LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

NATIONAL

PLI: At least six of eight sectors likely to switch to quarterly disbursals soon

Quarterly disbursement of incentives will soon start under the Production Linked Incentive (PLI) scheme for at least six of the eight sectors that currently disburse annually, including automobiles and parts, telecom and networking, electronics products, white goods, food products, textile products and drones, to speed up claim processing, sources said.

"The most successful PLI scheme till now in terms of investments and production is that of smartphones which is one the six sectors for which the provision of quarterly disbursement already exists. The government, therefore, drew the conclusion that quarterly disbursement is a good incentive and should be extended to the remaining eight sectors as well," an official tracking the matter told *businessline*.

The Department for Promotion of Industry and Internal Trade (DPIIT), the nodal department for the PLI scheme, is also planning to hold the next stakeholder review of the PLI scheme sometime next month or just after the budget announcement for 2024-25, the official added.

Apart form increasing the frequency of disbursement of incentives, the government is looking at revamping the scheme in a number of sectors such as textiles, white goods, electronics and solar PVs to make it more attractive to investors.

The quarterly disbursement of funds was likely to start in one or two months as it would take some time for the line Ministries and Departments to complete all the required processes, the official said. "Most of the eight sectors, except one or two such as speciality steel and solar PV modules, where proper disbursement of incentive is yet to begin, are expected to manage the switchover soon," they added.

Investments attracted

In 2021-22, the government announced the PLI scheme with an outlay of ₹1.97-lakh crore, initially for 13 sectors and later extended to 14 sectors, to incentivise local production in strategic areas and encourage exports. These include mobile manufacturing and specified electronic components; drug intermediaries & APIs; medical devices; automobiles and auto components; pharmaceuticals drugs, specialty steel, telecom & networking products;

electronic/technology products; white goods (ACs and LEDs), food products, textiles (MMF segment and technical textiles), high efficiency solar PV modules, ACC battery, and drones & components.

While the scheme showed excellent results for the mobile manufacturing sector, it has started to pick up in some, such as the three pharmaceutical related sectors and the IT hardware sector, yet, for some others, it still is a long way to go.

Per latest estimates, the PLI scheme has attracted ₹1.5-lakh crore investments, led to production worth ₹8-9 lakh crore of which ₹3-3.5-lakh crore were exported, the official said.

Total disbursement of incentives touched ₹10,000 crore, but were mostly in just a handful of sectors.

Apart form increasing the frequency of disbursement of incentives, the government is looking at revamping the scheme in a number of sectors such as textiles, white goods, electronics and solar PVs to make it more attractive to investors, the official added.

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China disinflation can hurt India

https://www.thehindubusinessline.com/opinion/china-disinflation-can-hurt-india/article68341162.ece#:~:text=Given%20China%27s%20pivotal%20role%20in,eroding%20its%20terms%20of%20trade

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Govt working on export promotion fund for MSMEs

The Union government is considering setting up a fund to support exports by small businesses. A proposal for the fund may be placed in the upcoming Union budget by the finance ministry, two people aware of the development said, adding that the fund may have a corpus of around ₹5,000 crore.
“The fund is likely to focus on first-time exporters with an annual turnover of less than ₹25 crore,” one of the two people mentioned above said on condition of anonymity.

“MSMEs and, more so, efforts to boost their export potential are expected to get a major push in the upcoming budget,” the second person said.

The fund would be used to set up export facilitation centres at district level to help small businesses gauge potential markets and explore opportunities.

It would also be used to develop export capacity of first-time exporters at district level by imparting necessary skills to compete in international markets in both B2B (business-to-business) and B2C (business-to-consumer) areas.

Queries sent to the ministries of MSME and commerce remained unanswered till press time.

Boosting small businesses

Further, the first person cited earlier added that the fund would boost the ODOP (one district one product) scheme, which was launched in 2018 to provide a framework to develop the value chain and align support infrastructure for production of district-specific products. So far, under this initiative, the Centre has identified 1,102 products from 761 districts.

