LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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## NATIONAL

### Benninger's Fabric Master revolutionises textile dyeing in India

The Swiss company Benninger, renowned for its innovative textile machinery, has introduced its latest marvel, the FabricMaster, to the Indian market. This soft flow machine is already making waves globally, with installations in Europe, the USA, Peru, Central America and Bangladesh. Now, it is set to transform the Indian textile industry, with production taking place at Benninger's High Tech Fabrication facility in Pune.
The first FabricMaster in India has been operational for a year at Amarnath Dyeing And Bleaching Works Private Limited. The machine's outstanding performance has led Amarnath to order a second unit, underscoring their complete satisfaction with its capabilities. This second machine is now ready to leave the Benninger Works in Pune, marking another milestone in the FabricMaster's journey.

"This innovative technology transforms our production capabilities, setting new benchmarks in the industry. Our new machines will help us reach our goal of becoming the leader in quality fabric processing while caring about ecology. The machines will help us do so by enhancing our efficiency, reducing waste, and minimizing our environmental impact. This investment not only underscores our commitment to excellence but also to sustainable practices that benefit both our customers and the planet," said *Sudarshan Chandak, director at Amarnath Dyeing And Bleaching Works Private Limited*.

Excellent dyeing performance

The FabricMaster is designed to handle the most challenging dyeing tasks with ease. It excels in dyeing difficult Lycra blends of Cotton, Rayon, Nylon, and Modal fabrics in open width form, without any rope marks or edge curling.

The FabricMaster ensures optimal dye penetration and color consistency achieving uniform fabric handling during the dyeing process. This is ensured thanks to the FabricMaster's nozzle which can be precisely adjusted based on the weight of the fabric being dyed. Lightweight fabrics benefit from low liquor volume, while heavier fabrics are treated with increased flow. Furthermore, the internal fabric plaiter operates at varying speeds, accommodating different fabric types. Moreover, its automated add tank ensures accurate chemical addition simplifying chemical dosing and mixing.

Key factors are minimal consumption of water, steam, chemicals and dyestuff, to ensure right-first-time results with lowest waste. The FabricMaster boasts an optimized chamber design, resulting in the lowest liquor ratio among water-driven piece dyeing machines. The

carbon footprint of the FabricMaster is designed to be the future industry benchmark for sustainability.

Why FabricMaster also stands out

The FabricMaster's self-cleaning lint filter keeps the system running smoothly to enhance productivity. It monitors lint accumulation and automatically cleans itself, minimizing downtime and maintenance hassles. Furthermore, the FabricMaster's high-capacity heat exchanger accelerates heating gradients, reducing cycle times.

After dyeing, unloading the fabric swiftly is crucial. The FabricMaster features a frequency-controlled unloading winch, ensuring efficient fabric removal without compromising quality. The fabric lift from the chamber to the reel is less than half that of competitors' machines, improving fabric transport.

The FabricMaster is a testament to Benninger's commitment to innovation and quality. As it continues to gain traction in the Indian market, it promises to revolutionize fabric dyeing processes, setting new standards for efficiency, quality and precision to textile dyeing processes.

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**India eating into RMG exports share of Bangladesh: CareEdge Ratings**

Bangladesh's readymade garment (RMG) exports during the last fiscal (FY24) were around 3.2 times of India's, but during the first quarter (Q1) of this fiscal (FY25), this ratio narrowed down to around 2.5 times, reflecting India eating into the share of Bangladesh, according to CareEdge Ratings.
Apart from the impact of socio-political upheavals in Bangladesh, this was also aided by various initiatives to enhance the competitiveness of Indian RMG exports, the Indian rating agency noted.

The socio-political uncertainties prevailing in Bangladesh may result in global RMG brands and retailers with a significant presence in Bangladesh diversifying their sourcing for meeting their delivery schedules, especially if the crisis persists for more than a quarter or two, it said in a release.

In such a situation, India is expected to gain around 6-8 per cent and 10 per cent of Bangladesh's monthly export orders in the near term and medium term respectively, translating into monthly incremental export opportunity of around $200-250 million in the near-term and $300-350 million in the medium-term, it said.

India has enough headroom to increase RMG exports by 20-25 per cent given the available capacities in the sector.

