LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

NATIONAL

Indian Textile Sector Urges Govt To Reevaluate Quality Control Orders

The quality control orders (QCOs) on upstream raw material products of the non-cotton textile industry were implemented during the last couple of years. These QCOs were issued to ensure the import of quality raw materials in accordance with the standards set by the Bureau of Indian Standards (BIS).
However, the downstream industry claims that the QCOs have proven disastrous for the Indian textile industry, merely promoting monopolistic activities by a few producers of polyester and viscose fibres, as well as their raw materials and yarn. The industry has urged the Union Finance Minister to reconsider the QCOs to ensure the supply of raw materials at globally competitive prices and quality.

Recently, the Supreme Court stayed the Gujarat High Court order reinstating anti-dumping duties on Purified Terephthalic Acid (PTA) imported from South Korea (Republic of Korea) and Thailand.

Ashish Gujarati, president of the Surat-based Pandesara Weavers Cooperative Society Limited, stated in a letter sent to Finance Minister Nirmala Sitharaman, "The government showed its sensitive approach towards downstream industry by challenging Gujarat HC order in Supreme Court. The court order will directly benefit fibre and yarn manufacturers and indirectly benefit the fabric and garment industry. It shows that the government is very much concerned for the downstream industry and fabric industry. We are sure that the government will take a positive approach if sunset review begins."

Bharat Gandhi, chairman, Federation of Indian Art Silk Weaving Industry (FIASWI), stated in a separate letter to the finance minister that QCOs cannot ensure quality. These orders have proven disastrous for the industry, granting monopolistic privileges to a few upstream producers. The non-cotton fibre, yarn, and fabric industry is struggling to remain competitive in the global market as they are now dependent on only local suppliers. These suppliers are increasing the prices of raw materials because global supply has been restricted through the QCOs. The industry asserts that QCOs cannot ensure a consistent supply of raw materials, leaving the downstream industry uncompetitive in the global textiles and garment market.

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Fin Min says India's economy resilient to West Asian conflict, US recession a bigger threat: Report

The finance ministry has intensified its monitoring of the West Asian conflict following last week's assassination of the Hamas chief in Iran, an act attributed to Israel, which has raised fears of a broader regional escalation. This conflict could impact global oil prices, capital flows, currency movements, and shipping costs, according to a senior official.

Despite these concerns, the conflict is "unlikely to pose any major risk yet," with India's robust macroeconomic fundamentals expected to help it withstand any potential crisis without significant damage, as reported by The Times of India. A potential recession in the US, India's largest export market, accounting for nearly 18% ($78 billion) of merchandise shipments in FY24, would be a more significant concern, the official added. "It's a bit early in the day to sound that out conclusively," he noted.

"Unless the conflict in West Asia widens substantially for a prolonged period, which seems unlikely at the moment, the impact on India won't be significant. Still, we have to wait and watch carefully," another official told ET.

On Monday, Indian stocks plummeted in response to a global sell-off, and the rupee depreciated against the dollar. Concerns about a US recession, following weak manufacturing data and a rise in unemployment, exacerbated investor fears already heightened by the West Asian conflict. The benchmark Sensex and Nifty indices fell by 2.74 percent and 2.68 percent, respectively. The rupee weakened by 0.1 percent, closing at a new low of 83.85 against the dollar, as the dollar index strengthened with investors seeking safe-haven assets.

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Bangladesh situation to hurt India's cotton exports; trade impact not so high

The political crisis in Bangladesh may not have a significant bearing on India's trade, but will certainly weigh heavy on India's cotton sector, a Moneycontrol analysis of data shows.

India exports $2.4 billion worth of its cotton to Bangladesh, which has emerged as a textile centre for the world.

According to ministry of commerce data, the share of Bangladesh in India's overall cotton exports doubled from 16.8% in FY13 to 34.9% in FY24. Raw cotton exports accounted for a fourth of India's total exports to the country in FY24.

Bangladesh was the top destination for India's cotton exports in FY24, accounting for over twice as many exports as China, which is the second biggest importer of Indian cotton.

