LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

13th AUGUST 2024

News Highlights

NATIONAL

India's retail inflation slows to 3.5% in July, falls below RBI's target for the first time in 5 years

Read more at : https://m.economictimes.com/news/economy/indicators/indias-retail-inflation-slows-to-3-5-in-july-falls-below-rbis-target-for-the-first-time-in-5-years/articleshow/112469435.cms

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India Can Emerge As $55 Trillion Economy By 2047 If It Grows At 8%: Former CEA KV Subramanian

As long as India is able to clock a GDP growth rate of 8% per annum in real Rupee terms, it has the potential to emerge as the Sachin Tendulkar of the global economy with a $55 trillion economy by 2047 when the country turns 100, International Monetary Fund (IMF) executive director Prof KV Subramanian said on Monday.
Subramanian, who was also the 17th chief economic advisor to the Indian govt, said if India maintains an 8% real growth rate, coupled with a 5% inflation rate, the nominal growth rate in Rupee terms would be 13%.

Factoring in an estimated 1% depreciation in the Indian Rupee against the US Dollar, the nominal growth rate in Dollar terms would be approximately 12%, he said. Applying the rule of 72, which states that the number of years required to double a given amount is equal to 72 divided by the growth rate, India's GDP would double every six years at a 12% growth rate, he said at the unveiling of his book 'India@100 Envisioning Tomorrow's Economic Powerhouse' at the Indian School of Business (ISB) here.
The former CEA pointed out that starting from a GDP of $3.25 trillion in 2023, India's economy would undergo four doublings over the 24-year period from 2023 to 2047, reaching $52 trillion by the time the country celebrates the 100th anniversary of its independence.

While admitting that this goal may sound audacious, he said it was achievable through the power of compounding and India's historical growth rate of around 7% over the past 30 years.
Driving home the power of compounding, Prof Subramanian, who is currently on leave

from ISB, also pointed to Japan's economic growth in the 25-year period between 1970 and 1995 with it grew 25 times from $215 billion to over $5 trillion, and per capita GDP grew from $2,100 to nearly $44,000.

Drawing an analogy with Sachin Tendulkar's cricketing career, he likened India's economic potential to the legendary batsman's early days when Sunil Gavaskar predicted his success. However, he stressed that just as Tendulkar had to work hard and overcome setbacks, the Indian govt would have to implement policies and overcome challenges to increase the country's growth rate from 7% to 8%.
"It's ambitious but achievable if we double down and work hard and overcome setbacks which will inevitably come during a 20-25 year period. There will be tailwinds but there will be potentially headwinds as well. We can be the Sachin Tendulkar of the global economy," he said.

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CEA Anantha Nageswaran: 'Centre can't push growth alone, states need to act'

The states need to play a greater role in driving India's economic growth and the Centre can't push it alone, said Chief Economic Adviser V Anantha Nageswaran said on Monday, August 12.

"Given the state of the world, given the level of political and economic uncertainties, it is important that india taps into all levers of domestic growth. Many of the levers we need to pull for economic growth are at the state level," Nageswaran stated.

The CEA noted that several factors crucial to economic growth, such as land reforms, labor laws, rules and regulations, building codes, education, and the agricultural sector, fall under the purview of state governments.

"Most of the low-hanging fruits of economic growth have been plucked at the Union government level. The action is at the state government level," Nageswaran highlighted.

Nageswaran pointed out that while the Union government has been proactive in pushing public investment—allocating ₹11.1 lakh crore for capital expenditure—it is crucial for state governments to also contribute by utilising their own growth levers.

The CEA also underlined the ongoing challenges, such as restrictive rules and regulations that continue to hold back businesses. Addressing these at the level of the states is necessary for pushing economic growth, job creation, and improved living standards across the country.

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CEA: Urgent need to align GST data with India's national statistics to understand consumption better

The Finance Ministry has pitched for the goods and services tax (GST) data to be more aligned with the official statistics in the country, on a rather urgent basis. The Chief Economic Advisor to the Finance Ministry, V Anantha Nageswaran, says the union government needs to understand and dissect consumer choices, spending, the urban-rural split, and employment perceptions better.