With the China+1 sourcing strategy already in the works, global RMG brands and retailers have limited alternatives such as India, Vietnam and Cambodia to replace Bangladesh, and India is in a prime position to capitalise on the opportunity, it said.

Bangladesh's RMG exports registered a 17-per cent de-growth in Q1 FY25 on a year-on-year (YoY) basis, while Indian RMG exports have grown by 4 per cent during the same period.

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**Cotton Prices Gains As Cotton Acreage Trails By 9% At 110 Lh**

Cotton prices rose by 0.56%, settling at ₹57,220, as concerns over reduced acreage in the current Kharif season continued to support the market. The area under cotton cultivation has decreased by around 9% to 110.49 lakh hectares (lh) compared to 121.24 lh during the same period last year. The Cotton Association of India (CAI) anticipates that the total acreage for this year will be approximately 113 lh, down from 127 lh in the previous year. The shift of cotton farmers to other crops, driven by lower yields and high production costs, is a significant factor in this reduced acreage.

Additionally, the CAI highlighted that the cotton balance sheet for the next year's opening stocks could be tight due to higher exports to Bangladesh, which have unexpectedly increased from 15 lakh bales to 28 lakh bales. India's cotton production and consumption for 2023-24 are both estimated at around 325 lakh bales, with exports at 28 lakh bales and imports at 13 lakh bales, leading to a reduction of 15 lakh bales from last year's stock. The available stock for consumption by mills up to September 30 is estimated at 70 lakh bales, with potential tightness if the new crop is delayed. Globally, the 2024/25 cotton balance sheet has seen reductions in production, consumption, and ending stocks, driven by lower production in the United States and India, and reduced consumption in China. World ending stocks are now projected to be 77.6 million bales, down 5.0 million from July.

Technically, the cotton market is experiencing fresh buying, with open interest increasing by 2.37% to 173 contracts as prices rose by ₹320. Cotton candy is currently supported at ₹56,680, with further support at ₹56,140 if breached. Resistance is anticipated at ₹57,580, and a move above this level could see prices testing ₹57,940.

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**India can become a $55 tn economy by 2047 with 8% growth: IMF exec director**

India could potentially grow into a $55 trillion economy by 2047 if both state and central governments are diligent in enacting policies that elevate the nation's growth rate from its historical average of 7 per cent to 8 per cent (in rupee terms), according to Krishnamurthy V Subramanian, Executive Director of the International Monetary Fund (IMF).

During the launch event of his book, "India @100" at the Indian School of Business (ISB) in Hyderabad on Monday, Subramanian acknowledged that the goal of reaching a $55 trillion economy by 2047 might seem ambitious, but it is within reach. He noted that in 2020, India's private credit to GDP ratio stood at 58 per cent, a significant lag behind advanced economies where it has reached 200 per cent.

However, he highlighted the remarkable progress being made in financial inclusion through initiatives like the "Pradhan Mantri Jan-Dhan Yojana".

"So in other words... While this of course appears to be audacious, it is the power of compounding that makes it happen. As long as we are able to register 8 per cent growth, we can actually become a $55 trillion economy," the former chief economic advisor said.

**India's GDP growth rate: 'The Rule of 72'**

Subramanian, drawing on the "rule of 72", explained that with a 12 per cent annual growth rate for the dollar — comprising 8 per cent GDP growth, 5 per cent inflation, and a 1 per cent depreciation of the rupee against the dollar — GDP is expected to double every six years. By applying this principle over a 24-year span starting in 2023, he projected that the current $3.25 trillion economy would experience "four doublings", reaching $52 trillion by 2047.

Using Japan as a benchmark, Subramanian highlighted that its economy expanded from $215 billion in 1970 to $5.1 trillion in 1995, reflecting nearly a 25-fold increase over 25 years. During this period, GDP per capita surged from $2,100 to $44,000. Emphasising the importance of wisely using government borrowings, he noted that investments should focus on creating assets rather than merely funding subsidies or operational expenses.

Beyond physical infrastructure, he asserted that India needs to invest in enhancing human capital, healthcare, and digital infrastructure, which are essential responsibilities of the government.

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**How India and China can beat the ‘middle-income trap’ & why young Indian bankers are job hopping**

With India and China establishing themselves as two key powers in the world economic order, global media has been tracking their growth trajectory.

