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CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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Bangladesh crisis poses "significant concerns" for India's textile, apparel industry: CITI

Read more at : https://m.economictimes.com/industry/cons-products/garments-/-textiles/bangladesh-crisis-poses-significant-concerns-for-indias-textile-apparel-industry-citi/articleshow/112316500.cms

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India expected to grow at 7-7.2% in FY25 in baseline Deloitte scenario

Better private consumption spending, an impressive surge in exports, a slowing momentum in gross fixed capital formation, 8.9-per cent manufacturing growth, demand exceeding supply and narrowing of the fiscal deficit to 5.63 per cent of gross domestic product (GDP) marked India's economy in the fourth quarter (Q4) of fiscal 2023-24 (FY24), according to Deloitte.
India is expected to grow at 7-7.2 per cent in FY25 in the baseline scenario, followed by between 6.7 per cent and 7.3 per cent in the subsequent years, Deloitte India economist Rumki Majumdar wrote on its website.

"Following a period of uncertainty in the first six months of the year, we believe India will see very strong growth in the second half. Some of the key contributing factors would be the continuity in domestic policy reforms, reduced uncertainties in the United States after elections, and a more synchronous global growth in a low inflation regime," she wrote.

"Improved global liquidity conditions would improve capital flows and drive higher investments, especially in the private sector. A synchronous global economic recovery next year will likely help improve exports," she wrote.

Inflation concerns are likely to fade as Deloitte expects food price-driven pressures to ease in the latter half of the year, she said.

Deloitte expects inflation to slowly revert to the central bank's target level of 4 per cent from early next year.

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Bangladesh crisis unlikely to affect India's trade balance: S&P Global

A temporary deviation in India's exports to Bangladesh arising out of the political crisis in the latter is unlikely to affect the former's overall trade for the entire year in any meaningful manner, according to S&P Global Ratings.
After the resignation of Prime Minister Sheikh Hasina amid massive anti-government protests, Bangladesh is now headed for an interim government.

Andrew Wood, S&P Global Ratings director for sovereign and international public finance ratings in the Asia-Pacific, said expected low domestic demand conditions in Bangladesh will lead to lesser imports, including from India.

"India is a well diversified exporter to the entire world and its trade profile is significantly larger than bilateral trade relationships with economies like Bangladesh," he told a webinar.

"Whatever the impact is going to be on directly is really quite unlikely to have a meaningful impact on its overall trade position for the fiscal year... its external position is quite strong in the country and is a net creditor to the world by our calculation," Wood was quoted as saying by Indian media reports.

India's exports to Bangladesh dipped to $11 billion in fiscal 2023-24 from $12.21 billion in fiscal 2022-23. Imports from there declined as well to $1.84 billion from $2 billion in the previous.

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India's polyester yarn industry set for profitability recovery in FY24

After two years of subdued performance, India's polyester yarn manufacturers are set to witness a recovery in operating profitability by 100-150 basis points (bps), reaching 7-8 per cent this fiscal (FY24), according to a CRISIL Ratings analysis of 20 polyester yarn makers, which account for approximately 40 per cent of the sector's revenue. This improvement is attributed to government countermeasures aimed at curbing the import of cheaper competing products.

In October 2023, the Indian government issued a Quality Control Order (QCO) mandating BIS certification for imported yarn, addressing the influx of cheaper polyester yarn from China. Despite India importing around 12 per cent of its total polyester yarn requirement in fiscal 2024, up from 7-8 per cent prior to fiscal 2023, Indian manufacturers faced pressure to match the prices of imported yarn to remain competitive.

In response to the QCO, China began exporting cheaper polyester fabric to India. To combat this, the Indian government imposed a minimum import price (MIP) of $3.5 per kilogram on synthetic knitted fabric in March 2024 to restrict uncompetitive imports. This measure has led to a decline in the volume of cheaper polyester yarn and fabric imports from China, as per CRISIL.

As a result, the revenue of domestic polyester yarn makers is expected to grow by 3-5 per cent this fiscal, following a flat performance last fiscal year. The recovery in operating margins is projected to boost cash accruals by 20-25 per cent this fiscal, after a period of moderation over the past two years.

Debt protection metrics, which were impacted by lower margins and moderate revenue growth in the last two fiscals, are anticipated to recover due to improved cash accruals and moderate capital expenditure (capex). Interest coverage is expected to improve to 5.5-5.7 times this fiscal, up from 4.0-4.2 times last fiscal. Gearing is projected to remain comfortable at 0.4-0.45 times, compared to 0.5 times as of March 31, 2024.

