LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

NATIONAL

India plans cotton technology mission for improving quality as part of 100 days agenda

The Union textiles ministry is gearing up to launch a revamped Cotton Technology Mission aimed at improving the quality and output of India's "white gold" by adopting best practices that could position India as a prime destination for textile sourcing and foreign investment, two people aware of the matter said.

This mission is designed to reduce dependence on imports for this crucial raw material for fibre, and to increase the incomes of India's more than 6 million cotton farmers, they said.

Scheduled to span five years from 2024, the project's financial allocation and other policy frameworks will be finalized in the first 100 days of the new government, said one of the two people cited above.

India imports 500,000 bales of high-quality cotton, falling short of its required 900,000 bales. However, the government has set an ambitious target to significantly reduce these imports by 2030 through this proposed mission.

The ministry plans to conduct stakeholder consultations in the coming months. Given that a model code of conduct is in place, the government aims to utilize this period to finalize discussions and prepare a draft policy framework.

The textiles ministry will launch the revamped cotton technology mission in cooperation with Indian Council of Agricultural Research (ICAR), Cotton Association of India and different associations of ginners in the country.

Queries sent to spokespersons of the textiles ministry and ICAR remained unanswered till press time.

New tech focus

The policy will focus on introducing new technologies to reduce trash content, contamination levels, and enable real-time sample testing.

The proposed mission will focus on increasing cotton production by adopting best agricultural practices, using quality seeds, and implementing a high-density planting scheme. “It will be done through indigenous varieties of cotton seeds," the second person said.

“Two decades ago, when Bt cotton was introduced, farmers were optimistic about its potential for high yield, better market prices, and protection from insect attacks. However, as time passed, the increasing costs of inputs and the occurrence of crop failures have outweighed the perceived benefits of Bt cotton," said Kalyan Goswami, the director general of Agro Chem Federation of India.

“Replacing Bt cotton, which currently covers 95% of the cultivation area, would be a challenging task. One of the major hurdles would be the availability of Kasturi cotton seeds," said Goswami, who is also a former DG of the National Seed Association.

“India is not yet prepared in that respect."

“Another challenge is the lack of patience, which has led to the premature termination of government initiatives, such as the goal of doubling farm income. Achieving a significant market share in the Indian cotton market with Kasturi cotton would require sustained efforts for at least 10-12 years, aiming to capture 25-30% of the market," Goswami added.

White gold

In recent years, India has witnessed a sharp decline in production of ‘white gold’ as per textile ministry data, annual production of cotton in 2017-18 was 37 million bales (170 kg each) that was reduced to 33 million bales next year. After a significant growth in 2019-20 (36 million bales), it reduced to 35 million bales in 2020-21 and 31 million in 2021-22. Total production of cotton in 2022-23 was 34.7 million bales.

However, it is estimated that production may shrink at 31.6 million bales in 2023-24.

The ministry is also focusing on increasing footprints in technical textiles, which is a growing market. Currently, India is exporting technical textiles, including medical apparels, to the tune of $2.5 billion and set a growth target of $10 billion in the next 5 years.

India's textile exports declined to $34.40 billion in FY24 due to geopolitical tensions.

Textile and apparel exports, which were under stress for more than a year, grew 6.91 % year-on year in March.

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Centre eyes $1-trillion merchandise exports

f the country is targeting $1 trn of exports by 2030, there is a likelihood of about $1.5 trn of imports, so do we have enough capacity to cater to $2.5 trn of exim trade. So that is the target, on which the department is working -- Anant Swarup, Addl Secretary, Commerce Dept New Delhi: The Union Commerce Ministry has initiated an exercise to identify required infrastructure needs, potential sectors, and clusters, which would help the country achieve the $1 trillion merchandise exports target by 2030, a senior government official said on Thursday. Also Read - It’s beginning of Vi 2.0: KM Birla ADVERTISEMENT Additional Secretary in the Department of Commerce Anant Swarup said that the Asian Development Bank (ADB) has been requested to conduct a study in this regard. If the country is targeting $1 trillion of exports by 2030, there is a likelihood of about $1.5 trillion of imports, so “do we have enough capacity” to cater to $2.5 trillion of EXIM (export and import) trade. So that is the target on which the department is working,” he said.