While an opinion piece by an economist in *Financial Times* applauds the economic policy of liberalisation in these nations, another such article in *The Economist* suggests the “3i” approach to growth.

Back in 1980, India and China accounted for just 5 percent of the global income. Now, they contribute around 25 percent, reducing the inequality in global income distribution. In the *Financial Times* piece, ‘Global inequality is narrowing — and that is cause for celebration’, Shekhar Aiyar writes that the liberalisation of these two economies triggered a “step-increase” in their respective GDP growth.

Aiyar, a visiting scholar at Johns Hopkins School of Advanced International Studies, non-resident fellow at Bruegel and visiting professor at National Council of Applied Economic Research, highlights the “rapid income growth even at the bottom of the income distribution”, describing the reduction in absolute poverty in China and India as one of the most dramatic improvements in human welfare in history.

Meanwhile, income inequality has surged in the West, becoming a central issue in political discourse and fuelling populist attacks on the liberal economic order, the author writes.

In a piece in *The Economist*, Indermit Gill, chief economist and senior vice-president of the World Bank Group, discusses the challenges that developing countries, like China and India, face in their pursuit of becoming high-income or “rich” nations. Gill argues that these countries often get stuck in the “middle-income trap”, where economic growth stalls as they reach middle-income levels.

“Since 1970, the average per-person income of middle-income countries has never risen above 10% of the level in America,” he writes. To overcome this, he proposes a “3i” strategy: first focusing on investment, then infusing foreign technology, and finally fostering innovation. He emphasises that this sequenced approach, exemplified by South Korea’s

economic rise, is crucial for developing countries to achieve sustained and equitable growth.

Young Indian bankers are hopping from one bank to another in pursuit of higher salaries. A *Bloomberg* report by Preeti Singh and Ruchi Bhatia highlights that India's financial sector is experiencing unprecedented levels of attrition, which are among the highest globally. The country's booming credit market and economic growth have intensified pressure on banks, leading to a troubling side effect — a significant churn of young employees.

While senior bankers have seen substantial pay increases, entry-level salaries remain "stubbornly low", contributing to dissatisfaction among junior staff, the authors write. Issues, like language barriers and bias against those coming from non-elite and non-metro spaces, have caused a mismatch between job expectations and actual roles exacerbating these issues, the report explains.

In a *Financial Times* opinion piece, Kishore Mahbubani argues that the veto rights in the United Nations must be adjusted to reflect the changing world order for the organisation to maintain its credibility. The author, a distinguished fellow at the National University of Singapore and author of *The Asian 21st Century*, writes that the UK must cede its permanent seat on the United Nations Security Council (UNSC) to India.

Mahbubani underscores the UK's declining global influence and notes that its GDP has now fallen below India's, signalling its reduced stature on the world stage. He also recalls how, during the Iraq war in 2003, the UK had felt compelled to align with the US, even in the face of strong opposition from France and Germany.

He suggests that there would be "poetic justice" in the UK relinquishing its UNSC seat to India, given the colonial past, referring to Shashi Tharoor's claims that Britain owes reparations to India, and the "looting" of the Kohinoor diamond by British imperialists from "a 10-year-old ruler after imprisoning his mother".

In the past, various calls have been made for India to be made a permanent member at the UNSC. In April this year, External Affairs Minister Dr S. Jaishankar had assured that India will get a permanent seat, but 'will have to work hard' for it. Earlier this year, he called the reform of the UN bodies 'common sense'.

The *FT* piece comes just a day before the statement to the UNSC by Indian Ambassador R. Ravindra, Charge d'Affaires & Deputy Permanent Representative. The ambassador, on behalf of the G4 nations (Japan, Brazil, Germany and India), Monday proposed an increase in UNSC membership by adding six permanent members — two each from African states and Asia Pacific states, one from Latin American and Caribbean states, and one from Western European and other states.

"For the G4, a primary reason for the underperformance of this critical institution remains the non-representation of Africa, Latin America and the Caribbean and the underrepresentation of Asia-Pacific in the permanent category of the UN Security Council," he said, while addressing the UNSC.