While the Private Final Consumption Expenditure, which contributes 60% to the nation’s gross domestic product (GDP), is a great tool for this, it is released only every quarter as part of the GDP print. Hence, for more frequent and granular data, the Ministry of Statistics urgently needs to “marry” the GST data into its official statistics.

“…. synergy between the national statistical data systems and the GST data system will be extremely useful. That synergy has to be explored urgently and very importantly without much further delay because GST data tells us about consumption in different districts, at the granular level, we can go into pin codes, we can go into a rural-urban split, etc and we need that marriage between the national statistical data system and the GST data system to be able to get,” Nageswaran observed.

The CEA said it is especially important to get a sense of “whether consumers are feeling well, doing well, and inclined to spend and how they perceive their employment prospects etc," given the results of the RBI’s consumer confidence and industrial outlook surveys. The surveys released last week by the RBI seem to indicate a dip in consumer confidence while demand for manufactured goods seems to have moderated.

"…..there are some emerging concerns that we need to focus on and that will have implications for our economic growth outlook and prospects," the CEA said.

The Chief Economic Advisor also pitched for state GDP numbers to be more aligned with the economic trends in the country. He said most of the state data comes with a lag, rendering it "practically useless or irrelevant" for decision-makers who need real-time data.

"Any data for a quarter that gets released one quarter later, or any monthly data released after a month has ended, becomes relatively useless from a decision maker's perspective," Nageswaran said.

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India's July CPI eases to 3.54%; dips below RBI's target for first time in 5 years

India's consumer price index (CPI) inflation has eased to 3.54% in July, the lowest number in 59 months, data released by the government showed on Monday.

This is the first time since August 2019 that the inflation print has come in below the RBI's comfort level of 4%, hinting at a chance that a rate cut in the future could come in sooner than expected.

The CPI number is below a CNBC-TV18 poll forecast CPI of 3.64% and markedly lower than the 5.08% recorded in the previous month.

The RBI has maintained the repo rate at 6.50% for the ninth consecutive time. The six-member Monetary Policy Committee (MPC) stated that this decision aligns with the goal of achieving the medium-term CPI inflation target of 4% within a +/- 2% band, while also supporting economic growth.

Food inflation for July was recorded at 5.42%, slightly below the poll estimate of 5.5% and a significant decrease from the 9.36% reported in June. Rural inflation also saw a decrease, coming in at 4.10% compared to 5.66% in the previous month. Urban inflation decreased to 2.98%, down from 4.39% in June.

Inflation in specific categories showed notable changes. Vegetables experienced a sharp reduction, with inflation at 6.83% compared to 29.32% in June. Pulses inflation eased to 14.77%, from 16.07% the previous month. Fuel and light costs declined further, showing a negative inflation rate of -5.48%, down from -3.66% in June. Housing inflation was stable at 2.68%, slightly lower than the 2.69% recorded in the previous month. Clothing and footwear inflation also saw a minor decline, ending at 2.67% compared to 2.73% in June.

Core CPI inflation, which excludes volatile food and fuel prices, was reported at 3.4%, marginally above the CNBC-TV18 poll estimate of 3.35% but higher than the 3.1% recorded in June.

Overall, the data reflects a broad-based moderation in inflation, suggesting improved price stability across various sectors.

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GST Council likely to meet in early September, discuss dispute resolution, rate rejig

Federal indirect tax body, GST Council, is likely to meet early September to consider key issues such as expanding the tax base, issuing clarifications to minimize tax disputes, and evaluating the process of tax rate rationalisation, according to two persons familiar with the development.

Centre and states are looking at 9 September as the possible date for the meeting, one of the persons quoted above said on condition of anonymity.

At the last quarterly meeting of the Council, held in the capital, the federal indirect tax body discussed matters requiring legislative amendments so that they could be included in the Union budget presented on 23 July.

