LETTER

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NATIONAL

INDIA-UK FTA: TRADE TALKS TAKING TIME TO SAFEGUARD INDIA’S NATIONAL INTERESTS

Negotiations between India and the United Kingdom for the proposed free trade agreement are at an advanced stage but India is keen to safeguard its interests.

Commerce Secretary Sunil Barthwal on Thursday said the negotiations are taking time because “we want” to safeguard India’s interest. “India should commercially gain out of it and we should also be able to safeguard the interest of our farmers, PLI (production linked incentive) scheme goods. So, we are there to see that the deal is a fair deal,” he told reporters at a press briefing.

According to senior commerce ministry officials, the negotiations are on at a senior level with efforts on to iron out remaining differences. The officials however, declined to give a timeline for the completion of the talks.

The 14th round of talks between the two countries started on January 10 and both countries have been keen on concluding the negotiations and signing the agreement ahead of national elections in both countries.

Meanwhile, the commerce ministry is also in the midst of trade negotiations with other countries. The seventh round of talks on the India- European Union FTA is scheduled to take place in New Delhi from February 19 to 23. In June 2022, India and the EU restarted the negotiations for the long-pending trade and investment agreement on Friday after a gap of over eight years.

On the India-Pacific Economic Framework for Prosperity (IPEF), Rajesh Agrawal, Additional Secretary in the commerce ministry said that legal scrubbing of text on clean and fair economy agreements is underway. The supply chain resilience pact will come into force from February 24 this year.

Talks between India and Peru for a trade pact are also underway with the next round of negotiations likely to take place from April. “The sixth round of India -Peru negotiations for a Trade Agreement was held from February 12 to 14, 2024, in Lima, Peru, to continue the work that started in 2017 when the negotiation process was formally announced,” said an official statement by the commerce ministry.

In the last two decades, the trade between India and Peru has increased significantly, from US$ 66 million in 2003 to around US$ 3.68 billion in 2023.

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India's Cotton Export Surge: Prices Lure Buyers, Set to Reach 2-Year High in February

India's cotton exports are poised to hit a two-year peak in February, propelled by competitive pricing amidst a global rally in prices. Contracts for 400,000 bales have been signed, with major buyers in Asia, marking the highest export level since 2022.

Highlights

February Cotton Exports Surge: India's cotton exports are poised to reach a two-year high in February, driven by a surge in global prices, which has made Indian cotton particularly attractive for buyers in Asia.

Contracts Signed: Traders have already inked contracts to export 400,000 bales (68,000 metric tons) of cotton in February, marking the highest level since February 2022. Major destinations include China, Bangladesh, and Vietnam.

Competitive Pricing: Indian cotton is currently the most competitively priced in the global market, attracting buyers with its affordability. This has led to a notable uptick in exports, according to Atul Ganatra, president of the Cotton Association of India.

Projected Export Figures: Projections suggest that India could export around 2 million bales during the 2023/24 marketing year, exceeding earlier expectations of 1.4 million bales. Some traders even anticipate exports reaching 2.5 million bales due to the significant price advantage Indian cotton holds over competitors.

Cost Advantage: Indian cotton enjoys a cost advantage over supplies from the United States and Brazil, the world's leading exporters. This advantage is attributed to lower prices and freight costs, driven by India's proximity to importing countries.

Production Concerns: Despite robust demand and increased export prospects, India's exports are likely to be limited by a reduction in surplus due to an anticipated decrease in local production. Cotton production in India is forecasted to decline by 7.7% in the 2023/24 season, reaching the lowest levels since 2007/08, as per the Cotton Association of India's estimates.

Conclusion

With Indian cotton emerging as the most cost-effective option in the global market, export figures are expected to surpass initial estimates, potentially reaching 2.5 million bales. However, concerns loom over declining local production, anticipated to drop by 7.7%, which could cap export potential. Nonetheless, India's strategic advantage in pricing and proximity to key importing regions positions it favorably amidst the evolving dynamics of the global cotton trade.