Several schemes are already in place to support MSME exports. For instance, the Centre runs the Marketing Assistance and Export Promotion scheme that provides training to the workforce of these smaller businesses on marketing, packaging for export products, and also gives out awards for quality products.

Currently, MSMEs contribute about 45% to the country's total exports, according to a Global Trade Research Initiative (GTRI) report. However, experts believe there is immense scope to increase this share further.

A report jointly published by Niti Aayog and Foundation for Economic Development in March this year noted that exports remain an under-utilized opportunity for MSMEs, even as they are called the powerhouse of the Indian economy and contribute significantly to employment generation, exports, and overall economic growth.

Citing data from the Udyam portal, the NITI Aayog report said that despite the opportunity for MSMEs to pursue exports, only 0.95% of MSMEs are engaged in it. Out of the 15.8

million MSMEs registered on Udyam, only over 150,000 units claimed to export their goods and services.

In terms of MSME exports through the e-commerce route, data from GTRI showed that India significantly lags a comparable economy like China. GTRI data showed that in 2022, MSMEs in China exported goods worth over $200 billion through e-commerce platforms, while India's e-commerce export is barely $2 billion that year.

Rahul Ahluwalia, co-founder of Foundation For Economic Development, noted that one of the key support that MSMEs require is simpler export processes, including a green channel for e-commerce, simpler compliances, and fewer restrictions around export payments.

“Targeting particular firms will require government to decide which firm is 'worthy'...which is very tricky. Broad reforms that make MSMEs lives easier in tangible ways are much better,” he said.

Why MSMEs are being eyed

Presenting the interim budget for FY25 on 1 February, finance minister Nirmala Sitharaman had said that the government aims to make small businesses globally competitive.

“It is an important policy priority for our government to ensure timely and adequate finances, relevant technologies and appropriate training for the micro, small and medium enterprises (MSME) to grow and also compete globally," she had said. "Orienting the regulatory environment to facilitate their growth will be an important element of this policy mix.”

The focus on MSME exports has gained momentum at a time when India's merchandise exports dipped 3.11% year-on-year (y-o-y) in FY24 to $437.06 billion, according to data from the commerce ministry.

In May, India's merchandise trade deficit widened to a seven-month high, largely due to a surge in imports. That month, exports grew 9.1% y-o-y to $38.13 billion, while imports grew 7.7% y-o-y to $61.91 billion. The deficit in May stood at $23.78 billion, up 5.5% y-o-y and up 24.5% from April.

MSMEs contribute about 27% to India's GDP and employ more than 110 million people, making it the second largest employer in the country, after agriculture.

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India's External Debt Reaches $663.8 Billion by End-March 2024

India's external debt increased by $39.7 billion to $663.8 billion at end-March 2024, according to the Reserve Bank of India (RBI). Despite the rise, the external debt to GDP ratio fell to 18.7% from 19.0% at end-March 2023. Excluding the valuation effect caused by the appreciation of the US dollar against the Indian rupee and other major currencies, the external debt would have increased by $48.4 billion. The valuation effect was calculated at $8.7 billion.

Debt Composition

- **US Dollar-Denominated Debt: Largest component, comprising 53.8% of the total.**
- **Indian Rupee-Denominated Debt: 31.5%.**
- **Other Currencies: Yen (5.8%), SDR (5.4%), and Euro (2.8%).**

Sectoral Breakdown

- **Non-Financial Corporations: Highest share at 37.4% of total external debt.**
- **General Government: 22.4%.**
- **Households and Nonprofit Institutions: Declined by 16.5% year-on-year.**

Types of Debt

- **Loans: Largest component at 33.4%.**

- **Currency and Deposits: 23.3%.**
- **Trade Credit and Advances: 17.9%.**
- **Debt Securities: 17.3%.**

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RBI's financial stability report shows India's banks are resilient, but its markets are yet to be

https://www.moneycontrol.com/news/opinion/rbis-financial-stability-report-shows-indias-banks-are-resilient-but-its-markets-are-yet-to-be-12757843.html/amp

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India's GDP growth to slow modestly this fiscal year and next: Poll

Forecasts for a mild slowdown in India's fast-growing economy held steady in the first Reuters poll of economists since the ruling Bharatiya Janata Party (BJP) lost its parliamentary majority in phased national elections that ended in early June.