The iconic Irani cafes, which have been a part of Indian culture for over a century, are now facing the threat of extinction, reports *BBC*. Correspondent Amarendra Yarlagadda writes that the Persian-style cafes are known for their creamy chai, fresh samosas, and unique ambiance with marble-topped tables and chequered floors.

While the cafes have adapted and transformed over time with the British supporting a tea-drinking culture to fast food restaurants pushing for greater seating and larger menus at these cafes, they are still "under threat". The *BBC* report quotes those in the business blaming rising prices, competition from fast-food restaurants, and changing consumer tastes for this decline.

"Hyderabad has the highest number of Irani cafes after Mumbai even today," Yarlagadda writes, highlighting the dwindling numbers. "From an estimated 450 cafes over two decades ago, Hyderabad now has only 125 left," the report reads.

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**India, Russia explore dynamic rupee-rouble rate to overcome trade issues**

India and Russia are exploring a dynamic rupee-rouble rate to overcome dollar trade barriers in the wake of US sanctions on Moscow, according to The Economic Times report. The development comes as Russia has accumulated a significant amount in rupees while trading with India since the outbreak of the Ukraine war in February 2022.

Currently, banks handling export-import payments or any capital flows between the two countries have to take the dollar route in converting the currencies. This means carrying out two, almost simultaneous, transactions – of rupee to US dollar, and dollars to rouble – in arriving at a rupee-rouble exchange rate.

Additionally, India and Russia are also making attempts to put in place a payment confirmation mechanism. These moves will likely be discussed during a meeting of senior central bank officials and bankers in Moscow this week, sources told The Economic Times. RBI deputy governor T Rabi Sankar and top officials of some public sector banks are part of the team visiting Moscow for a meeting of the India-Russia Joint Business Council for banking and finance.

**RBI reviews Russian rupee usage**

This comes after the RBI took feedback from banks and financial institutions dealing with Russian funds registered in India. Earlier, Russian financial institutions sounded out the RBI on a mechanism to let them use rupees lying in special accounts in India for investment in stocks and securities in India.

Notably, the accumulated rupee balance is lying in vostro accounts that Russian banks have with Indian banks. The accumulation of rupee in Moscow is an outcome of India paying in its local currency for Russian imports.

**Rupee-Rouble trade: All eyes on RBI**

Previously, RBI had allowed the investment of the rupee surplus in vostro accounts in Indian treasury bills and government bonds. However, the rupee-rouble trade may further gather pace if RBI permits the transfer of rupees lying in the trade balance pool to the rupee accounts of Russian foreign portfolio investors.

If RBI approval comes through, the fund could invest the amount in securities listed on Indian exchanges and transfer equivalent amounts in roubles to Russian companies that have exported to India but have not accepted payments in rupees.

**Exploring non-dollar trade settlements**

Besides, an option like the India-UAE trade mechanism can also be explored. Under the India-UAE system, aimed at settlement of trades in non-dollar currencies, exporters and importers from both countries invoice trades and make payments in rupee or dirham while the central banks agree to accept the foreign currency for the domestic one.

In an arrangement of this kind, the presence of the central banks, playing the role of a market-maker and accepting foreign currency lends a degree of comfort. The same could be replicated for India-Russia trade, especially for larger payments for the purchase of oil and other heavy imports.

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**GST Council to meet on September 9, rate rationalisation talks likely to be on table**

Rate rationalisation, covering the future course for tax slabs and correction of inverted duty structure, under the Goods and Services Tax (GST) regime, notices being sent to companies for their overseas operations, and the recent debate over tax rate on insurance premium are likely to be discussed in the GST Council meeting to be held next month. In an official statement on Tuesday, the Council said the next meeting would be held on September 9.

“The 54th Meeting of the GST Council will be held on 9th September, 2024 at New Delhi,” GST Council said in a post on social media platform X.

Before the Council meet, officers from states and Centre will meet on September 8. “There is the unfinished agenda of rate rationalisation. A move towards it would require initial steps in the form of discussions within the ministerial committee. The committee would be asked to present the work done so far for a wide ranging discussion in the Council. It also needs to be looked into whether a timeline has to be fixed for the ministerial committee to submit its recommendations on rate rationalisation and changes in the slabs,” an official said.