In the forthcoming meeting, to be chaired by union finance minister Nirmala Sitharaman, the Council will take up pending issues such as the need to look into the need for clarifications so that disputes arising from interpretation of the law are minimised, the person said. The Council is likely to look into the practices of specific industries like software exports and airline business, which have recently come into spotlight for the tax notices issued to some of the players. The agenda for the meeting is yet to be finalised.

A ministerial group led by Bihar Deputy Chief minister Samrat Chaudhary will provide an update on efforts to rationalise GST rates, which may lead to further discussions on rate revisions.
It is expected to be an extensive consultative process given that changes to the rate structure could mean major revisions in some others.

Experts said the Council meeting may give further momentum to reforms, addressing not only tax rate revisions but also compliance simplification and dispute resolution.

“The proposed review of GST rates aims to align the tax structure with current economic conditions, potentially reducing rates on essential goods while increasing them on luxury items to balance consumer relief with revenue needs," said Rajat Mohan, executive director at accounting and advisory firm Moore Singhi. Simplifying compliance, particularly for small and medium enterprises, could significantly ease administrative burden, enhancing ease of doing business and encouraging growth in this vital sector, he explained.

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CBIC to begin special drive to weed out fake GST registration on Aug 16

Central and state GST officers will launch a pan-India special two-month drive against fake registration beginning August 16, the CBIC said on Monday.

This is the second such drive to identify fake registrations under Goods and Services Tax (GST). Fake GST registrations are usually taken to fraudulently avail and pass on input tax credit and evade GST.

"The second Special All-India Drive may be launched by all Central and State Tax administrations from 16th August 2024 to 15th October 2024 to detect suspicious/ fake GSTINs and to conduct requisite verification and further remedial action to weed out these fake billers from the GST eco-system and to safeguard Government revenue," the Central Board of Indirect Taxes and Customs (CBIC) said in an instruction to field formations.

In the first drive between May 16, 2023 to July 15, 2023, against fake registration, a total of 21,791 entities (11,392 entities pertaining to state tax jurisdiction and 10,399 entities pertaining to CBIC jurisdiction) having GST registration were discovered to be non-existent.

An amount of Rs 24,010 crore (state - Rs 8,805 crore + Centre - Rs 15,205 crore) of suspected tax evasion was detected during the special drive.

Moore Singhi Executive Director Rajat Mohan said this extended drive highlights the critical role of data analytics and inter-agency collaboration in combating tax evasion and underscores the government's commitment to maintaining a clean and fair tax environment.

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Indian Telangana State Pitches Warangal Textile Park To S Korean Firms

While interacting with representatives from the Korea Federation of Textile Industry in Seoul recently, chief minister of India’s Telangana state A Revanth Reddy pitched the mega textile park in Warangal as an ideal destination for investment from South Korean companies.
The chief minister said this in a post on microblogging platform X using the Telangana chief minister’s office official handle.

He is accompanied by state industries minister D Sridhar Babu during the tour to South Korea following a visit to the United States.

The roundtable, which included Youngone chairman Kihak Sung, KOFOTI executive vice chairman Soyoung Joo and leaders of 25 major South Korean textile companies, responded with amazing enthusiasm, Reddy said.

"Expect to attract more investments for Warangal, and rest of Telangana in the textile sector. My colleague @OffDSB and officials will put together a task force to follow up on all the opportunities for quick closures and action on the ground: @revanth_anumula," he said in the post.

The Indian delegation held talks with senior leadership of LS Corp, one of South Korea's biggest industrial conglomerates, he wrote. "Our talks covered broad interests, including manufacturing investments in #Telangana for electric cables, gas and energy, and batteries," he added.

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GLOBAL

IBC Urges BGMEA, BKMEA To Protect Workers' Rights Amid Unrest

IndustriALL Bangladesh Council (IBC), made up of IndustriALL affiliates, has engaged with the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) to demand protection of wages by ensuring all workers receive their wages for the curfew period, no job losses, retrenchment, or harassment of workers due to the situation, respect and safeguard the safety and rights of all workers and their families and engagement in dialogue with trade unions, particularly regarding labour law reforms, minimum wages, and employment policies.

