LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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Indian industry demands MIP on all knitted fabrics to check flooding

India's textile industry has raised its voice to extend the minimum import price (MIP) on all the HS lines of Chapter 60, which covers all types of knitted and crocheted fabrics. The government is expected to make a decision soon, as the current MIP on five HS lines will expire on September 15, 2024.

Industry organisations and a large number of businessmen argued in a letter sent to the Ministry of Textiles that knitted fabric imports have not eased in the last half year, despite the MIP on some types of knitted fabric. The ministry had invited views on the specific HS lines at the 6/8-digit level for which an extension or imposition of MIP is being requested.

R K Vij, emeritus president of the Textile Association of India (TAI) and secretary general of the Polyester Textile and Apparel Industry Association (PTAIA), told Fibre2Fashion, "The industry is severely affected due to dumping of knitted fabric. The imposition of MIP on 5 selective HS lines did not work positively as fabric imports shot up in other HS lines. The entire industry favoured to bring MIP on entire chapter 60 i.e. knitted fabric."

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Confederation of Indian Textile Industry (CITI) said in a letter sent to the ministry, "Since the imposition of the MIP of $3.5 per kg, there has been a considerable increase in the imports of fabric varieties under other HSN codes at a reduced unit price. Same is evident from the fabric import data from Apr-June 2024 as compared to Apr-June 2023."

According to industry feedback, due to the same duty structure for all knitted fabric categories previously, a significant amount of fabric was being imported under Chapter 6006, which should have been classified under different chapters. The current unit import prices for fabric categories, particularly under HSN 6001 and 6005, are unviable domestically and are harming the domestic industry. To support the domestic market, the government should consider extending the MIP beyond September 15, 2024. It is also necessary to extend the effect of the MIP of $3.5 per kg to all knitted fabric categories under HSN 6001, 6002, 6003, 6004, and 6005.

Various industry organisations, such as the North India Textile Mills Association (NITMA), Southern India Mills Association (SIMA), Federation of Surat Textile Traders Association, and Punjab Dyers Association, have also sent letters to the government to push for this demand. A large number of businessmen have also called for restrictions on fabric imports, feeling that the huge dumping of fabric at cheaper prices has sidelined the domestic market, especially when the global textile industry is facing slow demand from developed markets.

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India's growth story brightens: Moody's boosts GDP forecast to 7.2% for 2024

Moody's has raised its real **GDP** growth projections for India on Thursday expecting a robust 7.2% growth in 2024 (up from 6.8%) and 6.6% in 2025 (up from 6.4%). This revision reflects strong, broad-based growth, driven by resilient private consumption and improved business conditions.

The **Indian economy** grew 7.8% year-over-year in the first quarter of 2024, despite tight monetary policy and efforts toward fiscal consolidation, Moody's said in a report. Both industrial and services sectors are thriving, with services PMI staying above 60 since early 2024, Moody's added in the report.

As inflation eases towards the **RBI**'s target, household consumption is set to rise, especially with rural demand showing signs of revival amid a strong monsoon, the report said.

India finds itself in a macroeconomic "sweet spot" with solid growth and moderating inflation, which fell to 3.5% in July from 5.1% in June, Moody's said.

Over the long term, sustaining 6%-7% growth will depend on effectively utilising its young workforce, the report added. With a median age of 28 and two-thirds of the population of working age, the country has a unique demographic advantage that could power its growth—provided employment generation and skill development policies succeed.

For now, the outlook remains optimistic, driven by favorable economic conditions and strategic reforms, the report said.

Healthy balance sheets

Corporate and bank balance sheets are healthier, with increased capital raising through equity and bonds. Private capital expenditure is projected to surge by 54% this financial year, fueled by rising capacity utilization, positive business sentiment, and government infrastructure investments, Moody's said. Though manufacturing has struggled in recent years, improving domestic conditions and global trends suggest a brighter future for India's manufacturing sector, it added.

Digitalization: A pivot

Digitalization is also playing a pivotal role, driven by government initiatives like the United Payments Interface (UPI), which now accounts for nearly 80% of digital payments, accelerating financial inclusion and formalization of the economy, Moody's said. Meanwhile, India’s external position has strengthened, with a current account surplus recorded for the first time in ten quarters, thanks to robust services exports and remittance inflows. Additionally, ample foreign reserves give the RBI more room to manage rupee volatility.

Fitch affirms rating

Fitch also affirmed India's long-term foreign currency issuer rating at 'BBB-' with a stable outlook, citing a strong medium-term growth outlook.

The agency said the growth outlook will continue to drive improvement in structural aspects of its credit profile, including India's share of GDP in the global economy as well as its solid external finance position.

