not be included in that for domestic sales. Some of the measures that have been announced could be implemented through rule making while some may need legal changes.

**The budget mentions schemes for promoting the leather and footwear sector. Will it be on the lines of the PLI scheme and what about allocation?**

Allocation is not a problem.. By the time you come out with the scheme and people invest, you may not need the money in the current year. But yes, we are examining the possibilities of supporting our leather and footwear through a DPIIT scheme. What form it will take, we will know only when the contours of the scheme are made.

Source: thehindubusinessline.com– Feb 01, 2026

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## **Budget 2026-27: Government proposes 5-pronged strategy for textile sector**

In a move to bolster the labour-intensive textile industry, the Union Budget 2026-27 has proposed an integrated programme with five key components aimed at modernisation, self-reliance, and sustainability. The announcement, made by Finance Minister Nirmala Sitharaman, also includes plans for new Mega Textile Parks and a special initiative for traditional crafts.

During the budget presentation, the Finance Minister outlined a comprehensive strategy for the textile sector, which includes:

**A National Fibre Scheme:** This initiative is designed to promote self-reliance in a wide range of fibres, including natural varieties like silk, wool, and jute, as well as man-made and new-age fibres.

**A Textile Expansion and Employment Scheme:** This component will focus on modernizing traditional clusters by providing capital support for machinery, technology upgrades, and establishing common testing and certification centres.

**A National Handloom and Handicraft Programme:** This will integrate and strengthen existing schemes to ensure targeted support reaches weavers and artisans. This is further complemented by the proposed “Mahatma Gandhi Gram Swaraj initiative,” which aims to strengthen khadi, handloom, and handicrafts through global market linkage, branding, and streamlined support for training and production.

**A Tex-Eco Initiative:** This sub-part is aimed at promoting globally competitive and sustainable textiles and apparels. **Samarth 2.0:** This scheme will be launched to modernize and upgrade the textile skilling ecosystem through collaboration with industry and academic institutions.

In addition to the integrated programme, the government also announced its intent to set up Mega Textile Parks through a challenge mode, which may also focus on value addition to technical textiles.

Source: thehindubusinessline.com– Feb 01, 2026

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## **India-EU trade deal: Why textiles could be the biggest quiet winner**

While much of the discussion around the India-EU trade deal has focused on automobiles and other headline sectors, textiles and apparel may turn out to be one of the biggest beneficiaries of the agreement.

The sector gets immediate and meaningful relief under the free trade agreement, with changes that directly improve India's ability to compete in one of the world's largest consumer markets.

Under the India-EU Free Trade Agreement, tariffs on Indian textiles, apparel and clothing will fall to zero from day one. Earlier, Indian textile exports to the European Union faced duties of up to 12%.

This tariff disadvantage had long hurt India's competitiveness against rivals such as Bangladesh, Pakistan and Turkey, which already enjoyed lower or zero-duty access.

"The textile chapter of the India-EU FTA corrects a long-standing asymmetry in market access that has constrained India's most employment-intensive export sector. Indian textile and apparel exports currently attract EU tariffs of up to 12%, while competing suppliers benefit from preferential regimes under EU trade agreements," said Jidesh Kumar, Managing Partner, King Stubb & Kasiva, Advocates and Attorneys.

"A rules-based tariff elimination under the FTA would not only restore competitive neutrality but also provide long-term legal certainty to investors and global buyers," he added.

The removal of duties across all textile and apparel tariff lines opens India's path to the EU's textile and apparel import market, which is valued at \$263.5 billion.

The European Union is already India's second-largest export destination for textiles and apparel, after the United States, but India's share in the EU market has remained limited so far.

## A LARGE GAP, AND A BIG OPPORTUNITY

India currently exports about \$7 to 7.2 billion worth of textiles and apparel to the EU. This is a small share of the EU's overall textile imports, highlighting the scale of the opportunity the trade deal opens up.

Commerce and industry minister Piyush Goyal has said the agreement gives India a real chance to scale up exports sharply.

“Bangladesh captured a \$30 billion share of the EU textile market largely because it had zero duties. With the India–EU FTA, India can now compete and win,” Goyal said.

