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Currency Watch			
USD	EUR	GBP	JPY
83.50	90.37	106.68	0.52

NATIONAL NEWS

SAYING NO TO CHILD LABOUR

INTERNATIONAL NEWS

Will Indonesia's proposed high tariffs impact China's rayon fabric exports?

Recently, Indonesia's plan to impose high tariffs on certain imported products has raised concerns across various sectors. (As relevant policies have not yet been implemented, please refer to official information for details). This move has sparked worries in the market about the global economy and free trade. What about the export volume and proportion of rayon fabric exports to Indonesia?

1. Escalation of trade protectionism

On June 28th, local time, Indonesia's Minister of Trade, Zulkifli Hasan, announced plans to impose protective tariffs ranging from 100% to 200% on imported products such as textiles, apparels, footwear, cosmetics, and ceramics.

This decision aims to revive measures to protect domestic industries. According to the statistics bureau, Indonesia primarily imports apparel and accessories from China, Vietnam, and Bangladesh.

Import and export value of Indonesia in 2018-2023 (unit: 100 million USD)						
Year	2018	2019	2020	2021	2022	2023
Export value	1800.13	1676.83	1631.92	2315.2	2919.8	2588.2
Import value	1887.11	1712.76	1415.69	1961.2	2375.2	2218.9
Source: Indonesian Ministry of Trade						

Indonesia is the largest economy in Southeast Asia and the fourth most populous country in the world. Data indicates that in 2023, the national GDP totaled 20,892.38 trillion Indonesian Rupiah, with a nominal growth of 6.66% year-on-year and a real growth of 5.05%.

With a population of 281 million as of December 2023, Indonesia represents a potential market in Southeast Asia. Therefore, if the proposed tariffs are implemented, how significantly will this affect the export of rayon fabrics from China to Indonesia?

2. Impact on rayon fabric export market

China's exports of rayon fabrics are relatively dispersed geographically, achieving export performance to over 90 countries and regions in 2023, with the top 10 destinations accounting for 79.2% of the total. Among these, significant exports go to Mauritania, Thailand, Greece, Brazil, with Indonesia ranking seventh. In 2023, exports to Indonesia amounted to 7.823 million meters, occupying 2.9% of the total, indicating moderate direct export volume.

Exports of dyed rayon fabrics from China are even more diversified, reaching over 124 countries and regions globally in 2023, with the top 10 destinations taking up 63.3% of the total. There were more exports to Indonesia, Brazil, Mauritania, Somalia, and Myanmar. Notably, Indonesia is the largest destination, with exports in 2023 reaching 96.756 million meters, accounting for 10.4% of the total.

Exports of printed rayon fabrics follow a similar pattern, with China exporting to 130 countries and regions globally in 2023, and the top 10 destinations accounting for 58.3% of the total. There were more exports to Somalia, Kenya, Algeria, Iraq and Uzbekistan. Indonesia ranks 20th in this category, with exports in 2023 totaling 27.636 million meters, representing 1.6% of the total.

3. Conclusion

Given Indonesia's status as the fourth most populous country globally and the largest economy in Southeast Asia, the potential implementation of high tariffs could impact exports of textiles and apparels from China. This move may also increase costs of importing fabrics by Indonesian apparel enterprises.

In addition, in recent years, global trade frictions and geopolitical risks have increased, impacting the stability of the global supply chain. However, due to the diversified export destinations for Chinese rayon fabrics and relatively modest direct export volume to Indonesia, the actual impact needs further observation.

Source: ccfgroup.com– July 03, 2024

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Use of non-originating cupro yarn under KORUS to begin in Aug: USTR

A modification to the rule of origin under the United States-Korea Free Trade Agreement (KORUS) concerning certain woven fabrics of heading 5408 under the US harmonised tariff schedule (HTSUS) to permit the use of non-originating cuprammonium rayon (cupro) yarn will be effective from August this year, a notice by the US trade representative (USTR) said.

In June 2020, the US president proclaimed a modification to the rules of origin for certain Korean woven fabrics under the KORUS and specified that the modification would go into effect the first day of the month following the date on which the USTR published a notice that South Korea has completed its applicable procedures to give effect to a corresponding modification to its rules of origin to be applied to US goods.

South Korea notified the United States that it had completed its applicable procedures on April 19 this year. KORUS was signed on June 30, 2007.

Section 202 of the KORUS Implementation Act provides rules for determining whether goods imported into the United States originate in the territory of a KORUS party and thus are eligible for the tariff and other treatment contemplated under the KORUS.

The section also authorises the US president to proclaim the rules of origin set out in the KORUS, and to modify previously proclaimed rules of origin, subject to the consultation and layover requirements of section 104 of the Act.

In 2018, South Korea submitted requests to modify certain textile rules of origin based on commercial availability of specific inputs.

Following public comment on the proposed rules changes, both sides agreed to modify the rule of origin concerning certain woven fabrics of HTSUS heading 5408.

Pursuant to the KORUS Implementation Act, the US International Trade Commission (USITC) conducted an economic impact review and concluded that the impact on US imports, exports and production of the proposed modifications would be negligible.

The US industry trade advisory committee on textiles and clothing did not object to the proposed modifications. Congress also did not object during the consultation and layover process, an official release said.

Source: fibre2fashion.com– July 04, 2024

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Australian retail turnover rises with boost in clothing sales in May

Australian retail turnover rose by 0.6 per cent in May 2024, with clothing, footwear, and personal accessory retailing experiencing the largest growth, according to seasonally adjusted figures released today by the Australian Bureau of Statistics (ABS). This follows a 0.1 per cent rise in April 2024 and a 0.4 per cent fall in March 2024.

Clothing, footwear, and personal accessory retailing saw a notable increase of 1.6 per cent, rebounding after two consecutive months of decline in April and March. By industry subgroup, the seasonally adjusted estimate showed a 1.6 per cent rise ($31.8 million) for clothing retailing and a 1.7 per cent rise ($16.3 million) for footwear and other personal accessory retailing.

