LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

22 nd

March

2024

News Highlights

NATIONAL

GLOBAL

NATIONAL

India's Cotton Production Pegged At 309 Lakh Bales In Current Season

The Cotton Association of India (CAI) has revised its cotton production estimates upwards to 309.70 lakh bales of 170 kg for the current season, 2023-24. Initially, in October 2023, the production was estimated at 294.1 lakh bales. Last year, CAI estimated production at 318 lakh bales, while the Indian Ministry of Agriculture had a slightly lower estimate of 316 lakh bales.
Following a meeting of the national crop Committee on Monday, CAI released a statement indicating that the total availability of this natural fibre is projected at 359 lakh bales. This figure includes the balance stock from last season and imports, which is higher than the 355.40 lakh bales available in the 2022-23 season. The opening stock for the current season was 28.90 lakh bales, compared to 24 lakh bales in the previous season. Notably, cotton imports this season have increased to 20.40 lakh bales, up from 12.50 lakh bales last year.

An analysis of CAI's data shows that total domestic demand has risen to 317 lakh bales, up from 311 lakh bales last year. Non-MSME consumption has decreased to 201 lakh bales from 280 lakh bales last year, while MSME consumption has jumped from 15 lakh bales to 100 lakh bales. Non-textile consumption has remained steady at 16 lakh bales.

According to CAI, the surplus cotton is estimated at 42 lakh bales this season, slightly down from 44 lakh bales last year. Cotton exports could increase to 22 lakh bales, up from 15.50 lakh bales last year. However, the closing stock may decrease to 20 lakh bales from 28.90 lakh bales last year.

From October 1, 2023, to February 29, 2024, cotton arrivals are estimated at 226.82 lakh bales. In February 2024 alone, 49.67 lakh bales of cotton arrived in the market, with a daily average arrival of 1.71 lakh bales.

The Cotton Corporation of India (CCI) has procured approximately 33 lakh bales up to 29 February this year. Ginning mills in central and north India are operating at full capacity, while those in south India are at 75-80 per cent capacity. Indian spinning mills are running at 90 per cent production capacity. By the end of February 2024, Indian mills had a cotton stock of 42 lakh bales, sufficient for about 45 days of consumption. Due to lower arrivals, mills are expected to have stocks for only 30.35 days in March 2024. CCI, traders, multinational corporations, and ginners have a total stock of 65.23 lakh bales as of February 2024.

Home

Sri Lanka-India Eye FTA Expansion Scope Via ECTA, Says Indian Envoy

Indian high commissioner to Sri Lanka Santosh Jha underlined India and Sri Lanka are seeking to broaden the scope of Free Trade Agreement (FTA) through an Economic and Technology Cooperation Agreement (ETCA) even as a separate Bilateral Investment Treaty will also be formed.
This is as per media reports which added the Indian envoy stated this while addressing the 75th year celebration of the Sri Lanka India Society in Colombo recently.

Speaking at the event, Santosh Jha reportedly said the FTA signed in 2000 had served its purpose well, especially in enhancing Sri Lanka's export potential, while adding once concluded, the ETCA will further strengthen existing framework by removing impediments to genuine trade, eliminating non-tariff barriers, and enabling greater trade facilitation.

Emphasising that India is a rapidly growing engine for global growth and Sri Lanka should leverage and take advantage of this as the preferred partner and a close neighbour, he said: "Our desire to support Sri Lanka's economic recovery and its renewed quest for development is reflected also in our efforts to encourage the Indian private sector to invest in Sri Lanka," while adding connectivity remains the central pillar of India-Sri Lanka emerging partnership and all its dimensions.

He further added India is Sri Lanka's largest trade partner and the largest foreign investor in recent years and opined the India-Sri Lanka Land Connectivity Corridor is the most ambitious recent venture, and also the most impactful in terms of potential even as initial steps to translate this game-changing initiative into real action on the ground has now being taken.