Asia's third-largest economy grew 8.2% in the last fiscal year, the fastest among major economies. But growth is set to slow to 7.0% and then 6.7% in the current and next fiscal years, according to a June 19-27 Reuters poll of over 50 economists.

The forecasts are broadly unchanged from those made before the outcome of an election Prime Minister Narendra Modi was widely expected to win easily. Instead, the BJP lost its sizeable parliamentary majority for its historic third term.

Forming a government with the support of regional parties, the BJP retained most ministers, suggesting no imminent shift in policy, which for years has aimed to boost gross domestic product (GDP) growth through government capital spending.

But without a follow-through in private expenditure, many Indians - particularly young people - have been left out of work or in low-paying jobs. With no major change to policy expected yet, economists left their forecasts steady.

"With a reduced majority now, I don't expect any major growth-enhancing reforms whatsoever over the next five years," said Miguel Chanco, chief emerging Asia economist at Pantheon Macroeconomics.

"The reality is (that) consumption is weak. It's just going to surface more in the GDP numbers because the lift from statistical discrepancies is fading."

India's economic growth in the three months through December was much higher than most estimates due to a sharp fall in key subsidies which provided a boost to GDP - a situation economists in the poll say is unlikely to recur.

The median 7.0% growth rate expected this fiscal year in the latest poll is slightly below the Reserve Bank of India's (RBI) own forecast of 7.2%, which Governor Shaktikanta Das recently said could improve further in coming months.

"Growth is switching to a lower gear but will remain close to potential. I have baked in a modest private capex cycle pickup, not perhaps as strong as the RBI is factoring. And consumption (will) perform better but I don't think it will become a growth driver," said Dhiraj Nim, economist at ANZ.

Most economists expect the government to maintain a broad path of fiscal consolidation, but use a bumper dividend transfer from the RBI last month for higher spending in a budget likely to be presented in late July.

"The government has for years focused on infrastructure..., and that has slightly come at the cost of consumption. So I believe the budget can sort of provide some support, especially at the lower end of the economic spectrum," Nim said.

The government is considering lowering personal tax rates to boost consumption, two government sources told Reuters.

Nearly two-thirds of respondents in the poll - 25 of 39 - said the government will not significantly alter its planned spending in its first full budget compared to the interim one. The rest said it will increase.

"The government is unlikely to reverse its policies despite receiving a lower-than-anticipated mandate. It (will) increase funding for employment guarantee schemes and create more jobs through a manufacturing push," said Sanya Suri, senior Asia economist at Continuum Economics.

"However, the substantial surplus provided by the RBI and ongoing growth in tax receipts will fund these initiatives."

Inflation is not expected to fall below the RBI's medium-term target of 4% anytime soon - averaging 4.6% and 4.5% this fiscal year and next. But the RBI is expected to cut interest rates once this year, most likely in October-December.

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Budget will announce historic steps, present a 'futuristic vision,' says President Murmu

https://m.economictimes.com/news/politics-and-nation/budget-will-announce-historic-steps-present-a-futuristic-vision-says-president-murmu/articleshow/111321893.cms

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Indian economy moving towards 8% growth on sustained basis: RBI governor Das

The Indian economy is at the threshold of a major structural shift, moving towards an 8% growth rate on a sustained basis, Reserve bank of India governor Shaktikanta Das said, warning that that any wrong monetary policy move could hurt growth.

In a speech at the Annual General Meeting of the Bombay Chamber of Commerce on Tuesday, Das defended the monetary policy committee's decision to keep the 4% inflation target and reasoned why the MPC cannot afford to make any policy error with respect to inflation.

The MPC earlier this month kept the policy interest rate unchanged at 6.5% for the eighth consecutive time, citing inflationary concerns.

