LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

NATIONAL

Outlay for export tax remission plans unlikely to change in Budget

https://m.economictimes.com/news/economy/policy/outlay-for-export-tax-remission-plans-unlikely-to-change/articleshow/111349381.cms

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Interest subsidy scheme for exporters extended for 2 months for MSMEs

The interest equalisation scheme for exporters, which allows access to bank credit at a subsidised rate, will be extended only for the MSME sector beyond June 30 for two months, per a government notification.

“Claims of non-MSME exporters are not to be entertained beyond June 30, 2024,” a trade notice issued by the Directorate General of Foreign Trade on Friday stated.

₹750-cr outlay

The two-month continuation of the scheme for the MSME sector comes with an outlay cap of ₹750 crore, the notice added. All other terms and conditions remain the same.

Non-MSME exporters are disappointed with the discontinuation of the popular scheme for the 410 products that were earlier eligible for the benefit as they had hoped for its extension by 3-5 years. “This may affect exports of labour intensive exports which have lost market share in past few years, as many merchant exporters are playing pivotal role in exporting such products and exports of such products from some large companies may also be impacted,” according to Ashwani Kumar, President, FIEO.

First implemented in April 2015 for five years, the scheme got extended several times with the last extension set to lapse on June 30 2024. At present, the scheme provides a 2 per cent interest subvention or subsidy on loans taken by exporters from 410 identified sectors and a 3 per cent subvention to exporters of all products from the MSME sector.

The government’s decision to not continue the scheme for non-MSME exporters was taken after the Finance Ministry asked the DGFT to conduct a study to find out its usefulness. The DGFT held consultations with exporters as well as banks and gave its report where it supported its continuation, officials tracking the matter said.

In its submission to the government, exporters' body FIEO had said that the interest equalisation scheme provided much needed competitiveness to Indian exports and should be continued for 3-5 years. It also made a case for higher subvention rates arguing that interest rate in India was much higher than the rates in competitor countries.

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Develop Global Indian Shipping Line, Extend IES Duration: FIEO To Govt

The Federation of Indian Export Organisations (FIEO) has suggested the government to develop an Indian shipping line of global repute; extend the Interest Equalisation Scheme (IES), which is valid till June 30, for five more years; and provide a recurring budget of ₹500 crore (~$60 million) annually to the department of commerce to showcase Indian products and services on global platforms.
The marketing support provided through the Market Access Initiative (MAI) of the department with a corpus of ₹200 crore (~$24 million) is 'grossly inadequate' to support the big target for exports, FIEO noted.

The suggestions were offered by FIEO president Ashwani Kumar during a pre-budget consultation meeting with finance minister Nirmala Sitharaman, an FIEO release said.

India's outward remittance on transport services is increasing with rising exports. The country remitted over $109 billion as transport service charge in 2022, and this this is expected to touch $200 billion by 2030. A 25-per cent share by an Indian shipping line can save $50 billion on an annual basis basis and also reduce arm twisting by foreign shipping lines, FIEO said.

The zero rating of exports should not be limited to budget constraints, it suggested.

Looking at the rise in interest rates consequent to increase in repo rate from 4.4 per cent to 6.5 per cent in the last two years, the subvention rates may be restored back from 3 per cent to 5 per cent for micro, small and medium enterprises in the manufacturing sector from 2 per cent to 3 per cent for all in respect of 410 tariff lines, FIEO added.

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Need to eliminate biases in algorithms as AI on the rise: RBI Governor Shaktikanta Das

RBI Governor Shaktikanta Das on Friday emphasised on the need to eliminate biases in algorithms as the use of artificial intelligence (AI) and machine learning (ML) is on the rise.

Delivering the inaugural address at the 18th Statistics Day Conference organised by the RBI, he said the use of statistics had been ever growing as a preferred tool for drawing inferences in diverse fields and the discipline had moved beyond collection of facts to focusing more on interpretation and drawing inferences, taking into account the level of uncertainty.

