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CONFEDERATION OF INDIAN TEXTILE INDUSTRY

22nd

FEBRUARY
2024

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Govt negotiates trade, investment agreements with open mind: Goyal

Commerce and Industry Minister Piyush Goyal on Wednesday said India negotiates trade and investment agreements with fairness and open mind and takes care of interest of people.
He also said countries that are negotiating Free Trade Agreements (FTAs) and investment pacts with India should keep in mind that New Delhi offers huge market to them in terms of demand and business opportunities.

"I can assure you that India negotiates with fairness, with an open mind... India also takes care of its wider and larger interest in the long run," he said at the CII India-Europe conclave.
FTAs, or Bilateral Investment Treaties (BITs), or agreements on geographical indications,

will have to stand the test of fair, equitable, and balance agreements as the level of economic developments varies, he said.
"We will have to respect the very different opportunities that are offered by India vis-a-vis the offer on the table from other countries," he said, adding that India is one of the fastest growing economies of the world.
The young population, demand for goods and services, opens up huge opportunities for businesses across the globe, the minister added.
The remarks assume significance as India is negotiating such agreements with countries such as the UK, Oman, and the European Union.

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DPIs Will Drive India Towards An $ 8 Trillion Economy by 2030: Report

Digital Public Infrastructure (DPIs) such as the Unified Payments Interface (UPI) and Aadhaar are positioned to propel India towards an $ 8 trillion economy by 2030, thereby aiding the nation in achieving its $1 trillion digital economy goal, said a Nasscom-led report on Wednesday. These DPIs, with their widespread adoption and significant economic influence, are impacting around 1.3 billion citizens, covering 97 per cent of India's population.
The advanced DPIs have facilitated a value creation of $ 31.8 billion, equivalent to 0.9 per cent of India's GDP in 2022.
According to a report by Nasscom, in collaboration with global consulting firm Arthur D. Little, Aadhaar has facilitated an economic value of $ 15.2 billion, chiefly by eliminating leakages in Direct Benefits Transfer. On the other hand, UPI has replaced cash transactions and electronic transfers across various sectors, contributing $ 16.2 billion.
“India's digital transformation, propelled by DPIs, marks a leap towards a digitally-empowered economy, a cornerstone of 'techade', driving the 'India@47' growth narrative. DPI's success has positioned India as a global leader in digital innovation,” said Debjani Ghosh, President of Nasscom.

In terms of ecology, the adoption of DPIs has resulted in notable paper savings and a reduction in carbon emissions. The time saved in the logistics and transportation sector led to a decrease in carbon emissions by 3.2 million tonnes in 2022.

Moreover, the report stated that DPIs align with core UN Sustainable Development Goals (SDGs) by offering citizen-centric solutions. India's interoperable and open-source DPIs are now being embraced or under consideration by more than 30 countries to promote social and financial inclusion.

“While mature DPIs have witnessed exponential adoption by 2022, the next 7-8 years offer an opportunity for further scalability, reaching even the most remote segments of the population. By 2030, DPIs will significantly enhance citizens' efficiency and promote social as well as financial inclusion,” said Brajesh Singh, President-India, Arthur D Little.

The evolution of both established and emerging DPIs, coupled with innovative technology integration like AI, Web3, and the Metaverse, offers substantial opportunities.

To unlock the full potential of DPIs by 2030, government agencies must persist in providing proactive policy support, regulatory clarity, and promoting existing digital ecosystems. The report highlights the importance of establishing task forces to drive adoption and foster innovation through collaborations with corporations and startups.

“Startups and SMEs should build business models that capitalise on the full-scale adoption of existing digital infrastructure and experiment with new-age technologies. Corporates and Big Tech should anticipate future digital demand, build necessary infrastructure and foster innovation,” it added.

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Morgan Stanleysees FY25 GDP growth slowing

Global banking group Morgan Stanley has said India’s economic growth is expected to slow down to 6.5 per cent in the financial year (FY) 2025 from 6.9 per cent forecast for FY2024.

