LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

NATIONAL

Changing Crop Preferences May Impact India's Cotton Output: USDA

The USDA's Foreign Agriculture Service (FAS) has projected a two per cent decline in India's cotton production due to various factors. It has projected cotton production at 25.4 million bales of 480 lb (equivalent to 0.453 kg) for 2024-25. Additionally, it has estimated cotton sowing to cover an area of 12.4 million hectares in the country. The report suggests that farmers may shift from cotton to crops with higher returns, such as pulses, maize, and paddy.

FAS Mumbai, in its report, stated that India's cotton production is expected to be 25.4 million bales of 480 lb (or 32.5 million bales of 170 kg/5.5 million tonnes). The current farmgate prices for seed cotton in March 2024 have seen an improvement from the previous month but are nearly six per cent lower than the previous year, which could deter farmers from planting cotton. However, the anticipation of a normal monsoon season is projected to enhance the yield by two per cent to 446 kilograms per hectare in the upcoming season.

According to the report, India's cotton consumption is projected to be 24.5 million bales of 480 lb (or 31.4 million bales of 170 kg), an increase of two per cent from the previous year. A significant recovery in the exports of value-added cotton products, especially cotton yarn and fabric, in the first six months of 2023-24 signifies a recovery in mill consumption.

As of March 7, the Cotlook A-Index has increased by five per cent since October 2023 (the start of the Indian marketing year), while Indian ex-gin prices and domestic cotton yarn prices have risen by 2.5 per cent and one per cent, respectively, during the same timeframe. Since October 2023, the Indian spot prices (Shankar-6) have increased by three per cent, from 92 cents per pound to 95 cents per pound. Currently, Indian prices are seven per cent lower than the Cotlook A-Index, making them highly competitive. This supports the consumption forecast and a projected rebound in the exports of yarn and textile products. Year-to-date exports (August-February) of cotton yarn by volume are 114 per cent higher than the previous year, and fabric exports are 11 per cent higher.

Textile production increased by three per cent, but apparel production decreased by two per cent in January 2024, according to the Index of Industrial Production - Quick Forecasts for January 2024, compared to the previous year. Cumulatively (April-January), textile production has slightly improved by 0.4 per cent, but apparel production has declined by

17 per cent. Any increase in consumption is expected to lead to a recovery or compensate for the considerable output losses of the past two seasons.

For the 2024-25 season, cotton exports are expected to reach 2.4 million bales of 480 lb (or 3.1 million bales of 170 kg). Higher carryover stocks will provide India with an exportable surplus, and the depreciation of the rupee will facilitate export opportunities for cotton and cotton products. Following the recent revocation of import duty on extra-long staple (ELS) cotton, imports are predicted to be 20 per cent higher at 2.4 million 480 lb bales.

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Repo Rate Unchanged At 6.5%, FY25 GDP To Expand By 7%: India's RBI

The Reserve Bank of India’s (RBI) monetary policy committee (MPC) today decided to keep its short-term lending rate (repo rate) unchanged at 6.5 per cent and maintain the stance of ‘withdrawal of accommodation’ in the monetary policy to ensure that inflation progressively aligns with the target, while supporting growth.

Consequently, the standing deposit facility (SDF) rate remains unchanged at 6.25 per cent and the marginal standing facility (MSF) rate and the bank rate at 6.75 per cent.

The decisions are in consonance with the central bank’s objective of achieving the medium-term consumer price index (CPI) inflation target of 4 per cent within a band of plus or minus 2 per cent.

Real gross domestic product (GDP) growth for fiscal 2024-25 is projected at 7 per cent with the first quarter (Q1) at 7.1 per cent; Q2 at 6.9 per cent; Q3 at 7 per cent; and Q4 at 7 per cent). The risks are evenly balanced, the MPC’s monetary policy statement said.

An expected normal south-west monsoon should support agricultural activity. Manufacturing is expected to maintain its momentum on the back of sustained profitability, it said.

“Private consumption should gain steam with further pick-up in rural activity and steady urban demand. A rise in discretionary spending expected by urban households, as per the Reserve Bank’s consumer survey, and improving income levels augur well for the strengthening of private consumption,” it noted.

The prospects of fixed investment are bright with business optimism, healthy corporate and bank balance sheets, robust government capital expenditure and signs of upturn in the private capital expenditure cycle, the statement said.