Strengthening fiscal credibility from meeting deficit targets, along with enhanced transparency and buoyant revenues have increased the likelihood that government debt can follow a modest downward trend in the medium term, it added.

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India's Q1FY25 GDP growth expected to slow to 6.8%: CNBC-TV18 Poll

The Union Government is set to release the first quarter (Q1FY25) GDP data tomorrow, August 30. According to a CNBC TV18 poll, India's GDP is projected to grow at 6.8% for Q1FY25. This growth rate marks a significant slowdown from the 8.2% growth recorded during the same period last year and the 7.8% growth in the previous quarter.

Should this forecast hold, it will be the slowest GDP growth rate observed in five quarters, with the last instance of growth below 7% occurring in Q4FY22 (January-February-March 2023).

The Gross Value Added (GVA) is expected to come in at 6.4%. However, there is a small chance that GVA could exceed GDP growth if state subsidies are higher than anticipated.

Sector-wise, agriculture is anticipated to grow by 2.9%, while the industrial sector is expected to show robust growth of about 8%. On the other hand, the services sector is projected to experience softer growth, ranging between 6% and 6.5%. This expected softness in services is attributed to the impact of the election months of April, May, and June, coupled with the effects of an unusually hot El Niño summer.

Looking ahead, most economists forecast that the full year's GDP growth will remain below 7%. The Reserve Bank of India (RBI) had earlier projected a 7.1% growth for Q1FY25 and a 7.2% growth for the full fiscal year.

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Cos with potential to move goods fast can set up e-comm export hubs

New Delhi, Aug 29 (PTI) A company with the potential to aggregate fast moving goods like textiles, handloom, handicrafts, gems, jewellery and ship those items on demand can set up e-commerce export hubs in the country, an official said.

The official said that companies having a good sourcing network, logistics backup and good warehousing new port of exit can also set up these hubs.

The directorate general of foreign trade (DGFT), under the commerce ministry, will soon meet companies that are interested in setting up e-commerce export hubs (ECEH) in the country, the official said.

The DGFT has invited proposals from the industry to set up these hubs for examination, support and hand-holding. Based on the proposal, further details, including software requirements for ECEH, to facilitate seamless and expeditious export clearances will be firmed up.

"Any aggregator/firm who has the potential to aggregate fast moving e-commerce goods such as home textiles, handloom, handicrafts, Ayush and wellness products, gems and jewellery and apparels and which can be stored in warehouses and delivered on demand can set up these hubs," the official added.

The official said that companies like Shiprocket and DHL are competent in setting up these centres.

"We will do a video-conference with interested people in 4-5 days," the official said.

The DGFT in a trade notice has earlier stated that draft modalities for operation of these hubs have been formulated.

Based on draft modalities proposed, the government would like to initiate a pilot launch of ECEH.

In the Budget, the government announced setting up of these hubs to promote exports through e-commerce medium in public-private-partnership (PPP) mode.

Initially, there are plans to set up 10-15 hubs in the country.

These hubs would be designated areas, which would act as a centre for favourable business infrastructure and facilities for cross border e-commerce activities.

The major objectives are to provide for predictability and shortest possible turnaround time for e-commerce exports, easy re-import for e-commerce returns or rejects, and bringing various cross-border e-commerce stakeholders under one roof.

At present, India's exports through this medium are only about USD 5 billion compared to China's USD 300 billion, annually. There is a potential to take it to USD 50-100 billion in the coming years.

The draft modalities for operations of these hubs talked about movement of goods from supplier's premises to ECEH; pre-screening of goods; design of these hubs; and process flow for customs clearance once a buyer is found.

ECEH will have two physical components -- first will be the fulfilment area for packing, labelling, and storing to take place after pre-screening and till a buyer is found; and the second will be a customs station where the goods will be customs cleared after the buyer is found, ready for dispatch.

Through these hubs, small producers will be facilitated to sell to aggregators and then that aggregator will find markets to sell. Export products, which hold huge potential through this medium include jewellery, apparel, handicrafts and ODOP (one district one product) goods.

In such hubs, export clearances can be facilitated. Besides, it can also have warehousing facilities, customs clearance, returns processing, labelling, testing and repackaging.

A report by economic think tank GTRI India's e-commerce exports have the potential to reach USD 350 billion by 2030, but banking issues hinder growth and increase operational costs.

India has set a target of USD 1 trillion of merchandise exports by 2030 and cross-border e-commerce trade has been identified as one of the mediums to meet this aim.

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India prepares for trade council meetings with Kenya, Tanzania to push exports

India is preparing for joint trade council meetings with its top trading partners in Africa — Kenya and Tanzania — scheduled in September this year as the country eyes doubling trade with African nations to $200 billion by 2030.

