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CONFEDERATION OF INDIAN TEXTILE INDUSTRY

12th January 2024

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Sitharaman says Indian economy will hit $5 trillion by 2027-28, 3 yrs after Modi's 2025 target

The Indian economy will become the third largest in the world and cross the $5 trillion mark by 2027-28, Finance Minister Nirmala Sitharaman said Wednesday, in a departure from the Modi government's earlier target of 2024-25.

This is also a year later than what the International Monetary Fund (IMF) predicted.

"It is believed that we will surely be able to reach the third-largest economy goal about which the Hon'ble Prime Minister has been speaking with a good sense of confidence," Sitharaman said while speaking at the Vibrant Gujarat Summit in Gandhinagar Wednesday.

"That is because the people of India have met the challenges post-COVID and have built the recovery on a strong footing," she added. "Therefore, it is possible that we will be the third-largest by 2027-28 but also that our GDP will cross $5 trillion by that time."

The finance minister said "it is a conservative estimate" that India's economy would cross the $30 trillion mark by 2047, the year that marks 100 years of India's independence.

Sitharaman's deadline of 2027-28 runs contrary to what various ministers in the Modi government — including Prime Minister Narendra Modi himself — have said in the past. As recently as last month, Home Minister Amit Shah vociferously said India would be a $5 trillion economy by the end of 2024-25.

Modi had made the same claim in 2018. This, of course, was said before the COVID-19 pandemic and the resultant contraction of the Indian economy in 2020-21.

The truth of the matter might lie somewhere between Modi's target and Sitharaman's. The IMF estimates that the Indian economy will hit the $5 trillion mark in 2026-27.

Calculations by ThePrint confirm this. The first advance estimates of GDP for 2023-24 released by the Ministry of Statistics and Programme Implementation earlier this month peg India's nominal GDP at Rs 296.6 lakh crore. At current exchange rates, this works out to $3.57 trillion.

The economy would have to grow at a nominal rate of about 40 percent if it has to end 2024-25 at $5 trillion — a near-impossible task.

To reach $5 trillion by Sitharaman's target of 2027-28, the nominal growth rate would have to be 8.76 percent every year till then — significantly slower than the about 11 percent average post-COVID nominal growth rate India has seen.

If India maintains that growth rate, or even a somewhat slower one, it should reach the $5 trillion target before 2027-28.

The other variable in this is the exchange rate. If the rupee depreciates rapidly over the next few years, it could push back the date by which the rupee value of India's nominal GDP translates to $5 trillion. On the other hand, an appreciation in the value of the rupee would bring that date forward.

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Inter ministerial meet to discuss ways to insulate India trade from Red Sea crisis

The commerce ministry has called a high-level inter-ministerial meet next week to discuss ways to insulate India's trade from the ongoing problems in the Red Sea, a senior official said on Thursday.

Senior officials from five ministries -- external affairs, defence, shipping and finance and commerce -- will participate in the deliberations.

The commerce ministry has also set up an internal strategic group, comprising additional secretaries of the ministry, to discuss global issues impacting the country's trade on a daily basis and prepare a strategy to deal with them.

"The idea of the inter-ministerial meeting is to see how we can strategise our trade so that it gets least affected in such a situation," the official said.

The situation around the Bab-el-Mandeb Strait, a crucial shipping route connecting the Red Sea and the Mediterranean Sea to the Indian Ocean, has escalated due to recent attacks by Yemen-based Houthi militants.

Due to these attacks, the shippers are taking consignments through the Cape of Good Hope, resulting in delays of almost 14 days and also higher freight and insurance costs.

The issues being faced by the stakeholders concerned were discussed at a high-level meeting in the commerce ministry on January 4.

Stakeholders, including traders, shippers, container firms and freight forwarders were there at the meeting.

"We are doing this inter-ministerial consultation meet based on that stakeholder consultation meeting about what measures can be taken to deal with the problem," the official said.

The stakeholders have stated that freight and insurance costs have increased as they have to take a long route now and due to that, the turnaround time has increased.

Exports to Europe, the east coast of the US and Latin America are facing problems.

The strategic group formation assumes significance as the government has to take strategic decisions during war and conflict like situations.

