LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

NATIONAL

Indian Textile Industry Urges Immediate Reforms As Modi Eyes 3rd Term

Narendra Modi's government is poised to begin its third term at a critical juncture for the Indian textile sector, which is currently facing multiple challenges that require immediate attention. Initial trends suggest that the Bharatiya Janata Party (BJP)-led National Democratic Alliance (NDA) government will return to power. The textile industry has outlined a comprehensive set of priorities for the new administration, including SOS demands to boost sluggish exports and stimulate overall industry growth.
Rakesh Mehra, chairman of the Confederation of Indian Textile Industry (CITI), told Fibre2Fashion, “The new government will have to take steps to support growth in the downstream industries of the textile sector. The fabric and garment industry should grow for the overall development of the textile industry.” He suggested that the government should relook its policy of quality standardisation of fibre and yarn.

Quality control orders (QCOs) should be implemented on end-products like garments, home furnishings, and other textile products. Currently, India is losing the potential benefit of value addition in downstream industries as it has implemented quality standards on raw materials. Mehra stressed that downstream industries should have ensured availability of quality raw material at competitive prices so they can stay competitive in domestic and global markets.

Mithileshwar Thakur, secretary general of the Apparel Export Promotion Council (AEPC), said that the new government should consider a new version of the production-linked incentive (PLI) scheme for MMF fabrics, MMF garments and Trims and Embellishments with lower investment threshold to enable smaller units to participate. He suggested that e-commerce could be a new driver for Indian textile exports, but it needs policy tweaking to align with specific requirements in e-commerce trade. Customs duty should be removed on textile machinery imports facilitate quicker and cost-effective modernisation of the industry. India also needs to ease and simplify processes and procedures for MMF fabrics imports to strengthen MMF apparel exports ecosystem in the country. The industry also needs support for skill development for workers in the industry.

Ashish Gujarat, former president of the South Gujarat Chamber of Commerce and Industry (SGCCI), told F2F, "The new government should relook at its policy of quality control orders (QCO) on fibre and yarn. The Indian industry is losing value addition as they are not competitive against cheaper fabric and garments. The domestic industry immediately needs to focus on raw material of global standard at competitive prices." He said that the government should implement quality control orders on garments and other textile products.

Gujarat also mentioned that micro and small industries need a Technology Upgradation Fund (TUF) scheme for the modernisation of the production process. The scheme was discontinued two years ago as the government was not in favour of providing capital subsidy for fixed investment. It floated the PLI scheme which is linked with production in the following years. Gujarat argued that at least ₹100 crore (~$11.99 million) investment is required in specific products of the MMF segment. Micro and small industries cannot invest such huge capital. The purpose of PLI is also different from TUF. The new government should come up with a new TUF scheme at least for micro and small industries as they are bigger job creators in the country.

The Indian textile industry also expects an immediate extension of the interest equalisation scheme as it is going to end on June 30, 2024. The scheme was initially launched in 2015 and was extended from time to time. The government provides 3 per cent subvention to MSME exporters and 2 per cent for exporters in other eligible sectors. The industry also expects to raise the rate of subvention as the repo rate increased from 4.4 per cent to 6.5 per cent in the last few years. The Director General of Foreign Trade (DGFT) is also consulting industry bodies to improve the scheme as the Ministry of Finance is looking to improve the financial system for foreign trade so it can yield expected results in terms of higher exports of various products from India.

A prominent Delhi-based trader from the yarn trade said that India could not improve its exports of textile products due to various reasons. The new government will have to move fast by policy intervention to drive Indian textile exports. Indian exporters are unable to export high-end textile products as they do not have enough infrastructure to tap potential markets. For example, India could not tap the Japanese market as Indian exporters are unable to meet the quality standards of Japanese importers. Indian products have to face competition from cheaper textile products of average quality exported from third-world countries. These nations are benefitting from cheaper labour and import-free market access in developed countries.