“We have to navigate the path of inflation with a clear and unambiguous focus and commitment to bring down inflation. There cannot be any distraction at this stage. Any distraction will impact growth. In the game of chess, if you make one wrong move, you can lose the game. In the battle against inflation, one single wrong move can just throw you off track, and coming back to track will be costly,” he added.

Economic Insights

Das assured that the Indian economy is not slowing down and there is clear evidence of private sector capex picking up, especially in sectors like cement, and steel. He also said that the economy needs to be driven by multi-sectoral growth.

The Indian economy expanded by 8.2% in FY24, and the RBI expects the country's GDP to grow by 7.2% in the current financial year.

Das also said that a moderate level of current account deficit (CAD) is desirable. India recorded a current account surplus of $5.7 billion or 0.6% of GDP in the March quarter, the first time in ten quarters. In the year-ago period, CAD stood at $1.3 billion or 0.2% of GDP, and $8.7 billion or 1% of GDP in the three months through December 2023.

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“Risk to inflation trajectory, if monsoon turns out to be weak”

The retail inflation trajectory faces risk if monsoon turns out to be “weak”, as the momentum for prices is higher in the first half of the financial year, said Shashanka Bhide, external member of the Reserve Bank of India’s Monetary Policy Committee told Priyansh Verma in an interview. On growth, Bhide mentioned that there are risks to the projected numbers, both “domestic and external”. He said that while the indicators for the first couple of months of Q1 showed a mixed picture, investment demand is expected to pick up going forward. Excerpts:

Q. How much does the prospect of a weak monsoon worry you? Are you seeing upside risks to food inflation, and subsequently the headline rate, from Q2FY25 onwards?

Generally, the momentum for prices is higher in the first half of the financial year. A favourable monsoon, raising the prospects of a good agricultural output, would keep the momentum low. A favourable monsoon would also raise the rabi crop prospects. In this sense, a well distributed monsoon is crucial for us. The supply-side measures geared to even out temporary supply-demand mismatches would also limit price speculative pressures. There are risks, therefore, to the inflation trajectory if there is weak monsoon.

Q. You have said a real interest rate of 1.5% is appropriate for the economy, but we are slowly moving towards a 2% rate, which some say could dampen demand. In the current situation, when demand is rather tepid, shouldn't the repo rate cut be advanced?

We should also take into account the inflation target so that fluctuations in inflation rate do not lead to more difficult inflation-growth trade-off. At this point, we are looking at inflation moving to the target and a durable moderate inflation is necessary for supporting demand.

Q. What's your assessment of private consumption in the country? How much do you expect it to recover in FY25, from its levels in FY24?

Private consumption demand grew by 4 % in FY 24 as per the provisional estimates, higher than in the previous year. Based on a good agricultural rebound, and moderate inflation, consumption growth is expected to improve, supported by rural demand.

Q. RBI has kept the growth projection at 7.2% for FY25, but many economists expect it to be much below 7%. Also, you've said that investment demand indicators in the first two months of Q1, reflect a mixed picture. Are you then hopeful, India will grow at 7.2% this year?

There are risks to the projected numbers, both domestic and external. External demand conditions are expected to improve but there are concerns of supply disruptions due to on-going conflicts. A good agricultural growth is important for sustaining growth momentum this year. Equally important is the continued high growth of manufacturing. Although indicators for the first couple of months of Q1 showed mixed picture, investment demand is expected to pickup given the strong focus of policies for the development of infrastructure and manufacturing.

Q. Is there a need to increase public capex allocation in the full Budget, from Rs 11.1 trillion projected in the interim Budget, to support investments?

The overall fiscal consolidation is an important goal and merely raising capex would not attract private demand. I would consider reforms aimed at improving infrastructure and support for investments with broader impact on small and medium enterprises as crucial.