However, potential challenges such as a slowdown in demand from downstream segments, adverse movements in crude prices affecting raw material costs, or regulatory changes impacting the polyester yarn industry will need to be monitored closely in the future.

"The twin effect of the government measures will give domestic polyester yarn players a leg up. This is reflected in the fall in polyester yarn imports by 61 per cent in the seven months ending May 2024, after rising 92 per cent on-year in the seven months prior. The imports of synthetic knitted fabric, too, fell significantly in April-May on-year. Therefore, operating profitability of polyester yarn manufacturers will recover this fiscal and reach closer to the pre-pandemic level," *said Gautam Shahi, director, CRISIL Ratings.*

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5th AITIGA meeting marks progress in ASEAN-India economic cooperation

The 5th ASEAN-India Trade in Goods Agreement (AITIGA) Joint Committee and related meetings for the review of the AITIGA were held at the ASEAN Secretariat in Jakarta, Indonesia, from July 29 to August 1, 2024. This event marked a significant milestone in enhancing economic cooperation between ASEAN and India.

During the 3rd round of negotiations in Jakarta, all eight sub-committees dealing with various aspects of the agreement—'national treatment and market access', 'rules of origin', 'standards, technical regulations and conformity assessment procedures', 'sanitary and phytosanitary', 'legal and institutional issues', 'customs procedures and trade facilitation', 'trade remedies' and 'economic and technical cooperation'—met alongside the 5th AITIGA JC and held substantive discussions. Significant progress was made during this round, with all sub-committees reporting their discussion outcomes to the 5th AITIGA JC, which provided further guidance to steer their future work.

The meeting was co-chaired by Rajesh Agrawal, additional secretary, Department of Commerce, India, and Mastura Ahmad Mustafa, deputy secretary general (Trade), Ministry of Investment, Trade & Industry, Malaysia. Delegates from all 10 ASEAN countries and India participated in the meeting, the Ministry of Commerce and Industry said in a press release.

On the sidelines of the 5th AITIGA JC meeting, the Indian delegation, led by Rajesh Agrawal, held bilateral meetings with counterparts from Malaysia, Singapore, Indonesia, and Vietnam to develop a common understanding of the issues being discussed in the AITIGA review. Separate meetings were also held with ASEAN Secretary General Dr Kao Kim Hourn and ASEAN deputy secretary general Satvinder Singh to explore possibilities for enhancing economic cooperation between India and ASEAN through the review of AITIGA.

The Indian delegation also interacted with Indian businesses in Jakarta on July 31, 2024, at a dinner arranged by the Embassy of India in Jakarta, where they listened to the experiences of the industry and their expectations from the AITIGA review.

ASEAN is an important trade partner for India, with about 11 per cent share in India's global trade. The review of AITIGA, which was originally signed in 2009, aims to create further opportunities for businesses on both sides to enhance the level of India-ASEAN trade. The next meeting of the AITIGA Joint Committee will be held in India from November 19-22, 2024.

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Bangladesh Protests: Textile stocks Gokaldas Exports, Arvind and 6 others jump up to 19% – here's why

Indian textile stocks surged in Tuesday's trade, even as the main indices struggled to recover from a significant drop in the previous session. The rally in textile stocks was

driven by investor optimism that the ongoing crisis in Bangladesh may prompt international buyers to shift their focus to alternative markets like India, which has a significant presence in the textile and apparel space.
Bangladesh has increased its market share in the apparel industry by leveraging the China-plus-one strategy. However, with political unrest escalating in Bangladesh, reports suggest that international buyers may adopt a Bangladesh-plus-one strategy, potentially benefiting India from this trend.

Against this backdrop, shares of Gokaldas Exports surged by 19% in intraday trading today, reaching ₹1,095 each and breaking a five-day streak of declines. Other textile stocks, including KPR Mills, Vardhman Textiles, Welspun Living, S.P. Apparels, Nitin Spinners, Arvind, and Himatsingka Seide, also experienced rally ranging from 5% to 17%.

Turmoil creates opportunity

In recent years, apparel buyers have increasingly diversified their procurement sources, favoring India. This trend is supported by Government of India's (GoI) initiatives aimed at enhancing bilateral trade through agreements and treaties. Additionally, apparel buyers are consolidating their vendor lists, which benefits larger apparel manufacturers in India.

Despite these favorable conditions, Bangladesh has been outperforming India in apparel exports. The country has gained a larger share of global exports by leveraging the China-plus-one strategy and geopolitical tensions between the United States and China.