Prime minister Sheikh Hasina quit her post and fled the country on August 5, with the Army chief announcing the formation of an interim government.

While Bangladesh accounts for a small proportion of India's exports, its share has been rising with exports nearly doubling over a decade.

The two major commodities driving India's exports to Bangladesh are cotton and fuel, with each accounting for a fifth of India's total exports.

In FY24, India exported $11 billion worth of products to the country or 2.5 percent of its total exports—an increase from 1.7% in FY13.

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Indian economy likely to grow at 7-7.2% in FY25: Deloitte

India's economy is expected to grow at 7-7.2 per cent in the current fiscal year driven by robust economic fundamentals and continuity in domestic policy reforms, Deloitte India said on Monday.

The August update of Deloitte's India Economic Outlook said several initiatives in the Union Budget 2024-25 toward improving agriculture productivity, creating jobs for the youth, and in manufacturing and addressing the challenge of access to finance for micro, small, and medium enterprises (MSMEs), would help improve supply-side demand, curb inflation, and prop up consumer spending, especially in rural areas.

Deloitte India Economist Rumki Majumdar said, India will witness robust growth in the second half after a period of uncertainty in the first six months of the year.

"Key contributing factors include the continuity in domestic policy reforms, reduced uncertainties in the US post-elections, and more synchronous global growth within a low inflation regime.

"Additionally, improved global liquidity conditions, as central banks in the West ease their monetary policy stance, will enhance capital flows and drive higher investments, particularly in the private sector," Majumdar said.

Observing that strong economic fundamentals would drive GDP growth between 7 per cent and 7.2 per cent in FY25, the Economic Outlook report said effectively addressing the urban-rural consumer spending gaps, inflation, and employment concerns can significantly enhance the affordability of aspirational rural consumers.

The Indian economy grew at 8.2 per cent in 2023-24 fiscal year.

The report further said despite strong growth, private consumption spending has remained modest over the past five years. The pandemic, high global and domestic inflation, consequent tightening of financial conditions, and the effects of poor agriculture output on rural demand seem to have capped private consumption growth in India.

But a Deloitte research showed that India is witnessing distinct and broad-based shifts in consumption patterns. There is a broad-based shift in the composition of consumption towards more non-food and discretionary items, reflecting changing lifestyles and preferences that are here to stay.

According to the Household Consumption Expenditure Survey, spending on discretionary goods and services (including conveyance) has gone up both in rural and urban India, with the former quickly catching up in spending on discretionary durable goods (including automobiles, electric and electronic goods) with the latter in just one decade.

"Demand for processed food has been among the highest in most states, suggesting a shift towards ready-to-eat options. Rapid urbanization, increasing women's participation in the workforce, and enhanced marketing and availability are driving these changing dietary habits," the report said.

According to Deloitte research, if increasing income in states results in a relatively equitable distribution and higher rural spending, businesses can tap into a larger proportion of the state's population that resides in rural areas. This gives businesses access to a large consumer base and a sustainable consumer spending demand, as compared to states with a widening gap.

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Inflation target evades RBI's rate panel as rejig looms

Read more at : https://m.economictimes.com/news/economy/policy/inflation-target-evades-rbis-rate-panel-as-rejig-looms/amp_articleshow/112303979.cms

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Cotton dropped on profit booking after support from reduced area in North India.

Cotton candy prices declined by 0.11%, settling at 56,470 due to profit booking, despite underlying support from reduced planting areas in key states. Punjab, Haryana, and Rajasthan collectively reported a significant decrease in cotton acreage to 10.23 lakh hectares from last year's 16 lakh hectares. Specifically, Punjab's cotton area dropped to 97,000 hectares, Rajasthan's to 4.75 lakh hectares, and Haryana's to 4.50 lakh hectares, reflecting a substantial reduction in cultivation.

