LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

2nd

January
2024

News Highlights

NATIONAL

CMAI expects India's y-o-y apparel exports to UAE to increase by 10-15%

India's apparel industry could face another slow quarter: ICICI Securities

Cotton Dropped On Profit Booking After Prices Gained As Output May Decline By 8%

GST collections up 10% YoY at ₹1.64 lakh crore in Dec

No longer looking at import duties as revenue source in FTA negotiations: Official

Commerce Ministry seeks exporters' inputs on reducing compliance burden

Revamp of cotton farming to help boost production in India

GDP growth to 'comfortably' exceed 6.5% in 2023-24: FinMin

Truckers' strike hits transport of textile goods

World needs India to become reliable challenger to China's supply-chain dominance: Anand Mahindra

GLOBAL

Bangladesh's garment sector is much safer: BGMEA

Garments in risk of facing huge challenges

NATIONAL

CMAI EXPECTS INDIA'S Y-O-Y APPAREL EXPORTS TO UAE TO INCREASE BY 10-15%

Read more at : CMAI expects India's y-o-y apparel exports to UAE to increase by 10-15%, ET Retail (indiatimes.com)

Home

India's apparel industry could face another slow quarter: ICICI Securities

The Indian apparel industry is showing signs that it will experience another financial quarter of slowdown, according to retail, trading, and investment services business ICICI Securities. Many brands in India reported only marginal growth in the third quarter of the 2024 financial year and have started their end of season sales early.

"We believe higher discounts are reflective of the relative stress in the underlying inventory, and hence, may be a leading indicator of business performance in the near term," said ICICI Securities in its latest report, accessed by ET Bureau.

The past six to eight months has seen the majority of apparel retailers cutting their prices or offering significant discounts on goods to clear a backlog of unsold inventory. Many apparel categories saw price increases due to higher raw materials costs last year but not all consumers were willing or had the ability to spend more so many brands ended up with unsold stock.

Many apparel retailers launched their end of season sales earlier than usual this year, the Economic Times reported. Early December saw a variety of fashion retailers offering double digit discounts on products, marketed as Christmas or winter festive themed sales. Many malls across India also heavily incorporated sales into their winter festive promotional events.

Home

Cotton Dropped On Profit Booking After Prices Gained As Output May Decline By 8%

Cotton prices, represented by Cottoncandy, saw a marginal decline of -0.04%, settling at 56220, driven by profit booking after a recent price increase. The Cotton Association of India (CAI) maintained its pressing estimate for the 2023-24 season at 294.10 lakh bales, contributing to market dynamics. CAI President Atul S Ganatra highlighted that the total supply till the end of November was estimated at 92.05 lakh bales, consisting of market arrivals, imports, and opening stocks.

Reports indicate a decline in the infestation of pink bollworm in the cotton crop, reducing from 30.62% during 2017-18 to 10.80% in 2022-23. However, global factors also play a role, with Brazilian cotton shipments increasing in November, but overall, the International Cotton Advisory Committee (ICAC) projects global cotton production to outpace consumption for the second consecutive year. The 2023/24 U.S. cotton balance sheet shows slightly lower consumption but higher production and ending stocks. Global cotton balance sheets reflect lower consumption but higher production and stocks, influenced by factors like beginning stocks and changes in production estimates.

In terms of technical aspects, the market is undergoing fresh selling, with a 1.46% gain in open interest to settle at 209, accompanied by a price decline of -20 rupees. Cotton candy finds support at 56080, and a breach could lead to a test of 55950 levels. On the upside, resistance is identified at 56360, with a potential move above pushing prices to test 56510. Traders are closely monitoring these levels amid global production dynamics, consumption trends, and external factors affecting the cotton market.