In 2019, Bangladesh's share of apparel exports to the USA was 7%, while China's was 30%. By 2023, China's share had dropped to 22%, and Bangladesh's share had risen to 09%. Meanwhile, India has also benefited slightly, increasing its share from 5% in 2018 to 6% in 2023. Similarly, Bangladesh's share of apparel imports into the EU rose to 21% in 2023, while India’s share remained at 5%.

Indian players face lower market penetration in the UK due to tariff disadvantages compared to Pakistan, Turkey, and Bangladesh. However, a Free Trade Agreement (FTA) with the UK could enhance India’s competitiveness by allowing duty-free exports.

Bangladesh’s significant boost in apparel exports has contributed to a record high of $55.56 billion in total exports for the country in 2022–23. Apparel exports alone surged to nearly $47 billion, exceeding the previous record set in 2022 by approximately 10.27%, according to the Export Promotion Bureau (EPB).

The textile industry has become a major sector of Bangladesh’s economy, representing 80% of its exports and 15% of its GDP. The primary markets for Bangladeshi textiles are the European Union, United States, Canada, Australia, and Japan.

However, the current curfew and internet blackout in Bangladesh were severely affecting the manufacturing industry, especially the ready-made garments (RMG) sector. Industry insiders project a 15–20% decline in RMG exports for the next summer season (January–March 2025) due to recent disruptions and factory shutdowns.
Recent media reports showed that the European Union has postponed a new partnership agreement with Bangladesh due to the current unrest in the country.

'Well-Positioned'

As the global apparel market evolves over the coming decade, China is losing its dominance due to rising labor costs, geopolitical tensions, and ongoing trade issues with the US. This shift is prompting buyers to seek alternative production bases, creating opportunities for major Asian suppliers like India. However, Bangladesh faces challenges from a foreign exchange crisis, and Vietnam is hindered by high production costs.

India is well-positioned to capitalise on these changes, supported by a stable policy regime with the RoSCTL scheme extended until March 2026, government incentives for low-cost manufacturing locations, and the PLI scheme boosting investments in the MMF and technical textile sectors. Additionally, FTAs with the UK and EU hold significant potential for increasing textile trade.

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Don't buy textile stocks on Bangladesh crisis, wait for dips: Analysts

Leveraging the crisis in Bangladesh, textile and garment-related stocks surged up to 19 per cent on the National Stock Exchange (NSE) on Tuesday. Analysts, however, caution against chasing the rally as the crisis may provide only a "temporary window" for gains.

They, rather, suggest investors wait for the rally to cool off before adding fundamentally sound companies, with high return on ewuity (RoE) to their portfolio from a long-term perspective.

"The ongoing crisis in Bangladesh means fresh order flow may get diverted to India till the situation stabilises. This, however, is a temporary window as Bangladesh remains advantageous on the cost front. If the stocks continue to rise sharply, market participants need to think even before taking a trading bet," said Deepak Jasani, head of retail research at HDFC Securities.

On the bourses, Kitex Garments rallied 19 per cent to Rs 251, Gokaldas Exports surged 18.7 per cent to Rs 1,095 (record high), followed by KPR Mill (16.7 per cent at Rs 965; record high), RSMW 15.4 per cent to Rs 267, Arvind (13 per cent at Rs 420; record high), GHCL Textiles (10.7 per cent at Rs 123; record high), Indo Count Industries (8.3 per cent at Rs 408), and Faze Three (8 per cent at Rs 561.25).
These stocks ended up to 17 per cent higher as against 0.26 per cent dip in the Nifty 50 index.
The textile sector is one the major export income sources for Bangladesh with monthly apparel export pegged at $3.5-3.8 billion. Bangladesh has a high double-digit export market share in the European Union and the United Kingdom, and a 10 per cent market share in the United States, reports suggest.

With the political crisis deepening in the border country, **analysts expect international buyers to shift their focus to alternative markets like India**. They anticipate the gain to be around $300-400 million per month, assuming 10-11 per cent of Bangladesh's exports get diverted to Indian hubs.

Investors, however, should not jump to buy textile shares solely based on the Bangladesh trigger. Bangladesh's textile industry, they said, will not shut down, though it will take a temporary hit.

"This will provide a sentimental boost for related stocks, though the rally should not be chased on this trigger alone," concurred Kranthi Bathini, director-equities, WealthMills Securities.

Buy the dip for long-term

The long-term investment in textile stocks, analysts advised, should be based on attractive valuations of select shares, government investments, growth in the domestic demand on account of the rising disposable incomes, and the growing popularity of 'fast fashion' products.