Additionally, the delay in cotton shipments from the US and Brazil has spurred demand for Indian cotton from neighboring countries. A strong trend in cottonseed prices has also supported the natural fiber prices, even as sowing for the kharif 2024 season has begun in southern states like Karnataka, Telangana, and Andhra Pradesh, bolstered by the onset of monsoon rains. There's an expectation of increased cotton acreage in Telangana as some chilli farmers are likely to switch to cotton due to weak prices in the spices market. The 2024/25 US cotton projections indicate higher beginning and ending stocks compared to last month, with production, domestic use, and exports remaining unchanged. The season average upland farm price is down 4 cents to 70 cents per pound, leading to a 400,000-bale increase in ending stocks, now at 4.1 million bales. Globally, the 2024/25 balance sheet shows increased beginning stocks, production, and consumption, leading to world ending stocks projected 480,000 bales higher at 83.5 million. In the Rajkot spot market, prices dropped by 0.31% to 27,228.25 rupees.

Technically, the market is under long liquidation, with a 1.17% drop in open interest, settling at 169 contracts. Cottoncandy finds support at 56,340, with a potential test of 56,220 if this level is breached. On the upside, resistance is expected at 56,550, with further gains possibly pushing prices towards 56,640.

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How Sheikh Hasina's ouster may impact India-Bangladesh ties

Bangladesh has been a key ally to India since Sheikh Hasina came to power in 2009. From eradicating anti-India terrorist groups which operated out of safe havens in Bangladesh to facilitating greater economic, social, and cultural ties, Hasina's tenure has fostered a healthy relationship between New Delhi and Dhaka.
Her exit could jeopardise this — affecting growing trade ties, restricting the movement of people and goods, and stalling a potential free trade agreement (FTA) between the two countries.

Bi-lateral trade

In trade terms, Bangladesh is India's biggest partner in the subcontinent, and India is Bangladesh's second biggest partner in Asia after China. Their total bilateral trade amounted to $13 billion in the financial year 2023-24, according to the Union Ministry of Commerce.
Bangladesh is the biggest export destination for India's cotton, accounting for 34.9% of India's total cotton exports (some $2.4 billion in FY24). Other major Indian exports to

Bangladesh are petroleum products and cereals. India's top import from Bangladesh are readymade garments, amounting to $391 million in FY24. In recent years, Bangladesh has emerged as a major global hub for textiles.

In October 2023, India and Bangladesh began discussions on an FTA during a meeting of the Joint Working Group on Trade in Dhaka. An FTA would reduce or eliminate customs duties on goods traded between India and Bangladesh, and ease norms to help promote further trade and investments.

A 2012 working paper published by the World Bank estimated that a full FTA for goods would increase Bangladesh's exports to India by 182%, whereas a partial FTA could lead to a 134% increase. However, an FTA accompanied with improved transport infrastructure and better connectivity could see Bangladesh's exports rise to 297%. India, too, would see an increase to its exports by as much as 172% in this scenario. A successful FTA would substantially expand Bangladesh's market reach and give Indians access to more manufactured goods.

It is unclear if and how an FTA plan would proceed under the interim Bangladeshi government, or the dispensation to follow.

Infra & connectivity

-Bangladesh ties, according to the Minister of External Affairs. India has extended three lines of credit to Bangladesh since 2016 amounting to $8 billion for the development of road, rail, shipping and port infrastructure. In November 2023, two joint projects – the Akhaura-Agartala cross-border rail link and Khulna-Mongla Port rail line – were inaugurated.

The latest Akhaura-Agartala link, which provided an alternate route from mainland India to the Northeast, was the sixth cross-border rail line between the countries. This has cut down the travel time (by train) between Agartala and Kolkata from 31 hours to 10 hours and was expected to boost tourism, trade, and people-to-people exchanges between the two countries.

A disruption in Indo-Bangladesh ties could thus restrict India's access to the Northeast, which will be connected to mainland India only through the narrow "Chicken's Neck" — only 22 km at its narrowest — between West Bengal and Assam.
Besides rail, there are currently five operational bus routes between India and Bangladesh, including connections from Kolkata, Agartala and Guwahati to Dhaka. In 2023, the countries had agreed to operationalise the agreement for the usage of the Chittagong and Mongla ports to ease the movement of cargo between mainland India and the Northeast.