“On growth, we expect GDP growth to remain healthy, and we are tracking December 2023 GDP at 6.5 per cent, even as it slows from 7.7 per cent in the first half of FY2024. We expect GDP to average 6.9 per cent in FY2024 and 6.5 per cent in FY2025,” Morgan Stanley said in its latest research report on the Indian economy.

The RBI’s Monetary Policy Committee recently projected a lower GDP growth of 7 per cent for FY 2025, down from 7.3 per cent projected by the National Statistical Office for FY24.

Significantly, the government has projected higher a nominal GDP growth – without excluding the pace of inflation — of 10.5 per cent in the interim Budget presented on February 1 as against 8.9 per cent in 2023-24

"With regard to macro-stability, we anticipate headline inflation to remain range-bound around 5.0-5.2 per cent in first quarter of FY24, supported by favourable base effect, and average 5.4 per cent in FY2024 and 4.5 per cent in FY2025," Morgan Stanley said.

The current account deficit is likely to remain benign, supported by strength in services exports and softening global commodity prices, especially oil, and track at 1.2 per cent of GDP in F24 and 1.3 per cent of GDP in FY25. "On monetary policy, we build in a shallow rate cut cycle of 50 basis points from June 2024, in our base case, even as we continue to remain watchful of risks from stronger-than-expected growth (strong credit growth), which could defer the rate easing cycle," Morgan Stanley said.

Morgan Stanley said domestic demand improved in January, while macro stability remains comfortable, reflecting strength in the fundamentals. "We maintain our constructive outlook on the economy. Risks emanate from global factors and elections in May 2024," it said. Domestic demand gathered pace on a YoY basis in January, as it inched up to a 3-month high, and also accelerated on a sequential basis. GST collections rose to their 2nd-highest to Rs 1.7 lakh crore, growing 10.4 per cent year-on-year, while Manufacturing PMI improved to 56.9, remaining expansionary since Jul-21. On the external demand front, exports grew 3.1 per cent in January from 1 per cent in the previous month.

CPI inflation edged down to a 3-month low of 5.1 per cent in January from 5.7 per cent in December, while core inflation, continued to remain benign, as it slowed further to 3.6 per cent. WPI moderated to 0.3 per cent YoY in January from 0.7 per cent in the previous month.

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Indian Textile Industry Welcomes Removal Of Import Duty On ELS Cotton

The Indian textile industry has not only welcomed the move to remove import duty on extra-long staple (ELS) cotton but also expects that the government will soon realise the need to scrap the duty on other varieties of cotton. Following the decision, cotton prices

eased by ₹600 per candy of 356 kg in the Gujarat market due to immediate pressure on market sentiments. However, prices recovered to some extent on Wednesday.
The central government has removed the import duty on ELS cotton. The country is heavily dependent on imports of ELS cotton. Currently, around 11 per cent import duty is applicable to the raw material used for fine counts of cotton yarn.

Sanjay Jain, managing director of TT Industry and former chairman of the Confederation of Indian Textile Industries (CITI), told Fibre2Fashion, "It is a welcome step. We hope that the import duty on other varieties of cotton will be reviewed sooner or later. The government has to maintain a balance between the competitiveness of the industry and farmer's protection through MSP." He said that India is a net importer of ELS cotton as the country does not grow enough of it to meet the requirements. The import duty had made Indian value-added products made from yarn of 60/1 and above costlier. There was no benefit for the farmers. The government has corrected an aberration.

Bharat Shah, a power loom owner from Ichalkaranji, Maharashtra, told F2F, "The removal of import duty can provide some relief in the textile value chain of high-end fabric. The production cost may ease slightly for fine quality fabric and garments." He said that the psychological impact can be seen on the market sentiments of cotton only for a few days. Overall market dynamics will not change due to the government's decision.

A leading cotton yarn trader from Delhi said that there is very little consumption of ELS cotton out of the total cotton requirement. Therefore, the decision will have a very limited impact. It cannot substitute Shankar-6 cotton of Gujarat because ELS cotton is very expensive.

