LETTER

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News Highlights

NATIONAL

Garment sector facing uncertainty due to Bangladesh crisis, normalcy may return soon: FM

The Indian garment and knitted fabric sector is witnessing a bit of uncertainty due to the **Bangladesh crisis**, Finance Minister **Nirmala Sitharaman** said on Saturday, expressing hope that the interim government there will settle things "sooner rather than later."

Interacting with the media on the sidelines of customary post Budget address to the central board of **Reserve Bank of India**, she said efforts are being taken to ensure that borders with the neighbouring country are safe.

With regard to Indian investments, she said, the textile industry particularly from Tamil Nadu has made investments there in good faith and they have done well having gone there.

"The exports from Bangladesh also increased because of the duty and quota liberal approach that we have towards low-income countries. They (Indian garment industry based in Bangladesh) could even export to India."

Particularly, she said, the garment and knitted fabric sector is seeing a bit of uncertainty because of the crisis in the neighbouring country.

"I hope that the investments are all safe... it's too early for me to see what kind of an impact this situation in Bangladesh will have on our economy. I hope that the interim government will settle things sooner rather than later so that both the people of Bangladesh and India can get back to normalcy," she said.

Earlier this week, Bangladesh plunged into a political crisis when Sheikh Hasina resigned as the Prime Minister and fled the country. Soon after Parliament was dissolved leading to the creation of an interim government.

The 84-year-old Nobel laureate Muhammad Yunus on Thursday took oath as the head of an interim government, replacing Sheikh Hasina who abruptly resigned and fled to India leaving the country in turmoil following deadly protests against her government over a controversial quota system in jobs.

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The Nobel laureate's first task is to bring stability to Bangladesh after he responded to a call by student protesters for him to temporarily lead the country following weeks of deadly anti-government demonstrations against the government led by Sheikh Hasina.

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India’s garment & knitted fabric sector experiencing some ‘uncertainty’ due current situation in Bangladesh, says FM Sitharaman

Finance Minister Nirmala Sitharaman on Saturday said that the Indian garment sector is facing a bit of uncertainty due to the Bangladesh crisis. She, however, expressed hope that investments by Indian textile players in Bangladesh are safe. She also expects things in the neighbouring country to settle down soon.

When asked about how India would be impacted because of situation in Bangladesh, she said that she got calls from Indian companies who have invested in the textile sector in Bangladesh Many of them were from Tamil Nadu. The investments were made in good faith and these investors did well having gone there. The exports from Bangladesh also increased.

“So now particularly the garment and knitted fabric sector is seeing a bit of uncertainty. I hope that the investments are all safe,” she said during press conference after the RBI post-budget press conference. Further she said that it’s too early to assesss what kind of an impact the situation in Bangladesh will have on India’s economy.

“You’ve had the Prime minister’s observations coming, a statement by the external EAM in the Parliament and the efforts that are being taken to ensure that our borders are safe. I hope that the interim government will settle things sooner rather than later so that both the people of Bangladesh and India can get back to normalcy,” she added.

Crucial component

Bangladesh's textile industry is a crucial component of its economy, contributing to 80 per cent of its exports and constituting 15 per cent of its GDP. The nation predominantly exports textiles to the European Union, the United States, Canada, Australia, and Japan. India plays a vital role as an export partner, supplying 20-25 per cent of the yarn that Bangladesh imports for producing garments.

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Falling prices, low consumer trust, imports issues for lab-grown diamond: GTRI

India's **lab-grown diamond** industry is facing **challenges** such as significant fall in **prices**, eroding consumer interest and **competition** from **imports**, think tank Global Trade Research Initiative (**GTRI**) said Sunday, adding said that though **India** faces the issue of **production** overcapacity, it continues to import in large amounts and this issue needs deeper investigation.

To address these challenges, the government needs to take certain steps such as setting clear and consistent rules to standardize quality, certification, and market practices; issuing a Quality Control Order to check quality of imports; and investment in research and development to improve production processes, reduce costs, and enhance the quality of lab-grown diamonds.

As per the report, India's lab-grown diamond industry is facing a major challenge, with prices falling by 65% in the past year to Rs 20,000 per carat from Rs 60,000 due to local overproduction and oversupply from abroad, which points to problems like overproduction, high imports, and lack of regulation. The number of units producing lab-grown diamonds in India has increased to 10,000 units, leading to over supply and tougher competition.

