LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

5th AUGUST 2024

News Highlights

NATIONAL

India free-trade agreement with Oman hits market-access roadblock

Read more at : https://www.business-standard.com/economy/news/india-oman-fta-hits-speed-breaker-over-market-access-issues-124080400342_1.html

Home

India seeks duty concession on cars, machinery in FTA with Sri Lanka

India is seeking customs duty concession on a number of goods including cars, commercial vehicles and machinery from Sri Lanka under a comprehensive free trade agreement (FTA), talks for which are underway, an official said.

India has also sought easier visa norms to further facilitate entry of professionals from here, the official said.

The 14th round of talks between senior officials of India and Sri Lanka was concluded recently in Colombo.

Issues which came up for the talks included rules of origin, goods, services, and technical barriers for trade.

On the other hand, Sri Lanka has sought removal of a quota on apparel exports to India. The island nation is also asking for duty concessions on tea and certain agricultural commodities.

The official said that as elections are announced in Sri Lanka, the next round of negotiations between the two countries will be held after that.

The two nations have already implemented a free trade agreement in goods and now they are negotiating to expand the pact by including more goods and services.

The India-Sri Lanka Free Trade Agreement (ISFTA) came into force in March 2000. It enhanced economic relations between the two countries by reducing tariffs on a wide range of goods.

Since the original ISFTA focused solely on goods, both countries have been negotiating for several years to expand it into a Comprehensive Economic Partnership Agreement

(CEPA), which would include services, investment, and other areas of economic cooperation.

Under the current FTA, India allowed limited imports of garments from Sri Lanka at a 50 per cent tariff (or customs duty) concession for up to 8 million pieces annually, with a requirement that 6 million of these pieces use Indian fabric.

Additionally, India offered a 50 per cent tariff concession on up to 15 million kg of tea from Sri Lanka each year.

Think tank Global Trade Research Initiative (GTRI) said that Sri Lanka may be seeking removal of the quota on garments, especially considering that India has allowed duty-free imports of garments from Bangladesh under the South Asia Free Trade Agreement (SAFTA) for Least Developed Countries (LDCs).

"However agreeing to this request may not be easy for India as allowing duty free imports has led to a significant increase in garment imports from Bangladesh, growing from USD 144.25 million in FY'2014 to USD 739.06 million in FY'2024, a cumulative growth of 412.34 per cent," GTRI Founder Ajay Srivastava said.

Sri Lanka has placed items like automobiles and electrical goods on its negative list, restricting their import.

Since the implementation of the ISFTA, trade between the two countries has experienced fair growth.

India's exports to Sri Lanka increased from USD 499.3 million in FY'2000 to USD 4.17 billion in 2023-24, a cumulative growth of 735.2 per cent. Meanwhile, imports grew from USD 44.3 million to USD 1.4 billion over the same period.

In the last fiscal, India's key exports to Sri Lanka included petroleum products (USD 704 million), cotton (USD 260 million), pharmaceuticals (USD 255 million), refined sugar (USD 206 million), fabric (USD 223 million), machinery (USD 171 million), pepper (USD 90.9 million), car and motorcycle parts (USD 79.3 million), onions (USD 63.4 million), and pulses (USD 32 million).

Notably, India's exports to Sri Lanka fell from USD 5.1 billion in FY'2023 to USD 4.17 billion in FY'2024, primarily due to a significant reduction in petroleum product exports, which declined from USD 1.78 billion to USD 704 million, GTRI said.

India's major imports from Sri Lanka in FY 2024 were coffee (USD 103.7 million), garments (USD 55.65 million), animal feed (USD 72.2 million), areca nut (USD 65.5

million), light pepper (USD 44.4 million), rough diamonds (USD 26.9 million), and rubber (USD 26.7 million).

A Sakthivel, Apparel Export Promotion Council Southern Region in-charge, said that India should not extend concessions for garments to Sri Lanka, as the domestic industry could be impacted because of that.

"We too make those garments and I think India should not give more concessions," Sakthivel said.

Home

In preparation for GST rate rationalisation, product categories' fine-tuning begins

Read more at : https://m.economictimes.com/news/economy/policy/in-preparation-for-gst-rate-rationalisation-product-categories-fine-tuning-begins/amp_articleshow/112270463.cms

Home

RBI may hold repo rates amid high food prices: Business Standard poll

Read more at : https://www.business-standard.com/amp/economy/news/bs-poll-high-food-prices-may-prompt-rbi-maintain-status-quo-124080400377_1.html

Home

Govt committed to fairness, simplicity, equity in tax system: Revenue secy

Revenue Secretary Sanjay Malhotra on Saturday said the government remains committed to fairness, simplicity and equity in the tax system.

