LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

NATIONAL

Myanmar Minister, Indian Delegation Discuss Equipment Import

Recently, union minister for industry in Myanmar, Dr. Charlie Than convened a meeting with a delegation led by vice-president PK Shah from Nipha Exports Private Limited from India, in the reception hall of the union minister's office.
The discussions primarily revolved around the import of essential industrial equipment required for Myanmar's industrial sector.

This encompassed machinery vital for Micro, Small, and Medium Enterprises (MSMEs), as well as equipment for garment and textile industries, steel, cement, and medicine with the aim to bolster production and address pertinent technology support issues.

Furthermore, the meeting delved into matters concerning the promotion of trade and investment between India and Myanmar.

Both parties explored avenues to facilitate trade activities, including the prospect of enabling direct payments in Indian rupees and Myanmar kyats.

Such measures aim to streamline trade transactions and foster economic cooperation between the two nations.

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S&P ups India growth forecast to 6.8% for FY'25

S&P Global Ratings on Tuesday raised India's growth forecast for the next financial year to 6.8 per cent, but flagged restrictive interest rates as a dampener for economic growth.

The Indian economy is estimated to have clocked a growth of 7.6 per cent in the current fiscal.

In November, last year, the US-based agency had projected India's growth to be 6.4 per cent in 2024-25 fiscal on robust domestic momentum.

"For Asian emerging market (EM) economies, we generally project robust growth, with India, Indonesia, the Philippines, and Vietnam in the lead," S&P said in its Economic Outlook for the Asia Pacific.

In largely domestic demand-led economies such as India, Japan, and Australia, the impact of higher interest rates and inflation on household spending power reduced sequential GDP growth in the second half, S&P said.

"We expect India's real GDP growth to moderate to 6.8 per cent in fiscal year 2025 (ending March2025)," S&P said. Restrictive interest rates are likely to weigh on demand next fiscal year, while regulatory actions to tame unsecured lending will affect credit growth. A lower fiscal deficit will also dampen growth, it added.

"Even as we expect a mild slowdown in Asian EM economies, we generally see solid domestic demand growth and a pick-up in exports to drive robust growth, with India, Indonesia, the Philippines and Vietnam in the lead," S&P said.

It said high real policy rates will choke demand and are therefore likely to strengthen the case for lowering rates.

S&P said it forecast rate cuts of up to 75 basis points in India this fiscal. "In line with our projection for US policy rates, we largely expect these moves to occur in the second half of the year," it said.

In India, slowing inflation, a smaller fiscal deficit and lower US policy rates will lay the ground for the Reserve Bank of India to start cutting rates. But we believe more clarity on the path of disinflation could push this decision at least to June 2024, if not later, S&P added. PTI JD DRR

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UK & Oman FTAs likely in commerce ministry's 100-day list

The conclusion of free trade agreements (FTAs) with the UK and Oman are likely to be part of a 100-day action plan drawn up by the department of commerce for the next government, apart from “steps to resolve the issues faced by exporters’, a senior official told FE.

Negotiations on both these trade agreements are in the “final stages,” the official said, but added that due to the start of the election process in India, there has been a pause in the talks. Resumption of the dialogues is expected only after the new government assumes office by May-end or June.In the Cabinet meeting last Sunday, a day after the general election schedule was announced, Prime Minister Narendra Modi had asked the ministers to draft a road map for the first 100 days and next five years for the government.

Apart from FTAs, the commerce department will also be laying down steps that need to be taken during the first 100 days to resolve the problems faced by merchandise exporters due to the slump in world trade and persisting geopolitical tensions, besides the erosion of competitiveness in some sectors,including the labour-intensive ones.According to sources, as regards the proposed FTA with the UK, chapter-wise textual negotiations are nearly closed and schedules on goods and services are “at advanced stages.” The FTA has 26 chapters, each dealing with a policy area connected to trade like intellectual property, government procurement, sanitary and phytosanitary measures, technical barriers to trade etc.

The schedule on goods and services will lay down how each partner will deal with imports from the other side.The majority of difficult issues are towards resolution and a couple of priority areas to seal the deal are being ironed out, some officials added. The sticking points in the negotiations have been issues around rules of origin, social security, duty cuts on cars and whisky, liberal visas for professionals, national treatment for businesses in the services sector.