The industry lacks clear **regulations** checking such practices, making it hard to ensure quality. Lack of proper certification, and low trust market operations could slow down the industry's growth, according to GTRI founder Ajay Srivastava.

He added that 98% of India's imports of rough lab-grown diamonds come from Hong Kong (63.7% or $728.2 million) and the UAE (28.5% or $326 million).

In FY24, India imported rough lab-grown diamonds worth $1.14 billion and exported cut and polished ones worth $1.3 billion.

Natural diamonds cost around Rs 3.5 lakh per carat and this price drop is making it difficult for manufacturers to repay loans taken for purchasing lab-grown diamond making machines, putting them under financial strain, GTRI said.

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RBI surveys indicate the Indian economy slowed in Q1, what are the expectations for Q2?

Read more at : https://www.moneycontrol.com/news/opinion/rbi-surveys-indicate-the-indian-economy-slowed-in-q1-what-are-the-expectations-for-q2-12793210.html

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Govt bond yields seen steady as markets focus on inflation prints

Indian government bond yields are expected to be largely unchanged at the start of the week as market participants await local inflation data later in the day and the inflation print in the world's largest economy on Wednesday.

The benchmark 10-year yield is likely to move between 6.86 per cent and 6.90 per cent on Monday, compared to its previous close of 6.8812 per cent, a trader with a private bank said.

"Even though local inflation is unlikely to have any major impact, investors would want to get past it before building positions for US retail inflation, which would be a major guide for interest rates," the trader said.

India's July retail inflation will be published after market hours on Monday, and a Reuters poll predicts it to ease below Reserve Bank of India's 4 per cent target for first time in nearly five years.

Inflation likely rose at an annual rate of 3.65 per cent last month, down sharply from 5.08 per cent in June, as rising food costs and hikes in telecom tariffs were offset by a higher base from July 2023.

"The sensitivity from telecom tariff hike is seen staggered on CPI over next three months starting from August," said Siddharth Kothari, an economist with Sunidhi Securities.

The RBI last week kept the key interest rate unchanged, retaining its focus on bringing inflation down even as global market volatility left other major central banks poised to ease.

Meanwhile, the 10-year US bond yield consolidated around 3.95 per cent, after a volatile week that saw the yield crashing to a more than one-year low of 3.67 per cent amid recession fears in the US

The market is almost equally divided between expectation for a 25 basis points and 50 bps rate cut from the Federal Reserve in September, compared to 100 per cent expectation of a 50 bps move early last week, as per the CME FedWatch tool.
(Only the headline and picture of this report may have been reworked by the Business Standard staff; the rest of the content is auto-generated from a syndicated feed.)

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Dalal Street Week Ahead: India and US inflation, Q1 earnings, global trends among 10 key factors to watch next week

The benchmark indices nosedived for another week, that ended on August 9. Market sentiment was dented due to profit booking because of disappointing US economic data (that signalled recession fears), unwinding of the yen carry trade, and the hawkish tone of the Reserve Bank of India (RBI) in the recent policy meeting. The market hit a multi-week low in the first session, but participants used a buy-on-dips strategy in the later part of the week, minimising losses.

On Monday August 12, the market might react to the Hindenburg Research report alleging that SEBI Chairperson Madhabi and husband Dhaval Buch were involved in Adani Group's offshore funds. **The Buch family has denied all charges**, asserting that they had no hidden stake in the funds mentioned in the report, while the Adani Group has rebuffed the latest allegations from Hindenburg Research, asserting that their overseas holding structure is fully transparent.
Apart from this, with the fall in volatility, the coming truncated week is expected to be consolidative as the markets may try to get back in the black with a focus on the inflation numbers from India and the US, and align with trends in global exchanges, according to experts.

The BSE Sensex plunged 1,276 points, or 1.6 percent, to 79,706, and the Nifty 50 was down 350 points, or 1.4 percent, at 24,368 during the week. The Nifty Midcap 100 and Smallcap 100 indices declined 1.3 and 2.1 percent, respectively. All sectoral indices, barring pharma, closed in the red.

"Moving forward, the direction of the domestic market will be influenced by global markets. A lack of fresh triggers and subdued earnings will be a deterrent for higher valuation, and investors are advised to shift their focus from growth stocks to value stocks," said Vinod Nair, Head of Research at Geojit Financial Services.

The market will remain shut on August 15 on the occasion of Independence Day.