The Reserve Bank of India (RBI) has ventured into AI/ML analytics in multiple areas. Under the RBI's aspirational goals for RBI@100, Mr. Das said the central bank was aiming to develop cutting-edge systems for high frequency and real-time data monitoring and analysis.

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GST Council meet underway: Here's what may get cheaper and costlier today; 5 key expectations

Union finance minister Nirmala Sitharaman will chair the 53rd Goods and Services Tax (GST) Council meeting scheduled later on Saturday.

The GST meeting will be the first after the formation of the NDA government and after a gap of eight months. The 52nd GST Council meeting was held on October 7, 2023. All the state finance ministers are likely to attend the GST Council meeting.

The agenda of the GST Council meeting is not announced yet.

At the GST Council meeting, several issues pertaining to the GST regime, such as tax rates, modifications to policies, and administrative challenges are likely to be discussed.

The goods and services tax was introduced in the country with effect from July 1, 2017.

Earlier in the day, Sitharaman chaired a pre-Union budget meeting with the finance ministers of all states and Union territories.

Here are some key areas on which the GST Council's deliberations are expected –

Fertilisers: Presently, 5 per cent GST rate is applicable on fertilisers, while raw materials such as Sulphuric Acid and Ammonia are charged at 18 per cent GST.
The council may discuss the recommendations of the Standing Committee on Chemicals and Fertilisers to lower GST on nutrients and raw materials.

Online gaming: Currently, 28 per cent GST is levied on the full value of bets for online gaming companies. The GST council is likely to review the current GST rate on online gaming.
Telecom: An issue related to GST payments, along with the instalments paid towards spectrum charges, by the telecom companies may also be taken up at the GST Council meeting.
Extra Neutral Alcohol: At the meeting held in October 2023, the GST Council gave up the right to tax Extra Neutral Alcohol or ENA (raw product for making alcohol for human consumption) to states. The council is likely to vet the amendments in the GST law with respect to the decision.
Corporate guarantees: The council may review its decision to levy 18 per cent GST on guarantees provided by corporates to their subsidiaries. The CBIC circular on corporate guarantee was stayed by the Punjab and Haryana High Court.

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GLOBAL

ICE Cotton Prices Dip On Weak US Export Report, Heavy Farmer Selling

ICE cotton declined yesterday following drops in export sales of US cotton. It experienced heavy selling pressure from farmers and speculators after reaching a level above 75 cents. Traders are now awaiting the US cotton crop report due today. A weaker dollar and higher crude oil prices helped cotton limit its losses.

According to trade analysts, the ICE cotton December contract settled at 74.58 cents per pound (0.453 kg), down by 76 points. ICE cotton saw a downward trend after a brief rally in the early session.

The US dollar index decreased and settled with minor losses. As a result, cotton became cheaper for foreign buyers after the fall in the dollar.

Yesterday, the trading volume was slightly weak before the release of important data. Only 28,946 contracts were traded, which was slightly lower than the previous day's 33,036 contracts. The certified stock in the ICE cotton exchange dropped significantly to 48,812 bales, the lowest in over three months, down from a peak of 193,691 bales a month ago. This significant decline indicates that a shift in momentum is near.

Yesterday, the USDA also announced important data regarding drought conditions, which are increasing in cotton belts. According to the latest reports, around 16 per cent of cotton belts are in drought conditions, up 7 per cent from the last available report. If this adversity continues, cotton prices will be supported. The USDA’s plantation acreage report, due today, might not have an immediate impact on the market but is still a major point for future trends.

The major focus is now on export demand, and farmers are selling at higher levels. Any adverse weather conditions will have a major impact on cotton markets around the world.

On Friday, ICE cotton for December 2024 traded 0.32 cents higher at 74.90 cents per pound. Cash cotton traded at 67.91 cents (down 0.68 cents), the July 2024 contract at 72.02 cents (down 0.68 cents), the October contract at 74.23 cents (up 0.32 cents), the March 2025 contract at 76.31 cents per pound (up 0.32 cents), and the May 2025 contract at 77.28 cents (down 0.65 cents). A few contracts were seen at the level of the last closing, with no trading noted today.

