LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

2nd

FEB

2024

News Highlights

NATIONAL

CITI COMPLIMENTS THE GOVERNMENT FOR FOCUSING ON INVESTMENT AND R&D BUT THE INDUSTRY IS CONCERNED ABOUT THE SLOW IMPLEMENTATION OF SCHEMES AND CONTINUED FINANCIAL STRESS

Confederation of Indian Textile Industry (CITI) Chairman Shri Rakesh Mehra congratulated the Hon'ble Finance Minister Smt. Nirmala Sitharaman for presenting her 6th budget which is aimed at making India a Viksit Bharat by 2047 with a focus on complete development, all-inclusive, and all-pervasive. Speaking on the budget, Shri Mehra said that there has not been any major policy announcement in the present budget, being an interim budget but the industry needs immediate relief from the financial stress, especially in the spinning sector. The budget allocation for Textiles has increased by 27.6%, largely due to the allocation of Rs 600 crore for CCI towards the cotton MSP operations. He expressed hope that the cotton procurement will be as per revamped policies recommended by user industry associations to ensure price stability and discourage speculative trading. CITI has recommended commencing selling the cotton from February/ March depending upon the arrival pattern, retaining the MSP procured cotton as a buffer stock, releasing the cotton whenever the Indian cotton price exceeds the international price, extending a uniform fee period of 60 days for all the actual users, etc. He further stated that the Apparel industry is happy to note the extension in the RoSCTL scheme for 2 years. However, in the present budget, the allocation for RoSCTL and RoDTEP has increased by 10% and 5.8% respectively, which is modest. The industry is trying to enhance export performance and expects better allocations for trade promotion in the full budget to be announced after the elections. Industry appreciates the increased allocations towards PM MITRA and National Technical Textile Mission (NTTM) and Research & Capacity Building highlighting the stress of the Government on the investment. However, the slow uptake of PLI and an absence of alternatives to the TUFS scheme is impacting investment in the sector. The industry has also been requesting for closure of the pending TUFS cases at the earliest. Shri Mehra expressed his happiness towards the focus on stimulating domestic consumption which may drive economic expansion and can be good for all manufacturing segments, including textiles, which are facing demand slump. The commitment to maintaining a fiscal deficit of 5.1%, and ensuring fiscal discipline while supporting economic growth is poised to help in this. While in the present budget, the Government has not made any changes in the existing BCD & Indirect taxation, we are extremely sure that the Government will consider the Industry's demand to remove the import duty from Cotton and Cotton Waste as also increase the BCD on MMF Yarn from present 5% to 10% to curb cheaper imports and reduce blockage of working capital, in the full budget, said Shri Mehra. Shri Mehra applauded the focus on empowering MSMEs for growth and global competitiveness, Energy Security, Commitment to meet Net Zero by 2070, Promoting investments through increased expenditure towards infrastructure development, and increased focus on bilateral treaties in the spirit of 'First Develop India'

Home

FOCUS STILL ON GDP - GOVERNANCE, DEVELOPMENT AND PERFORMANCE

Read more at:
Budget 2024: Focus still on GDP - Governance, Development and Performance - The Economic Times (indiatimes.com)

Home

High on confidence, not on populism

Challenges
>The demand for work in rural areas has been rising shows MNREGA data.
>This may reflect weakness in the rural job market. Delayed monsoons and other climate-related issues are also increasingly making a mark.
Takeaways
> Electronic National Agriculture Market has integrated 1,361 mandis and 180 million farmers over a period of time

> Insurance, income support and schemes to encourage innovation in agriculture

Home

Interim Budget: Tax-GDP ratio projected to be highest in FY25 since 2008-09

The finance ministry has been conservative in revising the projection of revenues from some of its taxes such as corporation tax and central goods and services tax (CGST) for this financial year and tax buoyancy for FY25.
However, the tax-GDP ratio was kept at the highest level since 2008-09 for FY24 in revised projections and further higher for FY25.

Though tax buoyancy comes to 1.4 in the Revised Estimates (RE) for this financial year compared to 0.99 per cent estimated in the Budget Estimates (BE), all the increase was projected to come from personal income tax.
Personal income tax is the only tax that was shown to collect more in RE for this financial year.
While collection from corporation tax and central goods and services tax (CGST) were kept intact in RE at BE level, that from Union excise duty and customs duty was revised down (see chart).
Corporation tax stood at Rs 7.22 trillion till December this financial year, according to figures by the Controller General of Accounts. This is around Rs 2 trillion less than what was estimated for FY24 in both BE and RE.
When advance tax collection came, September and December gave over Rs 2 trillion each to the exchequer, though June delivered only Rs 82,000 crore. If March also yields Rs 2 trillion from corporation tax, the target would be easily met from that month’s collection only. That leaves January and February, which would also deliver some receipts from this head.
The finance ministry’s own data showed corporation tax rose 12.37 per cent till January 10 year-on-year. The BE for FY24 estimated growth at 11.72 per cent. This also showed that corporation tax may overshoot the BE.
The same is the case with CGST. Despite a robust increase, the RE kept it at BE level. CGST till January was just Rs 1.10 trillion less than BE for FY24.
For next financial year, growth in tax collection was estimated at 11.45 per cent (BE for

