LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

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India must focus more on manufacturing, and this is the way to do it

Read more at: India must focus more on manufacturing, and this is the way to do it - The Economic Times

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CMAI's 78th National Garment Fair 2024 in Mumbai

The Clothing Manufacturers Association of India (CMAI) is gearing up to unveil the 78th edition of the National Garment Fair 2024 (NGF 2024) in Mumbai from January 29 to 31, 2024. This premier event is set to showcase the offerings of over 950 garment manufacturers, featuring an extensive array of 1120 apparel brands spanning Women's wear, Men's Wear, Kids wear, and Accessories at the Bombay Exhibition NESCO Complex in Goregaon East.

Key platform for industry interaction

The NGF 2024 stands as the much-anticipated biannual trade show that acts as a crucial bridge, connecting national and regional brands, manufacturers, apparel designers, and fashion accessories manufacturers with retailers, agents, distributors, and e-commerce companies. It has earned its reputation as India's leading trade fair, providing a comprehensive sourcing platform that optimizes both time and cost efficiency for all stakeholders involved.

Insights from industry leaders

Rajesh Masand, President of CMAI, emphasized the significance of NGF 2024 in gauging the industry's future, stating, "The apparel industry has faced challenges with consumer preferences shifting away from traditional apparel categories. Bookings made during NGF 2024 will serve as a key indicator for the outlook of the segment over the next six months."

Rohit Munjal, Vice President and Chairman of the Fair Committee, highlighted the expansive scale of this edition, covering approximately 7,00,000 sq. ft. of exhibition area spread across 7 Halls. Anticipating a substantial turnout, Munjal expects trade visitors from all corners of India, including national-level retailers and distributors.

Industry stabilization predicted

Rahul Mehta, Chief Mentor of CMAI, expressed optimism regarding the demand for the upcoming spring-summer season. He stated, "Retailers are actively managing substantial inventory, and with the ongoing End of Season Sale (EOSS), we anticipate the clearance of surplus stock, leading to a normalization of bookings. Nevertheless, 2024 is projected to be a stabilizing period, with no substantial upswing expected in apparel sales during this year."

Market overview

The Indian apparel market, estimated at Rs. 6.80 lakh crores, has witnessed a growth of 15-20% in FY2024. This growth is attributed to distributor network expansions and new store openings. However, the same-store growth has not been as substantial, indicating the need for innovative strategies to drive sustained growth in the industry.

As industry stakeholders converge at NGF 2024, the spotlight will be on forging collaborations, exploring market trends, and revitalizing a sector that is navigating through dynamic consumer preferences and market challenges. The fair is poised to serve as a pivotal juncture for the industry to adapt and thrive in the ever-evolving landscape of the fashion market.

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ABTF ANNOUNCES ANNUAL COTTON CONFERENCE IN MUMBAI: A SUSTAINABLE FUTURE FOR COTTON

Read more at: AbTF announces annual Cotton Conference in Mumbai: A Sustainable Future for Cotton - Apparel Views

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French President Emmanuel Macron's visi may give push to India-EU trade deal talks: GTRI

French President Emmanuel Macron's visit as the chief guest for the Republic Day celebrations is likely to give a fillip to the ongoing talks for a comprehensive trade agreement between India and EU, economic think tank GTRI said on Wednesday. France is a key member of the 27-nation bloc European Union (EU).

In June 2022, India and the EU restarted the negotiations for the long-pending trade and investment agreement, after a gap of over eight years.

The negotiations for the ambitious free-trade agreement (FTA) were suspended in 2013 after several rounds of talks spanning six years.

Macron will be the chief guest at the Republic Day celebrations on January 26 that would make him the sixth leader from France to grace the prestigious annual event. He will also visit Jaipur on Thursday.

The Global Trade Research Initiative (GTRI) said that this visit is expected to provide an impetus to various domains of mutual interest, ranging from defence cooperation to economic ties, and from energy collaboration to space and nuclear partnerships.

The discussions will likely pave the way for new agreements and deepen existing cooperation, reflecting the dynamic and evolving nature of the India-France strategic partnership, it said.

"France, as India's eighth largest trading partner, aims to strengthen trade and investment ties. Both countries are negotiating an FTA (India-EU FTA) to further expand the relationship. They may discuss market access, intellectual property rights, and investment facilitation," GTRI Co-Founder Ajay Srivastava said.

The seventh round of talks for the proposed agreement will be held from February 19-23.

Srivastava added that the discussions may include counterterrorism, intelligence sharing, and defence technology transfer.

"Potential collaboration is also expected in renewable energy, green hydrogen, and sustainable infrastructure development, underscoring their commitment to combating climate change," it said, adding that discussions between the two countries may also focus on enhancing multilateral cooperation on global health, food security, and climate change.

The growing space partnership between India's ISRO and France's CNES, including joint missions and technology transfer, will likely be a topic of discussion besides increasing cooperation in the civil nuclear segment, it said.

The economic relationship between India and France is marked by significant business presence, trade, and investment.

Over 1,000 French companies operate in India across various sectors like manufacturing, services, and technology, while more than 200 Indian companies are established in France.

