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Currency Watch			
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INTERNATIONAL NEWS

INTERNATIONAL NEWS

Hormuz crisis raises indirect risks for global textile shipments

The "technical" closure of the Strait of Hormuz on February 28, 2026, following escalating conflict in the Middle East, has primarily disrupted crude, LNG, and LPG movements. However, maritime research and consulting services company Drewry noted that the fallout could extend indirectly to global textile and garment trade, particularly through higher freight and fuel costs rather than direct route blockage.

In a special report, Drewry cautioned that broader regional instability could distort vessel positioning. If ships avoid certain areas or face delays, container availability and scheduling reliability may weaken, leading to longer transit times and supply chain uncertainty. In an extreme escalation scenario spilling into the Red Sea, carriers could divert around the Cape of Good Hope, adding 10-14 days to Asia-Europe voyages.

Commercial shipping has been forced to suspend operations in parts of the Persian Gulf, with vessels idling near Oman or diverting away from the Strait. Heightened war risk premiums, GPS interference, and security threats in the Red Sea corridor have added to operational uncertainty. Any sustained escalation could spill over into container and breakbulk segments that handle textile raw materials, yarns, fabrics and finished apparel.

For textile-exporting nations in Asia, longer voyage times via the Cape of Good Hope (COGH) would increase transit duration and bunker consumption, pushing up freight costs. Import-dependent markets in Europe and North America may face shipment delays, particularly for time-sensitive fashion cycles. Higher marine insurance premiums and congestion at alternative routes could further inflate landed costs.

Drewry observed that the supply chain disruption at energy chokepoints often has second-order effects on manufacturing hubs. Rising crude prices translate into higher polyester feedstock costs, while freight rate volatility affects both raw material imports and garment exports. Countries heavily integrated into global value chains could experience margin pressure if logistics costs surge.

Although major regional powers are expected to seek swift reopening of the Strait, the risk of prolonged disruption remains. In such a scenario, textile and apparel supply chains may need to factor in longer lead times, higher working capital requirements, and increased freight budgeting.

Drewry added that it continues to monitor vessel movements and security developments closely, as maritime stability in the Gulf remains critical not only for energy flows but also for the smooth functioning of global merchandise trade, including textiles and garments.

Source: fibre2fashion.com– Mar 03, 2026

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Tariffs Turned UK Manufacturers Away From the US Market in 2025

The past year of President Donald Trump's reciprocal tariff regime has pushed British exporters to seek greener pastures than the United States market, turning instead to Europe and Asia in search of sales.

The United Kingdom Trade Barometer, released by the Manchester Airports Group and the Growing Together Alliance, polled 2,000 businesses about their global trading habits between October and December. Researchers found that movement away from the U.S. was most pronounced among manufacturers targeting new territories, with orders coming in from China, Japan, Australia and members of the European Union like France, Germany and Spain.

It's a trend that's poised to continue throughout 2026, the researchers wrote. The shift away from the American export market was experienced across sectors, with just 24 percent of respondents saying they increased U.S. sales in the fourth quarter, having fallen progressively from 29 percent at the beginning of last year. Just 14 percent of firms pointed to America as a new market in Q4, down from 20 percent in Q1.

By contrast, nine markets have seen a marked uptick in popularity as export destinations. In Q4, 10 percent of respondents said they would increase sales to Australia (compared to 6 percent who said the same in Q1), 6 percent said they'd increase sales to Spain (compared to 5 percent in Q1) and 6 percent said they would up efforts to reach New Zealand (up from 2 percent in the first quarter of 2025).

The shift in export destinations is especially notable when taking into account that nearly half (46 percent) of manufacturers said they'd actually upped their export volumes over the three months of the fourth quarter. Just 16 percent said those new shipments were destined for the U.S.

In fact, by the end of 2025, 12 percent of U.K. producers surveyed said their sales to China had grown, up from 6 percent in Q1, while 8 percent named Japan as a growth market, up from 4 percent in the first quarter. Nine percent of firms identified as first-time sellers to China in Q4, up from 4 percent in Q1, while 9 percent said they cracked the Japanese market at the end of the year, up from 2 percent in Q1.

While the trends are pronounced, all regions of the U.K.—London, the North, the Midlands and the East of England—expect sales to the U.S. to rebound during the first part of 2026, with 43 percent of London exporters saying they expect an uplift.

All of these regions saw their weakest quarter of overseas sales in Q4, though 64 percent of London exporters said they saw some growth (compared with 50 percent in the North, 47 percent in the Midlands and 44 percent in the East of England). Predictably, London-based exporters were the most bullish about the upcoming quarter, with 44 percent saying they expect output and sales to grow and 33 percent planning to enter a new market for the first time.

"As an island trading nation, we know how important our export performance is to the overall economic health of the U.K.," Manchester Airports Group CEO Ken O'Toole said Monday.

"This full-year data shows the direct impact global events can have on businesses' order books—but it also shows that British exporters are skilled at diversifying and pivoting to new markets—harnessing the resilience and innovation of our globally trading firms will be important if we want to kick-start growth."

O'Toole tempered his optimism, however, saying, "While some economic indicators point to a potential upturn in growth during the course of 2026, the fact fewer than one in three exporters expect to increase sales in the first part of this year paints a slightly different picture."

As the U.K. government looks to deliver its Industrial Strategy—a 10-year plan to ratchet up business investment in eight growth-driving sectors—"there is a clear opportunity to be grasped: by growing the number of firms that trade globally, we can boost productivity and living standards in regional growth corridors across the U.K.," he added. "It is vital Government works with business to understand the steps it could take to help more firms trade internationally, including encouraging investment in the infrastructure that unlocks international connectivity."

Henri Murison, chair of the Growing Together Alliance, said the group saw a "clear recalibration" in U.K. trade patterns in 2025. "While America remains a vital market, particularly for manufacturers, exporters have increasingly diversified as conditions have shifted. This reflects geopolitical realities, but also the adaptability and resilience of UK firms."

Murison called the pivot to Europe and Asia "notable," saying that if Prime Minister Keir Starmer can negotiate reduced trade barriers with the EU, "it would make trade with countries in the European Union easier without allowing accusations of Brexit betrayal that a full-blown customs union could lead to."

"The continued strength of London is welcome, and the priority should now be ensuring that export-led growth is not confined there but supports further increasing productivity across all regions," he added.

Source: sourcingjournal.com– Mar 02, 2026

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Iran Conflict Sends Shockwaves Through Asia's Trade and Manufacturing Hubs

Still regaining lost ground from elections and dealing with economically troubling times, Asian countries—including Myanmar, Bangladesh and Thailand—now face the crisis of the conflict between the U.S and Iran.

As the Iranian supreme leader Ayatollah Ali Khamenei, was killed during the operation by Israeli and U.S. strikes early Saturday morning, the uncertain future of the regime in Tehran has brought further confusion in the region, as issues related to shipping, oil and energy come center stage once again.

The chaos is apparent in countries across the region, emerging in different ways. In Karachi, Pakistan, protesters tried to storm the U.S. consulate following the strikes on Iran, and at least eight people have been reported dead, according to local news services. "It seems we're bracing for a long-term disruption," a manufacturer in Vietnam told Sourcing Journal.

The Vietnamese Ministry of Foreign Affairs (MoFA) issued a statement expressing "deep concern" over the escalating conflict and its threats to global peace and stability. An urgent missive to import-export and logistics associations noted that the conflict in the region could create a "high-risk environment for transportation, global supply chains and trade activity."

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"It seems we're bracing for a long-term disruption," a manufacturer in Vietnam told Sourcing Journal. The Vietnamese Ministry of Foreign Affairs (MoFA) issued a statement expressing "deep concern" over the escalating conflict and its threats to global peace and stability. An urgent missive to import-export and logistics associations noted that the conflict in the region could create a "high-risk environment for transportation, global supply chains and trade activity."

Oil prices shot up over the weekend as the situation has escalated. Analysts in the region said that this could increase as the shipping routes were likely to remain a challenge. As the conflict puts a hold on the Strait of Hormuz, which is essential for global shipping, the expectation of delays and increasing prices is being understated, economists in the region said. In Bangladesh, business heads said that tensions are escalating once again.