“The Commerce and Industry Ministry is consulting with industry councils and other ministries and departments for the JTC meetings with Kenya and Tanzania next month with a focus on existing barriers and opportunities. An inter-ministerial consultation has been planned for the same. Africa is an important market as it holds a lot of potential and could help in its efforts to diversify,” a person tracking the development told *businessline*.

In a note to the industry, the government sought information on tariffs barriers as well as non-tariff barriers such as regulatory issues and SPS measures. “Both Tanzania and Kenya are promising markets and with some focussed attention there is a possibility for trade and investment to grow manifold,” the source said.

Problems faced

Some of the general problems faced by Indian exporters in the two African countries include procedural obstacles leading to administrative and bureaucratic delays as well as standards and measures imposed for various sectors impeding imports, the source added. “The government hopes to identify specific problems affecting different sectors so that solutions could be sought,” the source said.

India-Tanzania bilateral trade increased to $7.9 billion in 2023-24, posting a 22 per cent growth over the previous year, which elevated Tanzania to the position of India’s second-largest trade partner in Africa, up from the third position last year, per a statement issued by the Indian High Commission in Dar es Salaam earlier this year. India’s exports were valued at $4.6 billion during the fiscal, imports were at $3.3 billion.

India exports essential commodities such as petroleum products, industrial machinery, and tractors, which facilitate industrialisation and economic growth, the statement added. It also supplies life-saving pharmaceutical products at competitive prices. "Indian motorcycles and automobiles are quite popular among Tanzanians," the statement added.

Tanzania exports a variety of agriculture products to India including cashew nuts, pigeon peas, soybeans and avocado and also gold and coal.

India's exports to Kenya in 2023-24 were valued at $ 3.35 billion while imports were at $176.34 million. Exports from India to Kenya were are similar to Tanzania and include petroleum products, pharmaceuticals, machinery, cereals, sugars & confectionery, plastics & articles, vehicles, electrical machinery & equipment, organic chemicals and paper & paperboard.

Kenya's exports to India comprise tea, coffee, soda ash, edible vegetables, copper and articles, fertilisers, metal scrap, miscellaneous chemical products, lead and articles and zinc and articles.

Top officials from the Minstry of External Affairs led a delegation comprising officials from Ministry of Agriculture, business chambers and 25 Indian agricultural companies and institutions to Kenya in April this year to explore opportunities in the agriculture sector.

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Textile industry faces new QCO regulations to improve hygiene product standards starting Oct 1

New Delhi: Prices of baby diapers and sanitary napkins are set to go up, with the textiles ministry rejecting an industry demand for extending a Quality Control Order (QCO) deadline for these products, two people aware of the development said.

Manufacturers such as Himalaya, Johnson & Johnson, Procter & Gamble, and Nine, will have to meet standards set by the Bureau of Indian Standard (BIS) from 1 October, with anyone failing to comply risking enforcement actions.

The textile ministry is firm in its view on the QCO for these products after it found that manufacturers were making only a limited quantity of diapers and sanitary napkins that met the standards.

"Since QCOs were voluntary in nature, some well-known companies manufacturing personal hygiene products were not fully adhering to the standards. It has also been found that they have launched multiple products with different characteristics to bypass the set rules," one of the people mentioned above said on the condition of anonymity.

The new standards include measures to prevent the growth of antimicrobial agents and rashes and be skin friendly.

Queries emailed to the textiles ministry and all companies mentioned above remained unanswered till press time.

While prices are expected to increase by 5-10%, the QCO will not be applicable on Self-Help Groups (SHGs) manufacturing ready-to-use disposable hygiene products, to ensure their supply in rural areas.

The Indian diaper and sanitary pad market is valued at $1.6 billion and $.05 billion respectively and is growing exponentially at a CAGR of 7.25% and 17%, as per a report of IMARC Group, a consulting firm.

"Everyone should have access to safe and quality pads, which is the main idea behind introducing the QCO. The standards are not very complicated. Essentially, they ensure that the product is hygienic, the material is safe, and it is fit for its intended purpose," said Tanya Mahajan, co-founder, Menstrual Health Action for Impact (MHAi), a think tank working in the space of menstrual health.

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AAFA changes stand on California's textile recycling bill

Following substantive amendments to California's Responsible Textile Recovery Act of 2024 (SB 707), the American Apparel & Footwear Association (AAFA) has changed its 'oppose unless amended' position on the legislation to 'neutral'.

In a letter to Josh Newman of California State Senate, AAFA president and chief executive officer Stephen Lamar said the change is an acknowledgement of the stakeholder process the former's office had engaged in over the past two years and the amendments indicate attempts to address several AAFA concerns.