The Council is also expected to take up the notices being sent to companies, especially for their overseas operations even after having issued a clarificatory circular earlier. GST authorities had earlier this month made a partial reversal from their earlier position by withdrawing **notice of Rs 3,898 crore to tech major Infosys** out of the total tax demand of Rs 32,403 crore raised earlier in July-end for the five-year period starting 2017-18.

In its previous meeting held in June, the GST Council, which had met for the first time since the formation of the new Union government, tweaked tax rates on some items, and took a series of steps to bring down litigation and ease compliance for taxpayers. The overall GST rate rationalisation and streamlining of the slab structure, which falls into four broad categories of 5 per cent, 12 per cent, 18 per cent and 28 per cent, has been a long pending issue.

After the previous Council meeting on June 23, Sitharaman had said the next meeting of the GST Council the Group of Ministers (GoM) on rate rationalisation under Bihar Deputy Chief Minister Sumant Chaudhary, will give a presentation on the status of the work and aspects covered by the panel and work pending before the panel. “There will be a presentation by the GoM irrespective of whether the report is draft… and then Council will start the discussion on rate rationalisation in the next meeting,” Sitharaman had said.

In September 2021, the GST Council had set up a GoM to examine rate rationalisation. The committee had submitted an interim report in June 2022. While there have been

internal discussions about merger of slabs or creation of a new slab in between 12 per cent and 18 per cent, the concerns have centred around whether it would create any revenue losses for the states and the Centre. The concern of maintaining revenue neutrality has weighed on such discussions earlier. Revenue neutrality is seen as a crucial factor as a study by the RBI had earlier shown that while the Chief Economic Advisor's report had pegged the revenue neutral rate at 15.3 per cent, the weighted average GST rate stood at 14.4 per cent in May 2017, and subsequently dropped to 11.6 per cent by September 2019.

Rate rationalisation is a crucial step towards simplifying India's GST regime, Saurabh Agarwal, Tax Partner, EY said. "To ensure the process is effective, it is imperative to consider the overall tax burden on end consumers when reassessing tax slabs. Prioritising sunrise sectors, such as new energy, is essential to drive down final product prices, including those in business-to-business transactions. Additionally, addressing classification ambiguities is vital during this exercise. Wide-ranging industry consultations before implementing new rates will help align stakeholder expectations and facilitate a smooth transition," he said.

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**Export tied up in knots**

Textiles, fabrics, and apparel have been central to India's identity. In ancient Greece and Babylon, the very word "cotton" was regarded as synonymous with the country's name. The trade of Indian fabrics formed famed global routes.

Yet today, Indian exports in this sector face challenges. World Trade Organization statistics report put India in sixth position in terms of the export of finished clothing. According to the report, India's clothing exports in 2022 amounted to $18 billion, while in comparison, Bangladesh exported $45 billion worth of clothing. An even more worrying trend is that India's share in world exports in clothing in 2022 was 3.1%, a rise of only 0.1% from 2000. At the same time, Bangladesh went from 2.6% to 7.9%. Currently, it is one of India's other neighbour that dominates clothing exports. China, with a total of $182 billion exports in 2022, captures 31.7% of world exports in this sector.

The aforementioned outlook paints a picture where alarm bells are ringing for India in clothing export (it can also be understood as readymade garments). However, India has some important competitive advantages. There is easy availability of raw material for apparel manufacturing. India produced 23.83% of the world's cotton in 2022-23. And it consumes 22.4% of the world's cotton. Additionally, India is the second largest producer of silk globally; and 95% of the world's hand-woven fabrics are manufactured in India. The

textiles and apparel industry directly employs 45 million people, and another 100 million in allied industries.

However, are these advantages sufficient for India to increase its level of value addition in the textile sector?

Apparel, which is the last stage of a textile value chain, is also the stage where maximum value addition happens. While India, with a $7,205 million trade balance, is a net exporter in textile products, its readymade garment (RMG) exports have been lowest in 2023-24 in comparison to the years following the pandemic.

Cumulatively, India's RMG exports for April-March 2023-24 were $14,536.2 million, showing a decline of 10.2% over April-March 2022-23, a decline of 9.3 % over April-March 2021-22, and a growth of 18.3% over April-March 2020-21, shows data compiled by the Apparel Export Promotion Council (AEPC). The figures are based on the Directorate General of Commercial Intelligence and Statistics and provisional data released on the Press Information Bureau by the ministry of commerce and industry on April 15. Further, in AEPC's view, of the top 15 apparel products that are in high demand globally, only five are Indian exports, as against 11 by Bangladesh, 14 by Vietnam, and nine by Turkey.