"The conflict is likely to affect the industry in several ways," Faisal Samad, director, Bangladesh Garment and Manufacturers and Exporters Association (BGMEA), told Sourcing Journal. "The transit time for cargo is likely to be affected—ships will have to be rerouted and are likely to take a longer time to reach Europe. The Strait of Hormuz is a very important waterway. Energy prices may shoot up, increasing costs for transport—it will lead to more pressure for competitive pricing and for the industry to absorb these costs."

If the conflict continues, Samad noted that consumers and buying power would be deeply impacted as well.

However, like many of the exporters in the region who are expressing fears that this may well be a business disruptor for the entire region, the worry about further volatility is being taken with the stoic measures of the post-Covid era.

"Let's hope for the best," said Samad.

Source: sourcingjournal.com– Mar 02, 2026

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China's Cotton Buying Shift Reshapes Export Outlook Ahead

U.S. cotton markets are adjusting to a major shift as China sharply reduces purchases, raising questions about whether the world's largest textile producer will remain a dependable export customer. The change carries significant implications for producers because more than 80 percent of U.S. cotton production relies on export demand.

University of Tennessee economist Dr. Andrew Muhammad reports that China's imports of U.S. cotton fell dramatically in 2025, with purchase value dropping from $1.5 billion to $0.2 billion — an 85 percent decline — while volumes fell from 0.8 million metric tons to 0.1 million metric tons. China had accounted for nearly 30 percent of U.S. cotton exports between 2020 and 2024, making the contraction especially impactful for global trade flows.

The decline reflects more than trade tensions. China has expanded domestic cotton production, reduced reliance on imports, and drawn down state stockpiles accumulated over the past decade. Domestic output has risen more than 30 percent since 2021, allowing its textile sector to rely increasingly on local fiber supplies.

Operationally, U.S. exporters redirected shipments elsewhere. Cotton exports to non-China destinations increased 32 percent in value and 51 percent in volume in 2025, partially offsetting the loss of Chinese demand.

Across all suppliers — including Brazil, India, and Australia — shipments to China declined sharply, signaling a broader structural shift rather than a U.S.-specific trade dispute.

Source: rfdtv.com– Mar 03, 2026

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Dollar's devaluation pushes Brazilian cotton prices down

Domestic cotton prices in Brazil were under pressure from the dollar's devaluation against Real (BRL) in late February. However, values rose in the last two days of the month. "As for the production, while Brazilian players continue focused on completing 2025/26 sowing activities, producers in the Northern Hemisphere are starting to plan the 2026/27 crop, which is expected to be smaller than the current one," the Sao Paulo-based Center for Advanced Studies on Applied Economics (CEPEA) said in its latest market release on cotton.

Between February 20 and 27, the CEPEA/ESALQ Index (payment in 8 days) moved up only 0.37 per cent, closing at BRL 3.5227 per pound on February 27. The US dollar fell by 0.81 per cent in the same comparison, to close at BRL 5.137. In the international market, CEPEA calculations show that the export parity FAS (Free Alongside Ship) dropped 1.09 per cent from February 18-23, to BRL 3.3175/pound (USD 0.6419/pound) at the port of Santos (SP) and to BRL 3.3280/pound (USD 0.6440/pound) at the port of Paranaguá (PR). The Cotlook A Index moved up 0.41 per cent in the same period, closing at USD 0.7415/pound. The US dollar decreased 1.47 per cent against the Real, closing at BRL 5.168.

Meanwhile, Brazil exported 218,700 tons of cotton in 13 producing days of February, with a daily average at 16,800 tons, against 13,700 tons one year ago (+22.5 per cent). "If this pace continues, the monthly volume is likely to hit 300,000 tons, more than the 274,600 tons recorded in February 2025," CEPEA said.

In the 2025/26 season so far (from August 2025 to February 2026), the volume shipped is closed to 2 million tons, according to data from Secex, the Foreign Trade Secretariat of Brazil.

For the 2026-27 season, the US Department of Agriculture (USDA) has projected the global cotton production to hit 25.3 million tons, down 3.2 per cent compared to the previous season. The consumption is estimated at 26.2 million tons, up 1.2 per cent, surpassing the output and reducing final stocks to 15.5 million tons (-5.2 per cent).

Source: fibre2fashion.com– Mar 04, 2026

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When Hormuz 'closes', apparel loses its price tags

In the first 48 hours of the latest Middle East escalation, a strange thing started happening in textile sourcing: suppliers did not quote higher prices; they stopped quoting.

Not because polyester vanished overnight, but because the Strait of Hormuz is "closed" in the only way supply chains truly fear: cargo cannot be priced, insured, or scheduled with confidence. Ships at anchor, war-risk cover pulled, and container networks reshuffled have turned a geopolitical shock into a commercial one—one that hits textiles through volatility as much as scarcity.

How the conflict became a trade disruption

The conflict between the US, Israel and Iran widened sharply over the weekend, and the maritime domain became part of the story. Reports describe multiple tankers damaged and a seafarer killed, alongside warnings that merchant vessels, especially those linked to the US or Israel, could be targeted.

Shipping behaviour changed fast. Reports also indicate that many shipowners, oil majors and trading houses suspended shipments of crude, fuel and LNG via Hormuz as the risk escalated. A ship-tracking snapshot described a sudden "floating parking lot": at least 150 crude and LNG tankers anchoring beyond Hormuz, with many more stationary on both sides as operators paused movements amid uncertainty and Iranian messaging that navigation was closed.

Oil repriced immediately. Reports indicate crude jumped roughly 10 per cent, with analysts flagging that a sustained disruption could push prices towards $100/bbl. In the first wave of trading, benchmark highs were striking: Brent hit $82.37/bbl and WTI touched $75.33/bbl before easing.

For textiles and apparel, the oil spike is only the first domino. The more damaging effects travel through insurance, navigation risk and freight—the components that determine delivered cost and lead time.

"Closure" has three meanings—and textiles feel the third one first

The Strait can be "closed" in three ways:

Legal closure: An internationally communicated suspension of passage.
Operational closure: Traffic slows or stops because vessels refuse to transit.

Financial closure: The route becomes uneconomic or uninsurable, so contracts cannot be priced.

Right now, the world is debating point 1. Shipping is already living point 2. Textiles are being hit by point 3.

UK Maritime Trade Operations (UKMTO)'s advisory captures the ambiguity. It notes that closure claims are circulating via open-source reporting and Very High Frequency (VHF) communications, but says no official closure has been communicated through recognised maritime safety channels. It also warns of heightened risk of miscalculation, VHF hailing and Global Navigation Satellite System (GNSS)/electronic interference that can affect positioning, navigation and communications.

Then came the step that turns "risk" into "stop": reports indicate multiple major marine insurers and P&I clubs cancelled war-risk cover for vessels operating in Iranian waters and surrounding areas, with changes effective March 5 (and some insurers discussing buy-back options).

That is how chokepoints become supply-chain events: not when barrels are missing, but when risk moves from "priced" to "unacceptable."

Crude is the headline. Delivered cost is the margin killer.

To see what apparel faces next, separate two timelines:

Benchmark timeline (crude): instant repricing, constant headlines.
Delivered-cost timeline (textiles): surcharges, schedule loss, and quote validity collapsing into hours.
A key detail: the market entered this episode already trending higher. TexPro weekly series shows that from January 1 to February 26, Dated Brent rose from $60.80/bbl to $71.81/bbl (+18.1%), while WTI rose from $57.24/bbl to $66.12/bbl (+15.5%). That reduces the "buffer" many supply chains rely on when shocks hit.

Now add the delivered-cost shock. Hapag-Lloyd introduced a War Risk Surcharge effective March 2—$1,500/TEU for standard containers and $3,500 for reefers/special equipment—explicitly citing operational disruption around Hormuz and knock-on effects on schedules and equipment.

Even without changing fabric prices, a surcharge can flip a programme's margin. A typical 40-foot container is roughly 2 TEU: at $1,500/TEU, that is about $3,000 incremental cost for a standard load. Depending on pack-out (often tens of thousands of garments), the impact can be just a few cents per unit, small enough to be ignored in calm markets, large enough to erase margin when combined with late arrivals and rebooking costs.