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India’s cotton exports jump 137% in Oct-March 2023-24 season at 18 lakh bales

https://www.thehindubusinessline.com/economy/agri-business/indias-cotton-exports-jump-137-in-oct-march-2023-24-season-at-18-lak

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India's economic performance strong, despite global hurdles: Economic Review

indian economy: India's economic performance strong, despite global hurdles: Economic Review - The Economic Times (indiatimes.com)

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Indian economy stands out with strong show: Finance Ministry

global economic landscape: Indian economy stands out with strong show: Finance Ministry - The Economic Times (indiatimes.com)

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Surge in shipments to WANA, CIS countries push engineering exports in FY24

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India-Canada FTA talks unlikely to resume soon

Free trade agreement (FTA) talks between India and Canada, on pause since September 2023, will not be resumed unless political issues that have soured bilateral relations are addressed, two people aware of the matter said.

The negotiations will not resume unless the Canadian government addresses the issues raised by India and the political issues between both countries find a resolution, said the first person mentioned above, who didn't want to be named.

"As of now, there is no timeline for resuming the talks between both countries," the person added.

Spokespersons of India's Commerce Ministry and the Canadian High Commission didn't respond to emailed queries.

Resuming talks

Canada halted the talks in September 2023, after they resumed nearly after a decade in March 2022, stating that both countries would mutually decide on resuming the talks in the future.

Both countries, talking off and on since 2010 about a comprehensive economic partnership agreement, re-launched negotiations for an interim agreement in March 2023.

At the time of pausing the talks, over half-a-dozen rounds of negotiations had taken place.

Prime Minister Narendra Modi had during September 2023 expressed concern over anti-India activities and Khalistan extremism in Canada in a meeting with his Canadian counterpart Justin Trudeau on the sidelines of the G20 Summit.

A few weeks later, Trudeau told Canada's House of Commons that the Indian government may have been involved in the killing of Hardeep Singh Nijjar, a Canadian citizen and a prominent figure in the pro-Khalistan movement.

Nijjar was designated as a terrorist by the Indian government. The Canadian government also expelled a senior Indian diplomat from the country.

"Canadian security agencies have been actively pursuing credible allegations of a potential link between agents of the Government of India and the killing of a Canadian citizen, Hardeep Singh Nijjar," Trudeau told an emergency session of the Canadian parliament last September, adding that his government has declared its concerns to Indian security and intelligence officials.

Change of guard

Following this, Canada removed 41 of the country's 62 diplomats in India after New Delhi threatened to revoke their immunity.

Interestingly, Canada will be conducting its federal election to elect members of its parliament in 2025, which could lead to a change in guard at the helm of the Canadian government.
"The elections could throw up a new government at the helm, which could have a different view (of the political issues with India)," the first person mentioned above added.
Merchandise trade between India and Canada stood at about $7.6 billion during the calendar year (CY) 2023.
During CY23, India's merchandise exports to Canada stood at $3.49 billion, down 7.5% annually, while its imports stood at $4.10 billion, up 7.43% annually.
During the trade negotiations between both countries, Indian businesses were looking for duty-free access for various products like textiles and leather, and easy visa norms for the movement of professionals, while Canadian companies were looking for easier access in sectors like dairy and agricultural products.

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India’s growth story to continue, inflationary concerns ease with better monsoon: FinMin

Despite global headwind, India asserts its pivotal role in supporting the global growth trajectory, says a Finmin report. Also, it said better monsoon projections eases inflationary concern.

These remarks have been made at a time, when various domestic and global agencies have raised India’s growth estimate for current fiscal. Last week, International Monetary Fund (IMF) upped its growth projection for India by 30 basis points to 6.8 per cent for the current fiscal year.

Earlier, Asian Development Bank (ADB) revised its projection to seven per cent from 6.7 per cent for the current fiscal. RBI estimates growth to be seven per cent.