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CAI Maintains India's Cotton Output At 294 Lakh Bales For 2023-24

In January 2024, the Cotton Association of India (CAI) upheld its projection for cotton output production and consumption, keeping the cotton output steady at 294.10 lakh bales of 170 kg and domestic consumption at 311 lakh bales for cotton season 2023-24. This suggests that India's cotton production could decline from the 318.90 lakh bales recorded in the previous season of 2022-23.

CAI has said in a statement that India's total cotton supply in 2023-24 will be 345 lakh bales, which includes 28.90 lakh bales of opening stock and 22 lakh bales of imports. CAI had estimated output at 318.90 lakh bales, opening stock at 24 lakh bales, and imports at 12.50 lakh bales for the last season 2022-23. Opening stock and imports are likely to increase in the current season from the previous season. Total availability of cotton may reduce to 345 lakh bales in the current season from 355.40 lakh bales of the previous season.

CAI maintained domestic demand at 311 lakh bales in January this year, consistent with its estimate from December 2023. This aligns with the organisation's previous season projection, with mills' consumption, Small Scale Industries (SSI) consumption, and non-mill consumption are estimated at 280 lakh bales, 15 lakh bales and 16 lakh bales, respectively, as was estimated in December 2024.

In January 2024, the available surplus of cotton remained steady at 34 lakh bales, consistent with the December 2023 estimate. This figure marks a decrease from the previous season's surplus, which stood at 44.40 lakh bales. India's cotton export is expected to decrease to 14 lakh bales from 15.50 lakh bales. Additionally, the projected closing stock at the end of the current season in September 2024 is 20 lakh bales, compared to 28.90 lakh bales from the previous year.

CAI has also maintained the cotton output at 42 lakh bales in the north region, broken down as follows: Punjab 4.50 lakh bales, Haryana 15 lakh bales, upper Rajasthan 11 lakh bales, and lower Rajasthan 11.50 lakh bales. In the central region, the output is projected at 179.60 lakh bales, with Gujarat at 85 lakh bales, Maharashtra at 76.70 lakh bales, and Madhya Pradesh at 18 lakh bales. Meanwhile, the southern region is expected to produce 67.50 lakh bales, with Telangana at 30 lakh bales, Andhra Pradesh at 12.50 lakh bales, Karnataka at 18.50 lakh bales, and Tamil Nadu at 6.50 lakh bales. Most of the producing states in the country are estimated to experience lower production.

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Crucial Need To Make Exports More Attractive: Indian Finance Ministry

There is a crucial need to make India's exports more attractive amid continued uncertainty in global growth and trade conditions, with headwinds from geopolitical tensions and

supply-chain disruptions and higher logistics costs posing downside risks to growth, the country's finance ministry said in a recent report.
Highlighting the need to work on an export strategy, the ministry said the broader economic outlook, however, 'appears bright'.

The manufacturing purchasing managers' index's employment sub-index suggests the generation of more employment opportunities in the manufacturing sector supported by an increase in export orders, rising domestic production and expansion in international sales, the report said.

"Given persisting uncertainties for global output and trade growth, finding ways to enhance the competitiveness and attractiveness of India's exports is both urgent and important," the ministry's Monthly Economic Review for January said.

The country's merchandise exports in January increased by a mere 3.1 per cent year on year (YoY) to $36.92 billion, latest trade statistics show. These were down by 4.9 per cent YoY at $353.92 billion between April 2023 and January 2024, while imports during the period were lower by 6.7 per cent at $561.12 billion.

"Downside risks to trade include a spike in new commodity prices from geopolitical shocks, including continued attacks in the Red Sea and supply disruptions or more persistent underlying inflation in the developed world, which could extend tight monetary conditions. This could impact the expected recovery in global demand, thereby affecting the prospects for India's exports," the ministry said.

"Prospects of healthy Rabi harvesting, sustained manufacturing profitability, and underlying service resilience are expected to support economic activity in FY25," it said.