The negotiations for an FTA with the UK started in January 2022 and officials from both sides have held 14 rounds of talks so far. In between the rounds of negotiations, the top officials and even the prime ministers have intervened when the talks have got stuck somewhere. PM Modi and UK Prime Minister Rishi Sunak spoke on March 12 and noted the progress made in the FTA.

Along with the FTA, both sides are also negotiating a Bilateral Investment Treaty (BIT) and both these pacts are expected to be signed simultaneously. Within BIT, the major issue of contention is how investment disputes will be settled.With Oman also, the negotiations are nearing conclusion for a Comprehensive Economic Partnership Agreement (CEPA). Both sides started formal negotiations for CEPA in November last year and within four months, Oman became India's third largest export destination among the Gulf Cooperation Council (GCC) countries. Once the FTA is signed, it could also be a gateway to other countries of the grouping.India has so far signed 14 FTAs with individual countries and economic blocs.

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PLI investments falter

Companies have invested over Rs 1.07 trillion in two years through December 2023 under the 14 Production-Linked Incentive (PLI) schemes, or about 40% of the Rs 3 trillion committed.

However, the trend is barely par for the course, with big lags in investments in many sectors such as high-efficiency solar PV modules, automobiles, ACC batteries and textiles that were supposed to lead the pack.

According to official data, of the expected production or incremental sales target of Rs 40 trillion, just 17% has been achie\ved till December 2023. Of the direct employment potential of 1.15 million under the 14 schemes, 43% has been achieved.

Investments by the PLI-eligible firms have to be made in the initial four years to be able to gain maximum incentives. Most of the schemes were rolled out in 2021-22, implying that the investments should have been much higher by now.

Keeping in view India's vision of becoming 'Atmanirbhar' and to enhance India's manufacturing capabilities and exports, an outlay of nearly Rs 2 trillion was announced in the Union Budget 2021-22 for the PLI schemes. Most of the schemes were announced in 2021, but the implementation is behind schedule in many sectors except electronics (mobile phones) or pharmaceuticals, sectors analysts say would anyway have seen investments in the natural course of business cycle.

A major chunk of investments has come in the manufacturing of pharmaceutical drugs with Rs 25,813 crore or 149% of the projected investments of Rs 17,275 crore by 55 firms.

Firms under the high-efficiency solar PV modules PLI have invested about Rs 22,904 crore, but this is still 21% of the commitment of Rs 1.1 trillion. The lack of an ecosystem in India in the nascent industry is making made-in-India solar modules expensive compared with Chinese producers, an official said, pointing to challenges ahead.

Mobile manufacturing firms have invested about Rs 7,452 crore or 66% of their investment plans. These firms under the large-scale electronics scheme are the early beneficiaries of the PLI incentives released so far.Automobiles and auto components have seen investments of Rs 13,037 crore, about 11% of their commitment of Rs 67,690 crore.

However, investments have been rather slow to come in sectors like automobiles, specialty steel and ACC batteries.
Incentives worth around Rs 2,900 crore have been disbursed in 2022-23 under all PLI schemes and a similar amount may be disbursed in FY24 as well. Even though most firms will be able to claim milestone-based incentives between FY25-FY30, their total claims won't exceed Rs 1.5 trillion due to various conditions manufacturers have to comply with to be eligible for the sops, officials reckon.

While some of the schemes are progressing well, others could have also been received well had there been fewer conditionalities and lack of micro-managing, another official said.

According to a recent Crisil report, the process of claiming incentive payouts has encountered challenges such as delayed approval of invoices. Sectors with a higher incentive-to-sales ratio and relatively straightforward rules for payouts, such as mobile handsets, may receive the majority of payouts by fiscal 2028, it said.

"That said, establishing ecosystems in alignment with technical parameters would be crucial for ensuring timely incentive payouts to sectors, without penalties," Crisil said. The qualification criteria for at least 56% of the incentive payouts across six sectors are relatively stringent, it added.

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Textile exports contract 4.2% on-year in II months of FY24

During the 11 months till February, the export of ready-made garments fell to $13.05 billion from $14.73 billion in the corresponding months of the previous fiscal year. Similarly, the export of jute declined to $310 million from $400 million, while yarn exports fell from $4.47 billion to $4.23 billion.