Here are 10 key factors to watch during the week:
Corporate earnings

The corporate earnings season is going to see the last of the Q1 numbers in the coming week. More than 1,900 companies will deliver their quarterly earnings scorecard, including Nifty 50 names like Hero MotoCorp and Hindalco Industries.

In addition, FSN E-Commerce Ventures (Nykaa), Vodafone Idea, Ola Electric Mobility, Bajaj Hindusthan Sugar, Balrampur Chini Mills, Campus Activewear, DOMS Industries, Happiest Minds Technologies, Hindustan Copper, Housing & Urban Development Corporation, Indian Railway Finance Corporation, Natco Pharma, National Aluminium Company, NMDC, Olectra Greentech, Rashtriya Chemicals & Fertilizers, SJVN, Voltas, Allied Blenders and Distillers, Apollo Hospitals Enterprise, Ashoka Buildcon, Dilip Buildcon, GMR Airports Infrastructure, Godrej Industries, Ipca Laboratories, Indian Railway Catering and Tourism Corporation, Manappuram Finance, Medi Assist Healthcare Services, Max Financial Services, Samvardhana Motherson International, MTAR Technologies, Muthoot Finance, Nazara Technologies, NBCC (India), Sammaan Capital, Bajaj Healthcare, Glenmark Pharmaceuticals, Hindustan Aeronautics, and Mazagon Dock Shipbuilders will also release their results next week.

CPI inflation

On the domestic front, market participants will also focus on the CPI inflation, due on August 12, which is expected to be lower for July because of the higher base of 7.4 percent in the year-ago month. In June, it was at 5.08 percent due to higher food inflation, up from 4.75 percent in the previous month.

"We estimate that CPI inflation slowed to 3.3 percent year-on-year (YoY) in July. With YoY inflation pulled lower due to the base effect, it will be more constructive to look at momentum in prices to understand the extent of inflationary pressures," said Shreya Sodhani, Regional Economist, Barclays.

In addition, the market will also focus on the industrial and manufacturing numbers for June, scheduled for release on the same date, while WPI inflation will be announced on August 14. Balance of trade for July and foreign exchange reserves for the week ended August 9 will be released on August 15 and 16, respectively.

US inflation

On the global front, all eyes will be on the US inflation data for July scheduled to be released on August 14, which is largely expected to be similar to the 3 percent recorded in June. Core inflation may also be similar to June, when it was 3.3 percent. Further, the PPI (Producer Prices Index) and retail sales figures for July will also be watched by participants. All these data points are important for the US Federal Reserve ahead of its meeting in September, as most experts feel the central bank might announce its first rate cut at this meeting.

Global economic data

Furthermore, market participants will also look out for the second estimates of the second quarter (CY24) GDP numbers from Europe, preliminary estimates for the second quarter GDP from the Japan, and retail sales and industrial production numbers from China. The UK's preliminary estimates for Q2CY24 GDP, inflation, unemployment, and retail sales will also be studied next week.

FII and DII flow

Foreign institutional investors (FIIs) heavily sold in the cash segment last week, although the outflow was fully compensated by domestic institutional investors (DIIs). This indicated that even if the market sees a big fall, there may be a continuation of the buy-on-dips strategy of DIIs, according to experts.

FIIs net sold Rs 19,139.76 crore worth of shares in the cash segment in the week gone by, however, DIIs net bought Rs 20,871.1 crore worth shares in the same period.

IPOs

In the mainboard segment, the Rs 160-crore IPO of Saraswati Saree Depot will open for subscription on August 12, while Brainbees Solutions (Firstcry) and Unicommerce Esolutions will debut on the bourses on August 13.

In the SME segment, Positron Energy and Sunlite Recycling Industries will launch their IPOs on August 12, while the public issues of Broach Lifecare Hospital and Solve Plastic Products will open on August 13. Aesthetik Engineers will close its maiden public issue on August 12 and will list on NSE Emerge on August 16.

Technical view

The Nifty 50 formed a bullish hammer sort of candlestick pattern (not a classical one) on the weekly charts with above average volumes as there was buying interest at lower levels, and defended its 10-week EMA (24,117). But the momentum indicator RSI (Relative Strength Index) displayed negative bias on the weekly and monthly charts. Hence, the index is likely to consolidate with the immediate hurdle at 24,400, followed by 24,700 (the upper end of the bearish gap of August 5) on the higher side, but on the downside, 24,100-24,000 is expected to be immediate support area, followed by 23,900, the low of last week, according to experts.