Home

India, UK aim to sign free-trade agreement by July; legal vetting on

Read more at : [India, UK aim to sign free-trade agreement by July; legal vetting on | Economy & Policy News - Business Standard (business-standard.com)]

Home

These sectors will get priority if Modi wins a third term

Read more at : These sectors will get priority if Modi wins a third term - The Economic Times (indiatimes.com)

Home

Indian lenders to chase corporate bonds as new investment rules kick in, treasury officials say

Indian banks will gravitate towards corporate bonds they intend to hold until maturity once new central bank rules kick in next month, as yields are currently elevated and the investments would be spared from market-linked markdowns, treasury officials said.

From April 1, corporate bond investments will be allowed under held-to-maturity (HTM) category for the first time, provided the fair value is disclosed and investments protected from mark-to-market volatility, according to revised Reserve Bank of India rules.

Currently banks can hold up to 23% of their deposits under HTM as investments in government bonds and state debt, which will be reduced in phases from April.

However, the current yield spread of more than 50 basis points in favour of corporate bonds makes them an attractive investment.

"From April, for the HTM portfolios, the AAA-rated bonds especially of state-run companies are an attractive bet as they are yielding higher than the state bonds and do not carry much credit risk," VRC Reddy, treasury head at Karur Vysya Bank, said.

The three-year to five-year government bond yields were in the range of 7.06%-7.08%, while state bonds of similar duration yield around 7.38%-7.42%.

In contrast, LSEG's AAA-rated benchmark three-five year corporate bonds were yielding 7.62%-7.70%.

Major beneficiaries would be highly rated and reputed names as banks would avoid even the slightest of credit risk for the HTM segment, the treasury officials added.

The officials have said that bonds of AAA-rated state-run companies such as Power Finance Corp, REC and Power Grid Corp could be the preferred choice.

Alok Singh, group head of treasury at CSB Bank, expects the spread between government and corporate bond yields to ease below 50 basis points, also aided by improvement in liquidity condition.

"Some banks have already started increasing exposure to corporate bonds, and this is expected to rise further as they intend to capture the higher yields," Venkatakrishnan Srinivasan, founder and managing partner at Rockfort Fincap, said.

Corporate bonds of some sectors such as infrastructure companies could benefit further as banks try to meet their priority-sector lending targets by raising exposure to debt, a treasury head of a state-run bank said, requesting anonymity as he is not authorised to speak to the media.

Home

Capping of interest subsidy for exporters to continue in Q1 of new fiscal

The Centre has notified an interest subsidy cap of ₹2.5 crore for individual export units in the first quarter of the forthcoming fiscal 2024-25 under the popular interest equalisation scheme (IES) for identified sectors and MSMEs. This is in continuation of its capping policy, introduced this fiscal, to ensure that more units can benefit from the scheme, sources said. But the government is not yet ready to consider the demand made by exporters to increase the subsidy rates despite several submissions by exporters, an official tracking the matter told *businessline*.

The DGFT issued a notification on Wednesday clarifying that a cap of ₹2.50 crore per IEC is imposed till June 30, 2024, for the quarter starting from April 1, 2024.

“Last May, the government introduced a cap of ₹10 crore per importer exporter code (IEC) on the annual net subvention amount. All disbursements made from April 1, 2023, onwards were counted towards the IEC for the current financial year. The latest notification is to clarify that the cap will continue in the new fiscal as well. As the extension of the scheme is till first quarter of 2024-25, the cap has been calibrated accordingly," the official said.

Subsidy cap

The subsidy cap for individual exporters would ensure that a greater number of eligible exporters can benefit from the scheme instead of the amount getting concentrated in the hands of few, per the government.

The IES was first implemented in April 2015. Under the scheme, exporters are extended credit by banks at a reduced rate (the rate of interest subsidy is determined by the government). The banks are later reimbursed by the government for their lower interest earnings.

In December last year, the Union Cabinet approved an additional allocation of ₹2,500 crore for continuation of the scheme beyond the current fiscal, till June 30, 2024. The scheme would continue for all the targetted beneficiaries which include merchant exporters of the identified 410 tariff lines and all manufacturer exporters from MSME sectors.

The rates of subsidy were at 3 per cent for MSME sectors and 2 per cent for the rest.

Last month, the Reserve Bank of India officially extended the scheme through a notification. "Although exporters have been making a case for increased rate of subvention, due to low global demand owing to economic slowdown and geopolitical problems, an immediate increase seems unlikely," the official said.