FY25 over RE for FY24).
This was less than the 12.5 per cent projected for FY24 (RE for FY24 over the actual figures of FY23).

Interim Budget: Fiscal consolidation hits 26 of 37 welfare schemes in FY24

Growth would come from corporation tax, personal income tax, and central GST, each of which was estimated to grow over 13 per cent in FY25 over RE of FY24.
HDFC Bank in a note said assumptions on GST collection seem conservative and could overshoot. Customs and excise duties for FY25 were projected to grow 5-6 per cent each over RE in the previous year.
Each of the two duties was projected to deliver less in FY25 compared to BE in FY24.
Tax buoyancy was kept at a modest 1.09 for FY25 against 1.4 for FY24. Though buoyancy of over 1 per cent means that tax receipts will grow more than GDP growth at current prices, it seems to be quite modest, given the recovery in the Indian economy and reliance on the corporate sector to invest more.
However, when it comes to the tax-GDP ratio, the Interim Budget has estimated it at 11.69 per cent for FY25, the highest since 2008-09. The revised tax-GDP ratio at 11.58 per cent for FY was also estimated highest since 2008-09, though lower than projected for FY25.

Finance Bill seeks to boost tax compliance of tobacco, pan masala manufacturers

The Finance Bill for 2024 has proposed to amend the Central Goods and Services Tax (CGST) Act to give effect to the GST Council's decision on input service distributors (ISDs).
The Bill seeks to make manufacturers of tobacco, pan masala, etc more compliant.
An ISD is a taxpayer that receives invoices for services used by its branches. It distributes input tax credit (ITC) on a proportional basis by issuing ISD invoices. The GST Council had made the ISD mechanism compulsory for allocating ITC related to services acquired by the head office but distributed across multiple registrations.
The Finance Bill proposal, if effected, will make it compulsory for such companies to register ISD. Non-adherence would lead to penalties. "Organisations operating across various locations should promptly secure ISD registration and revise their fundamental compliance frameworks to align with these new mandates," said Rajat Mohan, executive director, Moore Singhi. The Bill proposed to bring a reverse charge mechanism (RCM) for these companies within the ISD fold. Under the mechanism, GST is paid by the recipient of services while it is the supplier that pays the tax under normal circumstances.
"By including RCM services and explicitly allowing for distribution of ITC, the administrative costs should be reduced to smoothen the credit flow within business groups," said Sandeep Jhunjhunwala, partner at Nangia Andersen LLP.

The Bill proposed to amend CGST Act to impose a penalty of Rs 1 lakh on manufacturers of tobacco, pan masala etc who have not registered their machines in a prescribed way. Earlier, the Central Board of Indirect Taxes and Customs (CBIC) had outlined procedures for registering machines and monthly filing of returns for these manufacturers.
Besides, such non-compliant machinery faces the risk of seizure and confiscation, said Mohan, adding the proposals emphasised the government's tightened regulatory stance on these sectors.

Home

Improved fiscal resilience amid modest tax buoyancy

Finance Minister Nirmala Sitharaman has presented fiscal consolidation projections that surpass expectations for the current financial year and Budget Estimates (BE) for the next year, despite the conservative tax buoyancy in the estimates.
While many analysts previously believed that the fiscal deficit, the excess of government expenditure over its revenues, projected in BE for 2023-24 (FY24) could be met in absolute figures, meeting it as a proportion of gross domestic product (GDP) would be difficult due to lower-than-projected nominal economic growth.
The Interim Budget had assumed nominal GDP growth of 10.5 per cent of GDP, but First Advance Estimates placed it at 8.9 per cent. However, not only is the fiscal deficit lower in absolute terms — Rs 17.35 trillion in Revised Estimates (RE) for FY24 against Rs 17.87 trillion in BE — its proportion to GDP was projected to come down to 5.8 per cent in RE against 5.9 per cent pegged in BE.
This was despite tax revenues, after devolution to states, projected to decrease by 0.28 per cent to Rs 23.23 trillion in RE for FY24. Part of the reason for this was a transfer to states amounting to Rs 7,000 crore for past dues. However, non-tax revenue, particularly transfers from the Reserve Bank of India, compensated for the revenue loss on the tax front. These rose by 24.5 per cent to Rs 3.76 trillion in RE for the current financial year. Along with subdued proceedings from disinvestment, this provided only 1.45 per cent higher revenue to the Centre at Rs 27.55 trillion. The finance minister improved fiscal consolidation in the revised projections for the current financial year by reducing capital