Turnover in most non-food-related industries rose in May, indicating a broader positive trend in retail. The growth was also observed across most states and territories, with Western Australia (1.3 per cent) and Victoria (1.2 per cent) leading the way as the only jurisdictions to record growth over 1.0 per cent. Conversely, New South Wales (minus 0.1 per cent) and South Australia (minus 0.1 per cent) were the only areas to see a decline this month, despite having recorded the largest rises in April, as per ABS.

"Retail businesses continue to rely on discounting and sales events to stimulate discretionary spending, following restrained spending in recent months. Despite the seasonally adjusted rise, underlying spending remains stagnant with retail turnover flat in trend terms. Compared to May 2023, trend is only up 1.5 per cent," said Robert Ewing, ABS head of business statistics.

Source: fibre2fashion.com– July 04, 2024

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ICE cotton prices dip amid low trading volume before holiday

ICE cotton closed lower on Wednesday amid very thin trade, as most traders remained inactive ahead of the Independence Day holiday on July 4. Following the Federal Reserve meeting, the dollar index decreased while crude oil prices remained steady. Traders adopted a wait-and-watch approach in anticipation of the US export sales report due on Friday.

Yesterday, the ICE cotton December contract settled at 72.36 cents per pound (0.453 kg), down by 34 points. The March 2025 contract was down 0.34 cents to reach 74.05 cents, according to trade analysts. The US dollar index eased 0.5 per cent to reach its lowest level since June 13 this year. It was noted at 105.31 after the Federal Reserve meeting. The US central bank indicated the beginning of easing policy rates. An easing dollar limits the decline in cotton futures.

Yesterday, the trading volume was notably low at 18,012 contracts, the lowest in 2024 so far. The volume declined just before the holidays. Certified cotton stocks began today at 53,791 bales, down by 426 bales due to decertifications, with no bales awaiting review. There were expectations of seeing improvement in the trade in the coming week when the WASDE report will be released. The open interest increased by 1,365 contracts, totalling 210,048 contracts.

Weather came to centre stage as Hurricane Beryl is approaching South Texas, which could impact cotton crops positively or negatively. An extensive heatwave is expected across the US, with extreme temperatures forecast in key cotton-growing regions. Cotton drought conditions are expanding compared to last week. It is now noted at 19 per cent, up by 3 per cent.

On Wednesday, ICE cotton for December 2024 traded 0.34 cents lower at 74.05 cents per pound. Cash cotton traded at 64.85 cents (down 0.65 cents), the July 2024 contract at 68.68 cents (down 0.65 cents), the October contract at 70.85 cents (down 0.65 cents), the March 2025 contract at 74.05 cents per pound (down 0.34 cents), and the May 2025 contract at 75.40 cents (down 0.35 cents).

Source: fibre2fashion.com– July 04, 2024

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Turkish Jun D-PPI up 44.63% YoY for textiles, 70.89% YoY for apparel

Turkiye's domestic producer price index (D-PPI) increased by 50.09 per cent on an annual basis and by 1.38 per cent on a monthly basis in June.

D-PPI increased in June by 19.49 per cent on the December 2023 figure and by 47.97 per cent on the twelve-months moving averages basis.

D-PPI increased by 52.80 per cent on an annual basis and 1.18 per cent on a monthly basis for manufacturing.

The annual rates of change of D-PPI for textiles and apparel in June were 44.63 per cent and 70.89 per cent respectively, whereas the monthly rates of change for the two sectors in the month were 0.87 per cent and 2.66 per cent respectively.

The indices increased by 46.89 per cent, 63.36 per cent, 64.13 per cent, 30.41 per cent and 53.68 per cent annually for intermediate goods, durable consumer goods, non-durable consumer goods, energy and capital goods respectively in June.

The indices increased by 0.71 per cent, 1.57 per cent, 1.95 per cent, 2.22 per cent, 1.53 per cent for intermediate goods, for durable consumer goods, non-durable consumer goods, energy and capital goods on a monthly basis in the month.

Source: fibre2fashion.com– July 04, 2024

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WTO members review 4 regional trade agreements in CRTA meeting

At the Committee on Regional Trade Agreements (CRTA) meeting on July 2, WTO members reviewed four significant regional trade agreements (RTAs) involving Cambodia, Iceland, India, Indonesia, the Republic of Korea, Liechtenstein, Norway, the United Arab Emirates, and the UK. Ambassador Salomon Eheth of Cameroon, the new CRTA chair, also provided an update on RTAs still pending review by the Committee.

The committee considered the Comprehensive Economic Partnership Agreement between India and the United Arab Emirates (UAE), which came into force on May 1, 2022. This agreement covers goods, investment, digital trade, and small and medium enterprises (SMEs). The liberalisation of trade in goods will be completed by 2031, with India eliminating customs duties on 84.7 per cent of its tariff lines and the UAE on 97.1 per cent of its tariff lines. India highlighted that the agreement serves as a growth engine for bilateral trade, WTO said in a news release.

The Comprehensive Economic Partnership Agreement between Indonesia and the Republic of Korea, covering goods and services, was also reviewed. This agreement, which entered into force on January 1, 2023, will see the parties liberalise more than 92 per cent of their import tariffs by the end of its implementation in 2042. The agreement reaffirms the parties' existing rights and obligations under several WTO agreements, including those on technical barriers to trade, anti-dumping measures, subsidies and countervailing measures, and trade-related aspects of intellectual property rights.

The Republic of Korea stated that the agreement will enhance commitments with ASEAN, while Indonesia noted that it provides a comprehensive framework for improving trade in services, with over 100 sub-sectors opened to 100 per cent foreign equity participation. Both countries have also committed to facilitating the movement of inter-corporate transferees, business visitors, and independent professionals.