Home

GST collections up 10% YoY at ₹1.64 lakh crore in Dec

Read more at : gst: GST collections up 10% YoY at ₹1.64 lakh crore in Dec - The Economic Times

Home

No longer looking at import duties as revenue source in FTA negotiations: Official

India is likely to lower tariffs on a range of items including high tariff products such as cars, whiskey and machinery items for the first time under the free trade agreements (FTAs) with developed economies and is moving away from looking at tariffs as a source of revenue during negotiations, a government official said.
This comes amid internal consultations between the finance ministry and the commerce ministry to assess the impact of the major duty reductions that could be announced as part of the FTAs. India is currently negotiating FTAs with the UK, the European Union(EU), Australia and Oman, and India could lower duties on goods and services sharply.
“Things are moving in the direction where tariffs cannot be a source of revenue. Tariffs contribute to revenue but a free trade agreement cannot be accessed on the basis of tariffs because when free movement of goods and services happen, the overall economic growth is immense. Revenue will be a minor part of the whole story,” the official said on the condition of anonymity.

Tariffs are customs duties on goods imported into a country. New Delhi has the highest import duty compared to most major economies with an average Most Favored Nation (MFN) rate of 18 per cent, about twice the global average, according to the World Trade Organization (WTO) Tariff Profile database. In trade parlance, the most-favored-nation clause requires WTO members to offer the same trade terms to all trading partners.
The union government estimates to receive Rs 2.3 lakh crore in revenue from custom duty in 2023-24, about 11 per cent higher compared to the 2022-23 revised estimates of Rs 2.1 lakh crore according to the official figures.

Customs duties contribute about 8 per cent of the gross tax revenue. The total import tax collection in 2021-22 stood at Rs 1.99 lakh crore.
"India is a high tariff economy. Even if you see the major South Asean countries or the global landscape, the average tariff has gone pretty down. There is a tendency to remove tariff barriers across the globe. It is because of global value chain integration and India is also doing that with the help of free trade agreements, the official said.

As part of the UK FTA, India is contemplating a reduction in duty for the imports of Scotch whisky from the UK that attracts a 150 per cent and slash tariffs on automobiles that stands at 100 per cent. Under the partial trade deal signed with Australia, India had lowered duty for Australian wines for the first time.
The official said that the opening up of the economy will be undertaken in a calibrated manner and that the commerce ministry is consulting with the finance ministry over the revenue implications. "We are looking for more competition, quality and consumer benefits in the economy are moving away from protectionism," the official added.
High tariffs are among the key concerns raised by trade partners India is negotiating FTA with. The simple average tariff on goods imported into the UK from India is 4.2 per cent but the simple average tariffs on UK exports to India was 14.6 per cent, UK's department of international trade said in a report on India.

India has raised duty even on intermediate and capital goods that are used in the manufacturing process which is higher than competitors such as Vietnam and Indonesia. In the last decade, India's trade-weighted average MFN rate jumped from 7.7 per cent to 11.4 per cent, while the global average decreased from 7.5 per cent to 6.9 per cent, MVIRDC World Trade Center said in a report. The report added that duties imposed on capital goods such as electrical machinery, non-electrical machinery and transport equipment are also higher compared to the global average.
High tariffs have also been flagged by the US trade ministry saying that India's tariff regime has large disparities between bound rates and the most favored nation (MFN) applied rates charged at the border. US exporters face "tremendous uncertainty because India has considerable flexibility to change tariff rates at any time", the US Trade Representative said.
"India's trade regime and regulatory environment remains relatively restrictive. Technical barriers to trade (TBT), sanitary and phyto-sanitary (SPS) measures, deviation from internationally-agreed standards, as well as discrimination based on legislative or

administrative measures by India, affect a wide range of sectors, including goods, services, public procurement and investment," European Union said on trade with India.

Home

Commerce Ministry seeks exporters' inputs on reducing compliance burden

The Commerce and Industry Ministry has asked export promotion councils and other industry bodies to give specific inputs on measures to reduce regulatory compliances and streamline processes further and also share recommendations on decriminalisation, sources have said.

This is in line with the government's stated policy of improving ease of doing business and working continuously to reduce compliance burden for a conducive business environment, a source tracking the matter told *businessline*.