expenditure (capex) by over 5 per cent to Rs 9.5 trillion in RE compared to BE. If grants for capital assets are included, the total capex was down over 7 per cent at Rs 12.71 trillion.
For the next year, expectations were that the government would set the Centre's fiscal deficit at 5.2-5.3 per cent, but Sitharaman projected it at 5.1 per cent. She also expressed commitment to the fiscal consolidation path, aiming to bring the deficit below 4.5 per cent during 2025-26.
This was sought to be achieved by keeping close tabs on revenue expenditure but accelerating capex amid moderate tax buoyancy. Revenue expenditure is projected to be higher by just around 3 per cent at over Rs 36 trillion for 2024-25 (FY25) compared to RE for FY24.
The finance minister defied expectations of enhanced allocation for some schemes such as Pradhan Mantri Kisan Samman Nidhi and rationalised subsidies on petroleum, fertiliser, and food, although it raised the allocation under another flagship scheme, the Mahatma Gandhi National Rural Employment Guarantee Act, and production-linked incentive schemes.
This would help the government contain the revenue deficit (the gap between income and expenditure of the government for meeting current needs) at 2 per cent of GDP in FY25 against 2.8 per cent in RE.
Capex was set higher by almost 17 per cent for FY25 at Rs 11.11 trillion over RE figures. Including grants for capital assets, this figure was up 18 per cent at almost Rs 15 trillion.
"The higher-than-expected capex and lower-than-projected fiscal deficit suggest that the quality of expenditure is going to be healthier than what we had pencilled in both in FY24 and FY25," ICRA chief economist Aditi Nayar said.
Vivek Iyer, partner at Grant Thornton Bharat, said fiscal consolidation is a big credit positive for India from a sovereign rating standpoint.

Home

Interim Budget: Apparel industry will surely benefit, says Sunil Sethi

Sunil Sethi, Chairman, Fashion Council of India
Will this Budget help India to stay ahead of global challenges?

In my sphere of activity, the apparel and fashion industry will surely benefit with impetus being provided to skill development and capacity building, which will help artisans, tailors and other workers in the manufacture of textile and garments.

Though an Interim Budget, we would have liked rationalisation of taxes for the salaried class to mitigate the impact of inflation, apart from measures to contain inflationary trends and hit at the roots of poverty.

What is the best thing about the Budget?

Support for the growth of industry is indeed welcome. Infrastructure – physical, digital and social – coupled with fostering research, innovation and technology augur well for the country. Housing, particularly rural, and attention to women's education and entrepreneurship as also loans will surely help in the development of the cottage and handloom sector. We are certain that Bharat will be impressively visible the world over with Indian designs, crafts and fabrics becoming popular.

We hope this Budget will act as a catalyst to impact Indian craftsmanship and design by holding expositions, as was done at 60 locations during G20.

Will the Budget help make India the third-largest economy by 2030?

The economic growth journey of the last decade exhibits a trajectory indicative of registering rapid and enhanced GDP, and this Budget is indicative of the same. Our economy is being looked at with interest and is attracting investments; and rapid development has been constantly visible. We in the fashion industry, in our small way, have been very well received when showcasing our creativity and designs. Comprehensive initiatives with constantly increasing capital outlay, whether in the development of tourism, aviation or other economic activity, are certain enablers for us to take strides in becoming the third-largest economy. We expect that this Budget will be supportive and nurturing for the textile, crafts and fashion fraternity.

Home

Budget 2024: Government extends tax rebate scheme for garments export by 2 years

The Union Cabinet chaired by Prime Minister Narendra Modi on Thursday approved the continuation of the Scheme for Rebate of State and Central Taxes and Levies (RoSCTL) for export of apparel/garments and made-ups up to March 31, 2026.

Continuation of the Scheme for the proposed duration of two years will provide a stable policy regime which is essential for long-term trade planning, more so in the textiles sector where orders can be placed in advance for long-term delivery.

The continuation of RoSCTL will also help remove the burden of taxes and levies and provide a level playing field on the principle that "goods are exported and not domestic taxes". The Union Cabinet had approved the scheme up to 31.03.2020 and further approval was given for the continuation of RoSCTL till March 31, 2024.

