LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

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India's Textile & Clothing Exports Fall 7.38% In April to Feb Period

Textile and garment exports from India fell to US $40.76 billion in the April 2023 to February 2024 period, down 7.38 percent year on year from $44.01 billion.

Of this, clothing exports totaled $13.05 billion in the first eleven months of fiscal 2024, a drop of 12.87 percent as against $14.73 billion in the comparable months of fiscal 2023.

"In the period under review, exports of textiles fell slower at 4.2 percent year on year to $30.96 billion in the review period compared to $32.33 billion," Commerce Ministry data revealed.

Amidst textile exports, overseas shipment of yarns declined $4.23 billion, down 5.67 percent vis-à-vis $4.47 billion in the eleven months of the earlier fiscal.

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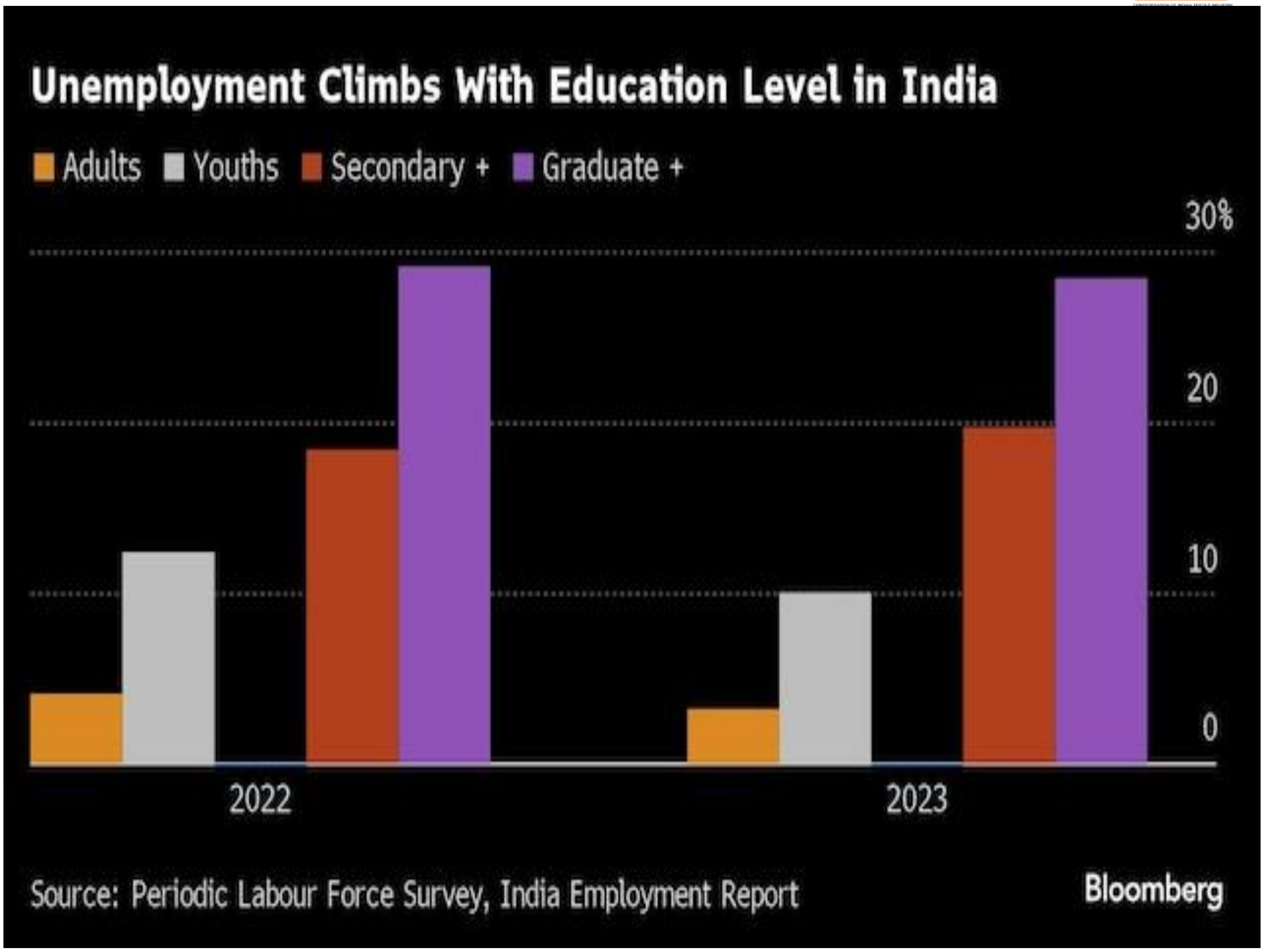
Young Indians more likely to be jobless if they are educated: ILO data