A Ludhiana-based businessman said that the new government should finalise free trade agreements with Britain and the European Union as soon as possible. It will improve the competitiveness of Indian textile exports. The industry will have duty-free access to these promising markets.

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Election results: India's economic fundamentals remain robust, says Nomura

India's economic fundamentals remain robust, investment bank Nomura said on Wednesday after the results of the country's general elections paved the way for Prime Minister Narendra Modi's third consecutive term in office.

Modi is poised to form the government for a third consecutive term with the BJP-led National Democratic Alliance (NDA) getting a majority in the Lok Sabha, notwithstanding crushing losses in three Hindi heartland states after a bitterly fought election that was projected as a referendum on his popularity.

The Election Commission of India has declared results for all 543 Lok Sabha constituencies, with the BJP winning 240 seats and the Congress 99.

"Our assessment is that India's economic fundamentals remain robust. Reforms in India have generally survived the test of politics and we expect the government to continue the pace of governance and administrative reforms, leaving states to work around the more intractable reforms around land and labour," Nomura said.

While near-term uncertainty is high and the political backdrop is slightly different, the broader direction of reforms, macros and the economy remain unchanged, it added. The immediate focus is on government formation, as well as political parleys between parties, Nomura said, citing news reports that the swearing-in ceremony could happen on June 9.

"We believe the Cabinet could have some new faces and our focus will be on the final budget, most likely in early July, to assess the policy direction," the investment bank said.

The first 125-day agenda of the new government will most likely focus on digitalisation, infrastructure, industrialisation and governance-related reforms, it added.

The election outcome could result in some reorientation of spending towards revex from capex.

However, the bank's analysts do not foresee a dismissal of macro prudence.

"We do not expect any slip of the interim budget target of 5.1 per cent of GDP but, if the government deems reflationary policies as a political necessity, then that could mean slower consolidation," it said.

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As India steps back intocoalition era, uphill roadfor tough reforms

[As India steps back into coalition era, uphill road for tough reforms - The Economic Times (indiatimes.com)]

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Netherlands emerges as India's 3rd largest export destination in 2023-24

The Netherlands has emerged as India's third largest export destination after the U.S. and UAE during 2023-24, even as the country's merchandise shipments dipped by over 3%, according to the Commerce Ministry data.

The main commodities which registered healthy exports growth in the Netherlands include petroleum products ($14.29 billion), electrical goods, chemicals, and pharmaceuticals in the last fiscal.

India's trade surplus with the Netherlands has increased to $17.4 billion in the last fiscal from $13 billion in 2022-23.

The Netherlands has taken over major destinations such as the U.K., Hong Kong, Bangladesh and Germany.

India's exports to the Netherlands rose by about 3.5% to $22.36 billion in 2023-24 as against $21.61 billion in 2022-23, the data showed.

In 2021-22 and 2020-21, the outbound shipments to the European country stood at $12.55 billion and $6.5 billion, respectively.

The exports have been registering healthy growth continuously since 2000-01, when India's exports to that nation were $880 million.

Further, in 2021-22, the Netherlands was the fifth largest destination for Indian exports as against the ninth largest in 2020-21.

According to trade experts, the Netherlands has emerged as a hub for Europe with efficient ports and connectivity with the EU through roads, railways and waterways.

Mumbai-based exporter and Chairman of Technocraft Industries Sharad Kumar Saraf said the trend of increasing exports would continue in the future also.

Saraf said that the Netherlands is a gateway to Europe as its ports are very efficient.

India and the Netherlands established diplomatic relations in 1947. Since then, the two countries have developed strong political, economic and commercial relations.

In 2023-24, the bilateral trade between the two countries marginally dipped to $27.34 billion as against $27.58 billion in 2022-23.

The Netherlands is among the top trading partners of India in Europe, after Germany, Switzerland, the U.K. and Belgium.