The free trade agreement between the Republic of Korea and Cambodia, focusing on goods, entered into force on December 1, 2022. By 2041, the Republic of Korea will liberalise almost 95 per cent of its tariffs, and Cambodia will liberalise almost 90 per cent of its tariffs.

Another agreement reviewed was the free trade agreement between the UK, Iceland, Liechtenstein, and Norway, covering goods and services. This agreement ensures the continuity of preferential treatment among the parties similar to when the UK was an EU member. Under the agreement, the UK liberalised almost 91 per cent of its tariffs on imports from Iceland by 2021 and will liberalise almost 83 per cent of its tariffs on imports from Norway by 2025. Iceland liberalised all but 3.2 per cent of its tariffs on imports from the UK in 2022, and Norway liberalised all but 9 per cent of its tariffs by 2021. The agreement also includes provisions on labour and environment, electronic commerce, SMEs, good regulatory practices, and regulatory cooperation.

The UK, speaking on behalf of all the parties, noted that the agreement reaffirms their long-standing relationship and provides predictability, protection, and opportunities for businesses, investors, and consumers. It also highlighted improvements in commitments concerning rules of origin, technical barriers to trade, and sanitary and phytosanitary measures, as well as provisions to secure continued market access in a broad range of services sectors.

The committee also acknowledged seven notifications of regional trade agreements. The chair noted that there are 30 RTAs involving WTO members and 38 involving non-members for which a factual presentation has yet to be prepared, counting goods and services separately. Additionally, the WTO secretariat had circulated a list of 55 RTAs currently in force that had not been notified to the WTO.

Source: fibre2fashion.com– July 05, 2024

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Slow Fashion on the Rise: A critical look at the sustainable style movement

Fast fashion's grip on the clothing industry may be loosening, as a growing movement – slow fashion – takes root. Fast fashion, with its emphasis on cheap, trendy clothes and frequent turnovers, has dominated for decades. However, a growing awareness of its environmental and social costs has led to the rise of slow fashion – a movement promoting ethical production, quality garments, and mindful consumption.

The rise of slow fashion, a measured emergence

Data suggests slow fashion is gaining traction. A Global Fashion Agenda 2022 Pulse Survey revealed that 63 per cent of fashion executives believe sustainability will be a key competitive differentiator within the next three years. This shift is driven by a growing consumer base concerned about the environmental and ethical impact of fast fashion.

A McKinsey & Company report: states that 60 per cent of millennials are willing to pay a premium for sustainable products. . The rise of resale platforms like ThredUp (reportedly valued at $1 billion in 2021) and Patagonia's worn wear program further highlight a shift in consumer behavior.

Growth drivers: Ethics, environment in focus

Several factors fuel slow fashion's rise. Ethical concerns about garment worker rights and fair wages are a major motivator. The Rana Plaza garment factory collapse in 2013 tragically highlighted the dangers of fast fashion's exploitative practices. Exploitative labor practices in fast-fashion factories have been exposed, pushing consumers towards brands committed to fair wages and safe working conditions. Environmental consciousness is another key driver. A 2020 McKinsey report estimates the fashion industry is responsible for 10 per cent of global carbon emissions. Consumers, particularly millennials and Gen Z, are increasingly concerned about sustainability and are seeking eco-conscious alternatives. Patagonia, a leading outdoor apparel brand, exemplifies this shift. The company prioritizes recycled materials and encourages customers to repair worn-out gear, fostering a culture of mindful consumption. Also, slow fashion emphasizes well-made, timeless pieces that last longer, appealing to those seeking value over fleeting trends.

Challenges in slow fashion's growth

Despite its momentum, slow fashion faces hurdles. Higher production costs due to quality materials and ethical labor practices can translate to steeper price tags making it less accessible to budget-conscious consumers. Transparency throughout the supply chain is another challenge.

Consumers need clear information about a garment's origin and production process to make informed choices. While awareness is growing, many consumers remain unfamiliar with slow fashion options or struggle to differentiate between genuine and performative sustainability efforts by brands. Moreover, fast fashion's dominance, aggressive marketing strategies, and convenience still pose a significant challenge.

The embrace of slow fashion varies geographically. Europe, particularly Germany and Scandinavia, leads the way, driven by strong consumer awareness and government regulations promoting sustainability. North America shows promise, with a growing market for eco-conscious brands. As per Grand View Research, the US market projected to reach $25.2 billion by 2025. However, regions like South Asia, where fast fashion's affordability holds strong appeal, may take longer to adapt. A growing middle class and rising awareness of environmental issues could lead to a shift in these regions.

Segment wise, luxury and premium have a higher profit margin, allowing brands to invest in sustainability initiatives more readily. Consumers in these segments are also more likely to prioritize ethical and environmental factors.

The value segment presents the biggest challenge. While some affordable slow fashion brands exist, convincing budget-conscious consumers to pay a premium for sustainable clothing requires a shift in mindset and potentially, government incentives.

Womenswear has traditionally been a bigger driver of fashion trends, making it a natural leader in slow fashion adoption. Menswear and kidswear sectors are showing slower growth, possibly due to a more traditional focus on functionality and durability, which slow fashion inherently promotes. However, there's growing interest in sustainable options for these segments as well.

The future of slow fashion is promising. As environmental concerns escalate and consumer awareness grows, slow fashion is expected to continue its upward trajectory.

Technological advancements in sustainable materials and production processes, coupled with government support and increased industry transparency, can further accelerate this growth. However, bridging the price gap and effectively communicating the value proposition of slow fashion remain key challenges.

Source: fashionatingworld.com– July 04, 2024

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Bangladesh: China yet to turn into big export destination

China could not become a potential export destination for Bangladesh despite offering generous preferential trade benefits for the past decade or so.

On the other hand, two Asian countries, India and Japan, have proved to be very good export destinations for Bangladesh over the years.

Bangladesh's exports to Japan reached $1.69 billion in the July-May period of the immediate past fiscal year and stood at $1.90 billion in fiscal year 2022-23, according to data from the Export Promotion Bureau (EPB).

