LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

**6th January 2024**

# News Highlights

## NATIONAL

Indian economy to grow7.3 pc in 2023-24: Govt

UN report revises India's 2024 GDP growth estimate to 6.2%

Red Sea crisis casts shadow on exportsas shipping, insurance costs rise

India to set up 'specific trade zone in UAE

Quality Council Of India Partners With KVIC To Promote Khadi Products

Spinning industry seeks support to tide over slow exports

## GLOBAL

Garment exporters relieved as VAT on shipment goods lifted

Bangladesh's RMG Exports Up 1.72% To $23.39 Bn In July-Dec

# NATIONAL

## INDIAN ECONOMY TO GROW7.3 PCIN 2023-24: GOVT

Read more at:
https://bfsi.economictimes.indiatimes.com/news/industry/indias-gdp-to-grow-by-7-3-pc-in-2023-24-govt-estimates/106587611

Home

## UN report revises India's 2024 GDP growth estimate to 6.2%

Read more at:
http://timesofindia.indiatimes.com/articleshow/106584735.cms?from=mdr&utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Home

## Red Sea crisis casts shadow on exportsas shipping, insurance costs rise

The Red Sea crisis has started taking a toll on India’s exports as shipping and insurance costs for shipments to the EU, east coast of the US, parts of Africa and the Middle East have escalated, a senior official has said.

But the government is yet to take a call on providing support to exporters in the form of subsidies, rebates or higher incentives under existing schemes, the official added.

“At the Commerce Secretary’s stock taking meeting on the Red Sea situation with traders, shippers and other stakeholders on Thursday, it was clear that exports from the country had started getting affected by the crisis as both shipping and insurance costs had escalated,” the official tracking the matter said.

The Iran-backed rebel group Houthi started attacking cargo in the Red Sea after the start of the Israel-Hamas war in October to declare their support for Hamas.

### Risk of attacks

While the Defence Ministry was providing security and escorts to some shipments, the number of exporters using the Red Sea route had decreased because of the risk of attacks and the high insurance costs, the official added.

“Most exporters are using the alternative route through the Cape of Good Hope but that is a much longer route. There is no container shortage yet, but turnaround time has increased by about 14 days because of the long route,” the official said.

Both shipping costs and insurance costs have increased sharply and the government would make an estimate once the numbers were provided by the industry, he added.

According to industry estimates, about $225-230 billion of India’s exports to the EU, the east coast of US, African countries such as Egypt, Eritrea and Djibouti, and some Middle East countries could be at risk if the situation in the Red Sea does not get contained.

Home

## India to set up 'specific trade zone in UAE

The government plans to set up ‘Bharat Park’, an India-specific trade zone with a showroom and warehouse in the UAE. Goods Made in India will be displayed and stored for the global audience in the Park.

Piyush Goyal, Union Minister of Textiles and Commerce said the Bharat Park will facilitate other countries to buy Indian goods and the payment will be secured in UAE.

Urging the industry to maintain the quality of goods exported from India, he said the Bureau of Indian Standard will spend ₹40 crore to set up 21 testing laboratories at various places in India.

### Future of textiles

The future of the textile industry belonged to Man Made Fibre Textiles as there are limitations in ensuring enough supply of cotton to meet the growing demand, he said at the recent Export Awards function of The Synthetic and Rayon Textiles Export Promotion Council.

He urged the industry to use the free trade agreements with Japan, Australia, UAE and South Korea. The current poor utilisation of this opportunity is a matter of great concern for India, he added.

Bhadresh Dodhia, Chairman, SRTEPC said export of man-made fibre textiles was down 9 per cent at $3.1 billion in the first seven months of this fiscal against $3.4 billion in the same period last year, though technical textile exports improved marginally to $1.51 ($1.5 billion).

Dodhia said the industry is confident that textile exports will cross $6 billion in this fiscal and technical textile shipments will cross $3 billion.