It is also a major investor in India. During the last fiscal, India received about $5 billion in foreign direct investment from the Netherlands. It was $2.6 billion in 2022-23.

There are over 200 Dutch companies present in India, including Philips, Akzo Nobel, DSM, KLM and Rabobank. Similarly, there are more than 200 Indian companies operating in the Netherlands, including all the major IT firms such as TCS, HCL, Wipro, Infosys, Tech Mahindra as well as Sun Pharmaceuticals and Tata Steel.

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GLOBAL

China-Bangladesh FTA Crucial For Bilateral Trade Growth: Chinese Envo

The China-Bangladesh Free Trade Agreement (FTA) is essential for enhancing bilateral economic and trade relations, stated Chinese ambassador Yao Wen in Dhaka recently. Speaking at a seminar on the FTA at the Chinese embassy in Dhaka, Yao highlighted the agreement as a cornerstone for stable and healthy economic cooperation between the two nations.

China has been Bangladesh's largest trading partner for 13 years, with bilateral trade reaching $24 billion in 2023 even if China's foreign direct investment (FDI) in Bangladesh totalled $3.2 billion by 2023, positioning China as the second-largest investor in the country.

Additionally, Chinese enterprises have completed significant infrastructure projects in Bangladesh, including railways, roads, bridges, and power plants.

The FTA encompasses trade in goods and services, investment, e-commerce, and high-tech industry cooperation, providing a robust framework for future economic interactions.

The Chinese ambassador emphasised that the current Agreement on the Encouragement and Reciprocal Protection of Investments, signed in 1996, no longer matches the deepening ties between China and Bangladesh while adding the new FTA aims to establish a comprehensive framework for sustainable and stable economic growth.

According to a feasibility study, the FTA will significantly reduce tariffs on Chinese imports to Bangladesh, lowering import prices and alleviating inflation. In the long term, reduced raw material costs will enhance the competitiveness of Bangladeshi products in international markets, bolstering the country's foreign exchange reserves.

The FTA will also streamline Chinese investments in Bangladesh, fostering job creation, industrial upgrades, and export diversification.

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Vietnam's Rank Up 5 Spots In Southeast Asia's Green Economy 2024

Vietnam’s position rose by five spots in an index in the Southeast Asia’s Green Economy 2024 report recently released by Bain & Company, GenZero, Standard Chartered and Temasek.

The nation has set ambitious climate targets, including a non-binding net-zero goal by 2050, with a 2030 emissions target of 781 metric tonnes of carbon dioxide equivalent, up from 458 in 2020.

The country’s progress includes reducing emissions per capita to 4.7 tonnes, achieving a 43-per cent renewable energy share in power generation, attaining 3 per cent battery EV sales, curbing tree loss by 14 per cent and expanding forest land.

Introduced in May 2023, the Power Development Plan VIII (PDP8), outlines a comprehensive strategy to phase out coal by 2050, while significantly increasing the contribution of solar, wind and hydroelectric power to the national grid.

The Just Energy Transition Partnership (JETP) plans to draw in $15.5 billion in investment and emphasises the importance of public-private collaboration in accelerating the green transition.

The country is also developing carbon pricing instruments and an Emissions Trading System, scheduled to be operational by 2028. This initiative, led by the department of climate change under the ministry of natural resources and environment, is a critical step towards reducing greenhouse gas emissions and creating a market-driven approach to carbon reduction.

Vietnam saw a 79-per cent decline in private green investments in 2023, largely attributed to delays in executing major national road maps and the high cost of capital, between 10 per cent and 12 per cent.

Despite the need for a capital investment of $34 billion for its green transition, the government could secure only $200 million in private investments last year.

The country also lacks a carbon market registry and Voluntary Carbon Market standards. Though initiatives like a developing carbon tax and incentives for electric vehicles, solar power and green buildings are under way, challenges persist in attracting sufficient private investments, the report by the private companies noted.