“India continues to be the fastest-growing major economy with positive assessments of the growth outlook for the current financial year, for India by international organisations and RBI,” the Monthly Economic Review (MER), prepared by Economic Affairs Department of Finance Ministry said.

It also took note of revision in projection for just ended fiscal year (2023-24 or FY24). The IMF, in its April 2024 World Economic Outlook (WE), has revised upwards its estimate of India's real GDP growth for FY23-24 to 7.8 per cent from 6.7 per cent in its January 2024 update and 6.3 per cent in its October 2023 WEO.

"Resilient growth, robust economic activity indicators, price stability, and steady external sector performance continue to support India's promising economic performance amidst uncertain global conditions," the report said.

It dealt the issue of inflation in details. It mentioned that global inflation remains contained overall and has declined in most regions, but the recent uptick in inflationary pressures across nations along with persistence in core inflation warrants attention. In India, the government and the RBI's efforts to combat inflation, including calibrated policy rates, strengthening food buffers, and easing imports, have ensured effective inflation management.

Consequently, "retail inflation in FY23-24 witnessed a significant decline, reaching its lowest level since the COVID-19 pandemic, with core inflation dropping to 3.3 per cent in March. Further, a predicted above-normal monsoon in 2024 bodes well for a good harvest, easing inflation concerns," the report said.

Talking about foreign exchange inflow, it said that FPI (Foreign Portfolio Investor) flows saw a significant turnaround in FY23-24. Supported by rising economic growth, a favourable business environment, and strong macroeconomic fundamentals, India witnessed robust FPI inflows in FY23-24.

Net FPI inflows stood at $41 billion during FY23-24, as against net outflows in the preceding two years. This is the second-highest level of FPI inflow after FY14-15. India received the highest equity inflows among emerging market peers during FY23-24.

"The imminent inclusion of India's sovereign bonds in global bond indices is likely to spur demand for exposure to India further," it said. Though owing to a rise in repatriation/disinvestment, net FDI moderated to $25.5 billion in the first ten months of FY23-24 from $36.8 billion a year ago, the foreign exchange reserves reached an all-time high of $645.6 billion as of March 29. This is "sufficient to cover 11 months of projected imports and more than 100 per cent of total external debt," it said.

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India's services exports up 11% to $345 billion in 2023: UNCTAD

India beat the world average in the services export growth in calendar year 2023 with overseas earnings from the sector expanding 11.4% on year to $ 345 billion, according to a United Nations Conference on Trade and Development report.

During the year world services trade grew 8.9% to cross $ 7.9 trillion.

International travel receipts increased by 40%, continuing the recovery from the COVID-19 pandemic throughout the year. Transport dropped by some 12% in 2023. Other services, many of which can be traded digitally, recorded a solid rise over the year, surpassing 7% in each quarter of 2023, the report said.

According to the report India is the 7th largest exporter of services in the world. Among the developing countries it is the second biggest just behind China. The US is the biggest services export in the world at $ 999 billion followed by the UK at $ 584 and Germany at $ 440 billion.

For the financial year 2023-24 the services exports were $ 339.6 billion, up 4.4% on year, according to Indian government data.

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GLOBAL

Bangladesh Fails To Capitalise On Rising Global RMG Demand: Report

In 2024, Bangladesh has faced challenges in capitalising on the global surge in apparel demand, according to a report by the Quality Inspection Management (QIMA).

Despite an increase in sourcing volumes worldwide in the first quarter, Bangladesh struggled to match China's pace in securing export orders, it underlined while indicating a 20 per cent rise in demand for textile and apparel inspections and audits from manufacturing countries like Bangladesh.

Although US and EU brands intensified procurement in Bangladesh, concerns lingered due to the government's policy shift reducing cash incentives for garment exports, which cast doubt on the optimism surrounding Bangladesh's export sector recovery following disruptions in 2023.

Notably, Bangladesh witnessed a steeper decline in apparel exports compared to China and Vietnam, especially evident in the US and EU markets.

China's recovery was pronounced, with significant growth in demand from US and EU buyers, particularly in Germany, France, and the Netherlands.

Interest in Chinese manufacturing remained strong across Asia, Latin America, and South America.