In 2022-23, the bilateral trade reached USD 19.2 billion (export USD 7.6 billion and imports USD 6.2 billion).

India's exports to France included diesel (USD 707.9 million), ATF (USD 405 million), turbojets (USD 496 million), apparels(USD 850 million), footwear (USD 157 million), smartphones (USD 248 million), gold jewellery (USD 160.5 million), airplane parts (USD 158 million), medicines (USD 447.8 million), and chemicals (USD 364.5 million).

On the other hand, main imports included planes, helicopters, and/or spacecraft (USD 2.1 billion), LNG (USD 400 million), navigation equipment (USD 102 million), turbojets, and gas turbines (USD 442.2 million).

In the domain of services, India exported financial, IT, maintenance and repair, travel, transport, and other business services worth USD 3.2 billion to France, while importing services such as other business services, transportation, and insurance, amounting to USD 2.2 billion.

Investment-wise, France ranks as the 11th largest investor in India, with a cumulative Foreign Direct Investment (FDI) inflow of USD 10.5 billion from April 2000 to March 2023.

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'Economy gains momentum, made a robust start in January'

The Indian economy made a robust start to the new year, with private sector business activity expanding at the fastest pace in four months in January driven by strong demand. The HSBC flash India Composite Purchasing Managers' Index (PMI), compiled by S&P Global, climbed to a high of 61 in January from 58.5 in December, marking its highest level since September. This places the index well above the 50-point threshold that differentiates expansion from contraction.

"Service providers noted a stronger increase in activity than manufacturers, but growth accelerated in both cases," HSBC said in the survey, released on Wednesday.

This flash result positions India as one of the fastest-growing major economies.

The Reserve Bank of India (RBI) in December revised its growth forecast for the Indian economy to 7% for the current fiscal year, an increase from the earlier projection of 6.5%. This revision was based on higher-than-anticipated growth in the first two quarters.

“The economy grew at a faster pace in January, led by stronger manufacturing output, as well as more robust business services activity," said Pranjul Bhandari, chief India Economist at HSBC. “New orders rose at a faster pace than a month ago, and within that, international orders were stronger than before. Input prices rose quickly, but output prices were raised to a smaller extent."

Meanwhile, HSBC Flash India Manufacturing PMI stood at 56.9 in January, up from 54.9 in December.

Activity in the services industry also accelerated at a sharper rate, with the HSBC Flash India Services PMI Business Activity Index rising to 61.2 during January from 59 in December.

Survey participants attributed this growth to favourable economic conditions, strong demand, and continuous improvements in new business inflows. "Indeed, aggregate sales increased at a sharp pace in January, and one that was the fastest in six months. Both manufacturing firms and their services counterparts recorded quicker rates of expansion in new orders," the survey said.

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Bangladesh Ousts China As Top Apparel Exporter In UK 4 Times In 2023

Bangladesh has been competing with China in the last few months to turn the top exporter of readymade garment (RMG) to the United Kingdom.
Bangladesh displaced China from the top apparel exporter position in the UK market four times between January and November last year—in January, March, April and May, according to UK government data.

Despite remaining the second-largest apparel exporter in the UK market in terms of value, Bangladesh's position was unchanged as the top RMG exporter there in terms of volume since 2022, followed by China.

Although the overall apparel imports by the United Kingdom fell in the January-November period last year due to inflation, the share of Bangladesh's exports rose there due to competitive prices.

Bangladesh's apparel export to the United Kingdom in between January and November last year fell by 11.58 per cent to £2.63 billion compared with that of £2.98 billion in the same period of 2022, according to a UK government factsheet on Bangladesh released recently.

The United Kingdom's apparel import from China in the same 11 month also dropped by 22.93 per cent to £2.83 billion compared with £3.68 billion in the same period of 2022. Its overall apparel import declined by 18 per cent year on year (YoY) in value and 13.67 per cent YoY in volume.

In terms of volume, Bangladesh's clothing exports to the United Kingdom, the third largest export destination for the former, also dropped by 10 per cent YoY in those 11 months.

China's apparel exports by volume to the United Kingdom in those 11 months dropped by 14.28 per cent YoY.

In that period, UK apparel imports from Turkiye, Pakistan and Cambodia declined by 27.5 per cent, 12.65 per cent and 16.48 per cent YoY respectively.

India's and Vietnam's apparel exports to the United Kingdom in those 11 months decreased by 12.53 per cent and 16.48 per cent YoY respectively.

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US dollar tumbles in midst of consolidation; US data, ECB loom

The US dollar dropped on Wednesday, after rising in eight of the last 10 sessions, as investors consolidated gains spurred by a broad reversal of the greenback's decline in December.

The US currency, however, cut its losses after data showed that business activity in the world's largest economy picked up in January and a measure of inflation eased. A gauge of prices charged by companies for their products fell to the lowest level in more than 3-1/2 years, data showed.

Investors are now looking to Thursday's first reading of the US gross domestic product for the fourth quarter, and another inflation reading — the personal consumption expenditure (PCE) data — on Friday.