Headwinds from geopolitical tensions, volatility in international financial markets, geoeconomic fragmentation, rising Red Sea disruptions and extreme weather events, however, pose risks to the outlook.

Assuming a normal monsoon, CPI inflation for fiscal 2024-25 is projected at 4.5 per cent, with Q1 at 4.9 per cent; Q2 at 3.8 per cent; Q3 at 4.6 per cent; and Q4 at 4.5 per cent.

India's exports register healthy growth to European, Latin American nations in 2023

Read more at : India's exports register healthy growth to European, Latin American nations in 2023 - The Economic Times

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GLOBAL

South Asia's Growth Outlook Robust Yet Vulnerable, Says World Bank

In a recent report, the World Bank highlighted the strong but fragile economic growth anticipated in South Asia. Despite an impressive forecast of 6.0 per cent growth in 2024, driven predominantly by India's robust performance and recoveries in Pakistan and Sri Lanka, the region faces significant challenges that could undermine its economic momentum.
The World Bank's biannual regional outlook, titled ‘Jobs for Resilience’, underscores South Asia's position as the world's fastest-growing region, with a projected growth rate of 6.1 per cent in 2025. However, the report casts a shadow of concern over the sustainability of this growth, pointing to below pre-pandemic levels of economic expansion in most countries, a reliance on public expenditure, and a deceleration in private investment across the region.

The report raises alarms over the region's job creation pace, which lags behind the rapid growth of its working-age population. Martin Raiser, the World Bank's vice president for

South Asia, emphasised the need for policies that foster private investment and job growth to counteract the vulnerabilities posed by fiscal fragility and climate-related shocks.

A notable concern is the underutilisation of the demographic dividend in South Asia. The employment ratio in the region stands at a worrying 59 per cent, compared to 70 per cent in other emerging markets and developing economies. The decline in employment among working-age individuals, particularly men, and the low employment rate among women, spotlight the region's failure to fully harness its labour potential.

Franziska Ohnsorge, the World Bank's chief economist for South Asia, highlighted the missed opportunities due to the region's employment trends. She estimated that aligning South Asia's employment rates with those of other regions could boost its output by 16 per cent.

The World Bank's recommendations for fostering firm growth and employment include increasing trade openness, improving access to finance, enhancing business climates, easing financial sector restrictions, and promoting education and gender equality in the workforce. These measures are pivotal not just for job creation but also for equipping households to adapt to climate change.

Country-specific outlooks reveal varying growth projections, with India leading at a 7.5 per cent growth rate in FY23-24, followed by steady growth across Bangladesh, Bhutan, the Maldives, Nepal, Pakistan, and Sri Lanka. Each country faces its unique set of challenges, from inflation and trade restrictions to sector-specific recoveries and the need for economic diversification.

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Cotton Dropped As ICAC Expected Increases In Production For 2024-25.

Cottoncandy experienced a decline of -0.58% yesterday, settling at 61,860, influenced by factors such as projections from the International Cotton Advisory Committee (ICAC) indicating increases in cotton-producing area, production, consumption, and trade for the next season, 2024-25. The ICAC forecasts a 3% rise in the cotton-producing area, reaching 32.85 million hectares, with production anticipated to increase by just over 2.5% to 25.22 million tonnes. Consumption is also expected to rise by 2.9% to 25.37 million tonnes, while global cotton trade is forecasted to grow by nearly 4% to 9.94 million tonnes.

Meanwhile, the Cotton Association of India (CAI) revised upwards its cotton production estimates for the current season, 2023-24, to 309.70 lakh bales, from the previous estimate of 294.1 lakh bales. Similarly, the Cotton Corporation of India (CCI) raised crop production estimates for the same season to 323.11 lakh bales, against the earlier estimate of 316.57 lakh bales. In the futures market, ICE (NYSE:ICE) prices dropped amidst increased supply expectations for cotton and lower demand from mills. For the marketing year 2024/25, India's cotton production is estimated at 25.4 million 480 lb. bales, with mill consumption expected to increase by 2%. Import duties on extra-long staple (ELS) cotton were rescinded, leading to a forecasted 20% increase in imports.

Technically, the market witnessed fresh selling pressure, with a 0.91% increase in open interest, settling at 443, despite a significant decrease in prices by -360 rupees. Cotton candy finds support at 61,660, with a potential test of 61,460 levels below that. Resistance is anticipated at 62,080, and a move above could lead to prices testing 62,300.

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