QIMA's report, informed by extensive data and surveys, provided insights into global sourcing trends.

Despite the challenges, two-thirds of respondents globally planned to maintain or increase business with Chinese suppliers in 2024, echoing concerns raised by industry leaders in Bangladesh.

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US Consumers Less Sustainably Minded Than Last Year: ESW Survey

US consumers are less concerned with sustainability now than they were a year ago, according to the Global Voices survey conducted by ESW. The survey highlights a decline in the US sustainability sentiment score, dropping from 51 in 2023 to 49 this year, which is below the global average of 55.

The survey, which measures attitudes towards sustainability across various countries, shows that emerging markets are more focused on sustainability compared to economically mature markets. India scored the highest at 75, followed closely by the United Arab Emirates at 74, China at 70, and Mexico at 67. In contrast, Japan, Germany, the UK, Switzerland, and Canada scored significantly lower, indicating varying degrees of commitment to sustainable practices worldwide.

Younger generations are generally more engaged with sustainability issues. Gen Z scored 61 and Millennials 60, significantly higher than Gen X at 53 and Baby Boomers at 49. Within the US, Millennials have the highest sustainability score at 59, though this has fallen from 62 last year. This group also scored higher than their younger Gen Z counterparts, who scored 57, as per the survey.

The survey further identifies environmentally attuned shoppers, classifying those who scored 80 or above on the sustainability scale as such. One-third of all global respondents fall into this category, indicating a significant segment of consumers highly conscious of environmental issues.

Additional findings from the survey indicate an increased awareness of greenwashing, with 55 per cent of global consumers acknowledging greater awareness compared to last year. Also, 27 per cent of consumers consider a brand's environmental transparency when making purchases. Interestingly, luxury shoppers are 1.5 times more likely to be sustainably attuned, and those valuing brand authenticity are 50 per cent more likely to be environmentally conscious. Among shoppers who prioritise brand names, 32 per cent are likely to be environmentally attuned, with these consumers associating brand names with higher quality and better environmental records.

"We were surprised to discover that the degree to which consumers are concerned about sustainability, as well as what they value from the brands they patronise, depends largely upon where they live," said *Martim Avillez Oliveira, chief revenue office, ESW*. "The data suggests that while US consumers have been encouraged to make environmentally responsible choices for years, perhaps the intensity of that messaging, along with the increasing strain that inflation places on households, may have consumers at a tipping point."

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Global economy to continue solid momentum for rest of the year: Survey

The global economy is likely to carry its solid momentum for the rest of the year and into 2025, defying earlier expectations of a slowdown, according to a Reuters poll of economists who said stronger growth than forecast was more likely than weakness.

That shift in the growth outlook brings its own set of challenges for central banks, which raised rates in quick succession to try and drive inflation down to target but now may have to wait even longer before considering rate reductions.

Among bigger economies, the United States and India were expected to contribute the most to the pickup in growth. There was no deterioration in the consensus view for the euro zone or No. 2 economy China either, according to a March 27-April 25 Reuters poll of 500 economists covering 48 economies.

Global growth was forecast at 2.9 per cent this year, faster than 2.6 per cent in a January poll, followed by 3.0 per cent in 2025. More than 90 per cent of common contributors upgraded their views and still said there was a significant chance growth could be even stronger.

A 60 per cent majority of economists, 98 of 162, said the global economy this year was more likely to grow faster than they expected than undercut their predictions.

"We are continuing to be surprised by the resilience of the global economy. Now, part of that is we entered the year with subdued expectations, we thought that there would be a deceleration this year," said Nathan Sheets, global chief economist at Citi.

"So far we've been marking up growth for the global economy in a number of places including major economies like the US and China, Europe to some extent as well. So it's feeling solid."

On the flip-side, strong growth was expected to keep inflation and interest rates higher for longer.

More than three-quarters of the central banks covered, 16 of 21, were expected to still be dealing with above-target inflation by year-end, up from 10 in the January quarterly poll.

Economists still expect major central banks to cut rates either this quarter or next, broadly in line with financial market pricing. But most now forecast fewer cuts by year-end as inflation remains sticky.