Hormuz Shock Dashboard (as of March 2, 2026)

Crude snapshot

Reports indicate crude jumped ~10%; analysts see $100/bbl risk if disruption persists.
Reports also captured early trading peaks near Brent $82.37/bbl and WTI $75.33/bbl.
Pre-shock baseline (TexPro weekly, January 1 → February 26)

Brent: $60.80 → $71.81/bbl (+18.1%)
WTI: $57.24 → $66.12/bbl (+15.5%)
Why Hormuz matters

US Energy Information Administration (EIA): Hormuz flows are >25 per cent of global seaborne oil trade and ~20 per cent of global petroleum liquids consumption; ~20 per cent of global LNG trade also transits the strait.
EIA: estimated bypass capacity via Saudi/UAE pipelines ~2.6 million b/d.
Hormuz is an energy chokepoint—and a petrochemicals chokepoint

Textiles are unusually exposed because synthetics dominate global fibre output and are tightly tied to petrochemicals and energy.

Textile Exchange reports polyester is 59 per cent of global fibre output, 88 per cent fossil-based, and production increased from ~71 million tonnes (2023) to ~78 million tonnes (2024).

EIA estimates that flows through Hormuz in 2024 and 1Q25 were more than one-quarter of global seaborne oil trade and about one-fifth of global oil and petroleum product consumption; around one-fifth of global LNG trade also transited the strait in 2024, primarily from Qatar.

If the strait is constrained, bypass options are limited. EIA estimates roughly 2.6 million b/d of capacity from Saudi/UAE pipelines could be available to bypass Hormuz in a disruption—material, but far from enough if the "effective closure" persists.

For apparel, the key is that this is not only an oil story. It also hits:

Polyester feedstocks (e.g., PTA and MEG),
Chemical trade flows (including ethylene glycol exposure in Hormuz-linked production), and

Processing energy (steam/electricity for dyeing and finishing).

Independent Commodity Intelligence Services (ICIS) frames PTA as a core ingredient for polyester fibres and bottle resin.

ICIS analysis of a Strait closure scenario has highlighted potential disruption across global chemical capacity, including ethylene glycol.

On energy, ICIS analysts modelled that a three-month Hormuz closure could drive Europe's Title Transfer Facility (TTF) front-month above €90/MWh in an immediate shock scenario—underscoring how LNG tightness can amplify processing costs globally.

The underappreciated risk: price discovery failure in the polyester chain

Most coverage treats polyester as "oil-based" and stops there. The operational reality is that in a shock, polyester does not just get expensive—it can become hard to price.

A peer-reviewed analysis on polyester yarn pricing finds yarn prices correlate significantly with PTA, MEG and Brent crude oil—a map of how volatility transmits down the chain.

When freight and insurance are unstable, sellers protect themselves by:

Shortening quote validity,
Adding "subject to freight/insurance" clauses,
And pausing offers while replacement cargo risk is priced.
That is a structural mismatch with apparel calendars, where brands can lock FOB costs weeks before shipping, and suppliers carry the basis risk when inputs move daily.

Outlook: April–June 2026, stress-tested for textiles and apparel

Instead of trying to pick “the” oil price, model three drivers: duration, insurance availability, and shipping network stability.

Scenario A — Rapid normalisation (Days to ~2 weeks)

What it looks like: some transits resume; insurers re-open cover via buy-backs; surcharges linger as networks rebalance.
Textile impact: manageable cost inflation, but elevated quoting friction and cautious booking.

Scenario B — Stop–start disruption (6–10 weeks)

What it looks like: recurring pauses, high war-risk pricing, and frequent schedule changes; reports note the market’s sensitivity to disruption duration and $100/bbl risk in sustained tightness.

Textile impact: repeated re-quotes; synthetic-heavy programmes see the fastest pass-through; delivery reliability becomes a bigger commercial risk than unit cost.

Scenario C — Prolonged effective closure (multi-month)

What it looks like: deeper insurance restrictions; chemical and LNG impacts broaden; limited bypass capacity becomes decisive.
Textile impact: combined shock (feedstocks + energy + logistics) squeezes margins, stresses supplier liquidity, and pushes brands towards fewer options and shorter seasons.

The decision advantage (what leaders will do this week)

In this kind of disruption, the winners are the ones who keep buying while others pause—because they can price the risk.

Re-order costing: Agree freight/insurance rules first, fabric second, FOB last
Index volatility: Use benchmark-linked escalation language instead of renegotiating every PO
Treat lateness as a cost line: Model the markdown risk from delayed arrivals alongside yarn/fabric inflation

Pre-approve substitutions: Build material options that reduce exposure in synthetic-heavy programmes without changing the consumer proposition
Bottom line

Hormuz is being discussed as an oil shock. For textiles and apparel, the more dangerous shock is tradability: when insurance, navigation risk and container networks make delivered cost impossible to price cleanly.

In that world, resilience is not just about where you source. It is about whether your contracts, benchmarks and decision cadence let you keep operating while the market is still trying to discover a price.

Source: fibre2fashion.com– Mar 03, 2026

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Iran conflict sends apparel freight rates soaring on US & EU routes

From Dhaka to New Delhi, Ho Chi Minh City to Shanghai, fashion supply chains are feeling the ripple effects of rising maritime risk, and every cent now counts.

The global apparel industry, built on razor-thin margins and precisely timed shipping calendars, is navigating a fresh wave of freight uncertainty following geopolitical tensions in the Middle East that escalated on February 28.

While container rates have not exploded across the board, the market has shifted just enough to unsettle sourcing strategies for exporters shipping to the United States and Europe. For apparel where a two-cent swing per garment can reshape margins, even moderate freight increases matter.

Where freight rates stand now

Spot container benchmarks in early March indicate the following base levels for a 40-foot-high cube container (the standard for apparel exports):

Asia → US West Coast: ~$1,843 per FEU
Asia → US East Coast: ~$3,022 per FEU
Asia → North Europe: ~$2,460 per FEU
Asia → Mediterranean: ~$3,649 per FEU

However, exporters are not paying just the base index. War-risk premiums, bunker adjustment factors (BAF), emergency surcharges, and equipment repositioning fees are quietly lifting the real "all-in" cost.

South Asia: EU routes under more pressure

For exporters in India, Bangladesh, and Pakistan, shipments to Europe are currently the most exposed. With the uncertainty around Red Sea routing and longer Cape diversions keeping vessel capacity tied up, EU-bound freight is trending firmer than US lanes.

India → EU: $2,700–$3,200 per FEU (payable range)
Bangladesh → EU: $2,800–$3,400 per FEU

Transit reliability, which is critical for seasonal apparel drops, is also under strain, particularly for garment-heavy lanes relying on transshipment hubs. US-bound freight from South Asia is more stable but still creeping upward due to global network ripple effects.

Vietnam & China: US lanes more stable, EU firmer

For exporters in Vietnam and China, the picture is mixed. Transpacific routes to the US remain relatively contained, reflecting broader overcapacity in the container market:

Vietnam/China → US West Coast: ~$1,900–$2,200 payable
Vietnam/China → US East Coast: ~$3,100–$3,500
But EU-bound shipments face the same structural issue affecting South Asia: longer sailing distances absorb vessel capacity, tightening supply and supporting higher rate floors.

Turkiye: Moderate impact, fuel sensitive

Turkiye's proximity to Europe shields it somewhat from the worst routing effects but rising bunker costs and insurance premiums are pushing Mediterranean freight upward. Short-sea and EU shipments remain comparatively stable, for now.

What to expect?

Most likely, US lanes will remain range bound. EU lanes may stay firmer due to extended routings and carriers will use blank sailings to prevent sharp rate drops. If insurance withdrawals expand or port disruptions deepen, rates could jump 20–40 per cent in weeks. If tensions ease and routings normalise, overcapacity could again pressure freight downward.

The current freight environment is not a repeat of the 2021 shipping crisis but a reminder of how quickly geopolitical tremors can reach fashion supply chains. For apparel exporters, the challenge now is not dramatic price spikes, but subtle, cumulative cost creep that quietly erodes competitiveness. In an industry where pennies define profitability, even modest freight shifts can change the runway.

Source: fibre2fashion.com– Mar 03, 2026

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ICE cotton drops 1% on Middle East war, stronger US dollar

Cotton futures on Intercontinental Exchange (ICE) fell by more than 1 per cent yesterday, pressured by escalating tensions in the Middle East and a stronger US dollar. The dollar climbed to a one-month high, making US cotton more expensive for overseas buyers. The stronger currency, combined with geopolitical uncertainty, dampened demand, and weighed on prices.