He added that India has the potential to scale its textile exports to Europe to \$30–40 billion over time.

Ready-made garments already form the largest share of India's textile exports to the EU, accounting for around 60%. Cotton textiles follow with about 17%, while man-made fibre products account for roughly 12%.

Source: [indiatoday.in](http://indiatoday.in)– Jan 28, 2026

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## **India-EU FTA: A transformational opportunity for India's textiles**

The conclusion of the India-European Union Free Trade Agreement (FTA) marks a significant inflexion point in India's long-term trade and industrial strategy. After nearly two decades of negotiation, which started in June 2007, stalled in 2013, restarted in May 2021, and concluded in January 2026, putting in place an agreement that establishes a comprehensive and rules-based economic partnership between two large and complementary economies.

For India, among other sectors poised to gain, textiles and apparel stand out as a clear strategic beneficiary – not only because of their potential export prospects, but also because of their key role in employment generation, regional development, and inclusive growth. The implications extend well beyond tariff liberalisation; they represent a structural reset in India's integration with one of the world's most urbane and sophisticated consumer markets.

As a unit, the European Union (EU) is the world's largest importer of textiles and apparel, having annual imports of approximately \$268.50 billion. India's current share of this market is approximately five per cent, which is below its underlying production capacity, design capabilities, and raw-material endowment. This gap is less attributable to supply-side constraints and more to importunate tariffs and preference disadvantages. The India-EU FTA conclusively addresses this distortion by granting zero-duty access across the full spectrum of textile and apparel tariff lines, thereby positioning Indian exporters on an equal footing with competitors that have long enjoyed preferential tariff access to the EU market.

### **Strategic importance of textiles**

Textiles and apparel are not merely an export sector in India; they constitute a foundational pillar of the real economy. The sector employs roughly 45 million people directly, making it the second-largest source of employment after agriculture. Its value chain spans cotton farmers, fibre producers, spinners, weavers, processors, garment manufacturers, exporters, logistics providers, and critically, millions of artisans engaged in handloom and handicrafts. Few sectors combine scale, employment intensity, and cultural embeddedness in the manner that textiles do in India.



India's textile and apparel exports currently stand at about \$36-37 billion annually. Of this, exports to the EU account for roughly \$7-7.2 billion. Ready-made garments dominate the export basket, followed by cotton textiles and man-made fibre products, while handloom, handicrafts, carpets, jute, silk and woollen products together represent a smaller but strategically important segment, particularly from the standpoint of rural livelihoods and MSME participation. The FTA therefore operates across both the modern industrial segment and the traditional artisanal economy, a feature that distinguishes it from many other trade agreements.

### Correcting structural tariff disadvantage

Before the FTA, Indian textile and apparel exports to the EU were subject to MFN tariffs of up to 12 per cent. While seemingly modest, these tariffs had a disproportionate impact in a sector characterised by thin margins and intense price competition.

Competing exporters like Bangladesh, Vietnam, Pakistan, and Turkey benefited from preferential or zero-duty access, allowing them to capture a significantly larger share of EU imports. Bangladesh alone exports close to \$30 billion worth of apparel to the EU annually, underscoring the magnitude of the competitive imbalance India faced.

The India-EU FTA eliminates this disadvantage in one stroke. Zero-duty access from the first day of implementation restores price competitiveness, improves margin realisation, and enhances the ability of Indian firms to negotiate long-term supply contracts with European buyers. From a macroeconomic perspective, this is not merely a trade concession; it is a reallocation of market access that better reflects India's true comparative advantage in textiles.

### Export expansion and market re-positioning

India's textile and apparel, including handicraft exports to the EU, stood at \$7.6 billion in 2024-25. Germany, the Netherlands, Spain, France, and Italy are the five major export destinations of India's textiles exports in the EU, accounting for 18.7 per cent, 15.8 per cent, 13 per cent, 12.8 per cent, and 10.4 per cent, respectively.



That means 70 per cent of India's textile apparel exports go to these five countries only. Czech Republic, Slovenia, Austria, Hungary, Finland, Croatia, Slovak Republic, Bulgaria, Lithuania, Latvia, Cyprus, Estonia, Malta, and Luxembourg remain the unexplored countries which account for 0.8 per cent to 0.01 per cent of India's exports of textile apparel. This gives the sense that these countries have great export opportunities for Indian exporters.