The export of local merchandise to India reached $1.67 billion in the July-May period of the immediate past fiscal year and $2.12 billion in fiscal year 2022-23.

The shipment of goods from Bangladesh to China reached $761.02 million in the July-May period of the immediate past fiscal year and $677.35 million in fiscal year 2022-23.

The exports to China did not grow that much in spite of the presence of a zero-duty benefit for 98 percent of Bangladeshi products.

But China has eventually turned into the largest import destination for Bangladesh, with annual imports reaching over $23 billion, according to data from the commerce ministry.

In 2015, China offered various least developed countries (LDCs) extensions on the trade benefits for up to 97 percent of their goods and later the percentage was elevated to up to 98 percent for Bangladesh.
The share of China in Bangladesh's imports has risen from 10.3 percent in FY02 to 26.4 percent in FY22, according to a study by Mohammad Abdur Razzaque, chairman of the Research and Policy Integration for Development (RAPID), made public last month.

Imports from China rose from less than $1 billion to more than $23.5 billion in FY23. Imports from China are important for Bangladesh's export growth and domestic industries as well for consumers.

A significant portion of imports from China come through bonded warehouses duty free as those are used in the export industry.

One of the main reasons for exports not increasing to China is a lack of product diversification.

Because China itself is the largest apparel and textile supplier worldwide occupying more nearly 32 percent of the global share.

China imports $10 billion worth of garment items in a year from all over the world while Bangladesh's main export item is garments which typically contributes more than 84 percent to national exports in a year, according to the paper.

China and Bangladesh are holding dialogues for signing a free trade agreement (FTA) to increase trade and investment, with the first round of negotiations likely to begin during Prime Minister Sheikh Hasina's visit to China next week.

Bangladesh currently accounts for just 0.04 percent of China's imports. A share of 1 percent would translate to export earnings of $26 billion for Bangladesh, Razzaque said in his study.

In case of garments, Bangladesh's market share in China is just 4 percent. In contrast, Vietnam has an 18 percent share, the study also said.

The study also found that China's investment in Bangladesh's export-oriented sectors would be very helpful.

Due to the heightening of geopolitical tensions, Bangladesh could be an ideal destination for investment in export-oriented manufacturing production, it said.

An FTA with China will be extremely beneficial, considering the medium to long-term export interests of Bangladesh. In such an FTA, due attention should be given to trade in services and technology transfer, it added.

However, Bangladesh needs to improve on its exports to China. An FTA with China with provisions for complementary investment inflows into Bangladesh's export sector will be very much impactful, said the study.

Meanwhile, China should extend its duty-free market access benefits for Bangladesh. In an FTA, the less-than-full reciprocity principle should be followed in favour of Bangladesh, it said.

Once the FTA is signed, the use of the duty-free benefit can be thoroughly utilised, Al Mamun Mridha, secretary general of the Bangladesh China Chamber of Commerce and Industry, told The Daily Star yesterday.

The trade gap between Bangladesh and China is big because the local exporters, especially the garment exporters, import the raw materials from China to re-export to other countries, Mridha also said.

Source: thedailystar.net – July 04, 2024

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Bangladesh apparel exports to US, EU decline during Jan-Apr'2024: OTEXA

Bangladesh's garment exports to major markets, namely the US and the EU, declined during the latter half of the current fiscal year.

As per data from the US Department of Commerce's Office of Textiles and Apparel (OTEXA), in the first four months of the 2024, Bangladesh's apparel exports to the US declined by 14.44 per cent to $2.31 billion compared to $2.70 billion in the same period last year. Additionally, the combined textile and garment exports from Bangladesh to the US fell by 14.15 per centY-o-Y to $2.38 billion.

Factors contributing to this decline included inflationary pressures, increased production costs, lead times, and an energy crisis. Increased lead times caused shipment delays, a significant disadvantage compared to competitors like Vietnam and Cambodia. In the past, Bangladesh had mitigated this issue with cheap labor and large-scale production of low-end apparel products. However, inflation and the energy crisis exacerbated the challenges in garment exports.

Meanwhile, Vietnam's exports to the US grew by 0.31 per cent during the period with the country becoming the largest RMG exporter to the US. US apparel imports from Cambodia also increased by 7.92 per cent to $1.03 billion compared to $951.93 million in the same period in 2023.

The situation in the EU is similarly troubling. from Jan-Apr'24 Bangladesh's RMG exports to the EU fell by 9.85 per cent to €6.01 billion as against €6.67 billion in the same period in 2023, according to Eurostat data.

Despite slightly reducing negative growth, Bangladesh still underperformed compared to competitors in the EU market due to an energy crisis, high utility costs, increased production costs, long lead times, and cumbersome customs procedures. Knitwear exports to the EU dropped to €3.38 billion from €3.88 billion, and woven garment exports declined to €2.64 billion from €2.79 billion during the same period.

Exporters note that despite a recent increase in US demand for apparel and growing EU imports, Bangladesh failed to capture a larger market share due to factors like longer shipment times and higher production costs. Buyers have been placing more orders with Vietnam and China, primarily due to shorter delivery times. Exporters report that lead times for importing and processing exports have increased to 70-80 days from the previous 50-55 days.

Lead time is a significant deterrent for importers placing work orders with Bangladesh. Equally important issues include logistical and infrastructure limitations and an unstable energy supply. One way to reduce lead times is by increasing the local supply of raw materials and accessories. Despite substantial investment in the textile sector to meet export demands, unstable energy supply has led most mills to operate below capacity.

Gas and power shortages, ongoing for about a year, now threaten almost the entire industrial sector, including textiles, RMG, light engineering, fertilizer, and cement. Textile mills are particularly affected, operating at 60-70 per cent capacity due to energy shortages, causing buyers to redirect orders to China and Vietnam for quicker deliveries. Around 300 textile mills in various regions are struggling to remain operational.