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Encourage textile investments in border districts of Andhra Pradesh, Collectors told

Principal Secretary (Handlooms and Textiles) K. Sunitha has asked the Collectors to set up garmenting units, and encourage textile investments in border districts, among others, to make the handloom and textiles sector the second largest employment provider after agriculture.

Speaking to the Collectors on August 5 (Monday), she said the officials should focus on increasing the intake of students in the textile engineering institutes in Guntur and Madakasira. People with handloom and handicraft skills should be identified in skill census and new societies should be formed, she said, adding that elections to weaver cooperative societies would start on September 21 and end on December 6.

She instructed the Collectors to conduct exhibitions and encourage employees to wear handloom clothes every Monday. They could take financial assistance from NABARD for initiatives such as exhibitions, melas, 'Rural Haat', for GI registration, Livelihood Enterprise Development Programme (LEDP), Micro Enterprise Development Programme (MEDP), and identification of new handloom clusters under the Cluster Development Programme.

Later, she said post-harvest cotton contamination should be prevented by ditching plastic for storage of cotton. She suggested implementation of the Better Cotton Initiative (BCI) programme in Kurnool, Guntur and Palnadu.

Hyacinth could be used for weaving baskets, instead of being killed with pesticide, which would result in contamination of water.

Those interested in One District One Product awards should conduct buyer-seller meets, and provide space for stalls to sell handloom and handicrafts at places that witnessed large footfall, she said.

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B'desh textile biz may move to hubs like Tiruppur

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Uncertainty engulfs trade worth billions

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GLOBAL

Global Brands Must Invest 2% Of Revenue In Renewable Energy: Report

Big global fashion brands must urgently invest at least 2 per cent of their annual revenue into a just transition away from fossil fuels to renewable energy, according to the latest report from Fashion Revolution, a not-for-profit global movement.

The fashion industry remains one of the most polluting, with fossil fuels burned at every stage of production. Despite the escalating climate crisis, the report finds that big brands' reduction targets are insufficient to meet the global goal of limiting temperature rise to 1.5 degrees Celsius above pre-industrial levels.

The report criticises fashion brands for shifting the costs of transitioning to renewable energy onto the factories they work with, burdening workers and communities with the responsibility for fixing a problem they did not create. While extreme weather could cost nearly 1 million jobs in the sector, Fashion Revolution reveals that most big fashion brands are not protecting their supply chain workers, as per the ‘What Fuels Fashion’ report.

Only 3 per cent, or seven brands, disclose efforts to financially support workers affected by the climate crisis. This lack of support is critical given the weak social protection in garment-producing countries, where workers often face poverty wages and high debt levels. Frequent climate events like heat waves, monsoons, and droughts are devastating their livelihoods.

Fashion Revolution urges big fashion brands to provide compensation mechanisms for these workers, framing it as a matter of justice rather than charity. The report highlights several key findings, including the fact that nearly a quarter of the world's biggest fashion brands disclose nothing about their decarbonisation efforts. Only four out of 250 brands have ambitious emissions reduction targets that align with the United Nations' calls for action. Of the 117 brands with decarbonisation targets, 105 disclose updates on their progress, but 42 report increased scope 3 emissions against their baseline year. With the 2030 deadline to limit global warming to 1.5 degrees Celsius approaching, the industry faces a critical challenge.

The fashion industry is significantly lagging in achieving climate targets and reducing emissions. A staggering 86 per cent of companies lack a public coal phase-out target, 94 per cent do not have a public renewable energy target, and 92 per cent lack a public renewable electricity target for their supply chains. Less than half of the brands are transparent about their energy procurement at the operational level, and even fewer at the supply chain level. No major fashion brand discloses hourly matched supply chain electricity use, leading to potentially misleading zero-emissions claims.