Home

GLOBAL

Global Cotton Production Forecast To Reach 112.96 Mn Bales: WASDE

The US Department of Agriculture (USDA) has increased the forecast for world cotton production by 130,000 bales of 480 pounds to 112.96 million bales in its latest report released last week. World cotton production was estimated at 112.82 million bales in the February 2024 report.
According to the World Agricultural Supply and Demand Estimates (WASDE) report, world cotton imports increased from 42.88 million bales to 43.23 million bales.

The report indicated that the forecast for domestic consumption also increased to 112.94 million bales this month from 112.46 million bales in February 2024. Cotton exports are projected at 43.26 million bales, up from 42.87 million bales in the previous month. However, the world's ending stocks are projected to decrease to 83.34 million bales in March 2024 from 83.70 million bales.

The US' cotton production estimates were lowered to 12.10 million bales from 12.43 million bales in the previous month. However, cotton exports from the US remained steady at 12.30 million bales. The outbound shipments from the US provide guidance to the global cotton market.

World production is higher as lower crops in the US and Argentina are offset by a 500,000-bale increase in India. Global consumption is almost 500,000 bales higher as gains for China and India more than offset lower estimates for Turkiye and a number of smaller countries.

World trade is approximately 400,000 bales higher as China's 2023-24 imports are raised by 900,000 bales, more than offsetting lower estimates for Turkiye and several smaller countries. Exports are projected to be higher for India, Australia, and Turkiye.

F

Home

Sri Lanka Showing Signs Of Recovery From Economic Crisis: ADB

Underlining economic growth has returned to positive territory in the second half of 2023 and that momentum is likely to continue, the Asian Development Bank (ADB), which is a multilateral development financing institution dedicated to reducing poverty in Asia and the Pacific, has stated the island nation is showing signs of stability and recovery from a deep economic crisis.

Between September 2022 and December 2023, Sri Lanka’s inflation significantly declined from 69.8 per cent to 4 per cent even as its foreign exchange reserves have increased to $4.4 billion in 2023 from $1.9 billion in 2022, ADB said in a press release.

Meanwhile the ADB has launched a new country partnership strategy (CPS) for the island nation covering the period 2024–2028, with its strategy focussing on restoring Sri Lanka’s macroeconomic stability, reviving growth, and establishing the foundation for sustainable recovery and resilience.

Takafumi Kadono, ADB country director for Sri Lanka opined this new partnership strategy will build on ADB's ongoing assistance to support Sri Lanka's efforts to restore macroeconomic stability, and to achieve green and long-term sustainable growth.

The multilateral development financing institution under the new CPS for Sri Lanka will reportedly focus on three strategic objectives centring fostering private sector development promoting green growth, strengthening public financial management and governance, and improving access to climate-smart public services and deepening inclusion.

Home

European Commission Announces "Textiles Of The Future" Partnership

In the fringes of the EU Research and Innovation Days, the European Commission has announced 9 new European co-funded and co-programmed partnerships, including "Textiles of the Future". These partnerships will be at the core of the Horizon Europe Strategic Plan 2025-2027, addressing the green and digital transition, and a more resilient, competitive, inclusive and democratic Europe.

EURATEX has been working towards such a partnership over the last few years. Investing in innovation is a critical component to successfully implement the EU Strategy for Sustainable and Circular Textiles. We therefore welcome the Commission's decision, as a very timely measure to help our 200.000 EU textile companies to remain competitive.

Director General Dirk Vantyghem commented: "Innovation is the bridge between sustainability and competitiveness. This Horizon Europe Partnership is therefore an essential tool which will help our companies to become global leaders on sustainable textile products".

The Textiles of the Future Partnership will be co-managed by the European Technology Platform for Future of Textiles and Clothing (ETP). With a deep knowledge in textiles research and a vast innovation network, ETP stands ready to bring that partnership into reality.