The ministry is hopeful of household consumption rising, business sentiment improving, the government continuing to focus on capex, and banks and firms witnessing healthy balance sheets. The response from the supply side has been broad-based, it noted.

Retail inflation declined to a three-month low of 5.1 per cent in January due to both food and core components. Core inflation continued to decline for the eighth consecutive month, from 5.2 per cent in May last year to 3.5 per cent in January. The outlook for a reasonably low headline inflation rate is good, it added.

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India-EU have political will to conclude FTA: Secretary General

Read more at: India-EU have political will to conclude FTA: Secretary General - The Economic Times

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GLOBAL

Africa's largest economy is battling a currency crisis and soaring inflation

With annual inflation nearing 30% and a currency in freefall, Nigeria is facing one of its worst economic crises in years, provoking nationwide outrage and protests.

The Nigerian naira hit a new all-time low against the U.S. dollar on both the official and parallel foreign exchange markets on Monday, sliding to almost 1,600 against the greenback on the official market from around 900 at the start of the year.

President Bola Tinubu announced Tuesday that the federal government plans to raise at least $10 billion to boost foreign exchange liquidity and stabilize the naira, according to multiple local media reports.

The currency is down around 70% since May 2023 when Tinubu took office, inheriting a struggling economy and promising a raft of reforms aimed at steadying the ship.

In a bid to fix the beleaguered economy and attract international investment, Tinubu unified Nigeria's multiple exchange rates and enabled market forces to set the exchange rate, sending the currency plunging. In January, the market regulator also changed how it calculates the currency's closing rate, resulting in another de facto devaluation.

Years of foreign exchange controls have also generated enormous pent-up demand for U.S. dollars at a time when overseas investment and crude oil exports have declined.

"The weakened exchange rate should increase imported inflation, which will exacerbate price pressures in Nigeria," Pieter Scribante, senior political economist at Oxford Economics, said in a note Friday.

The country is Africa's largest economy and has a population of more than 210 million people, but relies heavily on imports to meet the needs of its rapidly growing population.

"Shrinking disposable incomes and worsening cost-of-living pressures should remain concerns throughout 2024, further stifling consumer spending and private sector growth," Scribante added.

Inflation, meanwhile, continues to soar, with the headline consumer price index hitting 29.9% year-on-year in January, its highest level since 1996. The increase is being driven by a persistent rise in food prices which jumped by 35.4% last month compared to the year before.

The surging cost of living and economic hardship prompted protests across the country over the weekend. The plummeting currency has added to the negative impact of government reforms such as the removal of gas subsidies, which tripled gas prices.

President Tinubu said in late July that the government had already saved more than 1 trillion naira ($666.4 million) from removing the subsidies, which it will redirect into infrastructure investment.

Alongside soaring inflation and a plunging currency, Nigeria is also battling record levels of government debt, high unemployment, power shortages and declining oil production — its main export. These economic pressures are compounded by violence and insecurity in many rural areas.

"Excess market liquidity, exchange rate pressures, and food and fuel shortages threaten price stability, while inflation risks rising out of the government's control," Oxford Economics' Scribante added.

"Robust import demand could force the Central Bank of Nigeria (CBN) to reimpose import bans and FX restrictions to lessen the burden on the balance of payments. This could exacerbate domestic product shortages and increase inflation further."

Inflation is expected to peak at nearly 33% year-on-year in the second quarter of 2024, according to Oxford Economics, and could stay higher for longer given the plethora of economic risks ahead.

"Furthermore, rising inflation and increased hawkishness by the CBN indicate that the policy rate could be raised this quarter," Scribante said. The policy rate currently sits at 18.75%.

"We expect a combined 200 bps in rate hikes at the next two MPC meetings, scheduled for end-February and end-March this year; however, we think that more hikes are needed to stem rising inflation," Scribante added.

Jason Tuvey, deputy chief emerging markets economist at Capital Economics, sees the CBN opting for a bigger interest rate bazooka when policymakers meet on Feb. 26 and 27.

"The meeting will be a key test of whether the policy shift under President Tinubu is truly regaining some momentum," Tuvey said in a note Thursday.