On the cost front, average cotton prices declined 3.3 per cent year-on-year (Y-o-Y) in the June 2024 quarter (Q1-FY25) and 0.3 per cent quarter-on-quarter (Q-o-Q) to reach Rs 162.1 per kilogram (kg), while average yarn prices increased 0.7 per cent Y-o-Y and decreased 0.5 per cent Q-o-Q during the same period. Moreover, cotton yarn spread widened 7.7 per cent Y-o-Y and shrank 1 per cent Q-o-Q to Rs 99.7/kg.

Demand from the US and EU markets improved, while the domestic market remained muted.

Given this, Vardhman Textiles posted a net profit surged of 74 per cent Y-o-Y to Rs 238.5 crore in Q1FY25 with net profit margin expanding to 10.04 per cent from 5.66 per cent Y-o-Y.

Nitin Spinners, meanwhile, clocked a net profit growth of around 46 per cent Y-o-Y to Rs 42.12 crore with net profit margin at 5.24 per cent as against 4.68 per cent last year.

Going ahead, analysts at JM Financial expect demand for Indian home textile and apparel exporters to improve in coming quarters led by improved global retailers' inventory position.

"Extended runway for revenue growth over the next three years aided by impending Free-Trade Agreements (FTAs) / China+1, the government's increased focus on textile ecosystem (rebates/PLI) and deflation in commodity price make a strong case for improvement in FY25 earnings trajectory," the brokerage firm said.

Deleveraged balance-sheets of Indian textile players leave ample room for chasing revenue growth as and when structural demand drivers pick pace. Huge addressable market size and/or top-notch execution, and de-leveraged balance sheet bode well for key players in the home textile and apparel sector, it added.

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Glenmorangie supports India-UK free trade agreement that improves access to Indian consumer: CEO

Read more at :https://www.livemint.com/companies/news/glenmorangie-ceo-india-uk-free-trade-agreement-fta-indian-consumer-single-malt-scotch-whisky-11722921824217.html

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Cotton Dropped On Profit Booking; North India Area Down.

Yesterday, Cottoncandy settled up by 0.05% at 56,500, driven by profit booking after initial support from supply concerns. The decline in cotton acreage in Punjab, Haryana, and Rajasthan has been significant, with these states reporting a total of 10.23 lakh hectares under cotton, down from 16 lakh hectares last year. Punjab saw a drastic reduction to 97,000 hectares, a far cry from the normal 7.58 lakh hectares in the 1980s and 1990s. Similarly, Rajasthan's cotton area dropped from 8.35 lakh hectares to 4.75 lakh hectares, and Haryana saw a reduction from 5.75 lakh hectares to 4.50 lakh hectares in 2024. Additionally, delays in shipments from the US and Brazil have triggered demand for Indian cotton from mills in neighbouring countries. Firm trends in cottonseed prices have held up natural fibre prices, despite the start of the sowing season in southern states like Karnataka, Telangana, and Andhra Pradesh, which have begun receiving monsoon rains.

Cotton acreage is expected to rise in Telangana, where some chilli farmers might switch to cotton due to weak spice crop prices. For the 2024/25 U.S. cotton projections, higher beginning and ending stocks are expected compared to last month, with unchanged production, domestic use, and exports. The season-average upland farm price has decreased by 4 cents to 70 cents per pound. Global projections show increased beginning stocks, production, and consumption, with world trade unchanged. Consequently, world-ending stocks are projected to be 480,000 bales higher than in May at 83.5 million.

Technically, the market is under a short covering, evidenced by a 0.59% drop in open interest to settle at 168 contracts while prices increased by 30 rupees. Cotton candy is currently supported at 56,270, with further support at 56,040. Resistance is expected at 56,690, and a move above this level could see prices testing 56,880.

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RBI starts deliberations on monetary policy amid expectations of status quo on interest rate

Read more at :https://m.economictimes.com/news/economy/policy/rbi-starts-deliberations-on-monetary-policy-amid-expectations-of-status-quo-on-interest-rate/articleshow/112318791.cms

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Textile sector staring at ₹100cr monthly loss of business

The ongoing turmoil in Bangladesh has posed new obstacles for Surat's textile industry. The city exports approximately Rs 100 crore worth of textile and yarn products to Bangladesh monthly. However, due to the current situation there, Surat's textile and yarn businesses are not receiving new orders, and there are uncertainties regarding payments for the materials already delivered.
Bangladesh is a significant garment manufacturing hub, producing clothing for leading brands in the United States, United Kingdom, and other countries.