The biggest impediment to India's apparel industry has been its poor economy of scale. The Economic Survey 2024 mentions that 80% of the textile and apparel producers are micro, small and medium enterprises, where the average scale of operations is relatively small. The manufacturing capacity is further marred by the fragmented nature of the apparel sector. While Maharashtra, Gujarat, and Tamil Nadu are important sources of raw materials for the industry, the spinning facilities are predominantly in the southern states. This leads to delays and higher transportation costs, thereby limiting efficient large-scale manufacturing and increasing the cost of production.

The powerloom sector, which produces 60% of the fabric meant for export and 58.4% of the total cloth produced in the country, further contributes to the issue. In Tamil Nadu, for example, demands have risen to exempt the powerloom sector from a recent electricity tariff hike. According to data published on the National Import-Export for Yearly Analysis of Trade portal, Tamil Nadu exported 22.58% of textiles, the highest percentage for an Indian state. Yet, the textile industry is struggling in the state. According to the Tamil Nadu Federation of Powerlooms Association cited in an article in The Hindu last month, the economic burden of this hike can have a severe impact at a time when looms are being

sold as scrap on account of lack of orders and weavers not being able to run them due to several other reasons. In addition, the Economic Survey 2024 highlighted technological obsolescence as one significant contributor to the problems in the textile and apparel industry.

Lack of capacity is thus a serious issue. As India aspires to raise its garment exports to $40 billion by 2030, AEPC estimates suggest an additional 1,200 manufacturing units are needed. However, the current growth rate indicates that only around 200 new units are likely to be established by then.

To some extent, geopolitical crises prevalent all over the world are also responsible for India's falling textile exports. An FE article published last month mentioned that globally, freight charges have risen by 40-50%, contributing to increased cost of production. Furthermore, with importers in Europe and the US still not maintaining inventories, the manufacturers' order book cycle has reduced to three months, compared to six months previously. Nevertheless, India needs to find stronger and deeper foundations to build its readymade garment manufacturing and export set-up for the future.

Moving India's global value chain integration toward higher value-generating downstream activities such as readymade garments (or clothing or apparel) and capacity creation is important. Investment in technology upgrade of weaving and processing segments is required. At the same time, improving the brand image of Indian apparel and garments is needed to increase the unit value realisation.

India's textiles have been unrivalled throughout history. Its diverse weather patterns, geographic regions, and cultures created unique fabrics and crafts like the golden silks of Assam, Banarasi silk of Varanasi, and pashmina of Kashmir. In contemporary times, as India's garment and textile manufacturing has suffered, it is necessary to look at past errors and appreciate the reasons for the gaps in performance.

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**ILO to help eliminate child labour, forced work in cotton fields**

As cotton and hybrid cotton seeds from India continue to remain in the United States

Labour Department's 'List of Goods Produced by Child Labour or Forced Labour', the Confederation of Indian Textile Industry (CITI) has joined hands with the International Labour Organisation (ILO) to help farm workers and small and medium farmers engaged in cotton cultivation.

The joint project — Promoting Fundamental Principles and Rights at Work (FPRW) — aims to promote effective recognition of freedom of association the right to collective bargaining, the elimination of child labour, the abolition of forced labour, the elimination of all forms of discrimination and the promotion of a safe and healthy working environment among the cotton growing community in India. The project was launched in Delhi on Tuesday and is expected to reach out to 65 lakh cotton farmers in 11 States.

Insaf Nizam, ILO's Fundamental Principles and Rights at Work Specialist, said the issues in the fields can be addressed through a productive approach by understanding what is happening at the grassroots. "ILO's agenda is to promote freedom, equity, and dignity," he said and added that economic growth should not be at the cost of decent work.

"The fundamental principles and rights at work convention (of the ILO) applies to all ILO member-States whether they have ratified it or not. It is part and parcel of the ILO's Constitution," he said. ILO will work with all stakeholders to address problems of cotton cultivators, he added.