May 2026 cotton settled at 64.59 cents per pound, down 1.02 cents. This marked the lowest settlement price for May contract since February 20, effectively erasing all gains made over that period.

Total trading volume for the session came in at 73,225 contracts. ICE-certified deliverable No. 2 cotton inventory rose to 126,178 bales as of February 26, up from 119,457 bales the previous trading day.

The US dollar climbed to its highest level in over a month, making dollar-denominated commodities like cotton more expensive for international buyers and reducing export demand.

Market analysts stated that the Middle East conflict is putting significant pressure on cotton and that a broader risk-aversion tone is affecting the market.

On March 2, Iran continued launching attacks on US military bases across multiple countries in the Middle East, with explosions reported in several locations. An advisor to the Iranian Islamic Revolutionary Guard Corps commander announced that the Strait of Hormuz had been closed, with Iran threatening to strike any vessels attempting to pass through it.

US President Trump indicated that military action against Iran could last four to five weeks, while also expressing readiness for operations to extend considerably longer.

Major Wall Street indices declined on Monday as the conflict raised fears of disrupted global trade routes and renewed inflationary pressures. Analysts warned that investors appear to be rebuilding short positions in cotton, suggesting continued downward price pressure in the near term.

The earlier May contract low of 62.86 cents per pound as a key support level that could be tested again.

CFTC data released the prior Friday showed that speculators reduced their net short positions in ICE cotton futures and options by 26,508 contracts in the week ending February 24, bringing net shorts to 48,922 contracts.

International crude oil and natural gas prices surged sharply on Monday following US and Israeli strikes on Iran, with retaliatory actions forcing the closure of several energy facilities in the region.

This morning (Indian Standard Time), ICE cotton for May 2026 was traded at 64.75 cents per pound (up 0.16 cent), cash cotton at 62.59 cents (down 1.02 cent), the March 2026 contract at 62.59 cents ((down 1.02 cent)), the July 2026 contract at 66.75 cents (up 0.14 cent), the October 2026 contract at 68.18 cents (down 0.49 cent) and the December 2026 at 69.04 cents (up 0.12 cent). A few contracts remained at their previous closing levels, with no trading recorded so far today.

Source: fibre2fashion.com– Mar 03, 2026

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A 50-Day Voyage: How Middle East conflict is repricing every shirt Asia ships to Europe

The global textile industry has always lived with thin margins, long lead times, and unforgiving working-capital cycles. But the latest war in the Middle East has exposed just how fragile that balance really is. What began as a regional military escalation between the US-Israel alliance and Iran has rapidly mutated into a full-blown commercial crisis for fiber producers, spinning mills, fabric processors, and garment exporters. With the Strait of Hormuz under disruption and the Bab-el-Mandeb corridor classified as high risk, the maritime arteries that feed raw materials into textile factories have slowed to a crawl.

For an industry where yarn often moves across three countries before becoming a finished shirt, every extra day at sea compounds cost. And every dollar added to freight chips away at already lower margins. The result is not just a logistics problem. It is a structural repricing of the global textile business.

Ocean freight is the new cost center

The most immediate impact is visible on the water. Carriers that once relied on the Suez Canal are now bypassing it entirely steering vessels 3,500 nautical miles around the Cape of Good Hope. The detour adds weeks to shipping schedules and effectively removes capacity from the system. Ships that used to complete three Asia-Europe rotations per quarter now manage barely two.

World Bank and JPMorgan Chase statistics show that these longer voyages are tightening container availability and inflating freight benchmarks at the fastest pace since the pandemic. The numbers illustrate the stress building inside textile supply chains.

For textile exporters, this is more than an accounting headache. Freight is now eating into 6-10 per cent of order value on basic garments, a ratio that makes many low-margin styles commercially unviable. Factories that priced spring collections six months ago are suddenly absorbing costs they never modelled.

When oil prices rewrite fiber economics

The crisis is not confined to ships and ports. It is working its way upstream into the chemistry of textiles themselves. Synthetic fibers like polyester, nylon, acrylic are derived from petrochemicals. When crude rises, so do the costs of Purified Terephthalic Acid (PTA) and Monoethylene Glycol (MEG), the building blocks of polyester.

With Brent flirting with $110 per barrel, polyester markets have entered near-daily price discovery. Indian Polyester Staple Fiber has already climbed into the $1,150-$1,250 per metric ton band. Chinese export offers hover near $1,000/MT, but mills report volatility that makes forward contracting risky. This matters because synthetics are no longer a niche input. They dominate modern apparel.

Today, more than half of global clothing which is about 56 per cent is polyester-based. That means every energy shock cascades directly into spinning, weaving, knitting, dyeing, and finishing costs. Clusters in Surat and Ludhiana report a familiar squeeze: raw material inflation of 5-8 per cent, but European buyers unwilling to accept price revisions. Margins are being shaved at the mill gate. Some smaller processors have quietly reduced shifts rather than run loss-making orders.

The just-in-time model breaks down

The deeper casualty may be the industry's faith in speed. For two decades, brands perfected just-in-time sourcing. Produce in South Asia; ship through Suez; ;and in Europe in three weeks; replenish quickly. That system now looks outdated.

One large European fashion conglomerate sourcing nearly half its seasonal knitwear from South Asia recently saw 120,000 units rerouted around Africa. The detour alone added $1,800 per container. More damaging was timing.

The goods missed the Easter retail window, triggering early markdowns and a projected 15 per cent drop in full-price sales. To save the best-selling designs, the company resorted to air freight, pushing logistics cost per garment from $0.15 to over $2. Such emergency airlifts may protect sales, but they destroy margin structure. For textiles, which operate on pennies per piece, that math simply doesn't work.

Nearshoring moves from theory to strategy

These disruptions are increasing a sourcing shift that had been discussed for years but rarely executed. Brands are now prioritizing geography over pure labor arbitrage. Proximity is being priced as insurance. Manufacturing corridors in Turkey, Egypt, and Eastern Europe are seeing renewed inquiries, even though their wages exceed those in South Asia. What they offer instead is predictability that is five to seven days of transit instead of 40.

For mills in India, Vietnam, and Bangladesh, the message is clear: cost competitiveness alone is no longer enough. Reliability has become a selling point. Factories that can stock greige fabric locally or maintain bonded warehouses near consumer markets are suddenly more attractive partners.

Sanctions, trade rules add friction

The conflict has also complicated compliance. Iran's specialized fiber and carpet exports have largely disappeared from international trade, creating temporary opportunity for alternative suppliers. But new tariffs and origin scrutiny are offsetting those gains.

The US has introduced broad import duties and intensified audits of value addition. Exporters using Chinese yarn or fabrics inside Vietnamese or Cambodian garments now face deeper documentation checks. Containers routed through high-risk straits are more frequently flagged for inspection, adding demurrage and storage costs at West Coast ports. In an industry built on tight calendars, even three extra days at customs can wipe out profitability.

A $1.8 trillion industry reconsiders its model

The broader backdrop makes the shock even more consequential. The global apparel and textile market is expected to approach $1.86 trillion next year, but growth has slowed while uncertainty has multiplied. Major global players such as Inditex, H&M Group, and Adidas are leaning harder into direct-to-consumer channels, inventory analytics, and higher-value smart or performance fabrics to protect profitability. The logic is straightforward: if logistics costs are rising permanently, margins must be rebuilt through product differentiation rather than scale alone.

Commodity T-shirts are losing appeal. Technical textiles, recycled polyester, and functional fabrics carry better pricing power. For mills, the implication is profound. Competing only on volume is becoming dangerous. Value addition is the new buffer.

What the Red Sea disruption ultimately reveals is that textile supply chains were optimized for stability, not volatility. For years, the equation was simple: cheapest labor plus predictable shipping equals profit. That formula no longer holds. Now the calculus includes insurance premiums, rerouting days, fuel volatility, sanctions risk, and geopolitical chokepoints.

In effect, freight has become the new raw material. And just as cotton or polyester prices dictate mill viability, shipping economics now determine which countries remain competitive. If disruptions persist, the global textile map may look very different within five years. Production could fragment across regional hubs.