The export performance of different categories in the textile sector varied during the current fiscal year. The export of ready-made garments contracted by 11.4%, while jute exports saw a more significant contraction of 22.5%. Yarn exports also experienced a contraction, albeit at a lower rate of 5.3%.

However, industry experts are hopeful that exports will improve in the upcoming months, especially with the US market showing signs of revival.

According to Crisil, India’s textile industry is expected to grow in calendar year 2024, driven by a consistent improvement in domestic demand, gradual recovery in exports, and lower cotton prices.

“Adverse economic conditions in Western markets have indeed had a negative impact on textile and apparel exports. Some of these challenges can be overcome by exploring markets in the east such as Japan and Korea along with a focus on natural fibres and cotton which will continue to see growth in demand," said Anand Ramanathan, partner, consumer industry leader, consulting, Deloitte India.

"Also, the luxury sector is relatively immune to economic cycles and can be an opportunity for India's rich tradition in weaving and embroidery," Ramanathan added.

The main buyers of Indian ready-made garments (RMG) are European nations led by Germany, the Netherlands, Italy, Poland and Denmark.

Queries sent to the textiles ministry remained unanswered till press time.

As Yemen's Houthi militants continue to target ships in the Red Sea, Indian exports are facing higher shipping costs due to rerouting from Africa. Around 95% of vessels have rerouted around the Cape of Good Hope, adding 4,000-6,000 nautical miles and 14-20 days to journeys, the commerce ministry had stated in a report last month, a copy of which has been seen by Mint.

India is the world’s sixth-largest exporter of textiles and apparel, with the domestic apparel and textile industry contributing about 2.3% to the country’s GDP, 13% to industrial production, and 12% to exports.

India’s textile and apparel market size is growing at a CAGR of 14.59% from $172.3 billion in 2022 and is expected to reach $387.3 billion by 2028, according to Indian Brand Equity Foundation (IBEF), a body established by the ministry of commerce and industry.

The textile industry is also the second-largest employer after agriculture, providing direct employment to 45 million people and 100 million people in the allied sector.

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FTA talks with SACU nations on the cards after new govt takes over

Read more at : [FTA talks with SACU nations on the cards after new govt takes over | Economy & Policy News - Business Standard (business-standard.com)]

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GLOBAL

Bangladesh Mulling Economic Deal With South Korea For Trade Boost: FM

Foreign minister Hasan Mahmud disclosed recently that Bangladesh is actively exploring the possibility of entering into a bilateral instrument such as the Economic Partnership Agreement (EPA) with South Korea.

This move aims to invigorate bilateral trade and investment cooperation between the two nations.

This is as per reports, which added Mahmud emphasised the significance of forging new arrangements to foster cooperation, especially after Bangladesh's anticipated graduation from the Least Developed Country (LDC) status in 2026.

These deliberations transpired during a meeting between the foreign minister and ambassador Park Young-sik of the Republic of Korea (ROK) at the Ministry of Foreign Affairs.

Mahmud expressed gratitude for the congratulatory messages conveyed by the Korean President and foreign affairs minister to Bangladesh's Prime Minister and foreign minister respectively, following their assumption of office post the January 7, 2024, general elections.

Highlighting the 50-year-long amicable bilateral relations between Bangladesh and the ROK, Mahmud thanked the Korean government for generously providing seven luxurious vehicles to commemorate this milestone. He also appreciated the ROK's facilitation of preferential market access for numerous Bangladeshi products.

Furthermore, Mahmud thanked Korea for expanding the quota for Bangladeshi skilled workers under its Employment Permit System (EPS) scheme.

Both sides also deliberated on enhancing cooperation regarding the Avoidance of Double Taxation, revising the Air Services Agreement, facilitating high-level exchanges, and collaborating to modernise Bangladesh's industries, especially the readymade garments (RMG) sector, through direct or joint venture investments in Manmade Fibre (MMF) and technology exchange initiatives.

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China To Use Several Channels To Speed Up Accession To CPTPP

China's commerce ministry recently said the government will use a gamut of channels to engage in multilevel exchanges to accelerate accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Ministry spokesman He Yadong said China is fully confident and capable of meeting the high standards set by the CPTPP.