F&O cues

The weekly options data indicated that 24,000 (which has the maximum Call open interest) is likely to be act as a support, while 24,400 is the immediate hurdle, followed by 25,000 on the higher side.

On the Call side, the maximum open interest was seen at 25,000 strike, followed by the 25,500 and 25,200 strikes, with maximum Call writing at 25,000 strike, and then the 24,400 and 24,900 strikes. On the Put side, the 24,000 strike holds the maximum open interest, followed by the 23,500 and 24,300 strikes, with the maximum Put writing at the 24,400 strike, followed by the 23,500 and 24,000 strikes.

India VIX

Volatility cooled considerably from the week's high of 23.15, but remained on the higher side. Until it stabilises below the 15 mark, the bulls need to be cautious. The India VIX, the fear index, rose 7.09 percent to 15.34 on-week, in addition to a 16.92 percent rally in previous week.

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USD/INR flat lines ahead of Indian CPI inflation data

Read more at : https://www.fxstreet.com/news/usd-inr-flat-lines-ahead-of-indian-cpi-inflation-data-202408120253

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PM MITRA Parks to bring Rs 70,000 crore investment in textiles sector: Minister

The Centre has approved the setting up of seven PM Mega Integrated Textile Region and Apparel (PM MITRA) Parks in greenfield and brownfield sites with world-class infrastructure including plug and play facility with an outlay of Rs. 4,445 crores for a period of seven years up to 2027-28, the Parliament was informed on Friday.Minister of State for Textiles Pabitra Margherita told the Rajya Sabha that the government has finalised 7 sites in Tamil Nadu (NS:TNNP) (Virudhnagar), Telangana (Warangal), Gujarat (Navsari), Karnataka (Kalaburagi), Madhya Pradesh (Dhar), Uttar Pradesh (Lucknow), and Maharashtra (Amravati) for setting up of PM MITRA Parks. Once completed, it is envisaged that each park will lead to an investment (both foreign and domestic) of about Rs 10,000 crore, benefiting the local economy and textile ecosystem, he added.

The minister stated that Special Purpose Vehicles (SPV) in respect of all 5 greenfield sites in Gujarat, Tamil Nadu, Karnataka, Madhya Pradesh, and Uttar Pradesh have been incorporated. In respect of the brownfield sites in Maharashtra and Telangana, the existing implementation arrangements have been allowed to continue as per guidelines.

He said that under the PM MITRA Park Scheme, for the development of greenfield and brownfield projects, there is a provision of Development Capital Support (DCS) for the creation of core infrastructure at the rate of 30 per cent of the project cost with maximum support of Rs 500 crore and Rs 200 crore per park for greenfield and brownfield PM MITRA Parks, respectively from the Centre.

In addition, Competitive Incentive Support to individual units subject to a maximum of Rs 300 crore per park and further subject to Scheme guidelines is also provided under PM-MITRA for incentivising manufacturing units to get set up early in PM MITRA Parks, the minister added.

The Union Ministry of Textiles is overseeing the execution of these projects. A special purpose vehicle (SPV) owned by the Centre and state governments is being set up for each park, which will oversee the implementation of the project. The valuation of the Indian textiles market is estimated at Rs 12 lakh crore.

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Implications of upheaval in Bangladesh on its trade relations relations with India

Since Sheikh Hasina assumed office as the Prime Minister of Bangladesh in 2009, the country has been a key ally of India. Her leadership has seen significant progress in bilateral relations, with a focus on infrastructure, connectivity, and trade. However, the recent political crisis in Bangladesh has raised concerns about the future of this partnership.

On January 8, 2024, Sheikh Hasina declared that boosting the country's economy would be her top priority for the next five years. Yet, by August 2024, the nation was engulfed in violent demonstrations over a quota system for government positions, leading to a deepening domestic political crisis. As tensions escalated, Sheikh Hasina resigned and sought refuge in India, raising concerns about the stability of Bangladesh and its impact on Indo-Bangladesh relations.

The Evolution of Indo-Bangladesh Relations

Over the past decade, India and Bangladesh have fostered strong economic ties, with infrastructure and connectivity projects playing a crucial role in strengthening their relationship. Since 2016, India has extended $8 billion in credit to Bangladesh for the development of road, rail, shipping, and port infrastructure. The two nations have also engaged in various areas of commerce, including medical tourism, business expansion, and the international garment trade. Bangladesh, a major player in the global garment industry, relies heavily on cotton imports from India.