The dollar index fell 0.4% to 103.1 after climbing to a six-week peak on Tuesday. Since the beginning of the year, the dollar has been up around 1.7% this year as stronger-than-expected data and a pushback from central bankers has caused the market to rein in its expectations for rapid Federal Reserve interest rate cuts this year.

Analysts said the US currency is still in the middle of a correction higher, until the Fed starts cutting rates.

The dollar fell 1.2% in December and 1.5% in November, as Fed officials made dovish comments that suggested the central bank was nearing the end of its tightening cycle.

"The correction in the dollar from the decline in Q4 2023 may not be over yet, although momentum indicators are getting stretched," said Marc Chandler, chief market strategist, at Bannockburn Forex in New York.

"But I am not sure that we have broken out yet. I think we really have to get through not only tomorrow with the US GDP number and the ECB (European Central Bank), but also next Friday's jobs data. And it still looks pretty good."

Chandler added that the generally stable economic picture should be enough to reduce the odds of a March rate cut.

On Wednesday, however, US rate futures market priced in a more than 50% chance of easing at the March meeting, up from late Tuesday's 47% probability, but down from as much 80% factored in about two weeks ago, according to LSEG's rate probability app.

For 2024, futures traders are betting on five rate cuts of 25 basis points each. Two weeks ago they expected six.

The Fed is set to meet next week and is widely anticipated to hold interest rates steady.

The dollar was down 0.8% against the yen at 147.18.

The yen's rally tracked the rise in Japanese bond yields, which leaped to six-week highs. Bank of Japan chief Kazuo Ueda said on Tuesday the prospects of achieving the central bank's inflation target were gradually increasing, adding to expectations that the country might soon leave behind its ultra-loose monetary policy.

Strong Japanese export data on Wednesday added to the positive mood.

ECB MEETING COMING UP

The euro was last up 0.4% at $1.0898 after falling to a six-week low the day before.

It extended its rise after purchasing managers' index (PMI) surveys showed the euro zone economy's downturn eased somewhat in January, although it remained sluggish.

The ECB meeting is coming up on Thursday, and the bank could give hints about when euro zone borrowing costs might start falling.

Francesco Pesole, foreign exchange strategist at ING, said China's announcement that it will cut the amount of cash banks must hold as reserves in early February, in an attempt to boost lending and the economy, also helped the euro.

"The euro zone is highly dependent on China, so it normally tends to have a good correlation with whatever happens (there)," he said.

The onshore yuan strengthened after the announcement, touching a three-week high of 7.142 to the dollar.

Sterling also climbed after a strong PMI reading caused traders to further dial back their bets on Bank of England rate cuts this year, a process that was kick-started by a stronger-than-expected inflation reading earlier this month.

The pound was last 0.5% higher at $1.2754.

Also on Wednesday, the Bank of Canada held its key overnight rate at 5% and said while underlying inflation was still a concern, the bank's focus is shifting to when to cut borrowing costs rather than whether to hike again.

The US dollar rose 0.2% versus the Canadian currency to C$1.3486.

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Navigating the challenges of 2024 to retain a decent growth

From my perspective, one major challenge we have been facing is the international market situation. Unfortunately, we have very little control over this situation. The demand for garments has declined in Europe and America, leading to a fall in exports to these regions. There is uncertainty about when this situation will improve, this downward trend in the international market is a significant challenge with no clear solution in sight.

The second challenge revolves around survival in this difficult economic climate. The average increase in wages is around 40%, posing a threat to many factories. While buyers have expressed willingness to increase prices, implementation has been slow. Major players like H&M and ZARA may discuss price hikes, but the actual execution remains uncertain. Small factories relying on less prominent buyers, whose commitment to price increments is unclear, face a substantial challenges. This issue may not confine to the entire year but extends to the next six months at least, especially during the Eid season when extra payments are necessary. Those who can manage this period efficiently might find the situation more sustainable for themselves.

Product diversification is an ongoing challenge. Given our inability to alter market dynamics, increasing our share of exports and diversifying products within the garment sector becomes crucial. However, progress in man-made fiber based products development is slow, adding another layer to the challenge.

As a major player in the market, our survival and growth are imperative. International and political issues do not pose immediate challenges. However, long-standing productivity improvement remains a persistent challenge, with Bangladesh having the lowest productivity among international players like India, Cambodia, Vietnam, China, and Indonesia. A minimum 20% increase in productivity is essential for sustained growth, and efforts are being made, though not in an organized manner. This challenge is not specific to 2024 but spans the next five years.

Despite these challenges, the Bangladesh textile industry has a history of overcoming obstacles to achieve its current position. Overcoming challenges within our control is possible, such as expanding into neighboring markets like India and China to achieve our dream of surpassing China in exports.

Lastly, our industry lacks proper branding. Bangladesh is often associated with the export of the cheapest garments, and this perception needs to change. The industry requires strong branding efforts from the government, BGMEA, and BKMEA. Although individual factories have pursued branding but country specific efforts are necessary.

Initiatives like having more than 200 LEED certified factories showcase the industry's commitment to safety, security, and environmental sustainability. Transforming the negative image stemming from the Rana Plaza incident into a positive branding opportunity is essential, not just for buyers but for the pride of the entire community in wearing Bangladeshi products.

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