The US Federal Reserve is expected to start cutting in September and once more in Q4, according to the poll, much later than a March start and a total of six cuts financial markets had priced in at the beginning of the year.

In January, the Reuters consensus had a more modest outlook, with four cuts starting in June.

Despite lackluster Q1 GDP growth reported on Thursday, risks were still for the Fed to go for fewer rate cuts this year as underlying inflation data that accompanied the report suggested pressures were building, not easing.

The European Central Bank was still forecast to cut rates by 25 basis points in June, followed by two more in the second half of the year to support growth in the currency bloc which was expected to only grow an average 0.5 per cent in 2024.

That widening gap is already priced into the strong dollar, up over 4 per cent this year against a basket of currencies.

"A question we've been getting quite a lot is 'can Europe start cutting before the Fed?'," said James Rossiter, head of global macro strategy at TD Securities.

"And I would say...when we look back in history, whether the ECB starts in June and the Fed starts in September, it will all look like it's part of the same cutting cycle."

The Bank of England, which was the first among major central banks to raise borrowing costs in December 2021, will also wait until next quarter to lower them, the survey showed.

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Interest rates may stay higher than expected in 2024-25: World Bank report

Interest rates may stay higher than expected in 2024-25: World Bank report - The Economic Times (indiatimes.com)

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US Q1 GDP: At 1.6%, US economy grows at slowest pace in 2 years, misses estimates on sharp uptick in core inflation

The US economy grew last quarter at the slowest pace in two years as consumer and government spending cooled amid a sharp pickup in inflation. The US gross domestic product (GDP) increased at a 1.6 per cent annualized rate in January-March 2024, missing Wall Street expectations of a larger 2.4 per cent rise seen in the quarter-under-review. The growth was also a clear slowdown from the 3.4 per cent increase in the final three months of last year, and the weakest growth rate since mid-2022. The world's biggest economy's main growth engine — personal spending — rose at a slower-than-forecast 2.5 per cent pace. The figures represent a significant loss of momentum at the start of 2024 after the economy wrapped up a strong year.

US Q1 GDP Growth: Key Metrics

The slowing in growth "primarily reflected decelerations in consumer spending, exports, and state and local government spending," said the US Commerce Department's Bureau of Economic Analysis report. There was also a "downturn in federal government

spending," said the Commerce Department. Spending on goods decreased for the first time in more than a year, capped by motor vehicles and gasoline.
The first-quarter pickup in inflation was driven by a 5.1 per cent jump in service-sector inflation that excludes housing and energy, nearly double the previous quarter's pace. The report showed outlays for services rose by the most since the third quarter of 2021, fueled by health care and financial services.

The government spending and trade, inflation-adjusted final sales to private domestic purchasers — a key gauge of underlying demand — rose at a 3.1 per cent rate. Residential investment jumped at a nearly 14 per cent annual rate, the fastest since the end of 2020 and underscoring efforts to boost inventory.
Federal government spending subtracted from GDP for the first time in two years. Business inventories dragged for a second straight quarter. The GDP estimate released today is subject to further revision. The second estimate for the first quarter, based on more complete source data, will be released on May 30, 2024.

What will US Fed decide amid 'soft landing' expectations?

With the inflation pickup, US Federal Reserve policymakers — who were already expected to hold interest rates at a two-decade high when they meet next week — may face renewed pressure to further delay any cuts and even to consider whether borrowing costs are high enough.
Traders will parse Chair Jerome Powell's comments for clues about the latest thinking around easing policy. Powell previously said that growth can run at a faster rate without stoking inflation thanks to supply-side improvements like immigration, which is boosting the size of the workforce.
Separate data out Thursday showed initial applications for unemployment benefits fell to 207,000 last week, the lowest level in two months. Continuing claims also decreased.
Consumption has been more resilient than anticipated last year, even as economists predicted that spending would cool as households depleted their savings from the pandemic period and while borrowing costs stayed high.
A key factor has been a robust labor market, fueling job and wage gains. This has boosted optimism that the country is achieving a "soft landing" where inflation moves lower on the back of higher interest rates without triggering a recession.

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