Q. Do you agree with the perception that the country's growth is "below potential"?

We had an average of 7.5% annual GDP growth in the last two years. This has been achieved in the absence of a strong external demand. There may be some slack in production capacity as well due to demand conditions and production inefficiency. From a longer- term perspective, there is an upside to growth prospects as external demand conditions improve. The many rapid changes that we see in technology provide new growth opportunities, just as the rising trained and young labour force offer augmented supply side. The upside, therefore, is significant although challenges are also significant. We cannot miss these growth opportunities and opportunities to make the benefits inclusive.

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GDP growth may be close to 7.5% in FY25: NCAER

Underpinned by the buoyancy in economic activity witnessed in the first quarter, a keen policy focus on investment and the expectations of a normal monsoon, India's economy may grow by close to 7.5% in 2024-25, the National Council of Applied Economic Research (NCAER) said on Wednesday.

Recently, the Reserve Bank of India (RBI) raised its projections for India's Gross Domestic Product (GDP) growth to 7.2% from 7% in FY25. Growth projections have been upgraded by various other agencies as well with the median projection at 6.9%. "GDP growth during 2024-25 may turn out to be higher than 7% and even closer to 7.5%," NCAER director general Poonam Gupta said.

High-frequency indicators showed that the domestic economy continues to remain resilient. The Purchasing Managers' Index (PMI) for both manufacturing and services kept the expansionary momentum despite slowing down a bit in May.

Growth in the Index of Industrial Production (IIP) for core industries accelerated in April 2024; Goods and Services Tax (GST) collections remained buoyant year-on-year; bank credit growth remained above 20% despite some deceleration in personal credit growth; and expectations of 'above normal' monsoon despite deficient rainfall in June held out strongly for the farm sector, Gupta said. With inflation seemingly having peaked, monetary policy is unlikely to be tightened any further, she said. "If anything, it may be eased during the year," Gupta said.

Retail inflation eased to a 12-month low of 4.7% in May, though food inflation remained elevated. Gupta said that taming food prices remains a challenge.

"A broader policy framework may be needed to address it, including building climate-resilient food supply as also a gentle shift toward packaged and preserved food supply to bridge the periodical supply and demand gap that has become routine," she added.

NCAER said global environment seems benign as well in the absence of any known global risks so far.

The central government contained its fiscal deficit at 5.6% of GDP for FY24, as compared to the revised estimate of 5.8% and the budget estimate of 5.9%.

Recently, S&P Global Ratings has revised India's credit outlook from stable to positive while maintaining the long-term sovereign credit rating at the lowest investment grade of BBB-, indicating that an upgrade in the credit rating could occur if India's fiscal deficit narrows, and if the central bank effectively controls inflation over time.

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'Global conclave to boost recycled plastics to be held in Delhi'

Projecting that the plastic recycling industry would grow to $6.9 billion by 2033, the All India Plastic Manufacturers' Association (AIPMA) and the Chemicals and Petrochemicals Association (CPMA), have announced to organise a Global Conclave on Plastics

Recycling and Sustainability (GCPRS), from July 4 to 7 at Bharat Mandapam in Pragati Maidan, Delhi.

The Conclave will address critical issues surrounding plastic use and the plastic recycling industry, the organisers said.

“GCPRS will convene experts from India and abroad to tackle pressing concerns in plastic waste management, recycling, and sustainability. The Conclave will also discuss the impact of plastic on the environment, and innovative solutions that can lead to a more sustainable future,” the organisers added.

Arvind Mehta, Chairman of AIPMA’s Governing Council said, “With India’s zero waste goal, GCPRS will highlight innovative recycling technologies, sustainable alternatives like biodegradable and compostable plastics, and efficient waste management solutions.”

“The event will serve as a platform for industry leaders, start-ups, and environmental experts to display their latest advancements and share insights on achieving sustainability in the plastics industry. The exhibition will bring together a diverse group of stakeholders, including industry leaders, innovators, policy makers, and environmental experts,” Mr. Mehta added.