In India, higher educated young people are more likely to be unemployed than those without any schooling, according to the International Labour Organization.

The jobless rate for graduates was 29.1 per cent, almost nine times higher than the 3.4 per cent for those who can't read or write, a new ILO report on India's labor market showed. The unemployment rate for young people with secondary or higher education was six times higher at 18.4 per cent.

"Unemployment in India was predominantly a problem among youths, especially youths with a secondary level of education or higher, and it intensified over time," the ILO said.

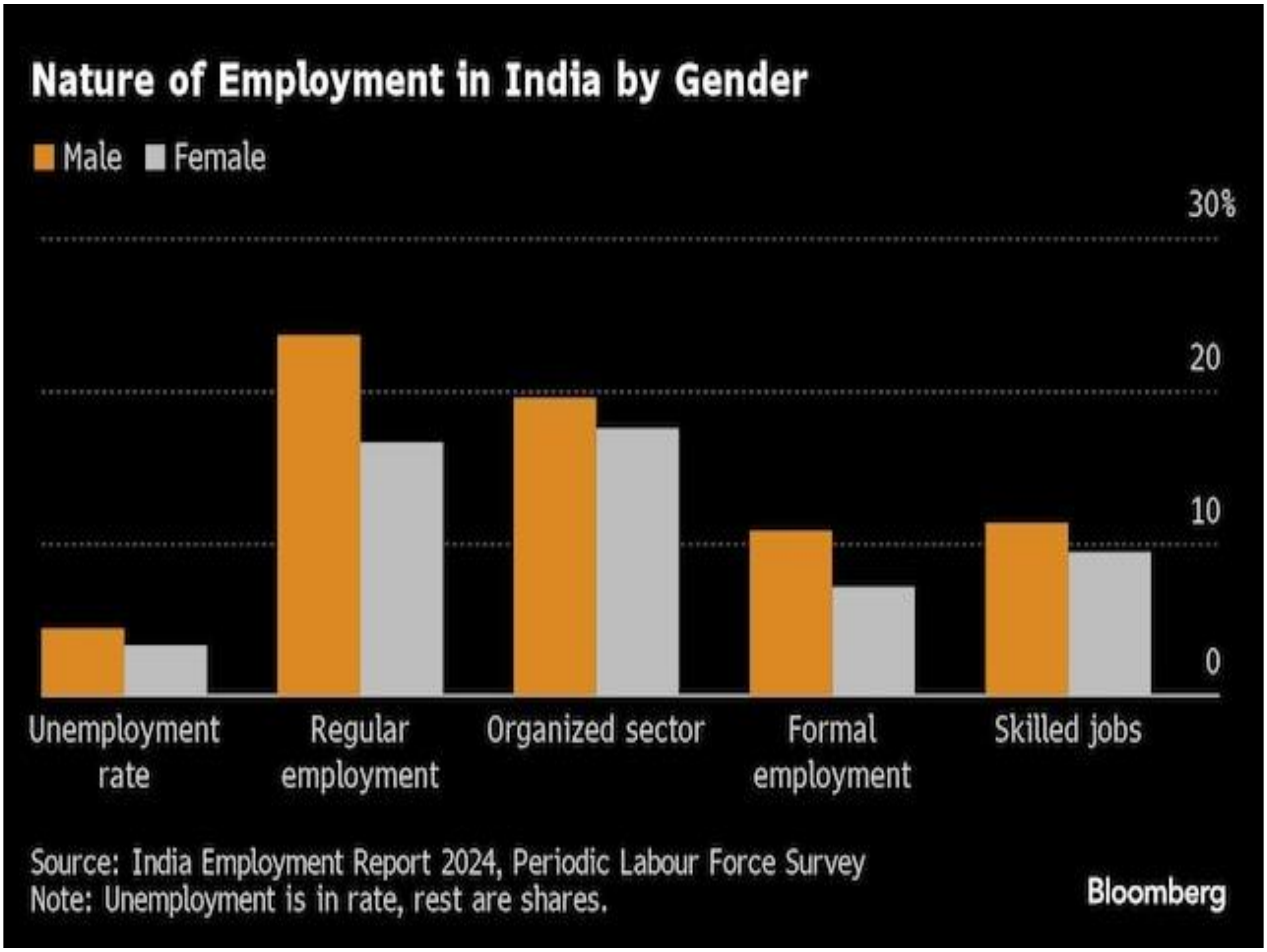


The figures suggest a sharp mismatch between the skills of the labor force and the jobs being created in the market. It also underscores warnings by well-known economists like former central bank Governor Raghuram Rajan that India's poor schooling will hinder its economic prospects over time.

"Youth unemployment rates in India are now higher than the global levels," the ILO said. "The Indian economy has not been able to create enough remunerative jobs in the non-farm sectors for new educated youth labor force entrants, which is reflected in the high and increasing unemployment rate."

In China, the jobless rate for young people aged 16-24 climbed to 15.3 per cent in the first two months of the year, about three times higher than the 5.3 per cent rate for the urban population.

While the share of young unemployed Indians — aged 15-29 — dropped to 82.9 per cent in 2022 from 88.6 per cent in 2000, the share of educated youths climbed to 65.7 per cent from 54.2 per cent in the period, the ILO figures show.



Women are particularly hard hit. They accounted for 76.7 per cent of the educated unemployed youths compared with 62.2 per cent for men, the figures show. Joblessness was also higher in urban areas than in rural parts.

India has one of the lowest female labor force participation rates in the world, at about 25 per cent, the ILO said. The rate improved during the pandemic after a "significant increase" in subsistence employment, it said.

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India's forex reserves up by $140 mn to $642.63 bn as of March 22

Read more at : [forex reserves: India's forex reserves up by $140 mn to $642.63 bn as of March 22 - The Economic Times (indiatimes.com)]

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Economy in distress, but BJP doctors don't care, says P Chidambaram