Inventory buffers may replace lean pipelines. And proximity to consumer markets may matter more than wage differentials. For an industry built on thread, the seams are showing. But the businesses that adapt by diversifying fiber sources, investing in technical textiles, and shortening supply chains may emerge stronger. Because in today's textile trade, resilience has become the most valuable fabric of all.

Source: fashionatingworld.com– Mar 02, 2026

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Australian cotton volume increases as high-transparency sourcing becomes industry standard

While global cotton benchmarks remained subdued in early 2026, Australian cotton exporters reported a significant increase in shipment volumes, driven by aggressive inventory rebuilding in China, Vietnam, and Bangladesh. Despite a decline in average export prices- falling from previous highs to approximately 66 cents per pound - the Australian sector successfully leveraged its reputation for quality and speed to capture a larger share of the Asian mill-use market.

According to 2025/26 marketing year data, China remains the primary destination, accounting for nearly 40 per cent of export value, as mills capitalize on competitive pricing to hedge against volatility in other major producing regions.

A critical development in the 2026 season is the industry-wide adoption of digital ‘passports" for raw fiber. As regulatory pressures for supply chain transparency mount in the EU and US, Australian growers have integrated SaaS-based traceability tools to provide verified material l data from the farm level to the end consumer.

This technical innovation has allowed Australian cotton to maintain a ‘quality premium’ even in a low-price environment. Industry experts suggest, the 2025/26 national yield, forecast at 2,041 kg per hectare, reflects a shift toward precision agriculture that minimizes chemical intensity. By aligning high-volume production with rigorous environmental standards, Australia is reinforcing its position as a reliable partner for global brands navigating the transition to a circular textile economy.

Australian Cotton Shippers Association (ACSA) represents the interests of Australian cotton merchants and exporters, focusing on market access in key Asian manufacturing corridors. Historically a major global exporter, the association is currently prioritizing digital traceability and sustainable farming certifications to drive 2026 growth and maintain long-term financial stability in a competitive fiber market.

Source: fashionatingworld.com– Mar 02, 2026

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French imports of industrial textiles see modest rise in 2025

France's industrial textiles imports have seen modest increase to reach $609.594 million in 2025. The country's exports of the same products also noticed an upward trend in the last year, with shipments totalling $567.821 million.

France's industrial textiles trade was supported by resilient regional demand and sustained intra-European supply chain integration. The gradual rise reflects stable procurement across technical and performance textile segments used in automotive, construction and broader industrial applications.

On the import side, Germany remained France's largest supplier in 2025 with shipments valued at $102.858 million, accounting for 16.87 per cent of total imports, though its share declined from 19.99 per cent in 2024 when supplies stood at $117.440 million.

Italy strengthened its position with imports rising to $99.877 million (16.38 per cent) from $84.769 million a year earlier, while Belgium contributed $68.341 million (11.21 per cent) compared with $63.379 million in 2024. China supplied $51.473 million (8.44 per cent), up from $46.893 million, whereas the UK remained broadly stable at $40.230 million (6.60 per cent), according to sourcing intelligence tool TexPro.

France's import pattern highlights a strong dependence on neighbouring European economies complemented by steady sourcing from Asia. The incremental gains by Italy and Belgium alongside Germany's reduced share indicate gradual supplier diversification within Europe.

Over a longer horizon, imports have fluctuated moderately, declining from $596.578 million in 2023 before recovering in 2025, while remaining above $553.342 million recorded in 2022.

Exports also demonstrated consistent expansion, increasing to $567.821 million in 2025 from $534.686 million in 2024, $515.819 million in 2023 and $429.345 million in 2022. The steady rise suggests strengthening external demand for French industrial textiles, supported by specialised production capabilities and integrated regional manufacturing networks.

Germany continued as France's principal export destination with shipments worth $101.244 million in 2025, representing 17.83 per cent of total exports, although down from $111.417 million (20.84 per cent) in 2024. Italy ranked second with $54.341 million (9.57 per cent), improving from $46.030 million, while Tunisia imported $44.604 million (7.86 per cent) compared with $43.657 million previously. Spain recorded $44.029 million (7.75 per cent), rising from $33.976 million, and Belgium accounted for $39.253 million (6.91 per cent), marginally higher than $38.870 million in 2024 as per TexPro.

Overall, France's industrial textiles trade in 2025 reflects its dual role as a major importer supporting domestic industrial activity and an established exporter of specialised technical textile products. Germany's position as both the leading supplier and largest export market underscores deep bilateral integration, while broader European and North African linkages continue to shape France's industrial textiles trade landscape.

Source: fibre2fashion.com– Mar 03, 2026

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Strait of Hormuz closure triggers 'chokepoint economy' across global textile sector

The March 2026 closure of the Strait of Hormuz, following intensified geopolitical friction in the Middle East, has triggered an immediate 'chokepoint economy' for the global textile sector. With major ocean carriers - including Maersk and Hapag-Lloyd - suspending transit through the Persian Gulf, nearly 170 container ships are currently redirected or anchored in limbo. This disruption is particularly acute for South Asian manufacturing hubs; industry analysts from Research and Policy Integration for Development (RAPID) indicate that rerouting garments bound for Europe and the US around the Cape of Good Hope adds 15 to 20 days to lead times. Consequently, freight rates for apparel shipments have increased by an estimated 30 per cent to 35 per cent this week, as war-risk surcharges and fuel-intensive longer voyages erode the narrow margins of high-volume producers.

Financial contagion and the working capital squeeze

Beyond physical logistics, the maritime crisis is manifesting as a severe liquidity challenge for the 'summer one' fashion cycle. For exporters in clusters like Tiruppur and Dhaka, delayed deliveries are pushing back payment receivables, stretching working capital cycles beyond sustainable thresholds. Current data reveals,Brent crude prices have spiked to $82 per barrel, directly inflating power tariffs for energy-heavy knitting and dyeing units. The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has responded by petitioning for a Tk 14,000 crore soft loan package to buffer factories against these rising operational overheads. As global brands prioritize supply chain resilience over cost, this volatility is forcing a recalibration of the 'just-in-time' model, favoring producers who can navigate these overlapping geopolitical and energy shocks.

The BGMEA represents over 4,500 garment factories in Bangladesh, the world's second-largest apparel exporter. Focusing on the EU and US markets, the association manages trade negotiations and compliance. Its 2026 roadmap prioritizes digital financial tools and market diversification to sustain a sector contributing over 80 per cent to national export earnings.

Source: fashionatingworld.com– Mar 02, 2026

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NATIONAL NEWS

Prime Minister Shri Narendra Modi addresses Post Budget Webinar on "Sustaining and Strengthening Economic Growth"

Prime Minister Shri Narendra Modi addressed the second installment of the Budget Webinar series today, focusing on the theme of "Sustaining and Strengthening Economic Growth." Reflecting on the momentum of the previous week, the Prime Minister noted that the first webinar was highly successful and yielded excellent suggestions regarding the implementation of budget provisions.

The Prime Minister emphasized that the current webinar is intrinsically linked to providing continuous strength to the country's economic growth.The PM observed that as global supply chains are getting re-shaped, India's robust economy has become a beacon of hope for the world. " The rapid progress of the economy is a massive foundation for a 'Viksit Bharat'", Shri Modi remarked.

Reaffirming the government's clear vision and clear resolution, the Prime Minister reiterated the core mantras of "Build more, produce more, connect more, and export more." "Certainly, the deliberations that will take place among you today, and the suggestions that emerge from these deliberations, will play a major role," the PM remarked.

Addressing the synergy between various sectors, the Prime Minister explained that manufacturing, logistics, MSMEs, and urban centers are not isolated silos but interconnected pillars of a single economic structure. He detailed how manufacturing drives exports while competitive MSMEs foster flexibility and innovation. "This year's budget has provided great strength to all these pillars," Shri Modi affirmed.

The Prime Minister cautioned that policy direction alone does not yield results without active participation from industry, financial institutions, and state governments. He urged stakeholders to prioritize discussions on increasing manufacturing, production and making cost structures more competitive. "Your suggestions in these directions will be pivotal in making the development reach every corner of the country" Shri Modi remarked.

The PM highlighted the government's efforts to strengthen core capabilities and remove existing bottlenecks in the manufacturing sector. “Focus on sectors like the Dedicated Rare Earth Corridors and container manufacturing is aimed at bolstering the trade ecosystem” , Shri Modi asserted.

