LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

NATIONAL

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Read more at: Revealed: The growth, deficit assumptions behind the next budget | Mint (livemint.com)

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Hosiery sector staring at losses due to weak demand

Chandigarh: Ludhiana's famous hosiery sector is staring at losses because of weak demand for winter garments this season, as many manufacturers say they faced lack of repeat orders as well as return of stocks from traders in many States. Hosiery goods manufacturers also blame dumping of China-made winter wear items, available at much lower prices, for adding to their woes. However, bone-chilling cold wave weather conditions prevailing in the northern region have given some sort of relief as they anticipate a pick up in demand which may lead to clearance of stocks. Ludhiana hosiery sector, which is one of the oldest industry verticals, is famous for winter garments like sweaters, jackets, thermals, cardigans, pullovers, innerwear, shawls etc. Several states like Uttar Pradesh, West Bengal, Rajasthan, Himachal Pradesh, Delhi, Bihar and Haryana are among key markets for the hosiery sector. The industry representatives said they started offering discounts to wholesalers in December when the demand was not picking up.

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Textile sector seeks changes in customs duty on fabrics

The first-ever meeting of the newly constituted Textile Advisory Group for man-made fibre under the Ministry of Textiles has offered hope for changes in customs duty on knitted fabrics to reduce imports.

R.K. Vij, secretary general of the Polyester Textile Apparel Industry Association, said he raised the issue of “illegal and undervalued import of Chinese knitted fabric”, which is mixed with woven fabric.

Almost 1,000 tonnes of fabric is dumped in India daily due to the difference in customs duty for woven and knitted fabrics.

Currently, the duty on woven fabric is 20% of the value of imports, or ₹115-₹150 per kg, whichever is higher, while the duty on knitted fabric is a flat 20%.

The annual revenue loss to the government is approximately ₹6,000 crore due to lower customs duty, Mr. Vij claimed. Currently, knitted fabric is imported at $1.5/kg, which is even lower than the export price of yarn, when the finished product should cost about $4.5/kg, Mr. Vij reckoned, highlighting the extent of undervaluation.

“The Minister has assured to resolve this anomaly within two months,” Mr. Vij said.

Meanwhile, the Confederation of Indian Textile Industry (CITI) and other textile associations have demanded precautionary measures to ensure cotton prices do not shoot up later this cotton season.

A memorandum by CITI said, “The Cotton Corporation of India should start selling cotton, which it procured at Minimum Support Price, from February to only textile mills. It should not sell at lower prices to bulk buyers. The CCI should sell cotton in multiples of 130 to 150 bales to benefit small spinning mills.”

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India's goods & services exports marginally up in 2023

The country's exports of goods and services rose marginally by 0.4 per cent to USD 765.6 billion in 2023 despite global economic uncertainties, according to the commerce ministry data. Sectors which helped keep India's exports afloat include electronics, pharmaceuticals, cotton yarn, fabrics and made-ups; ceramic products, meat, dairy and poultry products, fruits and vegetables and information technology.

Read more at: https://economictimes.indiatimes.com/news/economy/foreign-trade/indias-goods-services-exports-marginally-up-in-2023/articleshow/107027262.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

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Ludhiana's hosiery players bear losses due to weak demand, lack of orders

Ludhiana's famous hosiery sector is staring at losses because of weak demand for winter garments this season, as many manufacturers say they faced lack of repeat orders as well as return of stocks from traders in many states.

Hosiery goods manufacturers also blame dumping of China-made winter wear items, available at much lower prices, for adding to their woes.

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The industry representatives said they started offering discounts to wholesalers in December when the demand was not picking up.

"Because of the delayed winter, the manufacturers started giving discounts to wholesalers in December to push sales," said Shyam Bansal of Rage, a premium brand of women's wear.

A hosiery goods manufacturer said a factory unit runs at an average margin of 10 per cent and if it had to give that much discount to wholesalers then it will not be in a position to earn anything except to clear its stocks.

The manufacturer said there is a stiff competition in the market and no matter how good one's product is, wholesalers press for discounts.

The industry representatives further said initially discounts at retail counters were offered at 20 per cent in December to increase sales. Later these were hiked to 30 per cent.

"At present, several big brands are selling their winter wear items at 40 per cent discount at retail shops. Given this situation, how can a manufacturer earn with such heavy discounts," asked the industry representative.

Bansal said China-made winter wear items are also hitting the local hosiery industry hard. "If an item costs us as Rs 1,000, a Chinese item is available at Rs 600-700," said Bansal pointing out the competition posed by the Chinese goods to the Ludhiana hosiery sector.

Navin Sood, another hosiery goods manufacturer, said many manufacturers in Ludhiana are facing a lack of repeat orders from traders in many states like Bihar, Odisha, Madhya Pradesh, Rajasthan and West Bengal.

Raja Dhir, president of Daal Bazaar Merchant Association, said many traders in Uttar Pradesh, Kolkata and some southern states returned hosiery items as there was slack demand for winter garments.

"When we demand payment from a trader in other states they threaten to return goods," said Dhir.