SRTEPC will achieve the Government's export target of $11 billion of man-made fibre and $10 billion of technical textiles by 2030.

### Road blocks

SRTEPC has urged the government to cover the entire value chain of MMF textiles under same GST rate and correct the current inverted duty.

Dodhia requested the government to cover the entire value chain of textiles and clothing under the Interest Equalization Scheme.

The GST on fibre is levied at 18 per cent while that on yarn and fabrics is 12 per cent and 5 per cent.

This has led to accumulation of huge input tax credits with the manufacturers and adding up to cost of production besides hampering competitiveness in the international market.

Home

# Quality Council Of India Partners With KVIC To Promote Khadi Products

The Quality Council of India (QCI) has signed a memorandum of understanding (MoU) with the Khadi and Village Industries Commission (KVIC) in Ahmedabad, Gujarat. The agreement aims to empower artisans and ensure the quality of 'New Khadi of New India'. Under the agreement, the QCI will engage in various activities to improve the quality, productivity, and marketability of Khadi and Village Industries products, both domestically and internationally. This collaboration is a strategic move to elevate khadi as a symbol of quality and innovation worldwide, aligning with the Prime Minister's vision of creating 'World Class Khadi Products', the ministry of micro, small and medium enterprises said in a press release.

*Manoj Kumar, chairman of KVIC*, expressed his enthusiasm about the partnership, stating that it marks a significant milestone in khadi's journey towards becoming a global identity of a developed India. He emphasised that the collaboration would modernize the khadi sector, enhance artisan skills, and create a new global identity for khadi products.

On the other hand, *Jaxay Shah, president of QCI*, highlighted the cultural and historical significance of khadi, describing it as not just an industry but a symbol of India's cultural heritage and sustainable practices. He expressed confidence that this partnership will pave the way for greater global recognition and development of the khadi industry.

Home

## Spinning industry seeks support to tide over slow exports

Read more at: https://economictimes.indiatimes.com/news/economy/foreign-trade/spinning-industry-seeks-support-to-tide-over-slow-exports/articleshow/106582881.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Home

# GLOBAL

# Garment exporters relieved as VAT on shipment goods lifted

Finally, Chittagong Port Authority has withdrawn the value added tax (VAT) on port services for export-oriented industries to help businesses facing downturn amid the global economic crisis.

For the past few months, the Chittagong Port Authority has been collecting VAT at the rate of 15 percent against various charges on the import and export of garment industry's raw materials. Because the National Board of Revenue (NBR) had granted the provision of 15% VAT on port services for both imported and locally manufactured goods for fully export-oriented industries and factories. They granted it by issuing two separate statutory regulatory orders (SROs) back in 2019 and 2021.

Last year's Finance Act ended the "zero rate of VAT" on services relating to the 'transportation of international transport services and supplies relating to loading on and unloading from ships', from 1 July 2022, after which the chairman of the Chittagong Port Authority had to start collecting 15% VAT on port services – which hit garment exporters hard, they claimed.

Some 45% of containerised goods, mainly raw materials, imported through Chittagong port came under the purview of VAT, raising the cost of exports, mainly garments.

An emergency meeting of senior leaders of BGMEA was held with NBR on October 1 to stop VAT collection. In addition, on October 4, Syed Nazrul Islam, the First Vice President of BGMEA, wrote a letter to Chittagong Customs, Excise and VAT Commissioner Syed Mushfiqur Rahman requesting to stop VAT collection.

The VAT Commissioner wrote a letter to the member of the National Board of Revenue (musak policy) on October 30 seeking guidance in this regard.

Data shows that Chittagong port handled a total of 3.05m teu in 2023, compared with 3.143m in 2022. Some 4,103 ships came to the port last year, around 6% fewer than in 2022.

Inland container depots handled 877,689 teu of containers in 2023, against 983,452 teu in 2022, around 11% less.

Home

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Home