The objective of the scheme is to compensate for the State and Central Taxes and Levies in addition to the Duty Drawback Scheme on the export of apparel/garments and made-ups by way of rebate. It is based on an internationally acceptable principle that taxes and duties should not be exported, to enable a level playing field in the international market for exports. Hence, not only indirect taxes on inputs are to be rebated or reimbursed but also other un-refunded State & Central taxes and levies are to be rebated.

Home

Budget 2024: India's FTAs, bilateral investment pacts are being negotiated from a position of strength, says Piyush Goyal

India is concerned about the Red Sea situation affecting exports, facing potential delays and increased costs, while emphasizing self-reliance and negotiating bilateral investment treaties for the country's benefit, says Goyal in an exclusive interview with *businessline*

The continued violence in the Red Sea has cast a shadow on the country's exports but Indian exporters are resilient, Commerce & Industry Minister Piyush Goyal has said. In an interview with *businessline*, Goyal talks about issues ranging from weaning away from export incentives to the spirit of 'first develop India' highlighted in the interim budget. Excerpts:

How worrying is the Red Sea situation for India where the Houthis are continuing to target cargo ships? Will it dent exports?

We are worried about our shipments getting delayed. Also it is more expensive if it goes around the cape (Cape of Good Hope). We were hopeful that the situation will get resolved but is pulling for longer than imagined. Otherwise this year we would have again gone back to growth, even on merchandise exports. The trend was so good last November and December. But then this Houthi problem created a dampener. Many governments, including India, are attacking or taking precautionary measures to safeguard free flow of vessels. But the jury is still out. We don't know exactly what will happen.

Can the government provide any assistance to exporters for meeting the higher shipping and insurance costs?

With a lot of difficulty we have got the whole export community to now stand on its own feet. We give RoDTEP and RoSCTL (benefits) but that's their entitlement. We've been able to wean away from the mindset of export incentives. I don't think there's any going back on it. We want to empower our exporters to be resilient to face the world and the world's challenges on their own strength. And by and large we have been successful.

The FM mentioned in the budget speech that India is negotiating bilateral investment treaties , in the spirit of 'first develop India'. What does it mean?

Talks on BIT are going on with many countries. Many earlier BITs were cancelled (by India). Some countries we are talking to don't want ISDS (Investor State Dispute Settlement). Many don't want taxation to be included. This will be a process. The difference is that there was a time when India used to negotiate from a position of weakness. People would dictate terms to India. Our FTAs or BITs will be for India from a position of strength. For days on end we meet different sections (stakeholders). 'Atmanirbhar Bharat' is not closing the doors to the world. It is working with the world with self confidence.

Will there be a change in the model BIT framed by the Finance Ministry for such pacts?

India is a pragmatic country. It will see individually, on a case to case basis, what has to be done. But it has to be in the interest of India first.

Home

Cabinet extends subsidy schemes for apparel, sugar

New Delhi: The union cabinet on Thursday approved the extension of three schemes towards incentivising exports of apparel, providing sugar subsidy, and energizing investments in animal husbandry activities. It also approved the signing and ratification of a bilateral investment treaty with the UAE.

The scheme for a rebate of state and central taxes and levies (RoSCTL) for the export of apparel, and a sugar subsidy scheme for Antyodya Anna Yojna (AAY) families were extended for two years up to 31 March 2026. The animal husbandry infrastructure development fund (AHIDF) has been extended for another three years, also till 31 March 2026.

An official statement said the extension of the RoSCTL scheme will provide a stable policy regime to help in long-term trade planning, more so in textiles where orders can be placed in advance for long-term delivery.

RoSCTL compensates exporters by way of rebates for state and central taxes and levies in addition to the duty drawback scheme on the export of garments and made-ups. The levies include value-added tax on fuel used in transportation, captive power, farm sector, mandi tax, duty of electricity, stamp duty on export documents, embedded SGST paid on pesticides, fertilizers, among others used in production of raw cotton, purchases from unregistered dealers, and coal used in production of electricity and inputs for transport sector.

The central taxes covered are central excise duty on fuel used in transportation, and embedded CGST paid on inputs such as pesticides and fertilizer, among others.

Under the sugar subsidy scheme, the Centre gives subsidy of ₹18.50 per kg per month of sugar to AAY families of participating states. The approval is expected to extend benefits of more than ₹1,850 crore during the period of the 15th Finance Commission (2020-21 to 2025-26). The AHIDF, with an outlay of ₹29,610 crore, will incentivise investments in dairy processing and product diversification, meat processing and product diversification, animal feed plants, breed multiplication farms, animal waste-to-wealth management (agri-waste management), and veterinary vaccine and drug production facilities.