Former Finance Minister and senior Congress leader P Chidambaram took a dig at the central government, asserting that the Indian economy is in "severe distress" and alleged that "the so-called doctors of the BJP" do not care.

Chidambaram, in a post on X on Thursday, questioned the Narendra Modi-led BJP government’s claim of the economy being in "robust health in 2023-24". He cited a 31 per cent drop in net foreign direct investment (FDI), which according to him, is a "measure of the confidence" that foreign investors have in a country, the government and its policies.


P. Chidambaram
@PChidambaram_IN

BJP claims that the Indian economy is in robust health in 2023-24, but has no explanation why net FDI inflows have dropped by 31 per cent

FDI is a measure of the confidence that foreign investors have in a country, the government and its policies. Such confidence has declined sharply in 2023-24

BJP gives certificates to itself. The good certificate must come from foreign and Indian investors

Indian investors have expressed no confidence in the policies of the BJP government during the last three years. That is why the Finance Minister had to admonish them and, when that failed, beg them to increase their investments!

Foreign investors have realised the wrong policies of the BJP and the incompetent management of the Indian economy. That is why they are taking money OUT of India and not bringing investment INTO India

Interest rates are high, real wages are stagnant, unemployment is rising and household consumption is falling. These are definite signs of an economy in severe distress. But the so-called doctors of the BJP do not understand or do not care.

“The BJP gives certificates to itself. The good certificate must come from foreign and Indian investors,” the Congress leader said.

“Interest rates are high, real wages are stagnant, unemployment is rising and household consumption is falling. These are definite signs of an economy in severe distress. But the so-called doctors of the BJP do not understand or do not care,” the Congress leader said.

He also asserted that Indian investors have expressed no confidence in the BJP government's policies during the past three years. He alleged, "That is why the Finance

Minister (Nirmala Sitharaman) had to admonish them and, when that failed, beg them to increase their investments!"

Chidambaram further stated that foreign investors have "realised the wrong policies" of the BJP and the "incompetent management" of the Indian economy.