The textile and garment sectors account for 56% of Bangladesh's total exports to India, making it a vital trading partner in South Asia. In the financial year 2023-24, bilateral trade between the two countries reached $13 billion, according to the Union Ministry of Commerce.

The Impact on Trade

Sheikh Hasina's leadership saw a flourishing of commerce between India and Bangladesh, leading to a significant trade surplus for India. However, the ongoing political turmoil in Bangladesh threatens to disrupt this economic partnership. The civil unrest and worsening economic situation have created security concerns that could impact Indian exports, commerce, and infrastructure projects in the neighboring nation.

One of the major challenges will be on the bilateral trade front. After reaching $12.21 billion in 2022–23, India's exports to Bangladesh dropped to $11 billion in 2023–24.

Similarly, Bangladesh's imports decreased from $2 billion in the previous year to $1.84 billion in the most recent fiscal year. Indian exporters have voiced concerns about the situation in Bangladesh, fearing that the instability in the country will negatively affect commerce between the two nations.

A significant scarcity of dollars in Bangladesh, as noted by the think tank GTRI, has already curtailed the country's ability to import goods, particularly from India.

Uncertainty Surrounding the Free Trade Agreement

In October 2023, India and Bangladesh discussed the possibility of a free trade agreement (FTA) during a Joint Working Group (JWG) on Trade meeting in Dhaka. An FTA could streamline regulations, encourage investment and commerce, and potentially remove customs tariffs, boosting trade between the two countries. According to a 2012 World Bank working paper, a full-product FTA could enhance Bangladesh's exports to India by 182%, while a partial FTA might grow them by 134%. This would contribute to strengthening Bangladesh's trade transport infrastructure and commerce links, leading to a significant rise in exports. However, the current political crisis has cast doubt on the future of the FTA proposals. Sheikh Hasina's exit might slow or pause this development, affecting the expansion of commerce and trade in new areas between the two nations.

Challenges for the Textile and Garment Industry

The ongoing crisis in Bangladesh could also have a negative impact on other sectors, particularly the textile and garment industry. In the fiscal year 2021-2022, Bangladesh exported garments worth $42.613 billion, solidifying its position as the second-largest apparel exporter globally. However, the recent incidents of factories being set on fire have raised concerns about the future of this industry. Many of these textile units are owned by traders associated with the Awami League Party, making them particularly vulnerable in the current political climate.

While India has the potential to step in and provide garments to developed economies, there are certain drawbacks to this shift. Bangladesh, as a Least Developed Country, benefits from zero-duty advantages, while Indian goods face tariff barriers. If borders remain closed and duty-free export-import activities are suspended, there is a possibility of increased demand for Indian garments. However, it is still too early to make definitive predictions about the opportunities and gains that might arise from this situation.

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Hope Indian investments in Bangladesh are safe: Nirmala Sitharaman

The unrest in Bangladesh has created some uncertainty for Indian textile companies' investments there, and the Indian government is hopeful that those investments will remain safe when the situation in the neighbouring country will return to normalcy soon, Finance Minister Nirmala Sitharaman said on Saturday.

"I would say at this stage, I have had discussions and calls coming on the matter of our textile garment investments which are in Bangladesh, many of which come from Tamil Nadu. The investments went there in good faith because they thought textiles and garment could do well and they did do well, having gone there," Ms. Sitharaman said.

These investments, the Minister said, also boosted exports from Bangladesh, including shipments to India, because of the duty-free and liberal import quotas India offers for lower income and least developed countries.

While the garments, fabrics and textiles sectors are seeing a "bit of uncertainty" because of the situation, the Minister said: "I hope that the investments are all safe... Other than that, at this stage, it is too early for me to see what kind of impact this situation in Bangladesh will have on our economy."

"I hope that the interim government will settle things sooner rather than later, so that both the people of Bangladesh and India can get back to normalcy," Ms. Sitharaman added.

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FM urges banks to raise small sums from many savers

Sitharaman voices concern over the slower growth in bank deposits in relation to an uptick in lending; stresses that bankers need to focus on deposit mobilisation and lending as their core business activity Concerned about the slower growth in bank deposits vis-à-vis an uptick in lending, Finance Minister Nirmala Sitharaman made a strong pitch on Saturday for banks to find novel ways to attract deposits, advocating a return to the 'old-fashioned approach' of raising small sums from many savers rather than pursuing bulk corporate deposits that indicate 'very lazy' banking.