Surat and parts of south Gujarat provide textile products to Bangladesh for garment production. Additionally, Bangladesh is a major buyer of sarees, and Surat is a prominent saree manufacturing centre. "Bangladesh is an important market for Surat's textile industry. But in the current scenario, there will be no business for the time being," said Sanjay Sarawagi, MD, Laxmipati Group.
Some garment manufacturers anticipate a shift in garment production to India. Exporters suggest that Indian manufacturers have an opportunity to establish themselves in the global market. "Post-Covid, Indian exporters could attract orders that used to go to China. Now there is a chance for Indian manufacturers to attract business from Bangladesh," said an exporter.

Due to payment issues and unrest, Surat's saree manufacturers have halted the supply of products to Bangladesh. "City's businesses have not received orders from exporters in Kolkata for the past month. Earlier, sarees and dress material were major products along with fabric and yarn," said Vijay Mewavala, president of the Southern Gujarat Chamber of Commerce and Industry (SGCCI).
A textile exporter said that Bangladeshi importers typically follow a six-month payment timeline. With textile exports from Surat to Bangladesh amounting to around Rs 100 crore, payments for goods supplied in the last four to five months are currently blocked due to the ongoing situation.

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Bangladesh unrest brings export of key commodities to a standstill

The current political turmoil in Bangladesh has brought to a halt exports of cotton, vegetables – particularly onion – and oilmeals from India, while entrepreneurs who have established manufacturing bases in the neighbouring country are facing challenges in meeting delivery schedule.

Also at stake are seafood exports and imports of high-quality jute that are re-exported as value-added jute products. However, the impact will likely be for the short-term, while the textile and jute sectors may gain in the long term as buyers abroad look for a safe destination for timely delivery.

Weeks of violent protests in Dhaka led to Prime Minister Sheikh Hasina Wajed resigning on Monday and leaving for India for a “very short stay”.

Top export market

Data gathered by *businessline* show that Bangladesh is a top-10 export market for India, with exports totalling $11 billion in 2023-24. It is a top-5 destination with which it has a trade balance of $9.2 billion. The export basket is well diversified from perishables, cotton, iron and steel, automobiles and components, to spices, India export a diverse set of goods to the neighbouring country.

FIEO Director-General and CEO Ajay Sahai said the disruption in trade is a cause of concern, particularly perishables.

“Bangladesh is a very important export market for us. Trade has been impacted over the last fortnight. There were issues with clearances and logistics. We are concerned with the export of perishables. We hope things will get better because they also require perishables,” he said.

“Cotton exports to Bangladesh have come to a complete halt. Since last month there has been no export of cotton and yarn to Bangladesh,” said Ramanuj Das Boob, a sourcing agent for multinationals and domestic firms from Karnataka’s Raichur.

“Some quantity meant for Bangladesh is stocked here and at Bangladesh bordering cities like Bangaon. We don’t know when it will open up,” Das Boob said.

Bangladesh is the main destination for Indian cotton exports. India’s raw cotton exports to Bangladesh, including waste, stood at $633 million during 2023-24. Bangladesh accounted for over half of India’s raw cotton exports, including waste valued at $1.12 billion during 2023-24.

However, Atul Ganatra, President, the Cotton Association of India, said the ongoing crisis will not impact exports. “This is a slack season. So hardly any effects,” Ganatra said.

Anand Popat, a Rajkot-based trader in cotton, yarn, and cotton waste, said in the short term India could suffer a reverse in cotton exports.

“There will be little impact on cotton yarn, though trade in cotton and yarn has been halted. But in the long-term, India could stand to gain as buyers abroad could turn to India for garments,” he said.

Terming as unfortunate the turbulence in Bangladesh, Prabhu Dhamodharan, Convenor of the Indian Texpreneurs’ Federation, said Bangladesh’s monthly apparel exports are $3.5-3.8 billion, and this current unrest will create fear among international buyers, particularly concerning delivery times.

“As a de-risking strategy, buyers may divert some orders to other countries, including India. With our monthly run rate of $1.3-1.5 billion in apparel exports, we can handle an additional $300-400 million in monthly volumes,” he said.

A healthy Bangladeshi apparel sector is crucial for the Indian spinning and fabric sectors. Due to their lack of capacity in spinning and fabrics, their dependency on India is high. “We expect normalcy in at least a week in terms of trade. In such a case, there will be strong momentum for yarn exports to fill the gap created by their local production issues,” he said.