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Cotton Prices Gained Amid Delay In Arrival Of Shipments From Us, Brazil

Cotton prices, represented by Cottoncandy, edged up by 0.12% to settle at 58,960 amidst a delay in shipments from major producers like the US and Brazil, stimulating demand for Indian cotton from mills in neighboring countries. The firm trend in cottonseed prices further supported natural fiber prices, despite ongoing sowing activities for the kharif 2024 season in states like Karnataka, Telangana, and Andhra Pradesh, benefiting from early monsoon rains. In India, shifts in agricultural dynamics are anticipated: Telangana may see increased cotton acreage as some chili farmers pivot to cotton due to weak prices in the spice crop.

Conversely, North India faces challenges with a potential 25% decrease in cotton acreage due to pest issues and rising labor costs, impacting early plantings.Internationally, the US cotton projections for 2024/25 indicate higher beginning and ending stocks, despite unchanged production, domestic use, and exports. The forecasted farm price decreased to 70 cents per pound, influenced by declines in new-crop cotton futures. Global cotton balance sheets for 2024/25 show increased beginning stocks, production, and consumption, with higher world ending stocks projected at 83.5 million bales, reflecting adjustments in trade dynamics and regional consumption trends. In the spot market at Rajkot, a significant trading hub, cotton prices closed higher at 27,368.65 Rupees, marking a 0.42% increase, highlighting local market dynamics and price trends.

Technically, Cottoncandy observed fresh buying interest with a 1.94% rise in open interest to 368 contracts, alongside a price increase of 70 rupees. Current support levels for Cottoncandy are identified at 58,570, with a potential downside test towards 58,190. Resistance is anticipated at 59,490, and a breakout above this level could push prices towards 60,030.

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GLOBAL

Us researchers Create Cotton Quality Module To Aid Farmers

Researchers in the Mississippi State University's (MSU) Mississippi Agricultural and Forestry Experiment Station (MAFES) – in collaboration with the University of Nebraska-Lincoln's Nebraska Water Centre and the US department of agriculture's agricultural research service – have produced the world's first cotton quality module – a part of a larger forecasting tool – allowing cotton producers to better monitor crop quality under changing environmental conditions.
Cotton quality impacts how much or how little money a farmer makes. Given its wide use in manufacturing, cotton is subjected to federal quality measurements. High-quality cotton fibres mean more income for the producer, while low-quality fibres could spell loss.

K Raja Reddy, MSU department of plant and soil sciences research professor, working with Sahila Beegum, USDA Adaptive Cropping System Laboratory agricultural engineer in Beltsville, MD, developed a new cotton quality module that works with GOSSYM, a computer application that simulates the processes affecting cotton plant growth and yield (the acronym GOSSYM is derived from the scientific name of cotton, Gossypium). The application simulates cotton growth given selected weather, soil, and management strategies. From there, it can predict crop growth, yield, and now fibre quality, as per the research.

GOSSYM was first developed in the 1980s. As new prediction modules are added, its accuracy and application for cotton producers and researchers is enhanced. The new cotton quality module, now a component of GOSSYM, is a result of pioneering MAFES research.

“While cotton is going through growth cycles, the cotton fibre quality will be affected by environmental conditions like temperature, rainfall, and the nutrient quality of the soil and plant. All of these are included in the cotton quality module,” Reddy said.

The cotton quality module is the culmination of more than a decade of research between Reddy’s team and collaborators at the Nebraska Water Centre. Controlled experiments within MAFES Soil Plant Atmospheric Research chambers studied how organs in the cotton plant responded to different environmental variables, with the end goal of predicting fibre quality.

The team has conducted experiments on 40 of the most frequently grown cotton plant varieties, making the quality module a robust tool for farmers. The module will be freely accessible for cotton producers and researchers to use across 74 million acres of cotton fields worldwide. It also has powerful implications in building resilience to climate change. Researchers can now use the GOSSYM model to make future predictions on how climate shifts will alter cotton quality. Researchers can use this data to recommend changes in agricultural management or to propose new governmental policy.