He said the government's ongoing efforts are to simplify tax laws, improve tax compliance, and support economic growth through prudent fiscal policies and the Union budget was in that direction.

Union Finance Minister Nirmala Sitharaman had said a comprehensive review would be done on direct taxes over the next six months aiming at making direct taxes simpler to reduce disputes.

"Tax growth had reached 14 per cent, outpacing GDP growth due to better compliance and collection efficiency," Malhotra said in a post-budget interactive session with stakeholders.

He commended both tax administrators and taxpayers for their efforts and asked for continued cooperation to further enhance tax compliance and administration.

Malhotra assured taxpayers that the government aims to simplify and make it easier to understand and make the process as hassle-free as possible.

He emphasized that the administration seeks to build trust with taxpayers and aims to minimise harassment and inconvenience for honest taxpayers.

"For those found dishonest, the law would be applied rigorously," he said.

While explaining the removal of indexation for long-term capital gains, Malhotra stated that it should not hurt the masses as the capital gains tax was increased marginally for the "high-income group" only.

The revenue secretary also touched on the broader economic goals reflected in the budget, focusing on growth, employment, and development across various sectors.

He underscored the importance of fiscally responsible spending to avoid burdening future generations.

Malhotra also addressed specific sectors, such as the leather, textile, diamond, and marine sectors, which have seen reductions in customs duties to enhance competitiveness.

He highlighted the government's support for industries through measures like the removal of angel tax and reduction of corporate tax rates of foreign companies to attract both domestic and international investment.

Home

Atmanirbhar shouldn't lead to inefficient import substitution: Ex RBI chief

Owing to supply disruptions caused by the Russian-Ukrainian war, many countries started thinking about being self-sufficient with respect to critical imports' and India needs to ensure that Atmanirbhar should not degenerate into inefficient import substitution', former RBI Governor C Rangarajan said on Saturday.

Addressing the 14th Convocation of the ICFAI Foundation For Higher Education, he said India's development strategy should be multidimensional and growth may be stimulated by raising investment rate, emphasizing agriculture, manufacturing and services, absorbing new technologies and promoting a mix of sectors that are employment friendly.

Any import substitution must look at cost. Expensive, import substitution is not to the advantage of anybody. What we need to do is efficient import substitution. Atman should not degenerate into the old style import substitution. I think that is contrary to what is good for our country, he said.

Jobless growth is certainly a matter of concern. But job creation without growth is equally bad even as the new technologies can not be ignored, the former Chairman of the Prime Minister's Economic Advisory Council said.

Job creation is going to be the toughest challenge ahead not only in India but world over.

Based on some assumptions about future exchange rate of rupee and domestic inflation, India needs to have an average annual real rate of growth of six to seven per cent annually to achieve over $13,000 per capita income by 2024.

According to him, though, India need not belittle what it has achieved, there is an inescapable need to strengthen higher education in terms of quality and effectiveness.

The three dimensions of the reform of higher education are access, equity and quality, Rangarajan opined.

Home

Indian textile companies continue to succeed in Bangladesh

The central bank data shows Bangladesh's import of RMG raw materials such as raw cotton, yarn, fabric and dyeing materials was US $ 7.92 billion in the first half of FY '24. The BGMEA reports Bangladesh's apparel exports are 71 per cent cotton-based. The country, however, meets 99 per cent of its cotton demand through imports. After Brazil, India is the second largest cotton supplier to Bangladesh and holds a 12 per cent market share, according to United States Department of Agriculture (USDA).

In terms of MMF-based raw materials, 98 per cent of the country's MMF demand is import-dependent. Central bank data shows that the country's synthetic yarn import valued at US $ 1.52 billion in the July-December period of FY '24.

Over a decade, Indian textile companies have made a substantial impact on Bangladesh's textile industry by extending and maintaining their stronghold. With the growing demand for quality textiles and cost-effective production, Indian companies have emerged as key players in the country.

Indian textile companies possessing nearly a quarter of shares

Bangladesh's and India's textile industries have long entwined themselves. Given that both countries are adjacent to each other and have a common cultural background and history, it is not surprising that the textile industry has been vital for the growth of their economies. **Lahoti Overseas Limited**, a prominent textile company in India with a US $ 60 million turnover, produces 2000 tonnes of carts of yarn, fabrics and raw cotton annually, of which 20 per cent is imported into Bangladesh.