"That group is meeting every morning and discussing global issues and I have directed them to develop a strategy. They are also working on the Red Sea area," the official added.

Further the ministry is also looking at ways to increase exports in countries like Australia, with which India has implemented an interim free trade agreement.

“We have started an exercise to see global imports of all countries and see where we can increase our share in that,” the official added.

The data analytics wing of the commerce ministry is working on analysing the impact of the Red Sea crisis on India’s trade in value terms.

Due to attacks, shipping lines have reduced their movement through the Red Sea and taking the longer route via the Cape of Good Hope, encircling the African continent.

According to exporters, due to rising freight rates, some are postponing shipping their goods. Besides, the uncertainty may lead to a shortage of containers.

The increase in freight rates varies with the route. Apart from basic freight rates, risk surcharge and peak season surcharge have also shot up.

The trade route of Bab-el-Mandeb Strait, the Suez Canal, and the Red Sea is shorter and faster than the Cape of Good Hope route, making it the preferred option for most shipping companies.

The route starts from major Indian ports like Mumbai, JNPT, or Chennai, heads westward through the Arabian Sea, enters the Red Sea, and navigates through the Suez Canal into the Mediterranean Sea.

From there, ships can reach various European ports, depending on their destination.

The Cape of Good Hope route is longer and slower than the Suez Canal route, but it avoids the potential for delays or disruptions at the Suez Canal.

It is typically used for bulk cargo shipments where time is less critical or when political instability in the Middle East raises concerns about using the Suez Canal.

The route starts from the same Indian ports, heads southward across the Indian Ocean, rounds the Cape of Good Hope at the southern tip of Africa, and then sails northward along the west coast of Africa before entering the Mediterranean Sea and reaching European ports.

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Cotton seeds feel the heat of climate change, production falls 30-40%

India's cotton growers are likely to face the heat of climate change in 2024 after a fall in cotton seed production by 30–40% in the kharif season in 2023. Experts believe it's time that a review of changing weather conditions and their impact on seeds be done.
Ram Kaundinya, adviser to the Federation of Seed Industry of India, told CNBC-TV18, "Seed production takes place a year before cotton is grown. So, low seed production this year means not enough seeds to grow cotton in the coming cropping season, which is likely to hurt cotton production in 2024." He added, "Seed production is likely to drop 30 to 40%."
He elaborated that the seed supply in 2023 was already tight. "So, for 2024, that opening inventory will be very minimal." Usually, every year, the industry carries over a crore of packets in opening inventory.

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Read more at : Financial creditor claims should have primacy: RBI Guv Shaktikanta Das - The Economic Times

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CAI PEGS DOMESTIC COTTON OFF TAKE FLAT AT 311 LAKH BALES THIS SEASON

Read more at : [CAI sees domestic cotton offtake flat at 311 lakh bales this season - The Hindu BusinessLine]

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To reach $5 trillion by Sitharaman's target of 2027-28, the nominal growth rate would have to be 8.76 percent every year till then — significantly slower than the about 11 percent average post-COVID nominal growth rate India has seen.

If India maintains that growth rate, or even a somewhat slower one, it should reach the $5 trillion target before 2027-28.

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World Economy Set For Slowest Growth In 3 Decades: World Bank

The World Bank's latest Global Economic Prospects report paints a bleak picture for the global economy as the world approach the mid-2020s, forecasting the slowest half-decade of GDP growth in the last 30 years. Despite a lower risk of global recession, primarily due to the robust US economy, rising geopolitical tensions pose new short-term risks.
The medium-term outlook is particularly grim for many developing nations, hindered by slower growth in major economies, sluggish global trade, and the tightest financial conditions in recent history.

Projected global growth is expected to decelerate for the third consecutive year, from 2.6 per cent in the previous year to 2.4 per cent in 2024. This figure falls almost three-quarters of a percentage point below the average of the 2010s. Developing economies are likely to see growth rates of just 3.9 per cent, over one percentage point below their previous decade's average. Low-income countries are set to experience a modest 5.5 per cent growth, weaker than anticipated. By the end of 2024, approximately one in four people in developing countries and 40 per cent in low-income countries will be poorer than before the COVID-19 pandemic.