Source: fashionatingworld.com– July 04, 2024

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NATIONAL NEWS

Budget 2024 wish list: RBI to hear demands of MSMEs on Monday

Ahead of the Union Budget 2024-25, the Reserve Bank of India (RBI) has scheduled a meeting with several micro, small, and medium enterprise (MSME) associations on Monday to understand their needs.

"The MSMEs are the backbone of the Indian economy, playing a crucial role in economic growth, employment generation, and technological advancement. It has been decided to conduct a meeting with heads of MSME associations to further understand the requirements of MSMEs," RBI said in an email to MSME associations. Business Standard has reviewed a copy of the email.

An industry official, who preferred not to be identified, said that the meeting will be attended by two deputy governors of the RBI, M Rajeshwar Rao and Swaminathan J.

"RBI wants to understand the schemes and initiatives that will be viable for MSMEs before conveying its views to the finance ministry ahead of the Budget," said the official. An email query sent to RBI did not elicit any response until the time of going to press.

The official also highlighted that the meeting will be attended by Laghu Udyog Bharati, the India SME Forum, the Association of Lady Entrepreneurs of India, the Bombay Chamber's MSME Forum, the Coimbatore District Small Industries Association, and the Federation of Small & Medium Industries, West Bengal.

"This meeting seems very important for MSMEs since RBI wants to hear from us. This will also provide RBI with an on-the-ground report, assisting them in addressing our actual needs," another industry official said.

Earlier this week, RBI Governor Shaktikanta Das held meetings with managing directors and chief executive officers of public sector banks and select private sector banks. During the meetings, they discussed credit flow to MSMEs and the participation of banks in the innovation activities of the central bank.

Business Standard reported on Thursday that the Union government is considering relaxing the non-performing asset classification period for MSMEs from 90 days at present to 180 days in the upcoming Budget to support MSMEs and improve their ability to repay loans.

According to RBI data, the share of outstanding bank credit to MSMEs in 2023-24 was only 28 per cent of the total credit to the industry segment, with the remaining 72 per cent going to large enterprises.

In 2023, the Ministry of MSMEs, in a reply to the Rajya Sabha, said that the expert committee on MSMEs constituted by the RBI in December 2018 estimated the overall credit gap in the MSME sector to be in the range of Rs 20-25 trillion.

Source: business-standard.com– July 04, 2024

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Chabahar Port: Southeast Asia's gateway to Central Asia

Astana, Kazakhstan: Singapore is keen on establishing a trade route with resource-rich Eurasia through the Chabahar port, whose management contract has been awarded to India for 10 years, ET has learnt.

The city state is India's strategic partner in Southeast Asia and the financial hub for the Indo-Pacific region. It has a free trade agreement (FTA) with Eurasian Economic Union (EAEU) and is exploring the establishment of a trade and transit corridor with Kazakhstan, in which the Chabahar port would be a key link between SE Asia and Central Asia, according to people in the know.

The president of Kazakhstan recently visited Singapore and the issue of trade and transit corridor figured prominently in his dialogue with his host.

In May last year, when the then Singapore President visited Kazakhstan, the two sides had decided to put in place a trade and transit corridor that would connect Eurasia with the SE Asian market. Singapore had signed an FTA with EAEU in 2019.

An important result of the 2023 presidential visit was the signing of an agreement between the EAEU and Singapore on trade in services and investments within the framework of the FTA. The document is intended to create more favourable conditions for doing business by simplifying regulatory processes and reducing barriers.

Vietnam, another emerging economy and India's close strategic partner, has also entered into an FTA with the EAEU.

On May 13, India and Iran signed a historic deal that gives India 10-year rights for managing the Chabahar Port. In December of 2018, India Ports Global Ltd (IPGL), through its wholly owned subsidiary India Ports Global Chabahar Free Zone (IPGCFZ), took over the operations of the Chabahar Port. Since then, it has handled more than 90,000 TEUs of container traffic and more than 8.4 MMT of bulk and general cargo.

IPGL will invest about $120 million in equipping the port. India has also offered an INR credit window equivalent to $250 million for mutually identified projects aimed at improving Chabahar-related infrastructure, according to officials.

The port is India's key connectivity link to Afghanistan, Central Asia and the larger Eurasian region. There are plans to link Chabahar Port with the International North South Transport Corridor (INSTC), which connects India with Russia via Iran. Kazakhstan and Uzbekistan have been very keen to utilise the port to access the Indian Ocean Region and the Indian market.

Kazakhstan is developing a Trans-Caspian international transport route that will connect the vast markets of Asia and the European Union (EU). Kazakhstan's cooperation with Singapore, a major international transport and logistics centre, can help both countries improve the efficiency of transport links in Asia, according to people with knowledge of the dynamics of transport corridors.

In a world with a new geopolitical alignment, security and consistency of supply chains have become more important than ever. In this regard, Kazakhstan has enormous potential for the supply of rare earth metals and India is eyeing this.

Singapore's experience in introducing innovations in areas such as finance and technology can complement the advantages of natural resources, geographical location and the developing infrastructure of Kazakhstan and other Central Asian states. More than 140 Singaporean companies and joint ventures are currently operating in Kazakhstan, with Singaporean investments in the Kazakh economy surpassing $1.7 billion.

Source: economictimes.com– July 05, 2024

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Budget 2024: How Sitharaman can steer the trade ship amidst two wars and Red Sea crisis to achieve $2 tn export goal

India aims to clock $2 trillion in goods and services exports by 2030 amid the Red Sea crisis and ongoing war between Ukraine-Russia and Israel-Hamas. E-commerce exports are growing rapidly and those done through the postal and courier routes are pegged at $1.5 billion. Here's a look at the challenges the export sector is facing and its budget wishlist.

India's goods and services exports in FY24 were at an all-time high of $778.2 billion, up 0.23% from $776.4 billion in 2022-23 (goods USD 437.1 billion and services USD 341 billion).