Oilmeal exports

Terming Bangladesh as a major trade partner, BV Mehta, Executive Director of the Solvent Extractors’ Association of India (SEA), said India exported about 9 lakh tonnes (lt) of oilmeals – 4.3 lt each of soyabean meal and rapeseed meal, and 30,000 tonnes of rice bran extractions – in 2023-24, accounting for 18 per cent of total oilmeals exports.

Most of these are exported by train and road. Stating that unrest in Bangladesh will impact India unless it is stopped, he said: “We have to stop our exports for the time being. Let us wait and watch when the normalcy returns.”

A prominent onion trader said over the past three days, no onion trucks has crossed the border into Bangladesh, the primary export destination this year.

"Some onions were previously being exported to Bangladesh on a Letter of Credit (LC) basis, but the situation has changed dramatically," said the trader.

"Currently, no truck is crossing the border, and vegetables are not being exported. Traders in Bangladesh indicate that it will take a few days for the situation to normalize. The main issue is the lack of available banking channels, making business transactions impossible," he said.

He said 2024 has been the worst year for onion exports, with Bangladesh being the only significant outlet, which is now also closed.

Seafood exports

Seafood exports to Dhaka are at stake, though the quantity is "negligible", official sources said. India exported 58,701 tonnes of seafood worth ₹318 crore to Bangladesh in 2023-24, which mainly consists of dry fish and a limited quantity cuttle fish Rohu from Andhra Pradesh. Dry fish from Gujarat and Chennai also find their way into in Bangladesh. These low value fish are mainly exported by road through the border check posts in trucks, official sources said.

A jute industry insider said imports of high-quality jute from the neighbouring country are at stake. The jute imported from Bangladesh are re-exported as value-added products to the US, Europe and Africa nations. "Right now, there is no problem as the industry had stocked up in advance and may not need the material for another 3 months," the insider said.

An industry source said the country may gain from exports of jute products too as Bangladesh's situation could force buyers to turn to India.

Manufacturing sector

The political turmoil in Bangladesh has impacted some Indian businesses who set up manufacturing bases there. M Rafeeque Ahmed, Chairman of Farida Group, said his shoe manufacturing facility there was hit by the shutdown. "We are to meet European delivery orders. We hope normalcy is restored," he said.

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Garment supply chains disrupted; long-term gains for India to rely on industry rejig

The political upheaval could not have come at a worse time for Bangladesh's showpiece ready-made garments (RMG) industry. The South Asian country, which is the world's second largest supplier of apparel products, was to grapple with loss of tariff-free access to Europe's fashion industry in 2025, and the resultant possible shift in manufacturing base to India and Vietnam, among other countries.

India's garment industry, which has underperformed in the last decade, may gain incrementally in export markets in the short term. But it may face tough competition from Vietnam and China and other countries, if prolonged problems in Bangladesh result in a major rejig of the RMG supply chains over the long term. For the upstream spinning sector of the India's textile and clothing industry, the crisis in Bangladesh could mean loss of orders.

In the immediate future, Indian investors in Bangladesh's RMG industry, which include a clutch of leading textile companies, like Shahi Exports, Pearl Fashions and Gokaldas, are likely to face challenges in maintaining their production flows. Roughly a fifth of RMG investments in the neighbouring country is of Indian origin.

Market perceptions of the situation has, however, been positive for Indian textile companies. The stocks of Arvind, KPR, Gokaldas, Vardhman, Welspun and SP Apparels jumped in the range of 5-19% on Tuesday.

"Trade is the life line of Bangladesh with garment exports accounting for 85% of its goods exports. Bangladesh garment export at over $50 billion (see chart) is more than 3 times India's exports at $15 billion at present," think tank GTRI said in a note.

Mithileshwar Thakur, Secretary General, Apparel Export Promotion Council (AEPC) described the current situation in Bangladesh as a "matter of great concern." "India has no intention or inclination to exploit this unfortunate situation in a friendly neighbouring country. However, the garment industry is making serious efforts to grow RMG exports on its own, based on its merit."

He said that in in short-term, some garment orders may shift to India and the Indian industry may be asked to fill the gap caused by the disruption. "We, however, have long-term goal ahead of us… we are focussed on enhancing quality and ensuring compliance to attract the best of the global (garment) brands. We are adhering to best ethical practices and following environmental and social norms as per the global standards” Thakur added.

According to Prabhu Dhamodharan, convenor at Coimbatore-based Indian Texpreneurs Federation, “For the short term there may be a shift to other destinations including India and China but once Bangladesh bounce backs, then competitiveness matters.” He added that iIn the short term India might get some volumes. “We are at currently at $1.3-1.5 billion monthly export run rate. We have the capacity to handle an additional $300 to $400 million in monthly volumes.”