The Prime Minister also spotlighted the 'Biopharma Shakti Mission' announced in the budget, which aims to position India as a global hub for biologics and next-generation therapies. "We want to move towards leadership in advanced biopharma research and manufacturing," Shri Modi expressed..

In the context of shifting global dynamics, the PM remarked that the world is actively seeking reliable and resilient manufacturing partners.He urged stakeholders to invest with confidence, adopt cutting-edge technology, make significant investments in research, and maintain global quality standards. "India has the opportunity to play this role strongly," the Prime Minister emphasized.

Touching upon Free Trade Agreements (FTAs), the Prime Minister stated that these agreements have opened massive doors of opportunity, placing a renewed responsibility on Indian industry to emphasize quality. He stressed the need to research the preferences and comfort of international consumers to create user-friendly products. “ Only then will we be able to take advantage of the opportunities that are being created by Free Trade Agreements”, Shri Modi highlighted.

Regarding the MSME sector, the Prime Minister noted that recent classification reforms have removed the fear of expansion among small enterprises. While the government continues to facilitate credit access and technology upgrades, he stressed that the real impact depends on MSMEs entering the global competition. "Now is the time for MSMEs to further increase their productivity, raise their quality standards, and connect with digital processes and strong value chains," Shri Modi emphasised..

The Prime Minister identified infrastructure and logistics as the core pillars of the national growth strategy, backed by a record capital expenditure in this year's budget. He highlighted the expansion of high-speed rail, multi-modal connectivity, and ship repair facilities as essential steps for efficiency. " The actual benefit of this infrastructure will only be realized when industry and investors align their strategies accordingly," he reminded the audience.

On urbanization, the PM stated that India’s future growth is tied to the effective planning and management of its cities. He called for suggestions on how Tier-II and Tier-III cities can serve as new growth anchors. Shri Modi stressed that suggestions in this regard will be important.

The Prime Minister addressed the global shift toward sustainability, noting that markets now look beyond cost to environmental impact. He cited the 'Carbon Capture, Utilisation and Storage Mission' as a significant step and urged businesses to integrate clean technology into their core business strategies. "The industries that invest in clean technology in a timely manner will have better access to new markets in the coming years," the PM observed.

The Prime Minister called for "collective ownership" to achieve the goal of a 'Viksit Bharat.' He urged the participants to look beyond discussion and create momentum in partnership with the government’s framework. "Every suggestion and every experience of yours has the potential to bring excellent results on the ground," the Prime Minister concluded.

Source: pib.gov.in – Mar 03, 2026

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Department of Commerce convenes Stakeholder Consultation to ensure trade continuity amid evolving geopolitical developments

The Department of Commerce, Ministry of Commerce & Industry, held a stakeholder consultation with all stakeholder ministries, key logistics and trade facilitation partners to review the emerging geo-political situation and its potential impact on India's export-import (EXIM) cargo flows, including the export ecosystem.

The meeting was chaired by Special Secretary, Department of Commerce, Shri Suchindra Misra and Shri Lav Agarwal, Director General of Foreign Trade (DGFT).

The meeting was attended by representatives from logistics operators and shipping lines/forwarders, Central Board of Indirect Taxes & Customs, Department of Financial Services, Ministry of Petroleum & Natural Gas, Ministry of Ports, Shipping and Waterways, the Reserve Bank of India, export promotion ecosystem and other concerned agencies.

Stakeholders presented an assessment of the evolving operational environment, including routing and transit-time changes, vessel scheduling adjustments, container/equipment availability, freight and insurance cost trends, and implications for time-sensitive exports.

The discussions covered the need to maintain predictability in cargo movement, minimise avoidable delays, and ensure seamless documentation and payment processes for exporters and importers.

The Department reiterated the Government of India's priority of ensuring continuity of EXIM logistics and mitigating any disruptions to India's trade flows.

It was emphasised that the approach will remain facilitative and coordinated, with a focus on maintaining supply chain resilience, protecting the interests of exporters—particularly MSMEs—with a view that essential imports required for domestic production and consumption are not adversely affected.

During the meeting it was agreed amongst the stakeholders to maintain close, real-time coordination for monitoring route and capacity developments, surcharges, and equipment availability. Mechanisms for facilitation of time-sensitive export segments such as perishables, pharmaceuticals, and high-value manufactured exports were also discussed. The meeting emphasised strengthening facilitation at ports/ICDs and ensuring smooth cargo evacuation to avoid congestion and extended dwell times.

The Government reiterated its readiness to facilitate trade operations, including:

- Procedural flexibility in export-related authorisations in cases of genuine disruption;
- Coordination with Customs authorities to ensure smooth clearance;
- Engagement with financial and insurance institutions to support exporter interests;
- Continued inter-ministerial coordination.

The Department reaffirmed that it will continue to engage closely with all stakeholders and relevant Ministries/Departments to ensure that India's trade continues to move efficiently and that any emerging issues are addressed in a timely manner.

India's Trade Resilience

India has successfully navigated multiple global disruptions in recent years and continues to strengthen supply chain resilience. The Government remains committed to ensuring that India remains a stable and reliable trading partner.

Source: pib.gov.in – Mar 02, 2026

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Terms of Reference Signed for India–Canada Comprehensive Economic Partnership Agreement

India and Canada launched negotiations for the Comprehensive Economic Partnership Agreement (CEPA) today in New Delhi and decided to finalise it soon. The Terms of Reference (ToR) for the India-Canada Comprehensive Economic Partnership Agreement (CEPA) were signed by Shri Piyush Goyal, Minister of Commerce & Industry and Mr. Maninder Sidhu, Minister of International Trade of Canada on 2nd March 2026 and were exchanged in the presence of Prime Minister Shri Narendra Modi & Prime Minister Mr. Mark Carney of Canada at Hyderabad House, New Delhi.

During the ceremony, Prime Minister Modi highlighted that the goal for bilateral trade is to reach US$50 billion by 2030. The priority is to unlock the full potential of economic cooperation for which India and Canada has decided to finalize the Comprehensive Economic Partnership Agreement (CEPA) soon. Prime Minister Carney said that it is the expansion of a valued partnership with new ambition, focus, and foresight—a partnership between two confident countries charting own course for the future.

The ToR of negotiations will provide format, frequency, and approach to India-Canada CEPA negotiations. It will serve as a guide to facilitate negotiations in order to conclude an ambitious, balanced and mutually beneficial Comprehensive Economic and Partnership Agreement (CEPA).

As follow up to the leader's statement during their bilateral meeting on the margins of the G7 meeting in Kananaskis, Canada in October 2025, both sides started working towards finalising the ToR for the negotiations of India-Canada CEPA.

The negotiations would cover trade in goods, services and other mutually agreed policy areas.

Canada represents a market of 41.65 million people (2025) and US$ 2.34 trillion in terms of GDP at PPP. The India–Canada CEPA holds significant potential to unlock and expand bilateral trade which stood at USD 8.66 billion) in FY 2024-25 (Exports: USD 4.22 billion; Imports: USD 4.44 billion. (Source: DGCI&S)

Key exports from India to Canada include drugs & pharmaceuticals, iron & steel, seafood, cotton garments, electronic goods and chemicals among others. Key imports of India from Canada include pulses, pearls & semiprecious stones, coal, fertilizer, paper and petroleum crude.

Key sectors of India's services exports to Canada include telecommunications, computer and information services, and other business services. These sectors hold significant future growth potential and are expected to expand further following the conclusion of the CEPA.

Canada is also home to over 425,000 Indian students and a strong Indian community. These strong and enduring people-to-people ties which constitute "One Family" would be further reinforced by the conclusion of India- Canada CEPA.

Source: pib.gov.in – Mar 02, 2026

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Inter-Ministerial Group set up to boost supply chain resilience amid West Asia tension

Responding to the deepening crisis in West Asia and the increasing risk to exports and imports, the government has established a high-level Inter-Ministerial Group (IMG) for supply chain resilience to facilitate effective coordination, monitoring and follow-up, Commerce & Industry Minister Piyush Goyal said.

The IMG comprises members from the Department of Financial Services, the Ministry of External Affairs, the Ministry of Shipping, Ports & Waterways, the Ministry of Petroleum & Natural Gas and the Central Board of Indirect Taxes & Customs.