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Central bankers' models need to increase emphasis on supply side: Shaktikanta Das

Read more at: Central bankers' models need to increase emphasis on supply side: Shaktikanta Das - The Economic Times

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Credit growth in India expected to moderate to 14% in FY25: S&P Global

Credit growth in India is expected to moderate to 14 per cent in FY25 from the existing 16 per cent as deposit growth is unable to keep pace with loans, a global rating agency said in a report.
"Deposit tightness will remain a system overhang. Our base case is for loan growth to slightly moderate, leading to manageable competition for deposits. Indian banks will have to strike a fine balance between maintaining strong loan growth and paying more for deposits to fund that growth," S&P Global Ratings said.

If the clash for deposits gets fiercer, Indian banks will take a hit, either with slimmer margins or slower growth, it said.

"Credit demand is strong. The economic backdrop is highly conducive to growth. Asset quality is improving, buoyed by a confluence of supportive structural and cyclical factors. All that India's banks are missing is a boom in deposits," it said.
As per the report, system-level credit growth to moderate to 14 per cent in 2024-25 from about 16 per cent year-on-year growth in the first three quarters of FY24.
"If credit and deposit growth rates remain steady, a period of deposit competition looms, squeezing bank margins to 2.9 per cent from 3 per cent. Private-sector banks are likely to bear the brunt of the situation, as they are already operating at much higher Loan-to-Deposit Ratio (LDR)," said S&P Global Ratings credit analyst Deepali V Seth Chhabria.
Adding to the stress on the private-sector banks, the lenders are growing at a much faster pace than public sector banks, she added.
Deposit competition could get fiercer than what the base case assumes, if lenders don't pull back on credit growth, it said.
A surge in credit growth has pushed Indian banks' ratio of loans to deposits to a two-decade high; growth beyond this level will either come more slowly or be more expensive, it said.
With regard to capital adequacy ratio, the report said, most of India's banks can support loan growth as high as 15-20 per cent for the next three years without need for large capital raising.
Banks have bolstered their capitalization in the past few years following several stints of fund raising and government infusions into the public sector banks (PSBs).
Improved profitability has also supported banks' capital formation.
Meanwhile, S&P Global announced the launch of the India Research Chapter,' an initiative to fuel India-oriented research and reports.
This initiative brings together experts from across divisions and functions of S&P Global and CRISIL (An S&P Global company).
The India Research Chapter will develop insights focusing on the opportunities, risks and potential for India to strengthen its claim towards becoming the third largest economy in the world by 2030, it said in separate statement.
As part of the S&P Global India Leadership Council, the newly unveiled India Research Chapter will be guided by a team of experts covering a wide array of themes including economics, technology, generative AI, banking, finance, automotive, country risk, capital markets, supply chain, energy transition, infrastructure, and sustainability, among others.

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Govt. will try to keep power supply normal: Nanak

In response to a question of journalists Jahangir Kabir Nanak, Minister of Textiles and Jute said that the government will try its best to keep the power supply normal.

There is a gas shortage and gas consumption is also high, he added.

The Minister said this while replying to the questions of the journalists during a view-exchange with the Board of Directors of BGMEA on various issues related to the garment industry at the Secretariat on Wednesday (February 14).

Textiles and Jute Secretary Md. Abdur Rouf and BGMEA President Faruque Hassan, among others, were present at this time.

The minister also said that the textile sector of Bangladesh is no longer dependent on anyone. We are creating markets by competing in the global market, we are taking over the world market.

Before the election, it was being said that the apparel industry market is shrinking. When attention was drawn to this, the minister said, "The BGMEA president has highlighted the issues. Today I am convinced by the report of that market you are referring to. We are not dependent on anyone.

Regarding labor unrest, the minister said, there is an association of garment owners. I want to say in front of them, how much was the salary of garment workers, and how much is their salary today? I wouldn't say their salary is much. But some people want to use the garment industry as part of the conspiracy. Some create discontent by disrupting our country's production of goods, conspiring to divert the industrial market elsewhere. The government remains alert to their conspiracy.

The minister said that the successful statesman Prime Minister Sheikh Hasina has already made Bangladesh successful in establishing digital Bangladesh and we will all work together as warriors in this new journey with the goal of establishing Smart Bangladesh. All of us were united in past days, we are and will remain united to face any national and international environment and situation.