Key issues in India's export saga;

Geopolitical uncertainties

The ongoing Russia-Ukraine war coupled with various major geo-political tensions, including the Red Sea crisis and the Israel-Hamas conflict, has also made the international trade scenario much tougher for the Indian exporters.

India's top five export destinations are the US, the Netherlands, UAE, Malaysia, and the UK - recorded healthy growth in May.

According to the commerce ministry data released in June, the estimated value of services exported in May is USD 30.16 billion as compared to USD 26.99 billion in May 2023.

Imports of services are estimated to have increased to USD 17.28 billion during the month as compared to USD 15.88 billion in May 2023.

Manufacturing push

Boosting manufacturing is crucial for labor-intensive sectors as it can generate substantial employment opportunities, drive economic growth, and reduce poverty. By investing in manufacturing, India can enhance productivity, create a skilled workforce, and stimulate innovation.

Activity in India's manufacturing sector rebounded last month as output increased on robust demand, leading to the fastest rate of hiring in over 19 years, despite inflationary pressures remaining elevated, HSBC final India Manufacturing Purchasing Managers' Index showed.

Strong demand is a much needed ingredient for growth in Asia's third-largest economy, which is the fastest growing among major economies, but much of the expansion is attributed to the government's infrastructure spending.

Complicated FTAs

In the India-UK FTA, the issues that need to be ironed out include duties in sectors like electric vehicles, alcoholic beverages, and services. India and the UK launched talks for an FTA in January 2022 to boost economic ties between the two nations. There are 26 chapters in the agreement, which include goods, services, investments and intellectual property rights.

The bilateral trade between India and the UK increased to USD 21.34 billion in 2023-24 from 20.36 billion in 2022-23. India and the UK launched talks for an FTA in January 2022 to boost economic ties between the two nations.

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Reports also suggested that the GCC group of countries are interested in an FTA with India. GCC is a union of six countries - Saudi Arabia, UAE, Qatar, Kuwait, Oman and Bahrain.

What should the Budget do?

- Boost to e-commerce exports
- PLI push for toys, leather goods
- Rationalise import duty on raw materials like cotton
- Higher allocation for export marketing, incentive schemes

The $800 billion target for this fiscal

India's goods and services exports are expected to cross USD 800 billion this fiscal despite global challenges, Commerce and Industry Minister Piyush Goyal said.

He said that the global situation is serious as war is still ongoing between Ukraine-Russia and Israel-Hamas, and the Red sea crisis.

The minister added that there are also elections in some of the major democracies like in Europe.

"In such a situation it's a positive sign that our exports are growing (9 per cent growth in May) and ...this also reflects that the world wants to do trade and investments with India. We are confident that this year we will have over USD 800 billion exports and it will be a historic record," Goyal said.

Source: economictimes.com– July 04, 2024

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Govt may revive technology mission on cotton, allocate ₹500 cr to roll out 5-year scheme

The Centre is likely to announce a revamped cotton technology mission in Budget, aiming to bring in latest technologies to help farmers get better yield. Details are currently being worked out jointly by the Textile Ministry and Indian Council of Agricultural Research (ICAR), sources said.

The Technology Mission on Cotton (TMC) was launched in 1999-2000 as a three-year programme, but got extended from time to time until it finally ended in 2013-14. The Centre spent ₹421 crore under TMC during 2000-10. From 2014-15, the government has included cotton under the National Food Security Mission (NFSM), which some experts believed was a dilution of the importance of the fibre crop.

Under the TMC, there were two main components mini mission I and mini mission II, which the government now focusses on to revamp in next five years, official sources said.

While MM I deals only with research, the MM II is related to extension work including making a linkage between farmers and industry, officials said.

ICAR plea

The Finance Minister may announce certain amount of funding for the revamped TMC for a five-year period as ICAR has communicated that funding for any cotton research project should be at least for four years to expect some results, sources said.

Union Textile Minister Giriraj Singh is believed to have taken a keen interest to roll out the revamped TMC as soon as possible, which was on discussion for quite some time. Singh has been directly in touch with top agriculture scientists in cotton as well as with ICAR DG Himanshu Pathak, the sources said.

Though it is yet to be worked out, official sources said at least ₹500 crore should be allocated for the five -year period to get some results. While there is some resistance to provide any subsidy, the government is keen to facilitate easy credit from banks to farmers without the burden of repayment which will be taken care by private industry and will be adjusted against sales of cotton, the sources said.

New Bt cotton?

“The cotton farmers need to be provided short-term crop loan with higher limit than current ₹3 lakh at same subsidised interest rates so that they invest in improving infrastructure and adopt best management practices, besides buying latest technologies,” said a cotton seed expert.

Last week, Singh had said a new variety of technologically advanced Bt cotton might be allowed soon for commercial cultivation to help Indian textile industry in a bigger way. He said in order to overcome labour problem in the textile sector, efforts were on to utilise members of Self-Help Group (SHG) in a big way.

“Trial of HT (Herbicide Tolerance) Bt (also referred as BG III) cotton is going on. Upon completion of assessments by ICAR (Indian Council of Agriculture Research) and necessary approval is obtained, then its commercial cultivation can be permitted,” Singh told businessline. Such a variety could bring down the cost of production for farmers while also lead to bigger area coming under of cotton sowing and help the textile industry.

Source: thehindubusinessline.com– July 05, 2024

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What Labour election win means for India-UK Free Trade Agreement (FTA)

New Delhi and London have been negotiating a proposed free trade agreement (FTA) for more than two years to boost trade between the two nations. The agreement could result in a mutual tariff relaxation on a range of goods such as cars, clothes, alcoholic beverages, and medical instruments.

However, a landslide victory for the Labour Party in the UK elections could lead to a change in the dynamic of the FTA negotiations.

Political certainty a plus

Since the UK unexpectedly voted in a referendum to leave the European Union (EU), London has not seen the kind of political stability needed for a deal with India that has a high tariff regime.