Square Corporation, one of the biggest global suppliers of yarn, has been exporting more than 220 containers to around 20 countries for over three decades and has its own office in Dhaka. **Subhajit Koley,** the company's **Country Manager** demonstrated,"Out of all the export areas in India, around 70 per cent of them involve exports to Bangladesh. The demand for cotton is highest there because local exporters can hardly procure it, so we have to import from all the major companies."

premium spandex manufacturer, having started with a 400-tonne monthly production capacity. Over the last decade, the company has grown fivefold to a 2000-tonne monthly capacity. According to **Sandeep Tayal, Head of Export Sales,** "Bangladesh is an important market for us."

Sandeep Tayal, Head of Export Sales, Indorama

Rahul Singh, Head of Business Development at Indorama said, "As of right now, we are working with many reputed mills in Bangladesh and supplying regular spandex, recycled spandex and black spandex on a regular basis. Bangladesh, being a large garment exporting country, is an important market for us."

Companies see more potential in Bangladesh

Bangladesh is now amongst India's top five export destinations. According to UN Comtrade Database on international commerce, India's exports to Bangladesh in 2023 amounted to US $ 11.25 billion, with textile and RMG raw materials contributing significantly. India's export of cotton to Bangladesh values US $ 2.18 billion, with man-made staple fibres coming in at US $ 139 million, knitted fabric coming in at US $ 58.06 million, laminated textile fabric at US $ 14.06 million and vegetable textile fibres at US $ 11.78 million. In terms of pricing, garment production, finishing and business set-up, Indian companies perceive a larger potential in Bangladesh.

Envision is one of the most well-known Indian textile enterprises that exported around 400 containers to Bangladesh last year where they have many large factories whose clients work with bigger brands like Zara, H&M, M&S and C&A.
Girish Chander, the company's **Coordinator of Business Development,** stated, "Bangladesh has enormous potential. Everyone now seeks to choose sustainable and effective solutions which other countries cannot provide as they do not have the right kind of infrastructure for clothing business, either as producers or consumers, which is available in Bangladesh."
In terms of foreseeing possibilities in Bangladesh, Sandeep Tayal said, "Major brands will always be drawn to Bangladesh to manufacture their apparel because of the ecosystem that exists in Bangladesh market. I have witnessed Bangladesh's growth over the past 20 years to a degree that I could not have predicted earlier. Bangladesh, therefore, has everything it needs to prosper today."

Surge of new Indian textile companies
The number of Indian businesses venturing into Bangladesh's textile market has increased dramatically in recent years. These companies see a huge opportunity in the growing demand for textile products in both domestic and international markets.

This year, **Tirupati Balaji Exim (P) Ltd.,** an Indian company with a massive annual capacity for fibres (3650 metric tonnes) with approximately 2.5 million metres produced annually for fabrics, made its business debut in Bangladesh. **Alpine Expo Tex (P) Ltd.,** with an annual turnover of roughly Rs.150 crore and offering woven fabrics, also anticipates new business coming up in Bangladesh. Bangladesh is now receiving recycled cotton exports from KS Spinning too, which has a capacity of 250 metric tonnes. Other companies aiming to thrive strongly in Bangladesh include **Candour Textiles Pvt. Ltd., Kuku Fashion Pvt. Ltd., CTA Apparels** and many more.

Payment system poses a roadblock

The problem of Letters of Credit (LC) is one of the main obstacles for Indian businesses in Bangladesh. In international trade, LCs are a common form of payment where a bank guarantees the buyer's payment to the seller. It is supposed to be cleared that the payment to the seller must be made to them within three or four days of the items being received, which could take up to seven-ten days. But now it has allegedly been reported that payments are being made after 30-35 or even 40 days in certain circumstances.

One of the prominent companies, **Texperts** has been exporting 100-145 containers of yarn and around 200-300 tonnes of fabric every month to Bangladesh for the last 20 years and has nearly 20 per cent – 30 per cent of import in Bangladesh. **The Deputy General Manager of the company, Abhik Dutta** emphasised, "The primary problems we are now dealing with are foreign exchange and banking payments; if they worsen, we would have a huge problem." All the companies that deal with this issue, such as Goel Polyfab, which sells 12 lakh metres of fabric annually in Bangladesh, have the same concerns and obstacles to overcome.
However, the Indian textile sector still believes Bangladesh holds a lot of promise, despite these challenges. The nation is a desirable place to invest because of its advantageous trade policies, stable political climate and strategic location.