The removal of tariffs opens up a substantial growth corridor for Indian exports. Conservative estimates indicate that textile and apparel exports to the EU could grow at 15-20 per cent annually in the initial years following implementation, potentially doubling within three to four years. Over a longer horizon, industry projections indicate that India's total textile and apparel exports could reach \$100 billion by 2030, with Europe emerging as a principal growth engine.

#### Implications for handloom and handicrafts

One of the most economically and socially weighty features of the FTA is its likely impact on handloom and handicrafts. These segments, though smaller in export value, are deeply labour-intensive, employment-generative and geographically dispersed across rural and semi-urban India.

Products such as handwoven fabrics, embroidered garments, carpets, shawls, jute handicrafts and traditional silk enjoy strong cultural resonance in European markets, particularly among consumers who value authenticity, sustainability and ethical sourcing.

Zero-duty access enhances price realisation for artisans and MSME exporters, many of whom formerly absorbed tariff costs or priced themselves out of the market.

More notably, the agreement improves predictability of demand, inspiring exporters and cooperatives to invest in design development, quality improvement and certification. As European buyers are increasingly inclined towards traceable and responsibly produced goods, India's handloom and handicraft sectors – anchored in low-carbon, craft-based production – are uniquely positioned to respond.

## Employment, regional development and gender Inclusion

The expansion of textile exports under the FTA is projected to have substantial multiplier effects. Higher export volumes will translate into better capacity utilisation across spinning, weaving, processing, and garmenting hubs such as Tiruppur, Surat, Ahmedabad, Panipat, and Bengaluru. This, in turn, enhances job creation, especially for women, who comprise a substantial share of the workforce in garment manufacturing and artisanal clusters.

From a regional development perspective, export-led growth in textiles has historically spawned spillovers in infrastructure, skills and ancillary industries. The FTA reinforces this dynamic by creating sustained demand signals, reducing unpredictability, and promoting long-term investment. For states with a strong textile base, the agreement offers a pathway to inclusive industrialisation anchored in comparative advantage.

## Risk diversification in fragmenting trade environment

The geopolitical context further amplifies the importance of the India-EU FTA. Today, global trade is largely and increasingly shaped by protectionism, supply-chain reconfiguration and strategic competition. Indian textile exporters have lately faced heightened tariff and non-tariff barriers in certain traditional markets, underlining the risks of disproportionate market concentration. Increased access to the EU provides a critical hedge against such volatility. From the EU's perspective, India offers large-scale, much-needed democratic stability and supply-chain resilience - attributes that have gained prominence in post-pandemic trade policy.

In a nutshell, the India-EU FTA represents far more than a conventional tariff-cutting exercise. For the textiles, apparel, handloom and handicrafts sector, it is a structural opportunity to amend long-standing distortions, enlarge market share, and reposition India within global value chains.

Source: business-standard.com– Feb 01, 2026

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## **India-EU FTA credit positive for India; to boost manufacturing, attract foreign investment: Moody's**

The India-EU free trade pact will be credit positive for India as lower tariffs and better market access will help attract foreign investment, boost manufacturing and boost export competitiveness of the labour intensive sector, Moody's Ratings has said.

India and the European Union on Wednesday (January 28, 2026) had announced the conclusion of negotiations for the Free Trade Agreement (FTA), described as 'mother of all deals', under which 93% of Indian shipments will enjoy duty-free access to the 27-nation bloc, while import of luxury cars and wines from the EU will become less expensive.

The deal, concluded after negotiations spanning about two decades, will create a market of about 2 billion people across the world's fourth-largest economy, India, and the second-largest economic bloc, the EU.

In a commentary, Moody's Ratings said India's conclusion of its trade negotiations with the EU reflects its continued efforts to selectively diversify trade relationships.

"When in effect, the FTA will be credit positive, with lower tariffs and better market access supporting India's ambition to develop its manufacturing sector, attract foreign investment, and strengthen the export competitiveness of its labour intensive goods," Moody's said on Wednesday (January 28, 2026).