Regarding BGMEA, Nanak said, "Our relation with BGMEA is excellent, so we will work together during any crisis of the country."

In the meeting, BGMEA President Faruque Hassan said, to meet the growing demand of the global market, we must emphasis on value-added garments production using man-made fibers. The gradual shift towards non-cotton products has increased the demand for yarns and fabrics and local textile factories can meet this demand through capacity building. This will thereby contribute to higher value addition to apparel items.

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Exports brave ongoing Red Sea crisis to post 3.2% growth in January

Growth in merchandise exports in January was at a three-month high of 3.2 per cent year-on-year despite the ongoing Red Sea crisis, subdued demand in advanced countries, and falling commodity prices.

The trade deficit -- the gap between imports and exports -- inched up to $17.49 billion in the month as against $16.03 billion in December.

Imports grew faster than exports, the data released by the commerce department on Thursday showed.

Shipments worth $54.41 billion, up 4.17 per cent, entered India in January. India exported goods worth $36.92 billion as compared to $35.78 billion during the same month a year ago.

Had it not been for the challenges in the Red Sea region, the value of exports would have been higher, government officials said.

Commerce Secretary Sunil Barthwal told reporters the government was initially "apprehensive" that exports might contract due to the Red Sea crisis. Growth in exports can also be attributed to meetings chaired by the commerce department, along with other relevant ministries, on how exporters could navigate the difficult situation.

"We tried to tell banks that whatever maximum credit that can be given during the period to our exporters should be extended. EXIM Bank and Export Credit Guarantee Corporation have been told insurance rates should not be increased. I think this overall positive atmosphere, which we created for them along with their own positive mindset, has helped export growth," Barthwal said, adding he was hopeful of exports increasing next year as well.

The Red Sea is vital for 30 per cent of global container traffic and 12 per cent of global trade. As much as 80 per cent of India's merchandise trade with Europe passes through it. Iran-backed Houthi rebels of Yemen have been repeatedly attacking ships in the Red Sea, and this has forced commercial vessels to take a longer route to avoid the region. This has resulted in higher freight. Insurance premiums too have risen.

India exported good worth $38.45 billion in December. On a cumulative basis, exports contracted 4.89 per cent to $351.92 billion during April-January this financial year while imports dipped by 6.71 per cent to $561.12 billion.

Exports of non-petroleum and non-gems and jewellery, also known as core exports, grew 2.5 per cent in January to $26.12 billion.

On the other hand, non-petroleum and non-gems and jewellery imports declined 5.18 per cent to $33.72 per cent.

India's merchandise exports shrank in 12 of the 30 sectors in January. The key export items that dipped in January include gems and jewellery (1.26 per cent), readymade garments (3.46 per cent), manmade yarn (4.33 per cent), and jute (19.45 per cent).

Among the key sectors that increased include petroleum products (6.57 per cent), drugs and pharmaceuticals (6.84 per cent), electronic goods (9.3 per cent), and engineering goods (4.2 per cent).

Merchandise imports contracted in 17 of the 30 items. They include transport equipment (20.6 per cent), project goods (43.94 per cent), and iron and steel (7.47 per cent).

Gold imports witnessed a 173.63 per cent jump in January at $1.91 billion.

Engineering Export Promotion Council India Chairman Arun Kumar Garodia said that while this financial year saw ups and downs in exports, the second half would be better.

"Two major conflicts remain, and uncertainties cloud the global growth prospects. A shortage of containers and high shipping costs have been impacting the profit margins of exporters. We therefore remain cautiously optimistic about short- and medium-term growth in engineering goods exports," Garodia said.

Services exports saw 17 per cent growth at $32.8 billion in January while services imports grew 8.3 per cent to $16.05 billion, resulting in a surplus of $16.75 billion. The services trade data for January, however, is an “estimate”, which will be revised based on the Reserve Bank of India’s subsequent release.