However, an industry representative said because of severe cold wave conditions prevailing in the northern region, the industry expects stocks at retail shops and factories may get cleared but it is difficult to say that it will lead to profits given the fact that heavy discounts were being offered.

Intense cold wave conditions have been prevailing in many parts of Punjab and Haryana for the past many days.

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Industry sees the market having bottomed out at ₹55,000 per candy

Read more at : As cotton prices rule steady, spinners and traders stock up - The Hindu BusinessLine

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GLOBAL

Bangladesh's Garment Exports To EU Drop By 1.24% YoY In H1 FY24

Exports of readymade garments (RMG) from Bangladesh to the European Union (EU) dropped by 1.24 per cent year on year (YoY) to $11.36 billion in the first half of fiscal 2023-24 (FY24).
The reason is a fall in overall imports by the EU, especially Germany, as the purchasing power of customers in the bloc has waned for various reasons, said Faruque Hassan, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

After importing a decent amount of apparel in 2022, inventories still remain in the EU stock, and that is one reason why the EU is importing less from Bangladesh and other apparel exporters, including China and Vietnam, Hassan said.

The country's apparel exports to Spain, France, the Netherlands and Poland during the first half rose by 6.56 per cent, 2.15 per cent, 9.11 per cent and 19.14 per cent respectively, data from the Export Promotion Bureau show. But exports to Italy fell by nearly 3.9 per cent during the period.

Germany imported the highest—apparel worth $2.86 billion, 17 per cent less YoY, domestic media outlets in Bangladesh reported.

The country's RMG exports to Canada also dropped by 4.16 per cent to around $742 million in the July-December period. Exports to the United States, however, rose by 5.7 per cent to over $4 billion.

The United Kingdom imported garments from Bangladesh worth $2.71 billion—a 13.24 per cent YoY growth.

The country's exports to non-traditional markets in the July-December period grew by around 12.3 per cent to $4.53 billion, with a nearly 10 per cent YoY rise to Japan, 24.7 per cent YoY increase to Australia and over 19 per cent YoY rise to South Korea.

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Weaker UK Consumer Demand Challenge For Industry, Retail: CBRE

UK consumer demand turning weaker could indicate a challenging period for the retail and industrial sectors, but as inflation continues to fall and real incomes rise along with lower debt burdens from reduced interest rates, consumers will recover their purchasing power, and this will create a resurgence in demand in both sectors, according to a report by US-based commercial real estate services and investment provider CBRE.
CBRE does not expect a full economic recovery in the United Kingdom in 2024, but it will sees a turning point. Lower inflation and interest rates will improve real incomes and reduce the debt burden. This will encourage spending and investment from consumers and businesses, the report noted.

CBRE forecasts the country's gross domestic product (GDP) will grow by 0.5 per cent this year and 1.6 per cent in 2025. Metrics suggest an interest rate cut may be imminent, with low headline inflation, weak economic growth and a softening labour market.

Some tax cuts expected in the spring budget would add a fillip to economic growth with the reduced tax burden, encouraging consumer spending. However, higher spending levels might slow the decline of inflation and delay the cutting of interest rates, CBRE observed.

Though the issue of lack of liquidity in the market persists, but refinancing throughout 2024 may see enhanced investment activity in commercial real estate at large discounts, according to the report.

CBRE expects to see the UK economy begin to turn this year. Consumer demand was resilient throughout the first half last year, but weakened in the second half as reflected in lower retail sales.

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Air Freight Favoured To Avoid Disruption Due To Red Sea Crisis: Xeneta

Retailers are turning to air freight to protect supply chains and keep their products on shelves amid the ongoing crisis in the Red Sea and Suez Canal, according to Oslo-based ocean and air freight rate benchmarking platform Xeneta.
Businesses across the consumer retail and apparel sector told the platform that delays and disruption caused by Houthi militia attacks on container ships in the Red Sea have forced them to take action.

The latest data released by Xeneta show air cargo volumes from Vietnam to Europe—a major trade route for apparel—spiked by 62 per cent in the week ending January 14. This is also 6 per cent higher than last year's peak week in October and a 16-per cent increase on the volumes recorded in the same week 12 months ago.

"This is the first signal in Xeneta data that the Red Sea crisis is impacting air freight. This is typically a quieter time of year for air freight so to see increases of this magnitude, with higher volumes than at any point in 2023, is significant," Xeneta chief airfreight officer Niall van de Wouw said.

“Routes from Vietnam to Europe are used heavily for apparel, a sector we have been told is switching more goods from ocean to air due to the Red Sea crisis, so it is particularly noteworthy we are seeing volumes increase to such an extent on this trade,” he said in a company release.

The upcoming Lunar New Year may also be contributing to the increase in volumes, he noted.

Air freight rates from Vietnam to Europe have increased, but with increasing volumes putting pressure on capacity and load factor, costs could be set to rise further, Xeneta observed.

“In the next two weeks we should know for sure if this represents a genuine and significant shift from ocean to air freight due to the Red Sea crisis,” Van de Wouw added.

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