"Inputs have been sought from export bodies on matters related to the Directorate General of Foreign Trade, Customs authorities, the RBI, the CBIC (Central Board of Indirect Taxes and Customs) and on the GST regime, sources tracking the matter told *businessline.*

Once the government receives inputs and processes them, the policies and the procedures will be modified accordingly, the source added.

"We are giving our suggestions on what processes can be further simplified. We are identifying areas where you can go for self-certification and where you can go for lesser documentation," an official from an exporters' body said.

Changes can also be made to the Foreign Trade Policy 2023 based on inputs as amending the policy is now a continuous process and not an annual one.

Key focus

The key focus of the government's drive is simplification of procedures related to applications, renewals, inspections, filing records, etc; rationalisation by repealing, amending or subsuming redundant laws; digitisation by creating online interfaces eliminating manual forms and records; and decriminalisation of minor technical or procedural defaults, Minister of State for Commerce Som Prakash recently said in a Parliament reply.

DPIIT, the industry arm of the Commerce and Industry Ministry, started an exercise some time back to assess the cost of regulations in states to provide insight into reforms that can be carried out to improve the business climate. A number of obsolete provisions have already been removed or simplified by DPIIT.

"Exporter bodies and other industry players have also been asked to give inputs for decriminalisation of provisions to be incorporated in the second edition of the Jan Vishwas Bill that the government is working on," the official said.

The Jan Vishwas (Amendment of Provisions) Bill, 2023 was passed in the Lok Sabha on June 27 and in the Rajya Sabha on August 2. The Bill sought to decriminalise about 180 minor offences in 42 legislations including some colonial era laws.

Home

Revamp of cotton farming to help boost production in India

Read more at : Revamp of cotton farming to help boost production in India | Mint (livemint.com)

Home

GDP growth to 'comfortably' exceed 6.5% in 2023-24: FinMin

Read more at : GDP growth to 'comfortably' exceed 6.5% in 2023-24: FinMin - The Hindu BusinessLine

World needs India to become reliable challenger to China's supply-chain dominance: Anand Mahindra

The world needs India to become a reliable challenger to China's supply-chain dominance, which will provide a great opportunity in 2024 and investment will flow into the country in unprecedented volumes, according to Mahindra Group Chairman Anand Mahindra.

In his New Year message, Mahindra also said all signs point to the Indian economy achieving "the mythical lift-off that we have been awaiting, for decades" and predicted that in 2024 "companies that are able to create a portfolio of desirable products both in features and price will face the happy challenge of raising their production to meet demand".

Stressing that "a New Year is special because it always symbolises a new beginning", he said, "No matter how dark the year has gone by, the human spirit has an abiding capacity for hope. 2023 was a year characterised by conflict, climate change and a sluggish post-Covid recovery. The year ended with the world crying out for renewal." The first day of the new year opens a new chapter, a fresh opportunity for optimism and renewal, he added.

"Globally, the world needs India to become a reliable challenger to China's supply-chain dominance. That is the great opportunity of 2024. That is what will fuel the lift-off. Investment is going to flow into India in unprecedented volumes," Mahindra said.

He further said, "The opportunity for India's manufacturing to achieve a quantum leap is within our grasp or ours to lose. Let's seize it with both hands because growth in manufacturing and exports will, in turn, enhance the consumption story, setting into motion a virtuous cycle that could endure for years." In the long run, however, what will keep India's economy on the ascent is a capacity for disruptive innovation, Mahindra said adding "that aspiration is showing up in many of the newer startups. More power to this tribe!" In 2023, he said the Mahindra group also faced the challenges first-hand in the communities its work with around the world being a transnational business.

"We also experienced the joy of overcoming those challenges, and in most situations, achieved extraordinary success. Our great advantage and opportunity in 2024 comes from our deeply embedded Indian roots. Because all signs point to the Indian economy achieving the mythical 'lift-off' that we have been awaiting, for decades!," he said.

While the rest of the world faced increasing turbulence over the last few years, India kept the engine of the economy chugging along through doses of government capital and infrastructure investment, Mahindra noted.