But if Labour wins comfortably, there might finally be enough political legroom to sign a deal with India. Since Brexit, the majority of the trade deals signed by the UK have been rollover agreements, that resemble deals that London previously had when it was an EU member.

Not an 'anti-India' Labour Party

Under Keir Starmer, Labour has changed. It is not the same party as that headed by his predecessor, Jeremy Corbyn, who called for international intervention in Kashmir.

Starmer has recognised the growing political clout of the UK's Indian origin population — the largest immigrant group in the country — and has tried to stamp out 'anti-India sentiments' within his party. In an event on Friday, Labour Party Chair Anneliese Dodds claimed that the party, under Starmer, is confident of having cleansed its ranks of any members with "extremist views" on India.

In fact, under Starmer's leadership, Labour has even raised questions regarding the Tories' delay in signing the FTA with India.

Visas a likely sticking point

That said, immigration remains among the most heated issues in British politics. While the Tories and Labour disagree on how to restrict immigration into the UK, there is a bipartisan consensus on the fact that it must be restricted. This could be a sticking point for a trade deal with India.

New Delhi is seeking temporary visas for its service sector workforce under the FTA — this is where it expects to gain the most in the deal. With the UK being a powerhouse in the IT and financial services segment, India's service sector could benefit from the integration. But given the UK's political climate, Labour is likely to negotiate hard on the visa issue.

Tougher negotiations on climate

India will also likely face tougher negotiations on climate from a Labour government, which has repeatedly cornered the Tories for deviating from the UK's 2030 net zero goals.

India has sought a relaxation on the carbon tax that the UK is expected to implement along the lines of the EU. New Delhi argued during the FTA negotiations that the proposed carbon border adjustment mechanism could take away much of the tariff concessions agreed during the FTA.

Source: indianexpress.com– July 05, 2024

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Freight issues impact exports

The recent delays faced by exporters due to port congestions, shortage of containers and spiralling freight costs have started impacting exports.

According to the South India Tea Exporters Association President Dipak Shah, “I have 4-5 containers (of tea) ready. But, containers are available only after 10 days or so. Many of us have year-long contracts at agreed freight rates. But, the rates have shot up. Shipping time has doubled because of congestion at transhipment ports,” he said.

President of Tiruppur Exporters Association K.M. Subramanian said the cost of a 40-feet-high cube container from Thoothukudi to New York used to cost $4,260 in May. On July 1, it was $7,360. With congestion at major transhipment ports, several vessels are skipping some of these ports. At least one mother vessel used to operate from Colombo to the U.S. every week. Now it is two a month. So, some buyers are asking for air-lifting goods and these costs have seen a 20-25% increase, he said.

S. Mahesh Kumar, a coir exporter, said the Indian government should talk to the shipping lines and ensure adequate space for Indian goods in the vessels as China is said to be using most of the space.

Source: thehindu.com– July 04, 2024

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Indian railways see 10.07% growth in freight loading in June 2024

Indian Railways has reported a substantial increase in its freight operations for June 2024, achieving an originating freight loading of 135.46 million tonnes (MT) compared to 123.06 MT in June 2023. This marks an improvement of approximately 10.07 per cent over the previous year.

In terms of revenue, Indian Railways earned ₹147.98 billion (approximately $1.77 billion) from freight loading in June 2024, up from ₹133.16 billion in June 2023. This represents an increase of about 11.12 per cent, demonstrating robust growth in the sector, the Ministry of Railways said in a press release.

Freight loading saw a rise of 12.40 MT compared to the same period last year, reflecting the continued strength and efficiency of Indian Railways' freight operations. The increase in freight earnings amounted to ₹14.81 billion over the same period last year, highlighting the financial gains from improved loading volumes.

Breaking down the freight loading figures for June 2024, Indian Railways achieved 60.27 MT in coal (excluding imported coal), 8.82 MT in imported coal, and 10.06 MT in balance other goods.

Source: fibre2fashion.com– July 04, 2024

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DPIIT favours removal of angel tax on start-ups

The Department for Promotion of Industry and Internal Trade (DPIIT) favours the removal of the angel tax on start-ups, and the written proposals from industry associations on the matter have been forwarded to the Finance Ministry for budget consideration, DPIIT Secretary Rajesh Kumar Singh has said.

The Department has also pitched for phasing out of inverted duties and removal of high tariff on inputs in electronics as well as some other sectors but the final call is with the Finance Minister and the Ministry of Electronics and IT (MeitY), Singh said.

“Based on consultations with the start-up ecosystem that we have here, we have recommended that (removal of angel tax) in the past as well, and I think we have recommended this time also. Ultimately, an integrated view will be taken by the Finance Ministry on angel tax,” Singh said on Thursday.

Angel tax (Section 56.2 VII B) is an income tax of 30.6 per cent levied when an unlisted company issues shares to an investor at a price which is more than its fair market value. Earlier, it was imposed only on investments made by a resident investor, but Budget 2023-24 proposed to extend the angel tax to even non-resident investors from April 1, 2024.

According to industry sources, in the initial stages, when many startups depend heavily on foreign funds, the imposition of an angel tax can affect the flow of funds, especially when they are facing a financial crunch.

Although start-ups registered with DPIIT are to be exempt from this, there are only about 1,34,260 such startups that are registered, while most others are unregistered.

The government is also planning to streamline the visa norms for all companies in the 14 sectors under the PLI scheme. “This will include all companies investing in all 14 sectors, whether or not they are covered under the PLI scheme,” Singh said.

Further FDI liberalisation is also on the cards, and the department is working on it, he added.

Responding to questions on industry demand for bringing down customs duties on inputs for electronics manufacturing, Singh said various industry associations had raised the point. “I tend to agree with them that the taxes on inputs should be reduced over time. That’s ultimately for the MeitY and Finance Ministry to take a view. The DPIIT view is yes, inverted duty and a high tariff on inputs will need to be phased out not only in electronics but perhaps in other sectors as well,” he said.