ETP secretary general Lutz Walter commented: "Textile research has been an integral part of the EU's Research and Innovation Framework Programmes for many years, but this dedicated Partnership brings a strategic focus that is critical and timely to help our industry succeed in its green and digital transformation and reinforce Europe's global leadership role in textile research, technology development and higher education. ETP is looking forward to engage with all stakeholders of the European textile innovation ecosystem to turn this partnership into a success story”

Home

UK Moves Closer To Joining Major Trans-Pacific Trade Bloc

The UK is now on the verge of joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), as the new Trade (CPTPP) Act has received Royal Assent. This development paves the way for the UK to become part of the expansive trade group by the end of this year, following its initial agreement in July to join the CPTPP, which boasts a combined GDP of £12 trillion (approximately $15.3 trillion) in 2022, representing a substantial 15 per cent of the global economy.

This strategic move will make the UK the first European nation to join the CPTPP, and the first new member since the partnership was established. A pivotal advantage noted is the eligibility of over 99 per cent of current UK goods exports to CPTPP countries for zero tariffs, a benefit that will encompass key exports.

This agreement opens doors to the Indo-Pacific region, which is forecast to be at the forefront of global growth and home to nearly half of the world's middle-class consumers in the upcoming decades. It is seen as a critical opportunity for British businesses to tap into new markets, streamline export processes, and support job creation.

Following the Royal Assent, the next steps involve passing technical secondary legislation to ensure the UK's readiness for ratifying its accession to the CPTPP as swiftly as possible. The UK government aims to formally accept the terms signed last year with New Zealand, serving as the CPTPP depository, by mid-July 2024.

For the agreement to take effect, other CPTPP member countries must also complete their domestic ratification processes, with six approvals needed for the agreement to be binding. To date, Japan and Singapore have completed their ratification processes. *Business and trade secretary Kemi Badenoch* said: “I am delighted that the CPTPP Bill has become law—a major step towards the UK becoming a full-fledged member of the Indo-Pacific bloc and the many benefits that will come with that membership.

“We are leveraging our freedoms as an independent trading nation to open-up a new era of partnership with the fast-growing economies of tomorrow. Becoming a member of

CPTPP offers brilliant new opportunities for British businesses and consumers through greater access to a market of over 500 million people—helping to grow the UK economy."

"This is exciting news for British businesses up and down the country. My message to the British business community is clear – start looking now at what this deal can do for you, so you are ready to take full advantage of the brilliant opportunities it presents when the deal comes into force," said *Minister of State for Trade Policy Greg Hands*.

Home

US Consumers Emphasise Sustainability In Shopping Choices: Survey

Sustainability holds significant importance for American shoppers with 78 per cent of respondents deeming it a crucial factor in their purchasing decisions, according to the third annual Consumer Sustainability Survey by Blue Yonder. The survey highlights a growing trend towards eco-conscious shopping, with many willing to invest more in sustainable products and practices.

The findings indicate a strong consumer preference for retailers and products that boast sustainability, with 70 per cent of participants shopping at such retailers in the last six months. This figure remains consistent with the percentages from 2022 and 2023, showing steady consumer interest in sustainable shopping. Furthermore, nearly half of the respondents have seen their interest in shopping sustainably increase over the past year, with 40 per cent willing to pay up to 5 per cent more for sustainable products, and 25 per cent ready to pay an additional 10 per cent or more.

In terms of shipping, 83 per cent of consumers are open to delaying deliveries for incentives, highlighting a preference for greener shipping options. This willingness varies by generation, with Millennials and Gen Z showing the greatest flexibility towards delivery times and the highest concern for sustainability. However, only a minority, 23 per cent, would accept a delay of a week or more, as per a survey.

Sustainability considerations extend beyond just the purchase of products to include the delivery process itself, with 59 per cent of consumers favouring online shopping that utilises electric trucking for deliveries. Despite this enthusiasm, there's a notable scepticism towards brands' sustainability claims. Nearly half of the survey participants are only sometimes convinced by these claims, while 35 per cent express distrust, requiring additional research or viewing such claims as misaligned with brand actions.

"We're encouraged to see that the majority of consumers take sustainability into account when making purchasing decisions," said *Saskia van Gendt, chief sustainability officer,* *Blue Yonder*. “It’s especially promising that so many respondents are willing to spend more for sustainable products, given that price concerns, exacerbated by the ongoing challenge of inflation, have marked conversations around consumer behaviour over the last year. Their willingness to spend more should send a clear message to brands and retailers that investing in sustainable solutions and practices is worthwhile, not only for the planet but also for maintaining consumer loyalty and trust.”

Home