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India and Peru Trade Agreement negotiations gains momentum – 6th Round takes place in Lima

The 6th round of India -Peru negotiations for a Trade Agreement was held from February 12 to 14, 2024, in Lima, Peru, to continue the work that started in 2017 when the negotiation process was formally announced.

The round started with an opening ceremony with the participation of the Vice Minister of Foreign Trade of Peru, Ms. Teresa Mera; the Ambassador of India in Peru, Mr. Vishvas Sapkal; the Chief Negotiator of India, Mr. Vipul Bansal; the Chief Negotiator of Peru, Mr. Gerardo Meza; and the delegations of both countries.

During the ceremony, the Vice Minister of Foreign Trade of Peru and the Chief Negotiator of India gave brief introductory remarks reaffirming their commitment to continue working with efficiency, as India and Peru did before the pandemic with five successful rounds until August 2019. The negotiations resumed with the Special Virtual Round in October, 2023.

In this sense, both speakers emphasized the importance of taking forward the negotiation process with pragmatism, in order to find creative solutions and to reach consensus that allows to achieve this common objective in the short term. The Trade Agreement will create more trade opportunities for their citizens and enterprises, and also strengthen their economic and commercial ties.

In this round, nine working groups held in-person meetings: Trade in Goods, Rules of Origin, Trade in Services, Movement of Natural Persons, Customs Procedures and Trade Facilitation, Dispute Settlement, Initial Provisions and General Definitions, Final Provisions and Legal and Institutional Issues.

These meetings involved the participation of more than 70 delegates from both countries together, including their respective negotiating teams. From the Peruvian side, the delegation was led by the Ministry of Foreign Trade and Tourism, with the participation of government officials from other entities such as the Ministry of Economy and Finance, the Ministry of Foreign Affairs, the Ministry of Agriculture, the Ministry of Production, Customs

Administration, among others. From the Indian side, the delegation comprised government officials and legal representatives from the Department of Commerce, Department of Revenue and the Directorate General of Foreign Trade.

Additionally, during this week and the following, other working groups such as, Technical Barriers to Trade, Sanitary and Phytosanitary Measures, Trade Remedies and Cooperation will continue to hold virtual meetings. The next round is expected to be held in April 2024. The date will be set in the following days.

In the last two decades, the trade between India and Peru has increased significantly, from US$ 66 million in 2003 to around US$ 3.68 billion in 2023.

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Suspend trans-shipment of Bangladesh export cargo via Delhi: AEPC to Govt

Apparel exporters body AEPC on Thursday urged the government to suspend an order which allows the trans-shipment of Bangladesh export cargo to third countries through the Delhi Air Cargo complex.

The Apparel Export Promotion Council (AEPC) has sent a communication to the Central Board of Excise and Customs (CBIC) in this regard.

It said that the Red Sea crisis has already increased transportation costs of domestic exporters and it has led to a shift of export shipments from sea to air mode.

At this crucial time, allowing Bangladeshi export cargo from Delhi Air Cargo Terminal will further increase the logistical challenges and increase the transportation cost for apparel exporters, it added.

AEPC Chairman Sudhir Sekhri said that almost 20-30 loaded trucks arrive in Delhi every day which slows down smooth movement of cargo and airlines are taking undue advantage of this.

This has led to an excessive increase in air freight rates, delay in handling and processing of export cargo, and severe congestion at the Cargo Terminal at the IGI Airport, Delhi, resulting in exports of Indian apparel exports through the Delhi air cargo complex becoming uncompetitive, Sekhri added.

"AEPC therefore, has written to the Chairman CBIC requesting suspension of implementation of a circular dated February 7 which has allowed the trans-shipment of Bangladesh export cargo to third countries through Delhi air cargo complex also," the council said.

Earlier, such trans-shipment of Bangladesh export cargo was allowed only through the Kolkata Air Cargo complex, it added. Bangladesh is a big competitor of India in the textile sector.

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GLOBAL

Globe Textiles plans forward integration by announcing acquisition

Globe Textiles demonstrated outstanding financial results for Q3, 2023. The company's profit after tax has increased fourfold from 47.61 lakhs to 163.83 lakhs in the previous quarter.