Accountability is another major issue, with most big fashion brands failing to disclose the number of clothes they produce annually. Nearly half do not disclose their raw material emissions footprint, indicating a prioritisation of resource exploitation while avoiding accountability for environmental harms. The fashion industry's climate impact has often been scrutinised through the materials used rather than the manufacturing processes behind them. While 58 per cent of brands disclose sustainable material targets, only 11 per cent reveal their supply chain's energy sources, meaning 'sustainable' clothes might still be produced using fossil fuels.

The report also emphasises the need for funding, not debt, for suppliers. Despite being the largest emitters with the greatest financial responsibility to decarbonise, nearly all big fashion brands fail to disclose their investment in supply chain decarbonisation. Only 6 per cent disclose contributions, often to joint climate funds, which offer supplier loans for infrastructure like solar panels. This practice perpetuates existing power imbalances between fashion brands and their suppliers.

Long-term investment is crucial for decarbonising fashion's supply chains. The industry's focus on short-term profit is at odds with the need for a clean, fair, and just energy transition. Vertically integrated brands and specialised segments like sportswear outperform others due to greater leverage and commitment to long-term improvements. The renewable energy transition in fashion hinges on systemic changes that prioritise collective brand action, responsible purchasing, and investment in a stable supply base.

The overall average brand score in the report is 18 per cent. The highest scoring brands are Puma (75 per cent), Gucci (74 per cent), and Hennes & Mauritz (61 per cent), among others.

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Global Trade Sees Mixed Recovery In Q2 2024: Tradeshift Survey

Despite strong beginnings, global trade activity failed to sustain its recent momentum, ending three points below the anticipated range in the second quarter (Q2) this year, according to a report by Tradeshift. Activity levels started the quarter robustly, but waned in June due to a sharp decline in order volumes.
This latest data halts a six-month growth streak, suggesting that the recent acceleration in global trade activity may be leveling out, said the report by the cloud-based business network and platform for purchase-to-pay automation, supply chain payments, marketplaces, virtual cards and supply chain financing. Evidence of a two-speed recovery is becoming more pronounced.

Order volume growth cooled significantly in Q2 2024, dropping by 6 points below the baseline after peaking at five points above expected levels at the end of 2023.

Recovery is not being spread equally, with differences between regional winners and losers becoming more pronounced.

Trade activity in the United States exceeded expectations, while the eurozone remained three points below the baseline, the 'Tradeshift Index of Global Trade Health Q2 2024' revealed.

UK trade activity reversed, with transaction volumes ending Q2 five points below anticipated levels.

Transaction volumes in China grew slightly above expected levels, suggesting a recovery that may be steady rather than spectacular.

Vietnam, Malaysia, India and Mexico are emerging as winners from Western companies' accelerated push to diversify supply chains and reduce reliance on China.

Demand for freight capacity remains elevated despite a slight decline in manufacturing activity, while growth in the retail sector remains subdued.

Cashflow pressure on suppliers has continued to ease, but buyers still take an average of 5 per cent longer to pay invoices compared to pre-pandemic periods.

In the US, trade activity continued to exceed expectations, rising one point above the baseline for the second consecutive quarter. Conversely, Europe's recovery is struggling to gain further traction, with trade activity remaining three points below the expected range—a level it has not surpassed for over two years.

However, China needs to accelerate after its initial recovery attempt faltered in the second half of 2023. While the latest figures are encouraging, progress remains steady rather than spectacular.

Additionally, signs are emerging that China's factories are not yet operating at pre-pandemic levels. China's official purchasing managers' index indicates that the manufacturing sector fell back into contraction in May, the report noted.

Increasing geopolitical tensions and economic considerations are accelerating the shift towards reshoring, nearshoring and what some call 'friendshoring' of production.

Nearshoring and reshoring present significant challenges for companies in Europe and the United States due to cost issues and the availability and quality of local suppliers.

Consequently, many companies are increasingly adopting a strategy known as 'China Plus One' to diversify their supply chains. Vietnam has been a major beneficiary of multinational companies' efforts to diversify their manufacturing hubs, the report added.