"That is why they are taking money out of India and not bringing investment into the country," he said.

As the Lok Sabha polls near, the Congress has been intensifying its attack against the central government over the status of the Indian economy, which they claim is in bad shape.

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RBI likely to hold rates in April MPC meet, may wait to assess policy actions of global central banks

There is a complete lack of buzz in the bond market when it comes to the upcoming monetary policy decision, with consensus for another one of those predictable, status quo policies. But predictable lacks excitement, predictable is boring. Yet, predictability is what policymakers often aim for, and rightly so. Anyway, at least for the time being, the narrative driving bond yields in India is anything but policy rates.

James Carville's rather popular catchphrase of 1992, "It's the economy, stupid." was meant to direct the voter's attention towards the recession in their economy. The situation today is diametrically opposite, locally and globally. Clarion calls of global recession have sunk into oblivion. So much so that the most widely anticipated US recession may not ever arrive. Germany, the UK and a few other economies flirted briefly with negative growth but failed to get much attention. Uncle Sam's economy, on the other hand, is growing strong, almost oblivious to the Federal Reserve's restrictive monetary policy.

There is also a case of global inflation reacting a bit too slowly to central bank tightening, especially on the services side. Over the last couple of months, the world has discovered that the last mile in the fight against inflation is a long-drawn one. Consequently, prospects of rate cuts have been delayed, though not yet derailed. As a result, we have witnessed lots of volatility in global bond yields, but not so much in India.

There are economies in the world with far weaker growth than India and yet their policymakers are not yet ready to cut policy rates. Against this backdrop, it seems unlikely that India will lead the way into policy easing. We are experiencing, what many believe, to be a prolonged phase of healthy economic growth. 8 percent GDP may be a one-off statistical peculiarity, but let that not draw our attention away from a healthy 6.5 percent GVA. And this growth is in the aftermath of a rate tightening cycle by the Reserve Bank of India (RBI). Add favourable demographics, buoyant credit growth, resilient capital flows and expectations of a stable government to the mix and there is hardly a case for immediate policy easing.

Bond market optimism

On the other hand, the current repo rate of 6.5 percent in combination with the Monetary Policy Committee's (MPC) FY25 average CPI projection of 4.5 percent leaves us with a rather restrictive real rate of 2 percent. Consistent fall in both headline and core inflation gives room for some measured policy easing sometime during FY25, if not immediately. Given this limited room for optimism, one may find that the bond market in India is trading at somewhat rich valuations. If it isn't the economy, what else explains this bond market optimism?

The answer to the puzzle lies in supply-demand imbalance. First, there is India's inclusion in the JP Morgan Global Bond Index beginning in June 2024. This alone is expected to result in an additional demand of more than $25 billion of government bonds by foreign investors. Compounding the joy, the FY25 interim Budget was a pleasant surprise for Indian bond markets.

The government of India's accelerated pace of fiscal consolidation plan means that the gross supply of government bonds in FY25 will be lower by Rs 1,30,000 crore than the same in FY24. Given that this demand-supply mismatch was created during a narrative of a "peak in global policy rates", it resulted in a surge in demand for duration (longer tenor bonds). Thus, in the case of India, the disappointment of delayed policy easing has been more than offset by favourable supply-demand dynamics.

We expect no change in policy rates in the April MPC meeting, with the members continuing to adopt a 'wait and watch' approach. Our growth and inflation are both on the right trajectory. Early indications suggest a normal monsoon, which, if true, will keep food prices well behaved.

Recently there has been some upward pressure in global commodity prices, that the members may want to keep a close watch on. At the current juncture, we do not foresee any major energy price shocks, though such things rarely happen with advanced notice.

All in all, the MPC may want to assure itself of the durability of a 4 percent inflation target and wait to assess the policy actions of major global central banks. For forward guidance, market participants will closely watch out for the committee's views on prevailing real rates.

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India keen on trade deals with Britain, Oman early in PM Modi's probable third term: Report

Indian Prime Minister Narendra Modi is likely to prioritise completion of free trade deals with Britain and Oman in the first 100 days of the next government if he wins upcoming elections as opinion polls predict, two government sources said.