Reserve Bank of India (RBI) Governor Shaktikanta Das said the regulator has been highlighting this issue with banks, referring to a 300-400 basis points gap observed between deposit and credit growth for the last few months, with deposits lagging behind. One basis point equals 0.01%.

"As it stands today, we do not see a crisis or anything. It has to be attended and dealt with by the individual banks. If it goes on like this unattended, it can lead to a potential structural liquidity management issue. So it's a kind of advance cautioning of the banks," he said after a meeting of the central bank's board with the Finance Minister.

Ms. Sitharaman said that the RBI and the government have been repeatedly telling banks to pay a little more attention on their core business activity of deposit mobilisation and lending.

"It is not that they are not paying attention, but they must make more concerted efforts to raise deposits and then lend as well because this is the core activity of banking… after that, you can add four-five other new things to your portfolio. But if in the core business – deposit collection and lending money – if one of the wheels is not functioning effectively, you need to heed it," she said.

The minister said she will urge bank chiefs, whom she will be meeting soon, to go back to collecting deposits the old-fashioned way from everybody, using the liberty they have in managing interest rates.

"I think huge big deposits have always been a very lazy banker's job. 'Nice. I've got a big deposit that's going to take a whole lot of things, but the trickles, which come are the ones which are going to be your bread-and-butter money to bank on lending regularly. That trickle was the emphasis long time ago in deposit mobilisation, which cared nothing for the other side," she observed.

"Now we've gone over this side completely, [get] big deposits and meet my manager's target," she remarked, adding that securing small deposits is a very critical job of a bank though it might entail "grinding monotony".

Mr. Das weighed in on this and added that the RBI has been flagging to bank managements that "high value deposits' flight can be very fast". The share of CASA deposits in overall deposits has come down to about 39% from 43% about a year ago, so banks need to focus more on all deposits, not just some bulk deposits, he averred.

"Through the Budget speech and the discussions on it, it was said many times that today, even households who were investing in small savings, have found many new avenues, be it the stock market or other options, that provide them better returns. This is why retail investments in markets have gone up. When they have so many new options before them, banks should also consider new, innovative portfolios to mobilise deposits by making them attractive," Ms. Sitharaman underlined.

Mr. Das also pointed out that credit lending had become digital triggering very fast growth in lending, but deposit mobilisation was still in the physical mode. "So there is a kind of a structural change which has happened in the economy, and banks will have to come out, therefore, with innovative approaches to mobilize deposits," he concluded.

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GLOBAL

Vietnam Outperforms ASEAN Peers, Remains Prime FDI Destination: HSBC

A latest report by HSBC says favourable fundamentals have positioned Vietnam as a prime destination for foreign direct investment (FDI) as the country outperforms its peers among the Association of Southeast Asian Nations (ASEAN).
The nation has sustainably enjoyed FDI inflows well above 4% of its GDP, being among the highest in ASEAN, the report titled 'Vietnam at a glance: FDI—Back to the basics' said.

As the country's claimed advantages may now be challenged by other players that are part of the global value chain (GVC), its manufacturing ecosystem needs to evolve to the next stage to address these challenges, Vietnamese media outlets reported citing the HSBC document.

This needs proactive steps aimed at upskilling in technical fields and improving existing infrastructure to facilitate and accommodate additional FDI inflows, the document noted.

Manufacturing wages in the country are lower than those in China and other regional peers and the nation has signed several economic agreements with major trading partners. These have facilitated greater FDI, it observed.

Vietnam has a competitive position relative to its peers with a 20-per cent statutory corporate income tax rate. In addition, some firms have used lengthy tax breaks and holidays to reduce the effective rate further.

Measures such as further leveraging digitalisation to streamline trade processes, securing reliable and green energy, and facilitating goods transport through better infrastructure are factors that are likely to affect investment decisions of multinational corporations in future, the HSBC report added.

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Indonesia Extends Safeguard Tariffs For 3 Years To Protect TPT Sector

Indonesia recently extended safeguard tariffs on imports of textiles, carpets and other fabric coverings for three more years to protect and improve the competitiveness of the domestic textile industry.
The decision followed the textile and textile product (TPT) sector's struggle to return to pre-pandemic levels due to declining domestic and export demand and increasing competition.

The sector witnessed a drop in jobs, with the workforce dropping from 3.98 million last year to 3.87 million this year.

Added to the problem is the influx of textiles from abroad, particularly China, prompting government action to protect the industry.