On 26 January, *Mint* reported that the AHIDF would be extended for another three years with an outlay of ₹29,000 crore.

Meanwhile, the treaty with the UAE is expected to improve the confidence of investors, especially large investors, resulting in an increase in foreign investments and overseas direct investment (ODI) opportunities.

[Home](#)

'Worried about Red Sea crisis...shipments getting delayed, more expensive'

Read more at:['Worried about Red Sea crisis...shipments getting delayed, more expensive' (magzter.com)](#)

[Home](#)

Government considers adjusting PLI schemes in textiles

It was emphasised that these modifications would facilitate the attraction of more participants in these sectors.

The government is contemplating adjustments to the production linked incentive (PLI) schemes for specific sectors, including textiles, food processing, and pharmaceuticals.

The official mentioned that a Cabinet note has been finalised to seek approval for the proposed changes from the top authorities. It was emphasised that these modifications would facilitate the attraction of more participants in these sectors.

The PLI scheme, introduced in 2021, covered 14 sectors such as telecommunications, white goods, textiles, medical device manufacturing, automobiles, speciality steel, food products, high-efficiency solar PV modules, advanced chemistry cell batteries, drones, and pharmaceuticals, with a total outlay of Rs 1.97 lakh crore.

While certain sectors like electronics are performing well, others are not meeting expectations.

The government has already disbursed Rs 4,415 crore under the PLI schemes for eight sectors, including electronics and pharmaceuticals, until October in this fiscal year.

A total of Rs 1,515 crore was disbursed in FY24 until October, compared to Rs 2,900 crore in 2022-23 when payments under the scheme began.

The incentive amount was distributed for large-scale electronics manufacturing, IT hardware, bulk drugs, medical devices, pharmaceuticals, telecommunications, food processing, and drones.

These schemes aim to attract investments and cutting-edge technology in key sectors, ensure efficiency, bring economies of size and scale to the manufacturing sector, and enhance the global competitiveness of Indian companies and manufacturers.

Home

India’s cotton yarn exports to surge by 85-90% in FY2024: ICRA

In ICRA’s recently published research note on the domestic cotton spinning industry, the rating agency expects demand for the industry to improve by close to 12-14% in volume terms in FY2024 on a yearly basis, with yarn exports likely to increase by a sharp 85% to 90%, on the back of a shift in sourcing preference away from China, and the expectations of demand improving for the spring/summer season in the US and the EU regions that will drive domestic demand from apparel and home textile manufacturers. However, a sharp moderation in cotton prices, leading to lower yarn realisations is likely to translate to a 9-10% year-on-year (YoY) decline in revenues to Rs. 33,465 crore in FY2024.

Commenting on this, Mr. Jayanta Roy, Senior Vice President & Group Head, Corporate Sector Ratings, ICRA, said: “Despite the increase in cotton yarn volumes, ICRA expects the operating income of Indian cotton spinning companies to decline by 9-10% and operating margins to shrink by 200-240 bps in FY2024 amid a significant drop in realisation and lower gross contribution levels. Nevertheless, in-house power generation capacities recently added by select players are likely to alleviate margin pressures in the medium term”.

Cotton yarn exports typically account for 25-35% of India’s cotton yarn production, while the remaining is accounted for by the domestic market. While a steep decline (53%) was witnessed in cotton yarn exports in FY2023, there has been a trend reversal in the current fiscal. In 7M FY2024, overall yarn export volumes grew by 142% (on a YoY basis) on a low base, and with increased exports to China, resulting in the share of exports in the overall production increasing from 19% in FY2023 to 33% in 7M FY2024. For the full year FY2024, ICRA estimates India’s yarn exports to increase by ~85- 90% on a YoY basis. Bangladesh, China, and Vietnam account for 60% of these exports. With the share of Asia in Indian yarn exports being 70%, no immediate impact on Indian yarn exports is expected due to the ongoing Red Sea conflict; any sustained continuance of this face-off would have a direct impact on apparel export volumes and a consequent impact on both domestic and export demand for cotton yarn and its realisations.

Domestic cotton prices witnessed a lifetime high in H1 FY2023 but declined steadily in H2 FY2023. For the 9M FY2024, the prices declined further by ~25% compared to average cotton prices in FY2023, on account of a weak operating environment. As per the estimates of the office of the Textile Commissioner, domestic cotton production for CYi20242 is projected to decrease by 6% due to a reduction in cotton sown area amid uneven rainfall. Cotton prices are expected to marginally increase from the current levels because of lower expected production.