CITI's Secretary General Chandrima Chatterjee said that by leveraging the confederation's existing farmer connections and network in the region, and by capitalising on the knowledge products developed by the ILO, the new initiative will ensure stronger collaboration with government bodies, employers' and workers' organisations, and civil society groups. "Together, we will work to ensure that cotton-growing communities are well-informed and empowered to assert their rights under FPRW," she said.

Ms. Chatterjee added that by upholding FPRW, cotton-growing communities can foster a more equitable, sustainable, and prosperous environment for all workers, leading to long-term benefits for individuals and families.

"Apart from the awareness on FPRW, the collaboration will equip farmers with knowledge about various government schemes and initiatives aimed at their socio-economic upliftment, through dissemination of information related to schemes/programs for eligible families, outreach services to enhance access to selected schemes of the government,

facilitate access to education for children in the target community and linkages with skill development / vocational training facilities for target community," she said.

The project also aims to promote social finance and financial inclusion/bank linkage for the farmers and agriculture workers and enhance their access to digital literacy programs of the government.

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## GLOBAL

### S Africa to impose VAT on low-value parcels to protect garment sector

South Africa will temporarily impose value-added tax (VAT) on low-value parcels to raise the competitiveness of its apparel industry and promote legitimate trade for economic development in the e-commerce era, the South African Revenue Service (SARS) recently announced.
"SARS has noted legitimate concerns about the importation of various goods, particularly garments, via e-commerce. A number of importers have failed to pay the required customs duties and VAT on these imports, resulting in unfair competition with other players in the sector," a press release by the government organisation said.

Due to an immense rise in e-commerce, SARS Customs implemented a concession for goods valued at less than R500. Importers were paying a flat rate of 20 per cent in lieu of customs duties and no VAT.

This will change from September 1 as the country will impose VAT in addition to the import tariff as an immediate interim measure.
The measure is in line with the World Customs Organisation (WCO) framework, SARS said in a release.

SARS commissioner Edward Kieswetter said his organisation will resort to more use of data, artificial intelligence, machine learning and algorithms to better facilitate trade while minimising risks to the economy.

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### Global demand for raw material, semi-manufactured goods weakens in Jul

The United States Department of Agriculture (USDA) has reduced its global cotton production forecast for 2024-25 by 2.6 million bales (226.8 kg (500 pounds) each), bringing the total to 117.64 million bales, as per its August 2024 World Agricultural Supply and Demand Estimates (WASDE) report.
The WASDE report also lowered the global end-of-period inventory estimate to 77.61 million bales, down from 82.63 million bales the previous month. Global consumption was reduced by nearly 1 million bales, primarily due to decreased consumption in China.

For US cotton, the USDA cut its 2024-25 production forecast by 1.9 million bales to 15.11 million bales. The US cotton yield forecast was slightly reduced to 840 pounds per acre, down from 844 pounds per acre. The ending inventory forecast for 2024-25 now stands at 4.5 million bales, down from 5.3 million bales.

The all-cotton planted area has been reduced by approximately 500,000 acres based on Farm Service Agency data, with the abandonment rate estimated at 23 per cent, up 6 per cent from last month. Consequently, the estimated harvested area of 8.6 million acres is about 11 per cent lower than the July WASDE forecast.

The all-cotton yield estimate of 840 pounds per acre is slightly lower than last month's figure. Exports are reduced by 1 million bales due to lower global trade and a smaller crop. Ending stocks are down by approximately 800,000 bales to 4.5 million, or 32 per cent of use, mainly due to the smaller estimated crop.

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**USDA revises down global & US cotton output amid lower demand**

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## Crude oil surge & lower cotton output propel ICE cotton prices

ICE cotton saw an upward trend yesterday, reaching a three-week high. However, US cotton could not sustain the gain, closing with only a slight increase. Prices rose following a reduced projection for US and global cotton production, with stronger crude oil prices also providing support.
The December ICE cotton contract settled at 69.07 cents per pound (0.453 kg), up 0.73 cents. The contract reached a session high of 70.80 cents.

Cotton prices have been influenced by rising crude oil prices amid the Middle East conflict. Oil prices surged over 2 per cent, making polyester, a man-made fibre alternative to cotton, more expensive.