Delays in the implementation of key policies like PDP8 and JETP have hindered large-scale investments. The country offers fewer financial incentives and subsidies for decarbonisation compared to regional rivals. This lack of support affects corporate willingness to invest in green technologies, the report pbserved.

In response to these challenges, Vietnam is making strategic adjustments. It is updating its feed-in tariffs for wind and solar projects and offering incentives for electric vehicles and green building construction.

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Cotton Dropped Due To Concerns Over Slow Milling Demand And Reduced Yarn Demand.

Cotton candy prices experienced a decline of -0.9% yesterday, settling at 57,080, primarily due to concerns over sluggish milling demand amid muted global yarn demand. However, the downside was limited as India continued to witness strong demand for cotton from countries like Bangladesh and Vietnam. Additionally, prospects of a better crop in countries such as Australia also influenced market sentiment. The International Cotton Advisory Committee (ICAC) projected increases in cotton-producing areas, production, consumption, and trade for the next season, 2024-25. India's cotton stocks are anticipated to decrease by nearly 31% in 2023/24, reaching their lowest level in over three decades, driven by lower production and rising consumption.

This decrease in stockpiles is expected to constrain exports from the world's second-biggest producer, supporting global prices while potentially lifting domestic prices and impacting the margins of local textile companies. India's cotton production for the current season is estimated at 30.97 million bales, with consumption expected to rise to 31.70 million bales. Looking ahead to the 2024/25 marketing year, India's cotton production is estimated to decrease by 2% due to farmers shifting acreage to higher return crops. However, mill consumption is forecasted to increase by 2% as yarn and textile demand improves in major international markets. China's cotton imports for the same period are expected to rise to meet higher demand for textile and apparel products, while production is forecasted to remain stable in Xinjiang but decline in other regions.

Technically, the cotton candy market witnessed fresh selling pressure, with open interest increasing by 1.11% while prices declined by -520 rupees. Support levels are seen at 56,900 and 56,720, while resistance is likely at 57,280, with a potential move above leading to testing of 57,480.

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ICE Cotton Prices Plunge To New Low On Weak Demand

Poor overall fundamentals dragged ICE cotton prices down to a new yearly low on Monday. Heavy losses in crude oil weakened sentiments in US cotton, and a weaker dollar index also could not support the natural fibre. A cheaper dollar makes US cotton more attractive for foreign buyers.

According to trade analysts, the July US cotton contract settled 300 points lower at 73.15 cents per pound (0.453 kg). The December contract settled at 73.35 cents, down 176 points on Friday. ICE cotton breached a very strong support level at 74 cents, a critical move in the market.

Yesterday's dollar index decline of more than 0.5 per cent strengthened foreign currencies. Crude oil prices plunged more than 3.5 per cent after inventory data was released, creating additional pressure on cotton prices as polyester became cheaper.

Yesterday's final volume of 72,670 contracts was one of the highest in over six weeks. Certified stocks started the day at 125,675 bales, with an increase of 2,260 new certificates and 3,073 bales pending review. Last week, there were 4,584 new certifications and 72,335 decertifications.

Good rains over the weekend in West Texas and Southwest Oklahoma temporarily improved drought conditions. US cotton areas are currently enjoying some of the most favourable weather conditions in recent years. Overall, US cotton is struggling to find buyers due to heavy competition from Brazil and Australia as US cotton is less attractive in terms of quality. Traders are looking for fundamental triggers to shift momentum, but this may take a long time. The technical bounce back is expected soon.

On Monday, ICE cotton July 2024 was traded 0.08 cent higher at 73.23 cent per pound. Cash cotton was traded at 69.40 cent (down 3.00 cent), October (new crop) contract 74.82 cents (up 0.72 cent), December 2024 contract 73.53 cents (up 0.18 cent), March 2025 75.23 cents per pound (up 0.05 cent) and May 2025 76.80 cents (up 0.03 cent).

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