Indermit Gill, chief economist and senior vice president of the World Bank Group, stressed the need for significant policy changes. "Without major adjustments, the 2020s could be remembered as a decade of missed opportunities," he remarked. High debt levels and limited access to food are trapping many developing countries in poverty. Gill calls for immediate action to bolster investment and strengthen fiscal policies.

To address climate change and achieve key global development goals by 2030, developing countries must substantially increase their investments, estimated at about $2.4 trillion annually. However, without a comprehensive policy approach, such an increase appears unlikely. Per capita investment growth in these economies is forecasted to average just 3.7 per cent between 2023 and 2024, barely half the rate of the previous two decades.

The World Bank report provides the first global analysis of what is required to generate a sustained investment boom. It shows that developing economies can achieve significant economic benefits by maintaining per capita investment growth of at least 4 per cent over six years or more. Such booms can accelerate convergence with advanced economies, reduce poverty more rapidly, and significantly increase productivity growth.

Ayhan Kose, deputy chief economist and director of the Prospects Group at the World Bank, highlights the transformative potential of investment booms. "To ignite these booms, developing economies need comprehensive policy packages focusing on fiscal and monetary reforms, trade expansion, investment climate improvements, and institutional quality enhancement," Kose stated. He emphasised that these steps are challenging but achievable, as evidenced by past successes in many developing economies.

The report also addresses the issues faced by commodity-exporting developing countries, which often experience intensified boom-and-bust cycles due to government fiscal policies. It suggests that these countries could improve their growth prospects by adopting more disciplined fiscal frameworks, flexible exchange-rate regimes, and open international capital movement policies. Additionally, building sovereign-wealth funds and emergency reserves could provide crucial support during economic downturns.

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Lenzing Receives Top Sustainability Ratings From MSCI And SAC Higgs FEM

The Lenzing Group, a global supplier of specialty fibers for the textile and nonwovens industries, has once again been recognized for its sustainability performance and its active contribution to transforming the industry towards a circular economy. The rating agency MSCI awarded Lenzing an “AA” rating for the third time in a row, placing Lenzing among the top eight percent of rated companies in its peer group. In addition, Lenzing participated for the first time in the SAC Higgs FEM verification to assess the environmental impact of product manufacturing at its sites and achieved excellent positive results.

According to the rating agency MSCI, Lenzing continues to lead the way among global companies in terms of governance structures. In addition, MSCI highlights Lenzing’s leadership in implementing strong initiatives to mitigate the risk of environmental liabilities associated with the release of toxic pollutants and highlights its strong water stewardship program, which includes a water risk assessment. The confirmation of the “AA” rating from MSCI ESG enables Lenzing to further reduce its interest expense. In November 2019, Lenzing placed a bonded loan in the amount of around EUR 500 mn, which is linked to the company’s sustainability performance. In line with its commitment under the bonded loan, the company will donate the entire interest expense it saves thanks to the “AA” rating to a social-ecological project.

CEO Stephan Sielaff, Lenzing AG
– Photo: Franz Neumayr

“I am proud that Lenzing is among the top eight percent of the world’s most sustainable companies. At Lenzing, we are working hard to make our industries even more sustainable and to drive the transformation of the textile business model from a linear to a circular economy model. This approach is firmly anchored in our strategy and corporate values. I am therefore particularly pleased about the MSCI rating and that we as the Lenzing Group have also achieved excellent results in the SAC Higgs FEM,” says Stephan Sielaff, CEO of SAC is an alliance of the apparel, footwear and textile industries in which Lenzing is an active member.

Lenzing has achieved outstanding results in the Facility Environmental Module (FEM) assessment. The Higgs FEM is a revolutionary tool for assessing the environmental impact of product manufacturing in factories and provides a clear picture of the environmental impact of a facility. Every stage of the production process is captured with this tool – from water consumption and waste management to the use of chemicals and energy. This not only identifies hotspots for improvement, but also reduces redundancies, mitigates risks and creates a common language for communicating sustainability to stakeholders.

By November 2023, all Lenzing sites, with the exception of the sites in Brazil and Thailand, which are however scheduled for 2024, have completed the first external verification of the module with excellent results. With almost 20,000 participating companies from different sectors of industry, which achieved less than 50 percent in total average in 2023, Lenzing sites achieved verified scores of more than 70 percent to 95 percent.

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