The government has comprehensively evaluated the agreement's content, He was cited as saying by a state-controlled media outlet.

Members of the CPTPP, which took effect in December 2018, are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

"We have proactively aligned our policies and legislation with the CPTPP rules in relevant areas and are well-prepared for market access offers in goods trade, trade in services and investment," he said, adding the government has carried out reforms and pilot projects in related areas. The efforts have achieved encouraging results, he noted.

Further efforts will be made to end practices that hinder fair competition and refine the bidding process, ensuring foreign companies can participate in setting standards and join committees under equitable conditions, according to an action plan released recently by the General Office of the State Council.

China had signed 22 free trade agreements with 29 countries and regions as of January this year, covering about a third of its total foreign trade volume.

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Bangladesh's External Debt Tops $100 Billion: Reports

Bangladesh has surpassed the $100 billion mark in external debt for the first time, signifying a challenging path ahead amid foreign exchange shortages.

Media reports maintained this citing Bangladesh Bank's latest data, as per which the total external debt reached $100.6 billion by the end of 2023, up from $96.5 billion the previous year.

Of this debt, $79.69 billion was accrued by the public sector, and the remainder by the private sector.

Around 85 per cent of the loans are long-term, leaving the remaining 15 per cent as short-term liabilities.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, expressed concern over the escalating external debt, suggesting an immediate halt to supplier credit from China and Russia to address the situation.

As external debt continues to rise, the challenges of repayment escalate, especially with the country's sluggish revenue and foreign exchange earnings, as noted by Mansur, a former economist of the IMF.

Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue (CPD), echoed similar sentiments, highlighting the surge in government spending on interest payments for foreign debt in the first five months of the fiscal year.

Rahman emphasised the impact of devaluation on the cost of foreign debt, stressing the necessity of utilising piled-up foreign loans for projects to mitigate rising servicing costs.

Meanwhile, the private sector's foreign loans have declined by approximately 14 per cent, attributed to an increase in interest rates from 1-2 per cent to 8-9 per cent.

The central bank's official highlighted the interest rate hike as a primary factor contributing to the decrease in private sector foreign loans.

These developments underscore the urgent need for prudent financial management to navigate the challenges posed by the burgeoning external debt and its implications on the country's economic stability.

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Bangladesh Focuses On Transit, PTA With Bhutan, Nepal

Bangladesh has prioritised signing and implementing transit and Preferential Trade Agreements (PTA) with Bhutan and Nepal in upcoming talks.

Media reports claimed this citing concerned officials, adding, while Bangladesh has transit and Preferential Trade Agreement (PTA) deals with Bhutan, efforts are underway to finalise operational modalities in April discussions.

Commerce officials emphasised discussions on eliminating tariff and non-tariff barriers and addressing various bilateral and regional issues in both meetings.

The seventh Bangladesh-Nepal commerce secretaries' meeting scheduled for April 18-19 in Kathmandu aims to finalise the PTA product list and potentially sign the agreement.

Regarding Bhutan, an agreement on traffic-in-transit and protocol was inked in March 2023, ratified by Bangladesh's Cabinet Division in June 2023, with Bhutan proposing implementation from March 2024.

However, unresolved transit fee issues posed a challenge. The Ministry of Commerce has urged expediting fee fixation to facilitate deal implementation, alongside advocating for trial runs and defining transit routes.

The April 24-25 commerce secretary-level meeting with Bhutan will concentrate on operationalising the transit agreement and reviewing the effectiveness of the Bangladesh-Bhutan PTA, operational since July 2022.

This marks the first bilateral commerce secretary-level meeting since the agreements' signings.

Bangladesh's recent offer granting Nepal and Bhutan access to its seaports and airports underscores regional cooperation efforts.

Nepal has already utilised Mongla port for imports, while transit facilities are extended to India as well, boasting rail, road, water connectivity, and air links.

All four nations engage in sub-regional cooperation on trade and trans-border vehicle movements.

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America Down To Its Last 100 Cotton Mills

Read more at : America down to its last 100 cotton mills - Times of India (indiatimes.com)

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