The regulations to protect the sector have been formulated after taking inputs from stakeholders, including relevant ministries, industry associations and trading partners, in line with World Trade Organisation guidelines.

The Indonesian Filament Yarn and Fibre Producers Association said around 30 textile factories have shut down Bandung and Surakarta, causing 10,800 layoffs between January and May this year, up from 7,200 in 2023.

The Confederation of Indonesian Workers reported nearly 50,000 layoffs in the TPT industry from January to early June 2024.

West Java and Central Java, home to the largest concentration of factories in the sector, have seen the highest number of layoffs.

Several companies, however, are reluctant to disclose layoffs to avoid affecting their relationships with banks and buyers, an Indonesian media outlet reported.

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Cambodia Attracts Fixed-Asset Investments Worth $396-Mn In Jul

Cambodia attracted fixed-asset investments worth $396 million in July this year, according to the Council for the Development of Cambodia (CDC). China was the top investor in the month.
“About 68 per cent of the investment capital in July 2024 was from China, 14 per cent was from domestic sources, and the remaining was from the Cayman Islands, Singapore, Vietnam and the Philippines,” CDC said.

The government approved 44 investment projects in the month, which has the potential to generate nearly 25,000 jobs, domestic media outlets reported citing CDC.

The new projects included a special economic zone and garment, footwear and travel goods factories.

During the first seven months this year, the government approved 234 investment projects worth $3.64 billion, with the potential to create 193,570 jobs.

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Indicators Suggesting a Potential Bottom in Cotton Prices Amid Decline and Market Adjustments: A Detailed Analysis

Cotton prices have declined over 35% since February 2024 but are showing signs of bottoming. Hedge fund positions are at a 5-year low, similar to conditions before a significant rally in 2019. Cotton’s % carry yield is near its lowest level in the past year, indicating the potential for a market reversal. The commodity is also highly oversold and undervalued, often a precursor to a price correction. In India, a drop in cotton cultivation by 10-12% due to lower crop yields and reduced planting areas adds further bullish support to prices. With these fundamental and technical indicators aligning, the cotton market may be on the verge of a rebound. Traders should watch for a break above key resistance levels, which could signal the beginning of a new uptrend and a recovery from the steep declines of the past months.

Cotton prices have been under significant pressure, declining steadily since late February 2024. From a high on February 28, 2024, to a low on August 8, 2024, the commodity has plunged over 35%. However, recent price action suggests that cotton may be nearing a bottom, as it has begun to break out of a declining wedge pattern, indicating a potential upward bounce if the resistance level is convincingly breached.

Supporting this potential reversal is the latest Commitment of Traders (COT) report, which reveals that hedge fund positioning in cotton is at its lowest level in five years. As of August 6, 2024, net short contracts stood at 54,942, a level not seen since August 6, 2019. Interestingly, this positioning is reminiscent of the situation in 2019 when cotton rallied by over 21% in the subsequent months. Hedge funds have added nearly 150,000 net short contracts in just five months, underscoring the extreme bearish sentiment that often precedes a market reversal.

Another critical indicator is the % carry yield, which reflects the one-year calendar curve yield as a percentage of the contract notional value. Cotton's % carry yield currently stands at -6.8%, just above the lowest level of -7.3% recorded two weeks ago. Such low levels are often associated with a market reversal, as they indicate that the market may be overextended.

The relative price and positioning analysis further supports the case for a bottom. Cotton is among the most oversold and undervalued commodities in the agricultural complex, having remained at this extreme level for several weeks. This condition typically precedes a correction towards more normal levels.

Adding to the bullish outlook is the situation in India, where cotton cultivation is expected to decline by 10% to 12% this season. The Cotton Association of India attributes this reduction to falling crop yields and significant decreases in planting areas. The northern region of India has seen a 35% reduction in crop size due to a pink bollworm infestation, while irregular rains have negatively impacted yields in Gujarat. With the government increasing the Minimum Support Price (MSP) for raw cotton, these factors are likely to support prices further.

From a technical perspective, cotton is currently testing key resistance levels. A break above these levels could confirm the beginning of a new uptrend, potentially reversing the sharp declines observed over the past several months.

Conclusion

With a confluence of indicators pointing towards a potential bottom, the cotton market appears poised for a rebound. Investors and traders should closely monitor the technical levels and upcoming fundamental developments to capitalize on this opportunity.