Yesterday, the market saw heavy trading volumes, with a final tally of 61,443 contracts, the highest in eight weeks. On Friday, 33,576 contracts were cleared, and open interest stood at 225,992 contracts, up by 1,192 contracts. The ICE's deliverable No. 2 cotton futures contract inventory fell to 18,361 bales as of August 9, down from 18,721 bales the previous day.

The USDA lowered its 2024-25 forecast for US cotton production by 1.9 million bales to 15.11 million bales. The US cotton yield forecast was reduced to 840 pounds per acre from 844 pounds per acre. The 2024-25 cotton ending inventory forecast is now 4.5 million bales, down from 5.3 million bales. Global cotton production is also projected to decline in the new year.

In its weekly crop progress report, released after the market closed yesterday, the USDA showed the good-quality rate of US cotton at 46 per cent, up from 45 per cent the previous

week. The boll setting rate for US cotton was 74 per cent, up from 60 per cent the previous week.

Currently, ICE cotton for December 2024 is trading at 68.45 cents per pound, down 0.62 cents. Cash cotton is trading at 63.79 cents (up 1.20 cents), the October contract at 68.29 cents (up 1.20 cents), the March 2025 contract at 69.92 cents per pound (down 0.58 cents), the May 2025 contract at 71.16 cents (down 0.56 cents), and the July 2025 contract at 72.00 cents (down 0.50 cents). A few contracts remained at the same level as the last closing, with no trading observed today.

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## Australia's wage inflation continues to moderate: Westpac IQ

Australia's wage price index (WPI) rose by 0.8 per cent in the second quarter (Q2) this year. On an annual basis, wages held flat at 4.1 per cent per year due to changes in seasonality, but are still down from the peak of 4.2 per cent per year in December, Westpac IQ recently said.
Wage inflation moderated in the first half (H1) this year, with the six-month annualised pace dipping from 4.7 per cent per year in December 2023 to 3.4 per cent per year in June this year, it said in a release.

"We were surprised to see the annual [WPI] pace hold flat at 4.1 per cent per year. Our forecasts suggested that the annual pace should dip to 3.9 per cent per year," the company said.

Public sector wages did gain 0.9 per cent in June, up from the 0.6 per cent lift in March this year, which was the softest quarterly gain since September 2022.

Overall, the annual pace of public sector wages growth has moderated from 4.2 per cent per year in December 2023 to 3.8 per cent per year in March 2024, with a slight tick up to 3.9 per cent per year in June.

Private sector wages rose by 0.7 per cent in June 2024, representing an ongoing moderation in quarterly gains from September 2023 (1.4 per cent), December 2023 (1 per cent) and March 2024 (0.9 per cent). It is notable that private sector wages growth has also moved off its peak and that trend moderation continues.

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## Bangladesh rating may worsen if strife hits reforms progress: Moody's

Bangladesh's credit rating may worsen if prolonged political or social unrest derails progress on structural reforms and affects growth or if the interim government deviates from its commitments to reforms, according to Moody's Ratings.
Prolonged social unrest could continue to weigh on domestic consumption, which accounted for about 66 per cent of the country's gross domestic product (GDP) in the past five years.

However, a modest recovery in merchandise exports would balance this risk in the second half of 2024, it noted.

The country's economy may grow at 5.5-6 per cent in fiscal 2024-25 (FY25), but inflationary pressure since mid-2022 persists, which has led to a curb in domestic consumption and a decline in real wages, it said.

A prolonged shutdown of businesses would weigh on their and individuals' ability to repay loans, increasing the risk of non-performing loans, Moody's said.

A reduction in remittances would lead to a fall in banks' foreign currency liquidity, said the US rating agency.

"It is unclear whether the political and social unrest will subside following Hasina's departure and questions remain over the formation of the interim government headed by Yunus, an economist who founded microfinance institution Grameen Bank," Moody's was quoted as saying by domestic media reports.

"We expect short-term disruptions in remittance and financial flows as risk-averse individuals, investors, and companies pause in repatriating or investing their capital in Bangladesh amid the heightened political uncertainty, weakening the government's external position," it noted.

"A loss of confidence among retail depositors, prompting them to withdraw their deposits as a safeguard against potential bank failures or economic downturns, could also strain banks' liquidity," it added.

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