“If we need irrigation to sustain the way we are growing cotton now, what changes do we need to make?” asked Reddy. “Or, if we continue to use irrigation as we are now, will that be sustainable in the long term? If you want to grow the same quality crop, what are the breeding strategies you might use to make the crops more heat or drought tolerant? These are the types of questions we can answer from the quality module.”

The team is currently working to produce an intuitive user interface that will allow individual farmers and researchers to easily use the quality module to monitor the future of a cotton crop’s quality.

The new module will provide MSU with innovative research opportunities as well. Reddy and Beegum are looking forward to a new project that will attempt to predict the best planting date to maximise cotton quality, year by year, across 17 Southern US states.

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Major Growth Divergence Across Emerging Markets In 2024: S&P Global

S&P Global's macroeconomic baseline for emerging markets (EMs) for the third quarter (Q3) this year remains broadly unchanged from that of Q2, with most EMs' gross domestic product (GDP) growth set to be moderately stronger this year than in the last.

"We continue to expect 2024 to show significant growth divergence across emerging markets (EMs). Growth outperformers in 2023 (such as Brazil, Mexico, and India) will experience moderate deceleration in growth rates in 2024, although their growth will remain relatively strong. Conversely, last year's growth underperformers (among them Chile, Colombia, Peru, Thailand, Hungary, Poland and South Africa) will experience modest acceleration in growth in 2024," S&P Global said in a note.

In the coming quarters, EMs will continue to encounter risks to growth, including the lagged impact of high interest rates and an expected deceleration in US economic growth, it observed.

Policy-related risks have risen following electoral outcomes that generate uncertainty over reforms, fiscal trajectories and institutional frameworks in several EMs.

Most EMs' growth will strengthen in 2024, mainly due to strong domestic demand. In most EMs, unemployment rates remain near record lows, helped by the recovery from the COVID-19 pandemic and in most cases by fiscal support. This has pushed consumption past pre-pandemic levels in all EMs.

Trade weakness has bottomed out. However, further improvement remains highly vulnerable to setbacks. EMs with strong trade ties with advanced Europe are benefiting from a modest recovery in household spending, with positive effects on manufacturing production.

Manufacturing sectors in emerging Asia, especially those exposed to the improving electronics trade cycle, are also recovering.

Continued strength in U.S. demand is also helping manufacturing production in several Latin American economies.

However, the expected deceleration in US growth and the lagged impact of high interest rates across other advanced economies mean that the speed and duration of trade cycle improvement are far from assured, noted S&P Global.

A later-than-anticipated start to interest rate cuts by the US Federal Reserve (Fed) will contribute to slower monetary policy normalisation in most major EMs, though the rating agency's view on terminal benchmark interest rates remains unchanged. It now expects Fed funds rate cuts will start in December this year and last into late 2026. Disinflation continues across EMs.

S&P Global's 2024 real GDP growth forecast for EMs excluding China remains unchanged at 3.9 per cent, following a 4.2-per cent expansion in 2023. However, it adjusted its 2024 GDP growth forecasts for several countries.

It made the largest upward revisions to Turkiye (plus 50 basis points) and Chile (plus 40 basis points), in both cases due to stronger-than-expected first-quarter GDP reports.

It lowered its growth projections the most for Saudi Arabia (minus 70 basis points), Thailand (minus 50 basis points) and South Africa (minus 40 basis points).

Its 2024 real GDP growth forecast for Latin America remains unchanged at 1.2 per cent (or 2 per cent excluding Argentina), although it revised expectations for several countries.

It made no major changes to its 2024 growth forecasts in Southeast Asia, except in Thailand, where lower-than-expected first-quarter GDP growth prompted the rating agency to lower its projection to 3.5 per cent from 3.9 per cent. It forecasts growth for the region at 4.8 per cent compared with 4.4 per cent in 2023.

Inflation is controlled in emerging Asia overall. Some economies are facing inflationary pressure from food prices, but core inflation is contained across the region, it added.