Modi has asked Indian ministries to set annual goals for the next five years that will fit into a 100-day action plan as he chalks out a strategy to fuel further growth in Asia's third-largest economy.

Among its goals for the 100-day plan, the trade ministry aims to feature the pacts with Britain and Oman, as talks on both deals are in their final stages, said the sources, who have direct knowledge of the discussions.

They sought anonymity as details of the plan are private.

This month Modi identified integrating India into world trade as a key priority area in talks with senior government officials, according to a document seen by Reuters.

Some of the objectives will be discussed on May 1, when India will be in the middle of its seven-phase election, set to start on April 19 with vote-counting due on June 4, at which Modi will be seeking a rare third term.

The trade ministry and Modi's office, which will make a final decision on the priorities, did not respond to a request for comment.

A spokesperson for Britain's department for business and trade said the two countries were "continuing to work towards an ambitious trade deal".

The spokesperson added, "Whilst we don't comment on the details of live negotiations, we are clear that we will only sign a deal that is fair, balanced and ultimately in the best interests of the British people and the economy."

Ahead of India's elections, both nations this month put on hold their two-year long negotiations without a deal, while reaffirming their commitment to a new pact aimed at doubling their trade by 2030. Britain also holds elections this year.

Reuters could not immediately contact an Oman official. The trade ministers of India and Oman met in December and said they had asked their negotiators to wrap up talks on a comprehensive pact so as to hasten signing of a deal.

Trade between the countries has more than doubled in two years to $12.39 billion in the last fiscal year.

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‘Improve consumption, reduce income inequality for sustainable growth’

India's GDP is projected to grow at over 7% during the next fiscal year (FY25), driven by the government's capital expenditure push and the robust growth witnessed across various macroeconomic indicators. But improving consumption, especially in rural areas, and addressing the pervasive income inequality remain significant challenges for the world’s fastest-growing major economy, said panellists at the Mint India Investment Summit 2024 on Friday.

Participating in a discussion titled 'Rise of the Indian Spring', the panellists were bullish about India's growth prospects.
"What we feel is that for FY24, we will be staying (at) around 7.6% (GDP growth) or slightly upwards of that. And with that kind of backdrop, we could be thinking in terms of around 7% or 8% for FY25," said Mehul Pandya, managing director and roup CEO of credit rating agency CareEdge.
That said, rural demand has been hit by a deficient monsoon and is impacting overall growth, especially in terms of corporate capex cycle, he said.
Pandya explained that if these aspects are taken care of, and if the prognosis of a fairly normal monsoon in FY25 comes to pass, it would help rural demand. Consequently, the 7% GDP growth estimate for FY25 could potentially be better, he said. "We are confident about the trajectory, which shall remain upwards," he emphasized.
The Reserve Bank of India (RBI) has projected a 7% real GDP growth for FY25, up from its previous projection of 6.6%. RBI governor Shaktikanta Das had earlier this month said the Indian economy's GDP growth in FY24 could be "very close" to 8%.
Chipping into the conversation about the Indian economy, particularly in terms of the challenges it faces, Devina Mehra, chairperson and managing director of wealth management firm First Global, said that as income inequity is increasing in the country, consumption is becoming a major concern area, with the bulk of the growth coming from government capex.
"There was that inequality report recently, which of course showed that 65% of the wealth in the country is with the top 10%. About 20 years ago, it was 40% (40%wealth with top 10%). At that time, the next 40% also had 40% of the country's wealth. So now, it is like the top 10% has 65% and the next 40% has something like 22%, and the bottom 50% has something like 13%," Mehra said.
"The top line is that the headlines look very good, but if you phase it out, there are the areas you need to work on as a country, and I hope we do work on it and have sustainable growth," she emphasized.
However, amid the challenges, there are a lot of opportunities for investors in an economy like India, which has been registering robust economic growth, was the consensus among the panellists.
"We find several interesting investment opportunities in India. One is infrastructure. We are also getting very interested in de-carbonisation. Third is manufacturing," said Abhishek Poddar, India country head, Macquarie Group, and managing director , Macquarie Asset Management Real Assets.
Saurabh Mukherjea, founder and chief investment officer of Marcellus Investment Managers, highlighted three megatrends India is currently witnessing: the growing

profitability of SMEs in the last three years, high economic growth in peninsular India, and the paradigm of urban women having more money in their accounts than men.