"We believe well-designed extended producer responsibility (EPR) schemes will play a crucial role in directing investment towards reuse, repair, and recycling infrastructure, and bolstering their respective markets, all while incentivising the prioritisation of product stewardship when designing and manufacturing new products," the letter said.

AAFA has outstanding questions about some of the timelines included in this measure, the efficacy of the legislation's enforcement provisions against third-party sellers on online marketplaces, the legislation's pathways for new and emerging recycling technologies to benefit and participate in this programme, and potential conflicts between the goals of this legislation and other statutory and regulatory requirements in California, the letter noted.

"However, it is not our wish to delay needed progress in search of perfection. We are appreciative of the efforts by you and your office thus far to consider industry feedback. In that spirit, we are removing our opposition to SB 707," it added.

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Cambodian economy stabilising with rise in liquidity, exports

Cambodia's economy is showing signs of an overall revival this year amid improving liquidity and a rise in export demand, according to a report released recently by investment advisory firm Mekong Strategic Capital (MSC).
Titled 'Economic Snapshot and Outlook 2024', the report says the positive outlook for this year and beyond follows a significant slowdown that dampened growth and domestic demand beginning mid-2022.

Recent trends in garment, textiles and footwear exports, which saw a 19 per cent year-on-year increase in the first seven months this year, were also positive signs for an overall economic recovery in 2024. The sector, however, remains ‘somewhat volatile’, the report noted.

Global financial tightening had caused a significant reduction of liquidity in the country’s financial sector in recent times.

This tightening led to stagnation in new loan growth by Cambodia-based banks and financiers, and such reduced incoming capital muted domestic demand, the report noted.

The period also witnessed a rise in non-performing loan rates as well as high rates of loan arrears, further reducing new lending, domestic media outlets reported citing the document.

However, the MCS report said the liquidity situation is improving this year.

The interest rate cycle has already peaked in the banking sector. However, while a significant proportion of lenders remain focused on pre-existing loan repayments as opposed to new loans acquisition, credit growth is likely to remain subdued in upcoming periods due to limited new uptake.

Loan arrears also remain high; as of mid-2024, one in 13 lenders was behind on loan repayments and in arrears for more than 30 days. However, this statistics is predicted to improve in the second half of the year and beyond as household income strengthens, alongside falling interest rates.

Customer deposits are also rising again in recent periods, growing by an annualised 20 per cent in the first half this year.

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ICE cotton falls further amid stronger dollar, improved crop condition

ICE cotton continued to decline for the third day in a row. Significant gains in the dollar index and favourable weather conditions in US cotton-growing areas pulled down ICE cotton prices. Weaker crude oil also contributed to the decline in US cotton prices. Concerns about slow demand and trade issues between the US and China were also negatively affecting sentiments in the cotton trade. Traders are waiting for cues from the US cotton export sales report, which is due today.

Yesterday, the ICE cotton December contract settled at 68.55 cents per pound (0.453 kg), with a fall of more than two per cent. It reached a low of 68.29 cents during the trading session.

The dollar index gained 0.5 per cent yesterday as it rebounded due to month-end buying and technical factors. ICE cotton had recently witnessed a rally, mainly due to a fall in the dollar index, which had hit its lowest level in a year. Now, the stronger dollar has led to a slowdown in ICE cotton.

Crude oil prices eased due to a lower-than-expected draw in US crude oil inventories and concerns over Chinese demand. This also made polyester, an alternative man-made fibre, cheaper, which added pressure on ICE cotton.

The trading volume for the day was 30,994 contracts, with 23,144 contracts cleared the previous day. Open interest in cotton futures decreased by 1,384 contracts, bringing the total to 227,269 contracts. According to the latest data from ICE, the number of cotton futures contract stocks dropped to 266 bales, a significant decrease from 9,147 bales the day before.

Good rains in cotton belts and improved weather in key cotton-producing areas, including rain in the western Great Plains and milder conditions in West Texas, have provided relief to standing crops.

Industry experts suggest that cotton futures may stabilise within the 67-70 cents per pound range, with challenges expected in breaking the 70-cent barrier. Traders are awaiting the US Department of Agriculture's export sales report, which is due today, for a better understanding of demand and supply.

Currently, ICE cotton for December 2024 was traded at 69.11 cents per pound, up 0.56 cents. Cash cotton was traded at 64.24 cents (down 1.28 cents), the October contract at 68.74 cents (down 1.28 cents), the March 2025 contract at 70.78 cents per pound (up 0.58 cents), the May 2025 contract at 72.04 cents (up 0.59 cents), and the July 2025 contract at 72.82 cents (up 0.53 cents). A few contracts remained at the level of the last closing, with no trading noted today.

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