"Now, the good news is that the consumption story is about to kick in. Companies that are able to create a portfolio of desirable products both in features and price will face the happy challenge of raising their production to meet demand," he said.

As the sun rises in 2024, Mahindra asserted. "It's time for Carpe Diem - it's time to seize the day. Our destiny lies in our own hands."

Home

Truckers' strike hits transport of textile goods

Read more at:
http://timesofindia.indiatimes.com/articleshow/106463964.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Home

GLOBAL

Bangladesh's garment sector is much safer: BGMEA

In reference to the letter of 8 Congressmen about Bangladesh's garment industry, BGMEA President Faruque Hassan said, "We are giving utmost importance to the working environment of the workers. Bangladesh garment industry is much safer than other garment industries worldwide."

The President of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) said this in a seminar organized by Bangladesh Institute of International and Strategic Studies at BISIS Auditorium on December 31.

He said, they talked about the working environment of garment workers in Bangladesh. We are giving utmost importance to the working environment of the workers. Bangladesh garment industry is much safer than other garment industry in the world. The working environment here is much better than before. We are providing more facilities to the workers.

In this regard, Faruque Hassan also said that several letters have been sent to brands, retailers and their representatives on behalf of BGMEA, urging them to re-determine the prices of products produced in Bangladesh in order to financially handle the issue of new wages for the workers.

He said it is good that several brands are positive about the price revision. Faruque Hassan also mentioned the target of increasing the export income from ready-made garments to $100 billion by 2030.

He said, in this regard, we are prioritizing product, fiber, and market diversification. In recent years we have been investing in apparel like activewear, outerwear, denim, underwear, suits, fancy dresses and formal wear. BGMEA is also working on creating luxury garments for women using our centuries-old traditional Jamdani and Muslin fabrics.

He further said that to survive in the global market, we must focus on innovation, technological upgradation, design and skill development and overall business capability.

Home

Garments in risk of facing huge challenges

At the beginning of the outgoing year, the situation took a turn for the worse in the midst of entrepreneurs' worries about the export growth of the ready-made garment sector. Labor unrest began around the garment workers' new wage structure, which at one point spiraled out of control. 4 workers died. This incident has affected this sector more than 85 percent of the export income. Besides, there were various kinds of apprehensions. Among them, after the United States, the European Council has warned about labor laws, working environment and human rights. Entrepreneurs are worried. They said that there has been a huge change in the last few years. But complete relief is not coming. At present, these issues are the main challenges of the clothing sector for the new year.

Experts say the apparel sector will have to face challenges in the new year on labor-related and wage issues.

There are complications with grades. Many labor leaders are still in jail. For this, concern is being expressed from abroad. If the government can take positive steps on the labor issue, the situation will improve.

Meanwhile, Foreign Secretary Masood Bin Momen said that the new policy of imposing trade sanctions in violation of labor rights may create a negative situation in Bangladesh’s garment exports. But he thinks that no such situation has been created in Bangladesh. He said this at the Bangladesh Institute of International and Strategic Studies (BIISS) auditorium in Eskaton of the capital during a discussion on Global Challenges, RMG and Decent Work.

It is known that since the beginning of the outgoing year, the entrepreneurs of the ready-made garment sector were worried due to relatively low export income. In addition to this, the government increased the price of gas and electricity again in the midst of crisis. This increases the cost of doing business for traders. At the end of the year, the garment workers waged a movement. The situation takes a different form. The workers of various factories in Gazipur, Ashulia, Savar and the capital’s Mirpur, which are dominated by the garment industry, first abstained from work and at one point got involved in attacks and vandalism. Law and order forces were also beaten. 3 workers lost their lives in police firing. Another worker died of suffocation after being trapped by the fumes of the fire in the factory. 43 cases were registered against the workers during the two-week agitation. 20 thousand workers were accused. 115 of them were arrested.