"Today, a consultation meeting was held with all stakeholder Ministries, key logistics and trade facilitation partners to review the emerging geopolitical situation and its potential impact on India's exports and imports," Goyal said in a social media post on Tuesday.

The government remains firmly committed to enabling a stable and responsive trade environment for our traders and exporters, safeguarding their interests and ensuring seamless operations, Goyal said.

The Modi government's readiness to facilitate trade operations was reiterated through measures such as procedural flexibility in export-related authorisations, coordination with Customs & port authorities to ensure smooth clearance and engagement with financial and insurance institutions to safeguard exporter interests, the Minister noted.

It is in this context that the IMG for supply chain resilience has been set up to facilitate effective coordination, monitoring and follow-up, he added.

Source: thehindubusinessline.com– Mar 03, 2026

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Call on standards within 6 months of trade pact rollout: USTR report

Within six months of the interim trade deal with the United States (US) coming into force, India will decide whether to accept American or international standards, including testing norms, for products coming from the US in select sectors, according to the 2026 Trade Policy Agenda and Annual Report 2025 released by the US Trade Representative (USTR). The move is expected to ease market access for American shipments entering India. The USTR report further said that India will address long-standing non-tariff barriers to trade in US food and agricultural products.

"Under the Interim Agreement, India will address long-standing barriers to trade in US medical devices; eliminate restrictive import licensing procedures that delay market access for, or impose quantitative restrictions on, US Information and Communication Technology goods; and determine, with a view towards a positive outcome, within six months of entry into force of the Agreement, whether US- developed or international standards, including testing requirements, are acceptable for the purposes of US exports entering the Indian market in identified sectors," the report said.

After the launch of negotiations in March 2025, India and the US issued a joint statement almost a year later, on February 7, 2026, outlining the contours of an interim trade agreement. The two sides aimed to sign the deal by March-end. The US removed the 25 per cent punitive tariffs imposed on India and agreed to lower the existing 25 per cent to 18 per cent by the end of February.

However, after the US Supreme Court ruling on February 20 struck down the country-specific tariffs, India is waiting and watching. The negotiating teams are currently taking time to evaluate the situation and its implications. Further meetings are expected to be rescheduled at a mutually convenient date. According to the USTR report, both countries will work towards finalising the interim agreement with a view to concluding a mutually beneficial bilateral trade agreement (BTA). Despite 'gaps on sensitive issues', discussions between both countries aim to expand market access, cut tariff and non-tariff barriers and set new trade rules, while addressing India's trade surplus.

The US has continued to flag that India has the highest tariff of any major economy, and its use of non-tariff barriers to promote domestic production has also 'historically restricted US access to the market.'

Through BTA negotiations, USTR is working with India to open the Indian market for US products and reduce its 2025 trade deficit of $58.2 billion. In March 2025, the United States and India finalised the scope of the BTA negotiations, which focus on reducing tariffs, eliminating NTBs, and securing rules-based commitments in several areas to ensure long-term benefits, it said.

Source: business-standard.com - Mar 03, 2026

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Exim Matters: Rodtep rates cut as remissions rise amid flat export growth

Last Monday, the government restricted the entitlements under the Remission of Duties and Taxes on Export Products (Rodtep) scheme to 50 per cent of the notified rates and value caps with immediate effect.

Next day, a corrigendum clarified that the restriction will not apply to agriculture and allied products falling under Chapters 1 to 24 of the classification scheme. Naturally, the exporters are unhappy with the abrupt reduction in the entitlements that compress their margins on contracts already negotiated. Yet the rate cuts must be seen in the context of rising disbursements under the scheme amid flat merchandise export growth, reduced budgetary allocations for next year and low compliance in filing the annual Rodtep returns (ARR).

The disbursements (in ₹ crore) under the scheme in the years 2022-23, 2023-24 and 2024-25 are 13,175, 15,018 and 18,313, respectively. This year's estimate is 18,233. The export figures for these years are (in $ billion) about 451, 437, 438 and 367 (Apr-Jan). When remissions rise but exports stagnate, fiscal sustainability becomes difficult.

Therefore, the Budget 2026-27 has already cut the allocation to 10,000. In fact, a Budget note says that it is proposed to converge the Rodtep and RoSCTL (Remission of State and Central Taxes and Levies) schemes as part of the Export Promotion Mission after appraisal and approval. So, a cut in Rodtep rates was expected.

However, in case of the RoSCTL scheme, applicable for textiles sector, where similar trend was noticed and the allocation was cut from ₹ 10,010 crore (2025-26 estimate) to ₹ 5,000 crore (for 2026-27), the rates are not yet cut, perhaps keeping in view its labour-intensive nature.

The Rodtep scheme seeks to refund unrebated duties/taxes/levies, at the Central, State and local level, borne on the exported product, including embedded indirect taxes across the value chain in the production and distribution of exported product. The Foreign Trade Policy clearly says that the scheme will operate in a budgetary framework for each financial year and necessary calibrations and revisions shall be made, as and when required, so that the projected remissions for each financial year are managed within the approved budget of the scheme.

The rates are based on recommendations by a committee in the department of revenue with suitable representation from the department of commerce and line ministries and experts on the sectors prioritised by these ministries/departments. The nature of the scheme is that some exporters will benefit more than the others.

To review the rates, the Director General of Foreign Trade (DGFT), in October 2024, prescribed ARR to be submitted by the exporters who had received more than ₹ 1 crore Rodtep benefit in the previous year. Few such exporters had filed the returns and so the last date for furnishing the ARR has been repeatedly extended, the latest being the end of March this year.

Undoubtedly, the ARR format is intricate and demands detailed cost break-ups that many firms do not maintain in a readily extractable form. However, they must appreciate that in the absence of granular data on embedded taxes, consumption patterns and certification, it is difficult to ensure that remission corresponds to actual unrebated levies.

In a climate of tightening fiscal space and increasing global scrutiny of export-linked incentives, remission policy cannot rest on assumptions. Stability in entitlements ultimately depends as much on compliance as on allocation.

Source: business-standard.com - Mar 01, 2026

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West Asia conflict hits Surat textile sector, shipping costs surge 400%

Ahmedabad: The ongoing conflict in West Asia is casting its shadow on the textile sector in Surat, leaving industry leaders worried with shipping costs going up to 400%, payments getting delayed and raw material cost rising. While the price of manmade fibre has shot up at least by ₹10-15 per kilogram, Iran's stranglehold on the Hormuz Strait and subsequent impact on crude oil prices is likely to push prices up significantly, maintain textile industry sources in Surat. Surat is the second largest manufacturing hub of synthetic yarn globally, producing more than 6 crore metres of fabric per day.

"As of now, on one hand, our materials are stuck in ships, which means expected payments are delayed, and on the other, the cost of raw material is rising fast, which would not only impact international supply but the domestic markets as well," said Ashok Jeerawala, president of Surat Weavers Association. Jeerawala estimated that the industry is looking at an immediate revenue crisis of ₹300-400 crore due to the war. "Our narrow yarn (laces) go to both Iran and Israel," said Ashish Gujarati, former president of the South Gujarat Chamber of Commerce. "While the war has dealt a crushing blow on these supplies, Iran's attack on Dubai has destabilised the supply chain to Africa as well.

"Normally, traders in Dubai import from us, and they route the product to Africa, but with the given situation, even that has come to a halt," Gujarati said, adding that the conflict has also resulted in a massive enhancement in shipping charges. "Shipping charges have gone up to 400% as people are really not ready to venture into the troubled waters at this point," he added.

"As it is, we were dealing with a slow market for quite some time, and now this war has dealt a major blow to the industry," said Haribhai Kathiria, another textile merchant from Surat. "While now, labourers from UP, Bihar, and other states have gone back to their home states for the festivals, we are not sure what the circumstances will be when they return," he said.

Source: economictimes.com– Mar 04, 2026

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Govt reviews impact with exporters, assures help to mitigate disruptions

New Delhi: The government on Monday held inter-ministerial deliberations with exporters and logistics players to assess the impact of the war in West Asia on India's trade and assured all measures to mitigate any disruptions.

At a meeting called by the department of commerce, stakeholders presented an assessment of the evolving operational environment including routing and transit-time changes, vessel scheduling adjustments, container/equipment availability, freight and insurance cost trends, and implications for time-sensitive exports.