The Confederation of Indian Textile Industry, which largely represents the capital-0intensive spinning industry, believes that the situation could have an immediate impact on the supply chain, potentially affecting production schedules and delivery timelines of Indian firms.

“Amid the uncertainties in Bangladesh, there is already a noticeable shift towards alternative manufacturing hubs … as a strategic move by companies to diversify their production bases and reduce dependency on a single market,” CITI was quoted by PTI as saying. “(CITI) observed that Indian textile hub Tirupur, known for its robust textile and apparel manufacturing capabilities, may emerge as a key beneficiary of this shift.”

However, Dhamodharan noted that Bangladesh apparel sector is crucial for Indian spinning and (largely MSME-based) fabric sectors. “Due to their lack of capacity in spinning and fabrics, their dependency on India is high. If Bangladesh bounces back soon, India’s yarn and fabric exports will also do well in the upcoming cycle.” Structurally, India has a natural advantage as a more stable sourcing destination with timely delivery In the long term, the China-plus-one strategy will also drive buyers to India as a de-risking measure, he noted.

Kumar Duraiswamy, Joint Secretary, Tiruppur Exporters’ Association said some of the biggest global retailers have been diversifying their production bases (away from Bangladesh) over the past six months to India and elsewhere. The current crisis would only strengthen this trend. Currently, with its LDC status, Bangladesh has duty-free access to European markets. Once this privilege goes by 2025, Bangladesh apparel exports, especially knitwear shipments, would be at par with India in terms of pricing. “The chances are very bright for India.. current developments might expedite the buyers' decision to diversify," Duraiswamy noted.

DK Nair, a former textile industry executive, however pointed out, the gains for India in the global textiles and clothing market could depend on structural changes in the Indian industry. "Despite the technology upgradation scheme that ran for several years, which made debt for capital equipment less costlier, about 90% of India's fabric production is still in the decentrsalised powerloom sector," he noted. Nair added that Integrated Textile Park scheme also failed to improve efficiency of the manufacturing chain because these were not planned in consonance with the traditional production ecosystem located in specific pockets of the country.

Ripple Patel, Managing Director, Fiotex Cotspin said: "As per our internal information, banks and trade have been halted for one week in Bangladesh. The main issue is uncertainty around the existing orders and container cargo that is on the way to Bangladesh. If the situation is not resolved soon the Indian spinning industry will face heat."

According to Atul Ganatra, President Cotton Association of India, raw cotton exports are unlikely to be impacted much because the season has come to an end. However, Ganatra also said yarn exports may face some headwinds. "But this development can prove to be a big positive for the Indian garment manufacturing as the international brands will turn towards India to meet their immediate demand. Furthermore, a halt in the dumping of cheaper clothes from Bangladesh will also positively impact the domestic industry."

Manish Patel from Ahmedabad-based Avani Apparels, said: "If stability returns soon enough in Bangladesh, then we may see the reversal and backward movement to Bangladesh as they have cheaper labour and power." Vijay Purohit, President Gujarat Garments Manufacturers Association also feels that long-term benefit for India would be limited because the preference of Bangladesh over India is primarily due to cost benefits, which may still stay to a large extent. "Cheap labour, power and favourable government policies make Bangladesh more favourable. So if this situation stabilises within a few months, any incremental Indian business may go back to Bangladesh," he said.

"Several major global brands that rely on Bangladesh for their sourcing needs will also be affected by these disruptions. Brands with significant portions of their supply chain rooted in Bangladesh may experience delays and a decrease in the availability of their products.

This, in turn, could lead to a ripple effect across the global retail market, affecting inventory levels and sales," CITI said.

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Regional FTA, easier FDI, customs integration key for BIMSTEC, says CII study

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Textile stocks surge on likely market share gain

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GLOBAL

China 2023's top global RMG exporter, Bangladesh 2nd, Vietnam 3rd: WTO

China was the world's largest exporter of readymade garments (RMG) last year, with a 31.6-per cent market share and exports worth $165 billion, while Bangladesh retained its second position, with exports worth $38 billion—15.55 per cent lower year on year (YoY), according to the World Trade Organisation (WTO).
Vietnam ranked third, with a market share of 6 per cent and exports worth $31 billion in 2023.

A WTO report titled 'World Trade Statistics 2023: Key Insights and Trends' said Bangladesh's share of global RMG exports, however, dropped to 7.4 per cent last year from 7.9 per cent in 2022. In 2021, the share was 6.4 per cent, a significant leap.