The IBC also calls on the government of Bangladesh to restore human rights and equity for victims of state violence, including fair compensation and improved workplace safety

Student protests in Bangladesh, sparked by the government's reinstatement of a job quota system favouring descendants from the independence war in 1971, have had a severe impact on the country's manufacturing industries. The garment sector, in particular, has been hit hard, exacerbating the already fragile conditions for workers and significantly disrupting their livelihoods. The violent government response to the protests has resulted in over 450 deaths, highlighting the deadly nature of the unrest.

Bangladesh’s garment workers have long endured difficult conditions, including low wages, unsafe working environment and suppression of labour rights. The minimum wage protests since 2023 have seen many workers and trade union activists arrested and subjected to violence, including police brutality. It is time to build a sustainable future for the RMG sector with proper wages and working conditions, IndustriALL said in a press release.

Many women workers have faced harassment and assault, and there has been a severe crackdown on civilian access to information and freedom of expression, including an internet shutdown.

Against the insecurity over people's lives in the country, parliament was dissolved on August 5 after prime minister Sheikh Hasina had fled the country. On August 7, Dr Mohammad Yunus was appointed chief adviser in Bangladesh and will form an interim government.

This unprecedented situation is directly affecting workers, particularly those in the manufacturing industries. The protests have also highlighted broader governance and human rights issues in Bangladesh.

"Workers and their families have been severely affected by the recent unrest, blockades, and curfew. Hundreds of thousands of precarious workers, including those in the garment, chemical, and shipbreaking industries, have lost their earnings in recent days. Commodity prices have also surged. We appeal to the government led by Dr Mohammad Yunus to restore and uphold human rights and to ensure the development of human-centred policies," *AM Nazim Uddin, IndustriALL Bangladesh council president*, said.

"The situation in Bangladesh is heartbreaking. We're deeply saddened by the loss of lives during the unrest. Our thoughts are with the families of the victims, and everyone affected by this violence. It's alarming that Bangladesh is among the ten worst countries for working people, according to the 2024 ITUC Global Rights Index. It is time for the interim government in Bangladesh to restore rule of law and respect freedom of speech, honour its commitments to international human rights bodies including the ILO, and engage in meaningful dialogue with all stakeholders, including trade unions," said *Atle Høie, IndustriALL general secretary*.

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Germany Faces Growing Economic Challenges As Order Shortages Worsen

Germany's economy is facing increasing challenges as the order shortage worsens, according to the latest data from the ifo Institute. In July, 39.4 per cent of companies reported a lack of orders, a rise from 38.4 per cent in April.

The manufacturing sector has been particularly hard hit, with the percentage of companies reporting insufficient orders increasing from 39.5 per cent in April to 43.6 per cent in July.

In the textile manufacturing sector, a substantial 66.5 per cent of companies reported a lack of orders, indicating significant strain on this segment. Similarly, 32.7 per cent of companies in the wearing apparel manufacturing sector also reported a shortage of orders, as per the ifo Institute.

"The lack of orders is weighing on economic development in Germany. Almost every industry is affected," said *Klaus Wohlrabe, head of Surveys at ifo*.

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Congestion At Bangladesh's Chottogram Port Due To Slow Delivery

Slow delivery of both cargo and containers has led to congestion at Bangladesh's Chattogram Port, where operations had been disrupted since July 18 last due to countrywide anti-job quota movement by students.
Both imports and exports have been affected because of this.

Operations by the Chattogram Port Authority (CPA) had resumed on August 6 in full swing and 66 ships have reported arrived at the port. Of them, 16 are in jetties while other 50 in the outer anchorage.

CPA is hopeful of the situation at the port returning to normalcy within the shortest possible time.

CPA secretary Muhammad Omar Faruk, however, domestic media outlets that loading and unloading from ships and delivery of both cargo and containers from the port sheds have started in a smooth manner.

The Bangladesh Railway had also suspended all trains beginning July 18. Trains carry containers to Kamalapur inland container depot from Chattogram Port.