The free trade pact is expected to be formally signed and implemented this year.

Moody's Ratings said lower tariffs on EU imports may also help ease costs, although such imports remain a smaller share of India's overall import bill.

"European carmakers would gain easier access to the world's third-largest car market, allowing them to introduce more premium models under a calibrated liberalisation framework—an opportunity for EU brands but adding competition for Indian manufacturers," Moody's said.

The broader benefits of the FTA will hinge on progress in complementary areas such as improving business friendliness and streamlining regulations, it added. Once the agreement is implemented, except for auto and steel, almost all the Indian goods (over 93 per cent) from India will get zero-duty access in the European Union, and of the remaining over 6 per cent, Indian exporters will get tariff reduction and quota-based duty concessions (for goods like automobiles).

The average tariffs of the EU on Indian goods are already low at around 3.8% and will be reduced to 0.1% under the deal.

But in some sectors, the duties are high. These are marine (0-26%); chemicals (up to 12.8%); plastics and rubber (up to 6.5%); leather and footwear (up to 17%); textiles, apparel and clothing (up to 12%); gems and jewellery (up to 4%); railway components, aircraft parts, ships, boats (up to 7.7%); furniture and light consumer goods (up to 10.5%); toys (up to 4.7%); and sports goods (up to 4.7%).

On all these items, the EU will eliminate duties for India.

On the other hand, the EU will get duty-free access for over 90% of its goods over a ten-year period in India. India will remove duties on only 30 per cent of European goods on the first day of implementation of the pact.

The main EU goods that will get duty concessions include automobiles, wines, spirits, beer, olive oil, kiwis and pears, fruit juices, processed foods like breads, pastries, biscuits, pasta, chocolate, pet food, sheep meat, sausages and other meat preparations.

These goods, at present, attract duties in the range of 33% to 150%.

Prices of imported cars from Europe are widely expected to come down with India agreeing to cut duty under its FTA with the EU to 10% from 110% gradually for 2.5 lakh vehicles a year, over six times more than offered to the U.K.

Source: thehindu.com– Jan 28, 2026

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## **Creating employment: India-EU FTA can increase labour-intensive exports**

The India-European Union (EU) free-trade agreement (FTA) opens up a large opportunity for India's labour-intensive sectors. Industries such as textiles, clothing, footwear, leather, marine products, and plantation goods stand to benefit the most because they face relatively high tariffs in the EU. Unlike capital-intensive manufacturing, these sectors are deeply employment-oriented and dominated by micro, small, and medium enterprises (MSMEs) clustered across the country.

From Tiruppur's knitwear units to leather hubs in Kanpur and Agra, and from seafood exporters along the eastern coast to plantation products in the south, the employment linkages are extensive and could help in recovering the losses incurred by higher US tariffs.

In FY25, India's exports to the EU stood at around \$76 billion, a figure comparable to shipments to the US, which were about \$87 billion. The EU is the largest export destination for textiles and apparel after the United States (US), with shipments from India valued at \$7.2 billion.

Market access to the EU, therefore, will benefit exports and job creation. The textile and apparel sector alone directly employs an estimated 45 million people, and improved access to the EU market could raise capacity utilisation across key MSME clusters, translating export growth into employment gains.

Prior to the FTA, the EU imposed tariffs of up to 12 per cent on textiles and apparel, up to 17 per cent on leather and footwear, and as high as 26 per cent on marine products; these duties will now be eliminated.

The higher tariff structure has historically eroded India's competitiveness in Europe, particularly in the face of Asian rivals with preferential access.

In this context, tariff liberalisation under the FTA could narrow a longstanding disadvantage and allow Indian producers to compete on more equal terms, especially in price-sensitive segments. The scale of the opportunity is significant.

However, tariffs are only one part of the story. Non-tariff barriers in the EU, including stringent product standards, traceability requirements, and sustainability norms, could pose challenges for Indian exporters, particularly MSMEs. Compliance with environmental, labour, and quality standards requires investment in technology, certification, and process upgrades, which many small firms are currently ill-equipped to make. Thus, the challenge for India is to translate this access into actual employment-intensive growth. It will be important to push domestic reforms.