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Bangladesh PM Resigns, Flees Country; Textile-Garment Mills Close

Bangladesh Prime Minister Sheikh Hasina today resigned amid unending violent clashes across the country and fled the nation with her sister as the army took charge to form an interim government.
Media outlets reported she left for a 'safe place' with her entourage, but has first taken a stopover in India.

A global newswire reported Hasina wanted to address the nation, but authorities in charge of her security vetoed the proposal due to the proximity of the violence.

Urging protesters to stand down, army chief General Waker-Uz-Zaman, in a televised address to the nation, said the military will form an interim government.

Meanwhile, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Textile Mills Association (BTMA) announced that their production units and mills will remain closed due to the deteriorating law and order situation until further notice.

A spinning mill of Outpace Spinning in Gazipur was burnt by violent protesters yesterday, a BTMA official said, adding some other mills were attacked.

Several factories were shut for four days two weeks ago due to violence and a curfew stemming from the job quota reform movement. BTMA members had reportedly lost $58.8 million during the initial four-day closure.

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ASEAN Manufacturing PMI Slightly Drops In July 2024: S&P Global

The headline Association of Southeast Asian Nations (ASEAN) manufacturing purchasing managers' index (PMI) recorded a value of 51.6 in July 2024, showing a slight change from June's 51.7, according to S&P Global. This modest improvement marks the seventh consecutive month of enhanced manufacturing business conditions.
Output grew moderately in July as the ASEAN manufacturing sector continued the expansionary sequence that started in October 2021. New business intakes rose solidly, and at the fastest pace since April 2023. However, new export orders continued to fall, extending the current sequence of contraction to 26 months.

ASEAN manufacturers signalled a rise in staffing levels for the second month running, with the pace of job creation unchanged from June. The fractional improvement was in tandem with rising levels of outstanding business. The start of the third quarter was the fifth month running to note pressure on capacity, as per S&P Global.

Input prices inflated at the fastest pace since February. Higher cost burdens flowed through to rising selling charges, the pace of inflation also the most pronounced since February. This was the fourth successive month in which charges have increased at a sharper pace.

Buying activity increased modestly at ASEAN manufacturers. With demand for inputs increasing, vendor performance deteriorated at the fastest pace since January 2023. Meanwhile, holdings of inputs depleted for the first time since February and at the fastest pace since November 2023.

Volumes of finished items similarly depleted. July extended the current sequence of contraction to 15 months, although the rate of decline softened from June.

Positive sentiment was recorded again at ASEAN manufacturers. The start of the third quarter saw expectations for the next 12 months reach a four-month high.

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African delegation explores collaboration opportunities with textile industries in Coimbatore region

A 14-member delegation from Burkina Faso visited Coimbatore, Tiruppur, and Karur recently looking for better collaboration with the textile and garment industry.

The team, led by GIZ, was on a four-day visit organised by Gherzi Consultants along with 2M Invest Consult. Apart from visiting the factories, the members also went to the Southern India Textile Research Association and the Sardar Vallabhbhai Patel Institute of Textile Management.

Burkina Faso produces about two lakh bales of cotton annually, covering all varieties except the extra long staple. And, almost 100% of the cotton produced is certified by international sustainable cotton certification programmes. It consumes locally only 2% of the cotton produced and the rest are exported. Of the exports, 10% is to India, said sources in Gherzi.

Some of the garment manufacturers and spinning mills in Tiruppur and Karur import cotton from Burkina Faso.

The aim of the visit was to give the delegation an exposure to the textile and garment clusters. The units in Burkina Faso are primarily cottage industries and they are looking at value addition of the cotton produced in that country. The delegation wanted to strengthen collaboration with the industry here to attract investments and promote business, the sources added.

The entrepreneurs here wanted details on the safety systems in place, skill development facilities for workers, and the benefits extended by the government.

A press release said GIZ implements projects on nutrition, safety and soil protection. It has also been active for many years in supporting the cotton sector in Burkina Faso. Gherzi and 2M Consulting have been providing technical assistance to Burkina Faso’s cotton sector under various GIZ projects that include the establishment of a textile incubator.

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