The WTO figure for total RMG exports of Bangladesh last year, however, does not match with that offered by the Export Promotion Bureau (EPB) of the country—$47.39 billion.

Turkiye exported apparel items worth $19 billion last year and ranked fourth, with a market share of 3.6 per cent, while India ranked fifth, with a market share of 3 per cent and exports worth $15 billion, the WTO report revealed.

The European Union (EU) remained the top RMG importer, with 35.8 per cent of global share and imports worth $203 billion, while the United States ranked second, with 15.7 per cent share and imports worth $89 billion in 2023.

Japan imported clothing worth $26 billion in 2023, with a global share of 4.5 per cent, while the United Kingdom and South Korea imported RMG worth $21 billion (3.8 per cent share) and $13 billion (2.3 per cent share) respectively.

In 2023, world merchandise trade volume fell by 1.2 per cent after a 3-per cent expansion in 2022, the WTO report said.

Trade contraction was sharper in value terms, recording a 5 per cent decline, due to reduced volumes, lower prices for primary commodities, and exchange rate fluctuations. Despite the decline, the value of merchandise trade was 25 per cent above 2019 levels.

Trade in goods declined by 5 per cent last year. As a result, the share of goods in global trade decreased from 77.8 per cent in 2022 to 75.3 per cent in 2023.

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Turkiye unveils FDI Strategy for 2024-2028

Turkiye recently unveiled its Foreign Direct Investment (FDI) Strategy for 2024-2028, which seeks to attract investments supporting high value-added industries, green initiatives and digital transformation. It aims at raising the country's share in global FDI flows to 1.5 per cent by 2028.
The strategy highlights six primary policy areas: investment climate and competitiveness, green transformation, digital transformation, global value chains (GVCs), talent pool, and communications and promotion.

Key targeted investment domains in the strategy include climate, digital, GVCs, knowledge-intensive sectors, high-quality job-generating sectors, high-end service, high-quality finance and fields related to regional development.

The strategy, published in the official gazette late last month, is a key component of the 'Turkiye Century' vision, which seeks to promote sustainable, technology-driven economic development, while responding to evolving global investment trends, an official release said.

In a foreword, President Recep Tayyip Erdogan emphasised his country aimed at transforming itself into a leading hub for science, technology, production and trade, driven by a robust FDI strategy that creates a welcoming environment for investors.

The strategy was drafted in response to pressing global trends like restructuring of value chains, rising protectionism, macroeconomic uncertainties, climate change and the increasing emphasis on regional industrial policies.

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Global economic & political turmoil drive ICE cotton to 4-year low

ICE cotton has seen a steep fall, touching a near four-year low due to a pessimistic climate on economic and geopolitical fronts. A possible recession in the US has caused a decline in crude oil prices. Significant political volatility in Bangladesh, a major cotton-consuming market, has also put pressure on US cotton. Cotton prices have declined due to weak demand, and a declining dollar index has failed to support cotton prices. However, there was a slight recovery at the end of the trading session.
Yesterday, the ICE cotton December contract settled at 67.78 cents per pound (0.453 kg), down 0.47 cent. Earlier, it breached a major support level of 67.5 cents and fell below 67 cents, marking a four-year low.

Yesterday, global equity markets also saw a steep decline. Crude oil was down, leading to heavy selling of cotton. The dollar index significantly dropped to trade near the 102 level, which was a major support point. This drop could provide good opportunities for foreign buyers to purchase cotton at lower levels. Crude oil futures also fell due to the decline in equities, but the fall in crude oil was limited by concerns about a wider war in the Middle East.

Yesterday, the trading volume was 38,580 contracts, slightly up from the average, with 22,869 contracts cleared on Friday. Open interest stands at 229,737, a decrease of 538. According to ICE data, the inventory of ICE's deliverable No. 2 cotton futures contract was 18,991 bales. Certified stocks started the day at 18,991 bales, down 352 bales due to decertifications on August 2.

The recent upheaval in Bangladesh may impact global cotton demand and supply dynamics, as it is one of the most important cotton-consuming markets in the world. Traders are closely monitoring developments.

On Tuesday, ICE cotton for December 2024 was traded at 67.54 cents per pound, down 0.24 cent. Cash cotton settled at 62.05 cents (down 0.63 cent), the October contract at 66.64 cents (up 0.09 cent), the March 2025 contract at 69.16 cents per pound (down 0.26 cent), the May 2025 contract at 70.42 cents (down 0.25 cent), and the July 2025 contract at 71.57 cents (down 0.07 cent). A few contracts remained at the level of the last closing, with no trading noted today.

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