"Small businesses are earning bumper profits. We haven't seen this before in India for a long time... The second transition is in coastal India. Peninsular India has seen economic growth take off. So many of the states in southern India, many of the cities in southern India, are seeing their GDP growth doubling every six to seven years," Mukherjea said. "These are the fastest-growing cities and the fastest-growing regions in the world."

Adding to the conversation was Rajiv Dhar, executive director of the National Investment and Infrastructure Fund (NIIF), who said that India is on the right track on the fiscal and regulatory policies front, especially with regards to clean infrastructure.

"On the infrastructure side, the future is bright because the regulatory framework, specifically with regards to some of the large segments of infrastructure, whether it is roads, or transportation, or energy, is quite established. There are good business models where international investors have seen a good track record with their investment and investment returns," said Dhar.

Further highlighting the emerging opportunities in India, Dhar said, "I think there's huge scope with regards to transforming companies to decarbonise... I think there are four emerging markets within India which are coming up. These are energy transition, industrial de-carbonisation, sustainable living, and climate technologies."

Overall, while the panellists agreed that the opportunities facing India's economy were immense, stakeholders in the country's growth needed to make collective efforts to ensure that the country stays on course to achieve the growth it envisions.

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Swedish delegation promotes sustainability in Bangladesh RMG sector

A Swedish delegation, comprising Johan Forssell, minister of International Development Cooperation & Foreign Trade, Alexandra Berg bon Linde, Swedish ambassador to Bangladesh, and H&M country manager Ziaur Rahman, recently visited Fakir Apparels, advocating for sustainability and collaboration in Bangladesh’s garment industry.

During the visit, they highlighted sector challenges, including issues related to GSP, achieving net zero emissions, and ensuring sustainability practices.

This is as per media reports, which added Fakir Apparels' management, including managing director Fakir Maniruzzaman, deputy managing director Fakir Nafizuzzaman, sustainability director Munzarin Zaman, and director Fakir Rafsanuzzaman, took part in the discussions.

The officials emphasised trade's vital role for Bangladesh, particularly initiatives like GSP supporting the garment industry even as they stressed collaboration among stakeholders for a smooth transition to GSP-plus, crucial for safeguarding millions of workers' livelihoods.

Fakir Apparels expressed aspirations for policy support to advance climate goals and transition to a net zero, sustainable manufacturing facility.

They outlined a roadmap with concrete steps towards these targets, highlighting the necessity of support from the EU and Sweden.

Furthermore, Fakir Apparels showcased innovative approaches to social sustainability, prioritising workers' roles and initiatives enhancing their livelihoods. These initiatives aim to promote workers' active participation in the economy and foster supportive environments for their well-being.

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Bangladesh eyes FTA with China by 2026: Reports

Tapan Kanti Ghosh, the senior secretary of the Commerce Ministry, announced the government's strategic move to pursue a free trade agreement (FTA) with China, aiming to finalise negotiations by 2026.

This is as per reports, which added this decision comes in anticipation of Bangladesh's transition from a least developed country to a developing one in the same year, which would entail a reduction in duty benefits.

Ghosh underlined the necessity of balancing post-graduation challenges, highlighting the urgency to conclude FTA talks with China before 2026.

Should negotiations extend beyond the deadline, Bangladesh plans to seek interim duty-free market access from China.

The groundwork for this agreement was laid during Chinese President Xi Jinping's visit to Bangladesh in 2016, with the signing of a memorandum of understanding (MoU) to conduct a joint feasibility study. Subsequent meetings of the joint working group, including one in Beijing in 2018, have progressed the feasibility study reports.

The commerce secretary disclosed plans for an upcoming meeting in Dhaka to finalise these reports.

China's ambassador to Bangladesh, Yao Wen, affirmed China's commitment to assisting Bangladesh in mitigating challenges post-graduation. Wen highlighted the potential of the FTA to boost Bangladesh's exports to China, citing successful agreements with other countries such as Mauritius and Cambodia.

He underscored the FTA's role in expanding investment opportunities while also acknowledging China's interest in supporting Bangladesh's development initiatives, including its ambitions for a "Smart Bangladesh" and enhanced competitiveness.