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It's time to look forward with our fashion partners

Read more at : https://www.thedailystar.net/opinion/views/rmg-notes/news/its-time-look-forward-our-fashion-partners-3674661

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CPI For Garments Rise Slightly In June In US: Cotton Inc

The US economy continues to send mixed signals as various economic indicators reveal both resilience and emerging concerns. In June, the consumer price index (CPI) for garments experienced a modest increase of 0.3 per cent month-over-month, while year-over-year retail prices rose by 0.8 per cent, as per Cotton Inc.
In contrast, the average import costs for cotton-dominant apparel declined by 1.0 per cent month-over-month and were down by a significant 7.2 per cent year-over-year, suggesting a potential easing in supply chain pressures.

Consumer confidence showed a slight uptick in July, as the Conference Board's Index of Consumer Confidence climbed from 97.8 in June to 100.3. Despite this improvement, the index remains within a lower range that has been typical for the past two years, indicating cautious optimism among consumers, Cotton Incorporated said in its Executive Cotton Update – U.S. Macroeconomic Indicators & the Cotton Supply Chain - August 2024.

Consumer spending, a key driver of the US economy, demonstrated continued growth. Overall spending increased by 0.2 per cent month-over-month and 2.6 per cent year-over-year. Notably, spending on clothing surged by 1.1 per cent month-over-month and an impressive 4.7 per cent year-over-year, marking the strongest annual growth rate for apparel sales since early 2022, when stimulus payments were still influencing spending patterns.

However, financial markets faced heightened volatility, driven by a selloff in technology stocks and concerns about the U.S. economy's strength following the release of the latest employment data. The labour market, which has been a pillar of the economy's post-pandemic recovery, is showing signs of slowing. The unemployment rate increased from 4.1 per cent to 4.3 per cent in July, partly due to a 420,000 person increase in the labour force. While the unemployment rate remains low by historical standards, this rise has contributed to concerns about a potential recession.

Wage growth also decelerated, with the year-over-year rate of change in average hourly wages slowing to 3.6 per cent in July, continuing a downward trend that began in March 2022 when wage growth peaked at 5.9 per cent. Despite this slowdown, wage growth remains above the overall inflation rate, which was 3.0 per cent higher year-over-year in June.

The US economy added 114,000 new jobs in July, but revisions to previous months' data revealed a less robust job market than initially reported. With the labour market softening and inflationary pressures easing, there is speculation that the Federal Reserve may consider lowering interest rates gradually to prevent an economic contraction.

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Cotton Prices Declined Amid Weak Demand Concerns From Bangladesh And China.

Cotton prices declined by 0.25% to settle at 56,300, pressured by concerns over reduced cotton demand in key markets like Bangladesh and China. The market sentiment was further dampened by reports of a significant decline in cotton acreage in major Indian states. Punjab, Haryana, and Rajasthan have collectively reported only 10.23 lakh hectares under cotton cultivation this year, a sharp drop from the 16 lakh hectares recorded last year. Specifically, Punjab saw a reduction to 97,000 hectares, down from the historical norm of up to 7.58 lakh hectares during the 1980s and 1990s. Similarly, Rajasthan's cotton area decreased from 8.35 lakh hectares last year to 4.75 lakh hectares this year, while Haryana saw a reduction from 5.75 lakh hectares to 4.50 lakh hectares in 2024. Despite these reductions, some support for cotton prices emerged due to delays in shipments from the U.S. and Brazil, which triggered increased demand for Indian cotton from neighbouring mills.

Additionally, firm cottonseed prices have helped maintain some price stability, even as the southern states of Karnataka, Telangana, and Andhra Pradesh have commenced sowing for the 2024 Kharif season following the onset of monsoon rains. On the global front, the 2024/25 U.S. cotton projections indicate higher beginning and ending stocks, with the season average upland farm price forecasted at 70 cents per pound, down 4 cents from the previous forecast. Global ending stocks for 2024/25 are projected to increase by 480,000 bales to 83.5 million.

Technically, the cotton market is undergoing long liquidation, with open interest decreasing by 0.59% to settle at 168 contracts. Cotton prices are currently supported at 56,300, and a break below this level could lead to further declines. Resistance is likely at 56,300, with any upward move potentially testing the same level again.

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