Home

RBI August 2024 Monetary Policy Committee (MPC) Meeting: Date, time, and where to watch

The Reserve Bank of India (RBI) is expected to maintain the current benchmark interest rate during its upcoming Monetary Policy Committee (MPC) meeting. Chaired by Governor Shaktikanta Das, the meeting will start on August 6, with the interest rate decision to be announced on August 8. Since the repo rate was last increased to 6.5% in February 2023, it has remained unchanged in the subsequent eight bi-monthly meetings. If the RBI decides to keep rates steady again, it will mark the ninth consecutive time the benchmark rate remains unchanged.

RBI MPC date, time

Governor Shaktikanta Das will announce the MPC's decision on August 8 at around 10 AM.

RBI MPC announcements: Where to watch

LiveMint.com: For real-time updates and coverage.

RBI Official Website: For press releases, policy statements, and meeting minutes.

Social Media: Follow RBI's official Twitter and LinkedIn profiles for key updates.

Ministry of Finance: Provides links to RBI MPC announcements.

The RBI faces the challenge of deciding on interest rates amid ongoing inflation concerns, particularly food inflation. Retail inflation increased to 5.08% year-on-year in June, up from a 12-month low of 4.75% in May, primarily due to rising food prices that cost nearly 40% of the consumer price basket. Since March, CPI-based inflation has stayed below 5% and under 6% since September, remaining within the RBI's 2-6% tolerance range for the past ten months.

RBI June 2024 MPC

The six-member Monetary Policy Committee (MPC), led by the RBI Governor, voted 4-2 to maintain the benchmark repo rate at 6.5% for the eighth consecutive time. The committee also decided to persist with its stance of 'withdrawal of accommodation'. The RBI has revised its GDP growth forecast for FY25 to 7.2%, up from the previous estimate of 7%. The inflation forecast for FY25 remains unchanged at 4.5%.

Upcoming RBI MPC Meetings

The Reserve Bank of India (RBI) has scheduled its future Monetary Policy Committee (MPC) meetings for October 7-9, December 4-6, and February 5-7, 2025.

Home

RBI's MPC unlikely to announce a change in repo rate, according to an ET poll

Read more at :https://m.economictimes.com/news/economy/indicators/rbis-mpc-unlikely-to-announce-a-change-in-repo-rate-according-to-an-et-poll/articleshow/112270273.cms

Home

Monetary Policy: RBI likely to keep interest rate unchanged at 6.5%, say experts

Read more at : https://m.economictimes.com/news/economy/policy/monetary-policy-rbi-likely-to-keep-interest-rate-unchanged-at-6-5-say-experts/articleshow/112263401.cms

Home

GLOBAL

Global Manufacturing Sector Sees Setback In Jul; New Orders Decline

The global manufacturing sector witnessed a growth setback at the start of the second half (H1) this year, with July seeing output expand at the weakest rate in the current seven-month sequence of increases, J.P. Morgan global manufacturing purchasing manager's index (PMI) survey data show.
The slowdown reflects weaker expansions in the United States and China, an ongoing downturn in the euro area and a fall back into contraction in Japan.

Declining new order intakes were also a major factor underlying the weaker expansion, as new business fell for the first time since January, S&P Global Market Intelligence, which conducted the survey in association with the Institute of Supply Management and the International Federation of Purchasing and Supply Management, said in a release.

The PMI posted 49.7 in July, down from 50.8 in June and below the neutral 50 mark separating expansion from contraction for the first time in 2024.

Two out of the five PMI components (new orders and stocks of purchases) were consistent with a deterioration in operating conditions, employment signalled no change and the trend in output had a much less positive effect than in recent months.

Although vendor lead times lengthened this was mainly due to supply-chain disruptions as opposed to improving demand for raw materials.

Of the 32 nations for which July PMI data were available, only 15 registered an increase in manufacturing production.

India saw the fastest rate of expansion, while growth was also recorded in China, the United States, the United Kingdom and Brazil.

Although the euro area remained the main source of weakness—with output falling across the currency bloc for the sixteenth month in a row—sharp growth slowdowns in China and the United States alongside renewed contraction in Japan also contributed to the slowdown at the global level.

Manufacturing employment was unchanged over the month in July, as increases in several nations, including the United States and Japan, offset job losses in the euro area and China.

Companies remained reluctant to hire additional staff while cost and cash flow considerations were at the forefront of their decision-making, the release said.

This also contributed to cutbacks in purchasing activity and inventory holdings.

Suppliers' delivery times meanwhile lengthened for the second month in a row, mainly due to ongoing shipping disruptions.