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Bangladesh Garment Factories to Western Buyers: You Can Rely on Us

In recent weeks, Bangladeshi garment-factory owners have been on the phone with Western clothing brands, making the case that their country is a stable link in their supply chains. It has been a tricky sell.

The world's second largest garment producer has been rocked in recent weeks by protests and instability triggered by anger over grim employment prospects. The turbulence followed large-scale wage protests last year that were marked by violence.

This time around, an industry body for the $38 billion clothing-export sector estimates the exporters have lost six days of production because of unrest that erupted in mid-July, though other factory owners say the loss is closer to twice that much time.

"It is not a massive body blow by any means," said Miran Ali, vice president of the Bangladesh Garment Manufacturers and Exporters Association.

On Sunday, deadly clashes killed at least 85 people, after weeks of tumultuous demonstrations that led the government to impose curfews and cut off the internet. Prime Minister Sheikh Hasina resigned and fled the country. Police have left their posts, and businesses associated with the old government were targeted by mobs.

Muhammad Yunus, a Nobel laureate and economist who pioneered microcredit, took charge of a caretaker government Thursday and appealed for calm. “We are one family,” he said.

Congestion on roads and a minimal police presence mean some factory owners have decided to delay shipping finished clothes. A small number of factories were burned by arsonists during the turmoil.

With the situation now stabilizing, many factory owners say they have managed to get their factories back up and running, and workers have been eager to return to work and earn their paychecks.

With Yunus in charge “the global image of Bangladesh will be of a country that is being reformed,” Ali said. “I’m expecting a net benefit.”

But industry analysts say that the combination of recurring bouts of instability, higher wages and long-term problems—such as Bangladesh’s infrastructure being significantly worse than rivals like China and Vietnam—are gnawing at the country’s competitiveness.

Last October, hundreds of factories paused operations after a worker campaign for higher wages descended into violence. Garment workers eventually settled for a 55% rise in the minimum wage to around $113 a month—far less than worker advocates sought—but a significant boost nonetheless. In December, when the new minimum wage took effect, workers making clothing for Swedish giant H & M received a wage of $138, a 30% bump to what they received the month before, according to the company.

Bangladesh’s garment exports to the U.S., its top market, declined 11% in the first half of this year, compared with the first six months of 2023.

The 2024 Fashion Industry Benchmarking Study, a survey of about 30 major U.S. fashion companies, released in July found that 48% of major U.S. fashion companies intended to increase purchases from Bangladesh over the next two years, down from 58% in 2022.

Sheng Lu, a professor of apparel studies at the University of Delaware, said Bangladesh's higher minimum wage and shifting consumer interest toward trendier items produced elsewhere had cut into the nation's market share. Meanwhile, another low-cost rival, India, is gaining, thanks to its ability to produce its own fabric, which saves production time.

From late July into August, shipping clothing from Bangladesh was far from smooth. Government curfews forced ports to work with skeleton staff. Some ships waited for up to five days to load and unload at the Port of Chittagong.

Clothing brands are staying nimble. During an earnings call on Tuesday, Bracken Darrell, the chief executive of VF Corp, an American company that owns brands such as North Face and Vans, said it is facing some disruption in Bangladesh, where about 15% of its production is based. Darrell said he was fairly confident that the situation would improve, but he added that orders could be shifted elsewhere if necessary.

An H&M spokeswoman said that according to the company's latest information, factories are gradually opening again. She said H & M, one of the biggest buyers of Bangladeshi garments, has told suppliers it wouldn't seek to claim discounts on goods that are delayed, a typical practice in the industry.

The period between June and September is a crucial time in Bangladesh for the industry, as factories rush to fulfill orders for the back-to-school season and the December holidays.

A 2013 factory collapse at Rana Plaza killed more than 1,000 workers, putting the spotlight on poor working conditions and causing a wave of worker protests around Bangladesh. While safety conditions have improved markedly since then, brands continue to treat Bangladesh as a sensitive place from which to source, even as it has emerged as a top garment exporter.

A critical question for retailers is whether the political situation will remain calm.

The latest round of unrest, which came after elections in January that were boycotted by opposition parties, has seen some of the country's deadliest violence in years. More than 300 people have been killed after clashes intensified around mid-July.

Anger is still simmering toward Hasina's Awami League over its autocratic rule, while student protest leaders and political parties are likely to differ over the road map to elections. If the instability continues, said Lu, it "surely will raise concerns about sourcing from the country."

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