Source: thehindubusinessline.com– July 04, 2024

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India begins sunset review on PTA anti-dumping duty post HC order

India's Directorate General of Trade Remedies (DGTR) has initiated a sunset review investigation on supplies of Purified Terephthalic Acid (PTA) from South Korea (Republic of Korea) and Thailand. Reliance Industries had sought the investigation for the continuation of the anti-dumping duty. The duty, which was imposed in 2019, is scheduled to end on July 24.

However, these duties were rescinded by the central government in February 2020 in budget proposals. Reliance challenged this rescission in the High Court of Gujarat. The court quashed the notification and ordered the government to initiate a sunset review, affirming that the ADD on the product was leviable.

PTA, a basic raw material for polyester staple fibre, is already in short supply in the country, driving up prices of the raw material and its products like polyester staple fibre and various types of polyester yarn. PTA and its products are also facing restrictions on import due to Quality Control Orders (QCOs), causing PTA prices to soar above international rates.

RIL, along with MCPI Private Limited, argued in their application that anti-dumping duties should be continued on PTA, including its variants—Medium Quality Terephthalic Acid (MTA) and Qualified Terephthalic Acid (QTA)—imported from the Republic of Korea and Thailand. After investigation, the DGTR recommended duties on the product. Subsequently, the government imposed the duty on July 24, 2019, for a period of five years.

It is to be noted that the government imposed an anti-dumping duty on the import of PTA from several other countries in 2016 after due investigation. It levied duty on imports from remaining countries Korea and Thailand in July 2019.

The government removed the duty in its Union Budget 2020 proposals. The premature removal of the duty was challenged by RIL and other companies in the Gujarat High Court.

In this matter, R K Vij, emeritus president of the Textile Association of India (TAI) and secretary general of the Polyester Textile and Apparel Industry Association (PTAIA), told Fibre2Fashion, “Domestic prices of PTA are hovering $90-100 per ton higher than international rates, which is weakening the spinning and weaving industry. The government should challenge the HC order in the apex court to provide much-needed relief to the downstream industry.”

He said that industry organisations are also contemplating challenging the order in the Supreme Court. However, it is better if the government challenges it, as it was the party in the HC case. The HC has not acknowledged the industry associations’ pleas to be made a party as consumers of the product.

Vij also raised concerns about the demand for bank guarantees from PTA importers by the customs authorities as the government has initiated a sunset review. The importers and consumers will have to face uncertainty regarding the costing of imported PTA as the sunset review is yet to reach a conclusion.

Source: fibre2fashion.com– July 04, 2024

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Fast fashion leads the charge in India's retail market in 2024

In 2024, fast fashion has emerged as a standout performer in India's retail market, according to a data by by Redseer Strategy Consultants. While the overall fashion sector in India experienced a modest year-on-year growth of approximately 6 per cent in FY24, fast fashion surged ahead, growing at an impressive rate of 30-40 per cent. However, this rapid growth is just the beginning for fast fashion in India. Despite its current market size of around $10 billion, it remains more than three times smaller than Shein, one of the largest fast fashion brands globally. Driven by the vast potential for growth, fast fashion in India is projected to become a massive $50 billion-plus opportunity by FY31.

For ultra-value brands like Zudio, supply chain agility is crucial. These brands can launch low-priced products profitably by operating on a large scale, which helps offset certain costs. Consequently, building a scalable brand in this segment will necessitate substantial investments, likely spearheaded by larger conglomerates, as per Redseer. For premium brands such as Zara, brand recall and customer loyalty serve as their greatest strengths. As India's premiumisation trend gains momentum among affluent consumers, this segment is expected to attract a healthy influx of both global and Indian designer brands.

The mid-value segment, featuring brands like H&M and Snitch, is witnessing a high proliferation of digital-first brands. With low entry barriers, this segment attracts experimental customers, making it highly competitive. Brands with unique and value-adding propositions are likely to resonate strongly with consumers. Regardless of their segment, fast fashion brands in India share a common core driver: the ability to identify and capitalise on new and viral fashion trends.

In men's fast fashion for FY24, trends included oversized T-shirts, graphic tees, printed shirts, trousers, and cargo pants. The next major trend is expected to be co-ords and summer/all-time jackets. For women's fast fashion, dresses, wide-legged trousers, and co-ords dominated the buying choices. The next big disruptors in this category are anticipated to be occasional wear and shapewear.

Source: fibre2fashion.com– July 04, 2024

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India's apparel brands increase sourcing from Bangladesh

For decades, Indian apparel brands and retailers relied primarily on domestic sourcing. However, in recent years, there's been a significant shift towards Bangladesh. This trend, spurred by several factors, is transforming the landscape of the Indian apparel market.
Bangladesh a cost-competitive edge

The primary driver for this shift is cost competitiveness. Bangladesh offers significant advantages over domestic sourcing for Indian companies.

Labor costs: Bangladesh boasts lower labor costs compared to India. A 2023 study by the Garment Manufacturers and Exporters Association (BGMEA) of Bangladesh revealed that average wages in the Bangladeshi garment industry are nearly 20 per cent lower than their Indian counterparts.

Duty benefits: The South Asian Free Trade Agreement (SAFTA) allows duty-free import of certain apparel items from Bangladesh to India. This significantly reduces landed costs for Indian companies.

Strong manufacturing base: Bangladesh has emerged as a global leader in apparel manufacturing, boasting a skilled workforce and efficient production lines. Leading brands like H&M, Zara, and GAP source heavily from Bangladesh, a testament to its capabilities.

Reliance Retail, one of India's largest retail chains, exemplifies this trend. In 2017, they established a sourcing office in Bangladesh and have since ramped up their procurement from the country.

As Mohit Batra, Country Head of Reliance's Bangladesh operations explains, they are offering huge quantities and are looking for manufacturers that can offer 20 per cent of their capacity. This highlights the significant cost savings Reliance enjoys by sourcing from Bangladesh.

Click here for more details

Source: fashionatingworld.com– July 04, 2024

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