Average input costs and selling prices both continued to rise during July, although rates of increase eased in both cases. Inflation of purchasing costs and output charges was, on an average, still stronger in developed nations compared to emerging markets.

Home

Close Trade Loophole: US Senator, Manufacturers, Retailers, Workers

US Democratic Party senator Sherrod Brown from Ohio recently joined manufacturers, retailers, law enforcement and workers at MMI Textiles in Brooklyn, Ohio, to push for

closure of a massive loophole that countries like China exploit to avoid paying duties and fees they owe, and that fentanyl traffickers exploit to evade customs inspections.
The senator has introduced bipartisan legislation to address the problem and has repeatedly called on President Joe Biden to take executive action to close the loophole.

"We know what a problem unfair foreign competition is for Ohio companies, particularly from China. Tariffs have been one way to counter this and level the playing field for American manufacturing, but this *de minimis* loophole is yet another way for China to cheat," said Brown in a statement.

"And because these packages enter the US with minimal inspection, drug traffickers are also exploiting the *de minimis* loophole to send deadly drugs like fentanyl into our country without any detection," he said.

Packages under $800 in value are exempted from US duties, taxes and fees now, and are allowed to enter the country with little or no inspections.

The number of packages using this loophole to avoid duties has soared recently to more than three million packages per day, and urgent action is needed to prevent unfair competition and exploitation of US manufacturers, he said.

Foreign competitors will often split large shipments into many small packages to cheat the rules and evade the duties they owe, gaining an unfair competitive advantage, he added.

These shipments often include counterfeit items and items made with slave labour.

"With nearly 4 million packages per day, the *de minimis* loophole has created rampant lawlessness and is facilitating the import of high-risk, illegal, and dangerous products," said Michael Stumo, chief executive officer of the Coalition for a Prosperous America.

"The de minimis loophole also makes a mockery of the Uyghur Forced Labour Prevention Act and efforts to prohibit Chinese imports made with forced labour," he added.

Home

Vietnam Expresses Regret US Yet To Recognise Its Market Economy Status

Vietnam's ministry of industry and trade (MoIT) recently expressed regret that the United States is yet to recognise its market economy status despite acknowledging positive changes in its economy, implying its businesses will continue to face US discrimination in anti-dumping and anti-subsidy probes.

If the US department of commerce had objectively and fairly assessed records and practices in Vietnam, it could have known that the latter is already a market economy as recognised by several others, including the United Kingdom, Canada, Mexico, Australia, Japan, India, South Korea and New Zealand, the ministry said.

Changes to the Vietnamese economy in the last 20 years were clarified in more than 20,000 pages of documents that the MoIT sent to the US department. The documents demonstrated Vietnam's strong progress on all six criteria set by the United States for a market economy status, it said.

Home

ICE Cotton Rises On Weaker Dollar, Economic Uncertainty Persists

ICE cotton prices rose due to a significant drop in the dollar index. Weak US payroll data signalled economic concerns, leading to a crash in global equity markets and a decline in the dollar index. However, there are no signs of a revival in cotton demand, with prices consolidating between 68-70 cents. A rate cut and stable market dynamics were anticipated.
Yesterday, the ICE December cotton contract settled at 68.25 cents per pound (0.453 kg), up 0.17 cent, supported by a weaker dollar index.

The dollar index fell by around 1.2 per cent following poor US payroll data, making cotton purchases cheaper for foreign buyers.

Trading volume yesterday was 22,869 contracts, compared to 33,703 contracts the previous day. Open interest dropped for the first time in 22 sessions, starting today at 230,272 contracts, down by 1,075, possibly due to speculators taking profits on their record short positions. Speculators have been net short for 14 consecutive weeks.

The USDA's agricultural drought report indicated that as of July 30, 11 per cent of US cotton-producing areas were affected by drought, up from 10 per cent the previous week.

ICE inventory for deliverable No. 2 cotton futures contracts was 19,343 bales as of August 1, down from 26,763 bales the previous day. The positivity in cotton prices was largely due to technical factors and support from a weaker dollar, despite ample supply and sluggish demand globally.

On Friday, ICE cotton for December 2024 settled at 68.25 cents per pound (up 0.17 cent). Cash cotton settled at 62.68 cents (up 0.30 cents), the October contract at 67.18 cents (up 0.30 cents), the March 2025 contract at 69.87 cents per pound (up 0.17 cents), the May

2025 contract at 71.14 cents (up 0.16 cents), and the July 2025 contract at 72.11 cents (up 0.15 cents).

Home