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ICE Cotton Prices Rise Amid Technical Buying, USDA Report Awaited

ICE cotton prices rose further yesterday as technical buying supported market sentiments. Traders were keenly awaiting the export sales data report and the US crop report. They expect that US cotton may trend upward if it finds a trigger from the upcoming crop report. However, external factors remained negative for cotton futures. A stronger US dollar put pressure on cotton buyers as it will make cotton purchases costlier.

Yesterday, the ICE cotton December contract settled at 75.34 cents per pound (0.453 kg), up by 45 points. ICE cotton closed slightly higher yesterday, hitting a nearly one-month high at the beginning of the session, according to trade analysts.

The dollar index was noted nearly 0.45 per cent higher, making cotton purchases more expensive for foreign buyers. Cotton futures managed to register gains yesterday.

The trading volume was 33,036 contracts, with 36,303 contracts cleared the previous day. Open interest was 212,400 contracts, up by 309 contracts. Certified stocks in the ICE cotton exchange began the day at 97,562 bales, down 2,819 bales due to decertification. The decertifications are not tied to July notices, with the first delivery day being July 1. There were zero bales awaiting review.

The US Department of Agriculture (USDA) will release its weekly export sales report today. Market participants are also anticipating the USDA's annual crop acreage report, which may impact market expectations and prices. It is set to be released on 29 June. The market was showing some technical buying, which may improve after any adversity in the data in the coming days.

On Thursday, ICE cotton for July 2024 traded 0.10 cents higher at 72.70 cents per pound. Cash cotton traded at 68.59 cents (up 0.38 cents), the October contract at 74.59 cents (up 0.38 cents), the December 2024 contract at 75.09 cents (down 0.25 cents), the March 2025 contract at 76.47 cents per pound (down 0.28 cents), and the May 2025 contract at 77.64 cents (down 0.29 cents). A few contracts were seen at the level of the last closing, with no trading noted today.

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US Second-Hand Clothing Industry Key To Reducing Environmental Impact

The US second-hand clothes industry makes significant environmental and economic contributions, according to a new report from Garson and Shaw. The report emphasises that reusing unwanted clothing is the most effective strategy to reduce the environmental impact of textiles. The second-hand clothing (SHC) industry is projected to save around 20 trillion gallons of water over the next decade, equivalent to 30 million Olympic-sized swimming pools, by providing an alternative to the production of new clothes.

There is considerable room for growth in the SHC market. Survey data reveals that the average American adult owns 6.2 items of clothing they have never worn, resulting in 1.6 billion unworn garments languishing in closets across the country, as per the Promoting the Circular Textile Industry report.

In 2023, the US second-hand clothing industry generated $25.6 billion in retail sales, with potential growth to $75.5 billion by 2033. The sector also created $2.5 billion in tax revenues in 2023, with projections suggesting an increase to $8.8 billion by 2033. In terms of employment, the sector supports approximately 342,000 jobs across the supply chain, with further expansion potential.

The report also reveals a stark contrast in overconsumption rates between younger Americans and the rest of society. The research indicates that 65 per cent of Gen Z discard at least one item of wearable clothing every month, compared to 36 per cent of Gen X and just 25 per cent of Baby Boomers. This behaviour contributes to the 11 million tons of textile waste that end up in US landfills annually, as estimated by the Environmental Protection Agency (EPA).

About 5.5 million tons of reusable items are discarded each year, equating to 10.4 billion pieces of clothing or 4,000 truckloads of reusable garments thrown away weekly.

The American public strongly supports political backing for the second-hand clothes sector and increased efforts to combat the harms of fast fashion. Key findings from the report include that 68 per cent believe the government and political leaders should support the second-hand clothing sector. Additionally, 63 per cent think investing in the second-hand clothes market is key to a sustainable future, while 62 per cent believe there should be more education about the harms of fast fashion. Moreover, 59 per cent view the SHC market as crucial for the US economy, and 53 per cent agree on the need for more government investment to support industry growth. Finally, 80 per cent want wearable but unwanted clothes to be reused or given a second life abroad, compared to just 15 per cent who think they should be landfilled.

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