Cotton yarn prices too had remained on a declining trend since June 2022 following the softening in cotton fibre prices and slowing demand from the downstream apparel companies. ICRA expects the cotton yarn prices to remain soft for the remainder of FY2024 and increase marginally in FY2025 with demand from downstream companies picking up. The average gross contribution margins for the spinners declined sharply by 19% in 9M FY2024 in comparison with the same in FY2023 on account of a weak domestic demand. Gross contribution margins for the spinners reached a multi-year low in August 2023 and improved 9% in November 2023. Despite a modest increase in gross contribution margins in Q4 FY2024 with new crop arrivals, ICRA estimates cotton yarn gross contribution to contract in FY2024 over FY2023 levels.

While cash accruals of spinners are expected to decline in FY2024, ICRA expects the spinners’ borrowings too to come down in FY2024. Lack of any major capital expenditure plans along with lower working capital requirements, given the softening in cotton prices, is likely to result in lower debt levels and, therefore, an improvement in capital structure for companies. Capital structure, as reflected by the total outside liabilities/ tangible net worth ratio, is expected to improve marginally to ~0.5 times in FY2024 (0.6 times in FY2023). However, following a decline in OPBITDA in absolute terms, ICRA expects the debt coverage ratios for the sector to weaken in FY2024 with the ratio of total debt to operating profit falling to ~3.4 times from 2.6 times in FY2023. “The industry had undertaken high debt-funded capex in FY2022 and FY2023, partly due to the deferment of major capital expenses in the Covid period (FY2020-21). Consequently, with a drop in yarn demand in H2 FY2023, the coverage metrics of the industry deteriorated in FY2023. Due to weak domestic demand and lower realisations in FY2024, the spinners have halted major capex plans in the near term. ICRA, however, expects a marginal pick-up in capex announcements for FY2025, driven by modernisation requirements of machineries, flow of demand from the China Plus One scheme, and improvement in domestic demand from downstream apparel companies," Mr. Roy concluded.

Home

GLOBAL

Over 79 Per Cent Foreign Buyers Of Bangladesh RMG Yet To Pay More: BGM

Despite promising to pay more for readymade garments (RMG) from Bangladesh after a new wage structure was introduced in December last year, more than 79 per cent of foreign buyers are yet to start doing so, revealed a survey by a panel of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).
A mere 3 per cent of such buyers have raised product prices up to 5 per cent, the survey, covering 66 RMG manufacturers, shows.

The survey found 4.5 per cent of RMG buyers increased product prices by 1 per cent; 6 per cent of them increased by 2 per cent; 3 per cent of them increased by 3 per cent; and 4.5 per cent of buyers increased by 4 per cent.

Last year, 32.8 per cent of apparel manufacturers in the country said their customs- and bond-expenses increased by 26-50 per cent year on year.

On an average last year, RMG factories produced 27.5 per cent below capacity due to lack of orders, and factories received orders for the next four months equivalent to 62.21 per cent of their capacity.

The latest survey found RMG factories' customs- and bond-related expenses have gone up by 47.85 per cent within the last year, according to domestic media reports.

Free-on-board shipping costs decreased by an average of 3.9 per cent.

Home

Bangladesh Bank Announces Export Incentives Ahead Of LDC Graduation

To align with Bangladesh's impending graduation from the least developed country (LDC) status in 2026, the country's central bank recently announced incentives across all export items in a circular.
The circular is effective from January 1 till June 30. Exporters are worried that the decision may hurt them.

The Bangladesh Bank scaled down the special incentive for the readymade garments sector from 1 per cent to 0.5 per cent. The incentive for crust leather has been reduced to nil from 10 per cent.

A substantial 65 per cent of cash incentives, worth nearly Tk 5,000 crore, primarily benefit the garments and textiles industry, finance ministry data show.

Apparel items not allowed cash incentives in the new circular are men's or boys' knitted or crocheted shirt, men's or boys' knitted or crocheted briefs and similar articles, knitted or crocheted T-shirts, singlets and other vests, jerseys, pullovers, cardigans and similar articles, and men's or boys' suits, ensembles, jackets, blazers and trousers.

Incentives for venturing into new markets have been reduced by a single percentage point to 3 per cent. This reduction extends to several sectors, including jute and jute goods, leather and leather products, domestic media outlets reported.

The government has opted for gradual reduction in export incentives rather than immediately stopping in this fiscal.

The cash incentive earlier for exports to three major new markets—Australia, India and Japan—was 4 per cent. The new circular placed these three in the 'traditional market' category, which attracts a 0.5 per cent cash incentive.

Home

Cotton gains as production is estimate 317.57 lakh bales against 336.60 lakh bales

Cotton prices, represented by Cottoncandy, registered a notable gain of 1.44% yesterday, settling at 57840. The upward movement is attributed to a combination of factors, including a reduction in the current season's estimated cotton production, decreased world consumption forecast for 2023/24, and higher projected ending stocks globally.