"Shipping lines through West Asia are closed at present and some have imposed emergency contingency surcharge while others are refusing voyage through the Suez Canal. This means additional freight," said an industry representative who attended the meeting.

Moreover, there is a safety issue for containers on board which haven't crossed the Suez Canal. Exporters flagged higher reinsurance premiums and sought a relaxation in banking rules for goods to be exported within 90 days from the invoice date.

"Mechanisms for facilitation of time-sensitive export segments such as perishables, pharmaceuticals and high-value manufactured exports were also discussed," the commerce and industry ministry said in a statement.

The consultation was with all stakeholder ministries and key logistics and trade facilitation partners to review the emerging geopolitical situation and its potential impact on India's export-import cargo flows, including the export ecosystem.

West Asia is India's third-largest export destination after US and EU, and a key transshipment region.

Exporters of perishable items raised issues related to delays as the Strait of Hormuz has been closed for marine traffic which will affect Indian fruits and vegetables headed to certain West Asian countries. Apparel exporters urged the government to waive demurrage on export cargo that are delayed at airports, as flight disruptions may impact movement of consignments.

Gems and jewellery exporters are concerned since West Asia accounts for 30% of their shipments.

Air freight capacity is 18% down compared with last week, exporters said. "Port congestions are expected if the crisis continues for a week and factories here will face inventory pileup," said an exporter. Industry has sought higher rates and value caps under the Remission of Duties and Taxes on Exported Products, which were reduced last week, the exporter said.

"The discussions covered the need to maintain predictability in cargo movement, minimise avoidable delays, and ensure seamless documentation and payment processes for exporters and importers," the ministry said, adding that the priority is to ensure continuity of EXIM logistics and mitigate any disruptions to India's trade flows.

The ministry emphasised that the approach will remain facilitative and coordinated, with a focus on maintaining supply chain resilience, protecting the interests of exporters, particularly MSMEs, with a view that essential imports required for domestic production and consumption are not adversely affected.

Strengthening facilitation at ports and inland container depots and ensuring smooth cargo evacuation to avoid congestion and extended dwell times were also taken up at the commerce department's stakeholder meeting.

Government reiterated its readiness to facilitate trade operations, including procedural flexibility in export-related authorisations in cases of genuine disruption, coordination with customs authorities to ensure smooth clearance and engagement with financial and insurance institutions to support exporter interests, according to the ministry.

Source: economictimes.com– Mar 04, 2026

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CITI flags West Asia risks to India's textile exports

Confederation of Indian Textile Industry (CITI) is closely monitoring developments in West Asia, as a significant share of India's textile and apparel exports is directed to the region, and remains hopeful for an early resolution and a swift return to normalcy.

The organisation has also welcomed the assurance of support from Indian authorities to ensure continuity in EXIM logistics and mitigate potential disruptions to trade flows.

The UAE, in particular, is one of the largest markets for Indian textile and apparel exporters in West Asia. In 2024, the UAE ranked as the fourth-largest destination for India's textile and apparel exports, after the US, the EU, and Bangladesh.

The textiles and apparel sector remains the second-largest generator of employment in India and a major contributor to national GDP and exports, underscoring the broader economic implications of any regional instability.

"Coming against the backdrop of continued uncertainty surrounding US tariff issues and the recent reduction in rates under the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme, the turbulent developments in West Asia have further compounded the challenges faced by Indian textile and apparel exporters," said CITI Chairman Ashwin Chandran.

"Given the narrow margins under which textile and apparel exporters operate, any escalation in logistics and insurance costs due to the West Asia situation places them under severe strain, affecting their ability to meet contractual obligations while significantly increasing operating costs," Chandran added.

He further noted that the stakeholder consultation organised by the Department of Commerce on March 2 to discuss the ongoing situation in West Asia provided reassurance. "It reflects the Government's continued commitment to supporting Indian industry," he said.

Source: fibre2fashion.com– Mar 03, 2026

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North India cotton yarn sees thin trade, market nervous

North India's cotton yarn markets turned cautious after war broke out between the US, Israel and Iran. Traders expressed concern over potential delays in textile and apparel export shipments, which could disrupt production activities in the country. However, cotton yarn prices remained stable in both the Delhi and Ludhiana markets.

Trading activity slowed due to the Holi festival. Panipat's recycled yarn market also witnessed steady prices and thin trade, as buyers were more inclined toward festive celebrations.

In the Ludhiana market, cotton yarn trade was limited ahead of Holi festival. Although, there was unease among traders due to major disruption due to the conflict in the Gulf. A Ludhiana-based trader told Fibre2Fashion, "Cotton yarn prices remained stable as trading activity was very thin due to the festive slowdown. The market is likely to take direction from further geopolitical developments. Exports of cotton yarn and other textiles and apparel may face delays, which could affect overall yarn consumption." However, the disruption has pushed up the polyester value chain following a sudden spike in crude oil prices.

In Ludhiana, 30 count cotton combed yarn was sold at ₹269-279 (~$2.94-3.05) per kg (inclusive of GST); 20 and 25 count combed yarn were traded at ₹259-269 (~$2.83-2.94) per kg and ₹264-274 (~$2.89-2.99) per kg, respectively; and carded yarn of 30 count was noted at ₹249-254 (~$2.72-2.78) per kg today, according to trade sources.

Delhi market also witnessed thin trade due to festival mood among buyers. Cotton yarn prices were hovering near to the previous closes. Market sources indicated that cotton yarn will take direction after the festival when normal trade returns. If the conflict continues, it will disrupt shipment of textiles and apparel from India. There was no effect on cotton yarn from sudden spike in polyester value chain.

In Delhi, 30 count combed knitting yarn was traded at ₹270-272 (~$2.95-2.97) per kg (GST extra), 40 counts combed at ₹295-297 (~$3.22-3.25) per kg, 30 counts carded at ₹243-245 (~$2.66-2.68) per kg, and 40 count carded at ₹266-271 (~$2.91-2.96) per kg today.

In Panipat, recycled yarn continued to witness stability ahead of festival season. Although, price of recycled polyester fibre increased by ₹1 per kg as virgin polyester fibre rose by ₹1.50 per kg. Normally, workers visit their native placed on Holi festival and return after 3-4 weeks which cause major halt in production of textile products. Consumer industry and traders adjust their supplies and stock of home textiles accordingly. On the US-Israel and Iran conflict, market sources said that exporters in home textile preferred to wait and watch and assess longevity of the disruption. If the conflict ends in few days, it may not affect export orders and shipment.

In Panipat, 10s recycled PC yarn (Grey) was traded at ₹73-76 (~$0.80-0.83) per kg (GST paid). Other varieties and counts were noted at 10s recycled PC yarn (Black) at ₹55-58 (~$0.61-0.63) per kg, 20s recycled PC yarn (Grey) at ₹97-100 (~$1.06-1.09) per kg and 30s recycled PC yarn (Grey) at ₹127-132 (~$1.39-1.44) per kg. Meanwhile, 10s recycled cotton yarn were traded at ₹120-125 (~$1.31-1.37) per kg and 18s recycled cotton yarn ₹142-145 (~$1.55-1.58) per kg. Cotton comber prices were noted at ₹120-122 (~$1.31-1.33) per kg and recycled polyester fibre (PET bottle fibre) at ₹79-85 (~$0.86-0.93) per kg today.

In north India, cotton prices eased by ₹10 per maund of 37.2 kg since last Thursday. Domestic cotton prices influenced from slower demand of spinning mills and weaker US cotton prices in the ICE market. ICE cotton May 2026 contracts dropped on export worries after the military conflict between the US, Israel and Iran. Although, cotton arrival and trade slowed down ahead of Holi. Cotton arrival dropped in all the states of north India.

North India dropped to 700-800 bales of 170 kg in the entire cotton growing regions of north India. Cotton prices were noted at ₹5,360–5470 (~$58.58–59.78) per maund of 37.2 kg in Punjab, ₹5,100–5,290 (~$55.74–57.81) in Haryana, ₹5,360–5,480 (~$58.58–59.89) in upper Rajasthan and ₹51,000–54,000 (~$557.36–590.15) per candy of 356 kg. Seed cotton was sold at ₹7,000–7,300 (~$76.50–79.78) per quintal of 100 kg.

Source: fibre2fashion.com– Mar 02, 2026

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