The movement started around the proposal of the representatives of the owners in the Minimum Wage Board. In the last October 22nd meeting of the wage board constituted by the government, the representative of the labor side proposed a wage of Tk 20,393. The representative of the owner proposed to make half of it Tk 10,400. After that, the movement started in various factories from the next day on October 23, demanding a minimum wage of Tk 23,000.

4 garment workers named Russell Howladar, Imran, Jalal Uddin and Anjuara Khatun died in the three-week agitation of workers over wages. If the situation goes out of control, the owner decides to make a new offer. On 7th November, the owner proposed an increase of Tk 2,100 to Tk 12,500 as compared to the previous proposal. That was finalized later. The new wage structure came into effect from 1st December.

In the face of various pressures, the labor leaders were forced to stop the agitation for wages within a short period of time. However, everything did not stop. 8 members of the US Congress believe that the minimum wage set for garment workers is not enough. They consider it not only sad but also shameful that the workers' demand of minimum wage of Tk 23,000 per month is not met.

In such a situation, the 8 members of the US Congress wrote to the American Apparels and Footwear Association (AAFA) to pressurize the government and the manufacturers of the ready-made clothing sector to accept the demand for a minimum wage of Tk 23 thousand or $208. On December 15, these members of the US Congress sent a letter to AAFA President and CEO Steven Lammer.

Meanwhile, after the wage movement stopped, the entrepreneurs of the garment industry were worried again because of the announced labor policy of the United States. The United States is the largest export market for Bangladesh's manufactured garments.

In this situation, on November 16, the United States announced a presidential memorandum on the protection of workers' rights worldwide. It is said that the United States will hold accountable the leaders of labor unions around the world, workers in favor of labor rights, those who show threats and intimidation against labor organizations. Various restrictions including trade, visa restrictions will be applied against those responsible for this. However, international concerns over wages have not yet subsided. Meanwhile, the European Council has raised new concerns in the letter. So, questions have been raised about the country's labor standards, human rights and working environment. Experts feel that when Bangladesh is preparing for the GSP plus benefit, such precautions should be taken seriously.

The United States has implemented a visa policy to ensure free and fair elections in Bangladesh. For that reason, there is no opportunity to take the labor policy of the United States easily, even though the labor leaders expressed their concerns in this way, the owners were silent. However, the government postponed an initiative to amend the labor law at the last minute.

Although there is potential, the country's top export revenue garment sector is going to start the new year with several challenges. According to the Export Promotion Bureau (EPB), apparel exports grew by 3.5 per cent in the first five months of the current financial year 2023-24, but declined again in the last two months.

Meanwhile, apparel exports to Germany, the EU's main market, have steadily declined over the past few months. From January to September 2023, exports to Germany fell by 12.58 percent compared to the same period in 2022.

Export earnings to the US, one of the country's main markets for ready-made garments, fell last year. According to the latest information provided by the International Trade Commission under the US Department of Commerce, Bangladesh's garment exports to the United States dropped by 24.75 percent to $6.35 billion in the first 10 months from January to October this year. However, during the same period of the previous year, US-made apparel exports earned $8.44 billion. However, in 2023, exports to non-traditional markets are increasing more than the United States and the European Union. As a result, export earnings have been spared from a sharp decline.

BGMEA president Farooq Hasan said that Bangladeshi garment traders export products to the United States without any duty-free facilities. Then there is concern about the country's garment export earnings.

The Secretary of State said, the newly announced US labor policy and the emphasis on collaborative efforts between the government, entrepreneurs and workers to face future challenges in the garment sector. As a result of this policy of theirs, the import of raw materials and export of garments may create a negative situation. Any restrictive measures against the industry will lead to factory closures and loss of jobs for women workers.

Secretary of the Ministry of Labor and Employment. Ehsan-e-Elahi said, the prerequisite for ensuring labor rights is the improvement of the legal framework. Bangladesh has ratified several international labor conventions. The country has amended its labor laws from time to time following the requirements of the International Labor Organization (ILO). There is danger if workers are not careful about their rights.

Home