Globe Textiles India, a renowned leader in the textile industry engaged in manufacturing, supply and trading of a complete range of textile and apparel products including denim jeans, shirting fabrics, and cotton printed fabrics, announced their plans to acquire Globe Denwash, through purchase of shares.

The company plans to fund the acquisition via its proposed rights issue which will further solidify Globe Textile's position as an industry leader committed to environmental responsibility and fashion-centric customer satisfaction.

Globe Textile focuses on using only approved nature-friendly dyes and chemicals and has pioneered sustainable processing techniques that give better handfeel to apperals while minimise energy consumption and maximise water recycling through its Zero Liquid Discharge system.

Commenting on the development, Bhavin Parikh, Chief Executive Officer at Globe Textiles (India) said, “Through this acquisition, we reaffirm our dedication to sustainability and innovation in the textile industry. This acquisition will enhance our asset base, margins and topline as well as introduce innovative sustainable fashion garments and practices which are sought after by customers from India, Europe and US. We are confident that this development will enhance the estimated top line by Rs 120 crores to about Rs 520 crores while improving margin by 2027-28.”

Earlier this month, Globe Textile announced to launch its right issue of up to Rs 49 crore. The board of directors announced on January 29, 2024, that it shall issue up to 15,11,41,500 equity shares of Rs 2 face value to eligible shareholders aggregating up to Rs 49 crore. Board of Directors of the company and committee constituted for the right issue shall announce the rights issue price, entitlement ratio, record date for the rights issue in the due course. In the Extra-ordinary General meeting held on December 29, 2023, the company approved the increase in authorised share capital from Rs 48 crore to Rs 61 crore and alteration of the capital clause in the memorandum of association of the company.

Globe Textile has reported a revenue of Rs 399.4 crore in the year ended 2023 and has a production capacity of over 2.5 lakh sq ft where it manufactures, 36 million metres of fabric and 2.5 million bottoms per annum. It has reported robust financial results over the years with a 10-year CAGR of 13 per cent in revenue and 13 per cent net profit.

The acquisition will add state-of-the-art facilities such as highly automated industrial washing tumblers, dryers, and cutting-edge technology while adding its capabilities in processing and sample development. The development will also add a garment processing capacity of up to 20,000 units per day and 6 lakh units per month contributing significantly to Globe Textile’s production capabilities.

The acquisition will make the group’s facility certified as a Zero Liquid Discharge Facility by ATIRA (Ahmedabad Textiles Industry Research Association). The company will soon obtain ZDHC (Zero Discharge of Hazardous Chemicals) certification, demonstrating its commitment to environmental stewardship.

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Cotton Prices Gained Spurred By Concerns Over Supply

The cotton market experienced a modest decline of -0.07% yesterday, settling at 58560, primarily attributed to concerns over supply dynamics and sustained consumption trends. The latest report on the 2023/24 U.S. cotton balance sheet revealed a reduction in ending stocks, driven by increased exports and decreased mill use, despite unchanged production figures. Export forecasts were revised upwards by 200,000 bales to 12.3 million, reflecting robust shipment activities and sales momentum. However, despite these positive export trends, ending stocks are estimated at 2.8 million bales, constituting 20 per cent of total disappearance.

Globally, the 2023/24 cotton ending stocks saw a decrease, with lower beginning stocks and production contributing to reduced supplies. While world consumption remained relatively stable, shifts were observed across different regions, with notable increases in China and Vietnam counterbalanced by declines in Turkey, the United States, and Thailand. In the U.S., the USDA weekly sales report indicated a significant surge in net sales for the 2023/24 period, driven by strong demand from China and Vietnam. Exports consistently surpassed 200,000 bales in five of the last six reports, reaching a marketing-year peak at 396,700 bales. Meanwhile, the CAI maintained its estimates for domestic consumption and production for the 2023-24 season, based on inputs from various sources.

Technically, the market is undergoing long liquidation, with open interest remaining unchanged at 419 while prices dipped by -40 rupees. Support for Cotton candy is seen at 58340, with a potential test of 58130 levels, while resistance is likely at 58760, with a potential breakout leading to testing 58970 levels. Overall, market participants are closely monitoring supply dynamics, consumption trends, and technical indicators for further insights into price movements.