The world consumption estimate for 2023/24 has decreased by 1.3 million bales, with reductions noted for major cotton-consuming countries such as India, Indonesia, Pakistan, Uzbekistan, and Turkey. The higher beginning stocks, increased production (except for the U.S.), and lower consumption have led to a 2.0 million bales rise in world ending stocks for 2023/24. The Cotton Association of India (CAI) maintains a flat estimate for domestic consumption of cotton at 311 lakh bales for the 2023-24 season. CAI's projections for total cotton supply until the end of the cotton season in September 2024 remain at 345 lakh bales. Brazil's cotton production reached a historic high in the 2022-23 season, contributing to a rise in global supply. However, sluggish demand, influenced by unfavorable economic conditions, resulted in bloated inventories and reduced cotton prices worldwide. Despite the global oversupply situation, there are reports of a decline in pink bollworm infestation in the cotton crop in India, reducing from 30.62% in 2017-18 to 10.80% in 2022-23.

Technically, the cotton market is experiencing fresh buying, with a 7.8% increase in open interest, settling at 304. Cottoncandy finds support at 57240, with a breach potentially leading to a test of 56630 levels. Resistance is anticipated at 58220, and a move above could see prices testing 58590.

Home

The bright future of jute fiber in garment manufacturing

The government, jute millers, jute spinners and the garment exporters have been working on how to increase the use of jute fibre for making the garment items so the diversification of garment fibre is increased.

Currently, on an average, Bangladesh imports fibres or raw materials like knit and woven fabrics, yarn and cotton worth more than $20billion to feed the local export oriented garment factories and for local markets to some extent.

If the jute fibre can be used in making the garment items as a diversified fibre, the country can save the significant portion of this $20 billion in a year for which we will not need to rely on imported fabrics, yarn and cotton for making the garment items for export purposes.

What the jute fibre producers say

Md. Saiful Islam, Managing Director of Faridpur based Mazeda Jute Industries Ltd, is one of such jute fibre maker and exporters.

It is possible to bring a revolution in jute industry if the jute fibre can be used in making garment fibre, Islam said adding currently he along with other spinners are making jute fibre and yarn to export to other countries.

Annually, Bangladesh produces 12 lakh tonnes of jute and the installed capacity of jute yarn production is 12 lakh tonnes and actual production of jute yarn in the country is 10 lakh tonnes in a year.

Bangladesh exports four lakh tonnes of jute yarn in a year, mainly for making the jute carpets, he said adding it is possible to export $50 billion from jute in a year if the garment fibre is made blending the cotton and jute fibre. That means the jute fibre can be used for more value addition, he said.

For instance the viscose fibre is made with the blending of fibres and if the fibre is made from the jute and cotton it would be wonderful fibre.

Bangladesh will have to go for such blended fibre in a massive scale in future if it wants to be more competitive worldwide in garment trade, he added.

The government needs to formulate guidelines and needs to facilitate more in tax and VAT so the jute fibre can be produced in mass scale and contribute to the garment export of the country. He said he has been producing such fibre to some extent for export purposes.

The production capacity in his factory is 30 tonnes a day and currently he can produce 15 tonnes daily because of different problems like higher cost of fuel oil and electricity. He mainly produces yarn, jute bags and textile fibres and export 90 percent of the produced goods.

In Bangladesh, the number of jute mills is more than 350 and of this number 83 are jute spinners, he added.

Islam, who is also a former board of director of the Bangladesh Jute Spinners Association (BSJA) wants the government's guideline for making the best use of jute fibre for bringing back the lost glory of jute.

Abul Hussain Mia, Chairman of Bangladesh Jute Mills Association said the future of textile fibre is jute fibre as the fibre diversification is taking place in the country.

He also said the government, jute millers, garment exporters and textile millers are working together on how to improve the use of jute as textile fibre so the country needs not to import the fabrics with spending billions of US dollars.

The use of jute fibre is garment is also increasing because the western countries are reducing the use of Chinese, Uzbekistan and some other central Asian cotton for different reasons.

Primarily, they are planning for production of 50 -50 blending of jute and cotton fibre and if they are successful the 100 percent jute fibre may be produced in future, Mia also said.

The current fibre situation in garment production

Bangladesh is probably the number one cotton fibre made garment exporter worldwide as many countries, particularly China is reducing over dependence on shipment of cotton based garment items to make a very good business with receiving better prices by selling non-cotton based garment export from the international clothing retailers and brands.