The Chinese ambassador addressed the trade imbalance between the two nations, emphasising Bangladesh's reliance on importing textiles and machinery from China for its apparel exports to global markets.

He expressed Chinese businesses' keen interest in investing in Bangladesh's key sectors, aligning with Bangladesh's vision for economic advancement.

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Vietnam and Canada aim to enhance trade cooperation: Reports

The recent second meeting of the Vietnam–Canada Economic Joint Committee in Hanoi fostered a fresh dialogue between the governments, strengthening the Comprehensive Partnership, with economic cooperation at its core.

Minister of Industry and Trade Nguyen Hong Dien, in his opening speech, highlighted the significant progress in relations, particularly in trade and investment, post the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) implementation even as he highlighted the potential for enhanced cooperation, underlining the complementary nature of the two economies and existing collaboration frameworks.

The joint committee was urged to play a pivotal role in bolstering bilateral cooperation across various sectors like economy, trade, investment, agriculture, and science-technology. The minister of Industry and Trade stressed the need for consolidating and fortifying the bilateral supply chain through cooperation review, obstacle removal, and priority identification.

Meanwhile, Canadian minister of International Trade, Export Promotion, Small Business, and Economic Development Mary Ng commended Vietnam's role in Canada's Indo-Pacific Strategy (IPS) and led a commerce delegation to explore trade and investment prospects, aiming to fortify the supply chain and fulfil IPS objectives.

Chaired by deputy ministers Phan Thi Thang and Rob Steward, the meeting encompassed discussions on trade, investment, agriculture, energy, finance, customs, science-technology, education, training, and energy transition.

Participants, including the Business Council of Canada, Canada-ASEAN Business Council, and Vietnam Nam Chamber of Commerce and Industry, advocated for conducive conditions to enhance trade and investment ties.

Established in January 2022, the joint economic committee's first meeting took place in Vancouver in July, marking the commencement of a new dialogue fostering deeper economic cooperation within the Comprehensive Partnership.

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Bangladesh needs to transform spinning industry to meet the changing global fashion trends

In alignment with global fashion trends, which are increasingly favoring manmade fiber-based products, Bangladesh's export-oriented garment industry is undergoing a similar transformation. As a crucial backward linkage industry, the spinning sector of Bangladesh must adapt to support the textile and garment industry with the required pace and quality.

Traditionally, most spinning mills in Bangladesh were equipped with machinery designed for 100 percent cotton fiber. However, those mills successfully catering to customer demands have undergone significant transformations. They now possess the capability to produce not only 100 percent cotton yarn but also blended yarns to meet diverse customer needs.

To remain competitive in the evolving market, spinning mills in Bangladesh must prioritize research and development. Diversifying product ranges to include synthetic fiber-based blended yarn alongside cotton yarn is imperative. Establishing in-house research and development teams dedicated to product diversification is essential for staying ahead in the industry.

Adapting machinery for producing synthetic fiber-based blended yarn requires adjustments in blow room, carding, and ring machines. Continuous research and development efforts are necessary to ensure consistent quality that meets customer demands.

Recent data indicates a rising demand for polyester staple fiber (PSF) in the local spinning industry. Given the global shift toward manmade textile fibers, this demand is expected to continue growing. Investors should consider opportunities in polyester spinning industries, focusing on producing polyester-oriented yarn (POY), draw textured yarn (DTY), and partially oriented yarn (POY) directly from imported materials like monoethylene glycol (MEG) and purified terephthalic acid (PTA).

To support the smooth operation of these spinning mills, conducive government policies and efficient local professionals are essential. Universities should revise their curricula to produce professionals equipped to handle the challenges and demands of manmade fiber-based spinning industries effectively.

In addition to adapting to new materials, spinning mills face challenges in machine maintenance, production efficiency optimization, and energy consumption. Embracing innovation and sourcing energy-efficient machinery are crucial steps to overcome these challenges. Government policies should facilitate access to spare parts in a business-friendly manner to enhance competitiveness.

It is imperative for spinning mills to embrace this transformation to remain relevant and competitive in the global market. This is a pivotal moment for stakeholders to strategize and take decisive steps towards sustainable growth and success.

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