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Three Bangladeshi trade bodies join global campaign for Red Sea safety

To protect trade with the Red Sea, over 105 industry trade associations from the apparel, retail, energy, agricultural, electronics, and medical sectors have united. Three of Bangladesh's principal trade associations have joined then international campaign for countries to work together to guarantee commercial ships' safe passage across the Red Sea and prevent a recurrence of the attacks that occurred in December of last year.

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) and the Leathergoods and Footwear Manufacturers and Exporters Association of Bangladesh (LFMEAB) have been associated with the global campaign.

The American Apparel & Footwear Association (AAFA) and International Apparel Federation (IAF) on February 8 began this initiative.

Iran-backed Houthis, who control much of Yemen but are not recognized internationally, had launched the attacks, prompted major shipping lines to suspend travel across the Red Sea and adjoining Suez Canal, which basically connects Africa and Asia, and divert to a much longer route, around Africa's Cape of Good Hope.

Shipments that were originally scheduled to travel via the Suez Canal have been rerouted to alternative trade routes by carriers ever since the rebel attacks started in October. According to International Apparel Federation secretary general Matthijs Crietee, more than $80 billion in cargo has been rerouted around Africa's Cape of Good Hope, resulting in two to three weeks' more journey time as well as hundreds of thousands of dollars' worth of additional fuel and labor expenditures.

During the winter months in the Southern Hemisphere, this workaround becomes increasingly difficult. The diversion has added at least 2-3 weeks of travel and hundreds of thousands of US dollars in additional fuel and labour costs.

Bangladesh uses the Red Sea route to mainly export garment items to Europe and the US.

It is common for international retailers and brands to bear the carrying cost under a freight on board method and there are very few local suppliers who pay the transportation cost under a cost and freight method.

The letter urgently calls on countries to join, support, or align with wider cooperation to support safe and secure maritime commerce in the Red Sea and across the globe, according to an AAFA statement.

The initiative could be similar to Operation Prosperity Guardian, a multinational security initiative with at least 23 participating countries to date, said the statement.

As businessmen alone cannot bring any solution to the Red Sea crisis and it requires a combined effort of governments of countries, that’s why Bangladesh’s three associations joined the global campaign to ensure safety and security for business and trade, the association’s leaders said.

It is imperative that governments unite behind a zero-tolerance approach to deter attacks on commercial vessels and seafarers in the Red Sea, and anywhere in the world. The prosperity of millions of people who are employed in our industries and in the global maritime industry depends on safe and secure freedom of navigation.

The consequences of these attacks extend beyond immediate financial losses. Route changes are causing port congestion, equipment shortages, and soaring shipping rates across the globe, all of which create inflationary impacts, said a press release regarding the campaign.

Even shipping lanes on the other side of the world from the Red Sea are beginning to be adversely affected. Moreover, the alternative route becomes even more challenging during the Southern Hemisphere winter months, read the statement.

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If the clash for deposits gets fiercer, Indian banks will take a hit, either with slimmer margins or slower growth, it said.
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Deposit competition could get fiercer than what the base case assumes, if lenders don't

pull back on credit growth, it said.
A surge in credit growth has pushed Indian banks' ratio of loans to deposits to a two-decade high; growth beyond this level will either come more slowly or be more expensive, it said.
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As part of the S&P Global India Leadership Council, the newly unveiled India Research Chapter will be guided by a team of experts covering a wide array of themes including economics, technology, generative AI, banking, finance, automotive, country risk, capital markets, supply chain, energy transition, infrastructure, and sustainability, among others.

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US' NCC Applauds EPA Existing-Stocks Order

The National Cotton Council appreciates the timely action by EPA to issue an existing-stocks order to give producers better clarity for the planting season already underway. We commend them for recognizing that growers had already committed to the seeds and crop protection products for the coming year, and no viable alternatives would have been available to meet the needs of U.S. producers. Under the circumstances, EPA’s order will provide much-needed relief for growers already facing difficult economic conditions.

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