Investment in infrastructure for product compliance, like testing labs, certification facilities, and quality control systems, will be critical. Lowering logistics costs through better management at ports, faster Customs procedures, and improved connectivity will also be key to making Indian exports competitive in a demanding market like the EU.

Equally important is aligning skilling and training programmes with export requirements. Labour-intensive sectors cannot scale up sustainably unless workers are trained to meet global standards in quality, safety, and environmental practices. Without such alignment, the FTA may benefit a limited set of large exporters while leaving smaller firms behind.

Source: [business-standard.com](https://www.business-standard.com)– Jan 28, 2026

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## **Budget 2026: Duty relief for exports to brave trade winds**

To cushion the impact of the 50% US tariffs, the duty-free imports for certain inputs used in the export of processed marine products and leather or synthetic footwear -India's key exports -have been eased.

The budget has also allowed duty-free exports of fish catch in Exclusive Economic Zone and high seas.

For the processing seafood products segment, the limit will be increased to 3% from the current 1% of the free on board (FoB) value of the previous year's export turnover.

Moreover, the extension of the time-period for export of final product to one year from the existing six months for exporters of leather or textile garments, leather or synthetic footwear and other leather products, and enhanced focus on improving logistics through freight corridors, would aid the sector. "This gives exporters more time to ship orders, reduces working-capital stress, and lowers the risk of penalties," said an official.

The scope of duty-free inputs in footwear manufacturing is also expanded to include shoe uppers, not just finished footwear, easing input constraints for exporters.

The measures are crucial as India's leather and leather products shipments dipped marginally 0.23% to \$3.3 billion in April-December FY26.

The government has also provided a special one-time measure to facilitate sales by eligible manufacturing units in Special Economic Zones (SEZ) to the domestic tariff area at concessional rates of duty. The quantity of such sales will be limited to a prescribed proportion of their exports.

Source: [economictimes.com](https://economictimes.com)– Feb 01, 2026

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## **India Budget: Customs overhaul to cut costs, boost manufacturing**

New Delhi: India is rolling out a comprehensive overhaul of its customs regime in the Union Budget 2026-27, with targeted duty relief to lower input costs for key manufacturing and exports sector, faster customs clearance with a single digital window for all approvals, and deep digitisation to make the country a more predictable and investor-friendly manufacturing hub.

To counter higher US tariffs on Indian exports, the budget extends and liberalises duty-free import schemes for inputs in export-oriented sectors such as textiles, leather, synthetic footwear-including shoe uppers-and marine and seafood processing. The move is expected to lower input costs and enhance competitiveness in these key segments.

The budet also rationalised basic customs duty in strategic sectors, including lithium-ion battery cells, solar glass, and critical mineral processing equipment, while extending duty exemptions for nuclear power project imports till 2035.

This, apart from helping strategic sectors, will also allow greater market access to the US, especially in civil and defence aviation and clean energy sector. It will benefit American aerospace firms and engine and maintenance suppliers, and nuclear equipment makers. It will also give tax certainty and reduce other duty barriers in clean energy, critical minerals, electronics, and healthcare, with an eye on concluding trade negotiations with the US.

The budget also gave clarity on customs classifications through the creation of 12 new tariff items.

These targeted measures aim to ease input costs for energy-intensive and high-tech manufacturing while reducing import dependence. The government also proposed to strengthen trade facilitation through trusted trader programs.

Source: [economictimes.com](https://economictimes.com)– Feb 01, 2026

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## **Budget 2026: Labour-intensive textile sector sees almost 25% jump in funds allocation**

The labour-intensive textile and apparel sector and the Micro, Small and Medium-scale Enterprises (MSMEs) that were impacted by the geo political developments during the last couple of years got a boost from the Union Budget presented on Sunday (February 1, 2026) with new schemes and higher budgetary allocations.

The textile sector will see almost 25% jump in budgetary allocation for 2026-2027 from the current financial year and the MSME sector will see doubling of budgetary allocation.