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ILO Launches 'Advancing Decent Work In Bangladesh' Project

The International Labour Organisation (ILO) in association with the government of Bangladesh has launched the ‘Advancing Decent Work in Bangladesh’ project. The initiative aims to support the implementation of the government’s labour sector reform commitments. These reforms support good governance, safeguarding of fundamental principles and rights at work, and sustainable and competitive enterprises – all of which are crucial for Bangladesh's smooth transition from the Least Developed Country (LDC) status in 2026.

The project, with a funding of $24.7 million over the next four years, is under the Team Europe Initiative on Decent Work in Bangladesh by the European Union, Denmark, the Netherlands, and Sweden, ILO said in a press release.

"We are committed to playing our part in supporting social justice, in promoting labour reforms in Bangladesh, and securing decent work for men and women in all industries and sectors of the economy," said *Md. Nazrul Islam Chowdhury, MP, state minister, ministry of labour and employment*.

Tuomo Poutiainen, country director ILO, highlighted the importance of effective tripartism to support a smooth transition from LDC status in 2026, stating that "fundamental principles and rights at work can only be safeguarded through transparent and consultative processes with workers' and employers' organisations."

Team Europe was represented by Charles Whiteley, ambassador of the European Union; Alexandra Berg von Linde, ambassador of Sweden; Anders Karlsen, head of cooperation, embassy of Denmark; and Thijs Woudstra, head of cooperation, embassy of the Netherlands. In their respective remarks, they highlighted key reform areas vital to uphold labour rights and support Bangladesh's continued global market competitiveness after the LDC graduation.

"We welcome the government's commitment to labour reforms, and we are eager to support these efforts in creating new success stories in the crucial few years to come – stories of decent work uplifting individuals, strengthening communities, and driving a sustainable economic growth in Bangladesh," said Whiteley.

Canadian high commissioner Lilly Nicholls said that Canada would join the Advancing Decent Work initiative through a complementary project, pending the government of Bangladesh's approval. Once officiated, this will further amplify the labour sector reforms, while also introducing additional support for the employment injury scheme pilot in the garments sector.

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Global Adoption Of DDPs Set To Transform Apparel Industry By 2030

The global apparel sector is set for a significant transformation with the creation of over 62.5 billion digital product passports (DPPs) by 2030, according to a report by global technology intelligence firm ABI Research. These DPPs, coupled with supporting software and IT revenues estimated at US$1.59 billion, are poised to accelerate traceability and drive positive change across the fashion industry.

The European Union (EU) is at the forefront of this initiative, implementing DPPs to provide comprehensive product data throughout the value chain. As the EU leads the way, apparel DPPs are gaining traction ahead of forthcoming regulations, particularly among sports brands. Forward-thinking brands are leveraging DPPs to identify supply chain issues, reduce overproduction, verify compliance and authenticity, and create branded resale ecosystems.

By 2030, all apparel sold in Europe will be required to have a digital product passport due to mandatory regulations, accelerating DPP adoption from 2027 onward. This regulatory push is expected to inspire similar actions in North America, Asia Pacific, and other regions. Initially, luxury and big-brand apparel will spearhead the adoption, followed by the mass market as suppliers recognise the benefits of data sharing for supply chain optimisation, as per the ABI Research's Digital Product Passports market data report.

As mandatory EU regulations take effect in 2027, DPP solution providers are encouraged to prepare competitive pricing models to boost adoption across the supply chain and promote inclusion. The implementation of DPPs throughout supply chains is anticipated to optimise workflows and enhance profitability for forward-thinking brands.

"DPPs encourage OEMs and suppliers to enhance textile efficiency, reduce overproduction, promote product reuse and repair, and demonstrate sustainability, increasing product value. However, practical implementation, data structure, and accessibility are still evolving in this emerging market. DPP solution providers should emphasise the value for suppliers and consumers to scale adoption beyond just meeting regulatory compliance," said *Rithika Thomas, sustainable technologies senior analyst at ABI Research*.

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