"We expect that the MPC will try to restore some of its inflation-fighting credibility by delivering a large interest rate of 400bp, to 22.75%."

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This Southeast Asian country is set to see the sharpest spike in wealth growth over the next decade

Vietnam is set to see the sharpest spike in wealth growth over the next decade as it cements its status as a global manufacturing hub, according to a report by global wealth intelligence firm New World Wealth and investment migration advisors Henley & Partners.

The Southeast Asian country is forecast to see a 125% increase in wealth over the next 10 years, Andrew Amoils, New World Wealth's analyst, told CNBC. This would be the largest expansion in wealth of any country in terms of GDP per capita and number of millionaires, according to the firm's analysis.

"Vietnam is an increasingly popular manufacturing base for multinational tech, automotive, electronics, clothing and textile firms," Amoils said. India, which is set to become the world's third-largest economy by 2027, takes the second spot with an expected 110% growth in wealth, he added.

Vietnam, which is home to 19,400 millionaires and 58 centimillionaires, is perceived as a relatively safe country compared with other nations in the Asia-Pacific region, Amoils said, which provides companies an extra incentive to set up manufacturing operations in the county.

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India set for strong growth in FY25 amid global headwinds: Finance ministry

India's economy is performing well, with risks evenly balanced, to achieve 7% growth in FY25, but geopolitical tensions and geo-economic fragmentation pose risks to the country's growth, the finance ministry said in its latest monthly economic review.
In its economic review for January, the ministry said risks to global trade, including a spike in commodity prices due to the Houthi militant group's attacks on important trade routes in the Red Sea region, have resulted in supply chain disruptions.

Also, persistent underlying inflation in developed countries could extend tight monetary conditions, the ministry said in the review, released on Tuesday.
During the Reserve Bank of India's latest bi-monthly monetary policy committee meeting, the regulator projected a real GDP growth of 7% for FY25, up from its previous forecast of 6.6%, while maintaining its benchmark lending rate at 6.5% for the sixth consecutive time. RBI's growth projections for FY25 include a growth rate of 7.2% in Q1, 6.8% in Q2, 7% in Q3, and 6.9% in Q4.

“Prospects of healthy rabi (winter crop) harvesting, sustained manufacturing profitability and underlying service resilience are expected to support economic activity in FY25," the ministry said.

“On the demand side, household consumption is expected to improve, while prospects for capital formation are bright owing to an upturn in the private capex cycle, improved business sentiments, healthy balance sheets of banks and corporates, and the government’s continued thrust on capital expenditure," it added.

India remains the fastest-growing major global economy, ahead of the US, China and other major advanced nations.

Advanced economies, hurt by persistent inflation, have kept their repo rates high—affecting Indian exports. A higher repo rate, which is the interest rate at which the central bank lends money to banks, makes debt and debt-servicing more expensive, thus slowing economic activity.

Conflicts in Ukraine and West Asia have further threatened to push up commodity oil prices, leading to greater inflationary pressures globally.

In India, though, policy measures by the government and the transmission of monetary policy tightening have helped rein in inflation, the finance ministry states in its January economic review.

“With the stable downward movement in core inflation and moderation in food prices, the outlook for a reasonably low headline inflation rate is good," it said. “It is expected that food inflation will moderate further in the upcoming months."

Retail inflation fell to 5.1% in January from 5.7% in December aided by a slower rise in food prices. It still remains above the central bank’s target of 4%, but has stayed within its tolerance range of 2-6% for a fifth consecutive month.

Overall, food inflation fell to 8.3% in January from 9.53% in December.

The finance ministry expects the average crude oil price for the Indian basket for FY24 (up to 12 February 2024) at $82.2/bbl, lower than the average of $93.2/bbl in FY23.

“Lower input prices and overall inflation can influence output growth positively, which in turn can further improve the prospects for exports," the ministry said.

“Given persisting uncertainties for global output and trade growth, finding ways to enhance the competitiveness and attractiveness of India’s exports is both urgent and important," it added.

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