Finance Minister Nirmala Sitharaman said Central public sector enterprises (CPSEs) would establish high technology tool rooms in two locations as digitally enabled automated service bureaus that locally design, test, and manufacture high-precision components at scale and at lower cost.

A scheme for enhancement of construction and infrastructure equipment would be introduced to strengthen domestic manufacturing of high-value and technologically-advanced equipment and ₹10,000 crore would be allocated during the next five years for a scheme for container manufacturing.

For the “labour-intensive textile sector”, the government had proposed comprehensive measures that would include a special programme to promote sports goods, a National Fibre Scheme for manmade fibres, silk, wool, etc; mega textile parks developed on challenge mode for value addition to technical textiles; a Textile Expansion and Employment Scheme to modernise traditional clusters with capital support for machinery, technology upgradation and common testing and certification centres.

A National Handloom and Handicraft programme would ensure targeted support for weavers and artisans. The Mahatma Gandhi Gram Swaraj initiative would strengthen khadi, handloom and handicrafts, and the Tex-Eco Initiative would promote globally competitive and sustainable textiles and apparels, and Samarth 2.0 would upgrade the textile skilling ecosystem, the Finance Minister said.

Under rejuvenation of legacy industrial clusters, the budget had proposed a scheme to revive 200 legacy industrial clusters; create a dedicated ₹10,000-crore SME Growth Fund to create future champions and top up the Self-Reliant India Fund set up in 2021 with ₹2,000 crore to enable micro units access to risk capital.

#### Credit guarantee support

The TReDS would be a mandatory transaction settlement platform for all purchases from MSMEs by CPSEs, and a credit guarantee support mechanism would be introduced through CGTMSE for invoice discounting on TReDS platform; GeM would be linked with TReDS, and TReDS receivables would be introduced as asset-backed securities, helping develop a secondary market.

Ms. Sitharaman said the government would facilitate professional institutions such as ICAI, ICSI, ICMAI to design short-term, modular courses and practical tools to develop a cadre of 'Corporate Mitras', especially in tier-two and tier-three towns.

Source: thehindu.com– Feb 01, 2026

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## **Textile industry welcomes Budget 2026–27's focus on capacity, MSMEs**

India's textile and garment industry has broadly welcomed the Union Budget 2026-27 presented by Finance Minister Nirmala Sitharaman, citing its strong emphasis on capacity building, MSME support, technical textiles and export readiness at a time of expanding global market access through recent free trade agreements.

The Budget reinforced the government's focus on manufacturing-led growth through continued capital expenditure, targeted support for MSMEs, simplified trade procedures and measures aimed at improving ease of doing business. These initiatives are expected to strengthen domestic capacities, enhance competitiveness and support employment generation across labour-intensive sectors such as textiles and apparel.

Sanjay K Jain, Chairman of the ICC National Textile Committee, said the announcements related to the textile and clothing industry are clearly geared towards preparing the sector to capitalise on opportunities emerging from newly signed FTAs. "The focus on capacity building will help the industry position itself for higher exports and value addition," he said.

RK Vij, President of the Textile Association of India and Secretary General of the Polyester Textile Apparel Industry Association, noted that the Budget places particular emphasis on capacity expansion in textiles and technical textiles, alongside increased support for MSMEs.

He added that reforms such as GST and QCOs, combined with improved import-export facilitation and policy continuity, would help the industry leverage upcoming opportunities from FTAs, including with the EU. Vij, however, pointed out that the industry had expected changes in customs duties on cotton, man-made fibres and other fibres where domestic capacities are either surplus or constrained.

Ashish Gujarati, Past President of the Southern Gujarat Chamber of Commerce and Industry, described the Budget as "overall positive for textiles," highlighting its long-term approach towards strengthening the sector's fundamentals.

Jay Prakash Pathak, President of the Bombay Yarn Merchants Association, said the Budget supports the modernisation of the textile industry, which remains the second-highest employer in the country after agriculture.

At the micro level, Bharat Shah of Tejas and Company from Bhiwandi, said the measures announced would help improve the overall business environment for textile units. “It is a good initiative and a true step towards strengthening the textile sector at the grassroots level,” he said.

Source: fibre2fashion.com– Feb 01, 2026

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