Currently, of the total garment export from Bangladesh some 74 percent is made of from the cotton fibre and remaining 24 percent is made from the non-cotton fibre.

However, the global scenario is just opposite. Globally, of the total fashion industry 78 percent is made from the non-cotton fibre and 22 percent is made from the cotton fibre.

The prices of the non-cotton fibre garment items are also higher than the cotton fibre made garment items because of product sustainability, quality and better functionality.

For instance, if a T shirt made from cotton fibre it is sold at $5 per piece but if it is made from non cotton fibre the price of the same T shirt is more than $10 per piece because of better quality, longevity and functionality.

Since Bangladesh is very strong in cotton based fibre garment items, it has been striving to diversify its fibre over the last many years. Recently, some textile factories have invested money in recycled yarn making, particularly from the left out plastic bottles and left out garment scrape, which is popularly known as jhoot fibre. However the availability of these fibre is still difficult in Bangladesh as the country has limited resources.

Currently, Bangladesh meets its cotton demand through import for its almost entire requirement. Because Bangladesh produces less than two percent of the required cotton and more than 98 percent is imported. So from the very beginning historically Bangladesh is very strong in cotton fibre garment making. As a result the fibre diversification did not take place in larger scale here in the country. But the world situation deserves fibre diversification.

Why fibre diversification is required

Fibre diversification is a demand for the time as there is a possibility of losing competitiveness in the global fashion business. Because with the changing landscape of global fashion the prices of non-cotton garment items are almost double of those made from the cotton based fibre. Bangladesh is very strong in basic garment and receive lower prices from the international clothing retailers and brands. If the local garment exporters want to be more competitive in global fashion business they must go for diversified fibre like recycled yarn and non-cotton fibre garment items.

The international clothing retailers and brands are saying that they will not buy garment items if those are not made from the man-made fibre or recycled yarn as they want to save the environment with making the garment from non-cotton fibres. Only with making garment from the cotton fibre cannot make the local apparel suppliers competitive in the near future when the country will graduate to a developing nation from the list of least developed countries (LDCs) in 2026.

So fibre diversification is very important for Bangladesh. Also because the demand for non-cotton items is falling worldwide and the prices as well but the cost of production is increasing. The diversified garment items are also necessary for the diversified markets. For instance, the demand garment items in the Asian markets, particularly in the Middle Eastern nations does not match with the demand in the western countries like in the Europe and USA.

What BGMEA leader says

Faruque Hassan, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) at an event on sustainability report launching of a group of garment at a city hotel Friday said they have been working on fibre diversification to reduce over dependence on the cotton fibre.

The BGMEA has been working with the government for developing the jute fibre to diversify its types. He said he held a meeting with the foreign ministry Friday to diversify the jute fibre and to make garment items from jute.

BGMEA has already teamed up with many retailers and brands along with the local spinners and weavers for diversifying the fibres like producing yarn from recycled fabrics, petroleum products and buckles of different trees to diversify the fibre.

The Swedish retail giant H&M also recently said it has a big plan for sourcing for Bangladesh although the price will increase by up to 12 per cent following the country's graduation from the grouping of the least-developed countries in 2026.

After becoming a developing nation, Bangladesh will lose its preferential market access and face 10 to 12 per cent duty on its exports. However, it will enjoy the duty preference in the European Union up to 2029 as the trade bloc has extended a three-year grace period, according to a media report.

The H&M suggested Bangladesh improve product diversity as more than 75 per cent of exported garment items are confined to the top five products although the country is the second-largest apparel supplier in the world.

Globally, the use of artificial fibre is rising.

MMF apparel items accounted for $222 billion of the $440 billion global garments market last year when cotton-based products contributed $190 billion.

Apparel exports from Bangladesh will cross $95 billion by 2030 if the country can expand its share in the global market for MMF to 12 per cent from less than 5 per cent at present, according to a recent study.

Worldwide, almost half of all apparel exports are of MMF products while 42 per cent are cotton-based garment items. In Bangladesh, 72 per cent of the garment exports are cotton-based apparel and just 24 per cent are MMF.

In fine, diversified use of fibre is the future of Bangladesh. Because every year Bangladesh needs to spend more than $3.0 billion for importing cotton for which the net retention from garment shipment is reduced to some extent. If the jute yarn can be used as diversified fibre in garment making in a wider range saving of foreign is possible to a big amount which is needed for the country.

Moreover, the wider use of jute fibre will also help recovery of lost glory of golden fibre of Bangladesh the jute and jute industry. The collaboration between the government and the BGMEA in developing the jute fibre in garment making can usher another big success in the country’s apparel and textile sector. The farmers will also be immensely benefited from this diversified use of jute fibre in garment making.

Home