

LETTER

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Cotton Gains As Demand For India Cotton Continues To Be Strong From Buyers

Cotton candy prices saw a modest uptick of 0.55% to settle at 58660, fueled by robust demand for Indian cotton from key buyers like Bangladesh and Vietnam. The USDA's weekly export sales report highlighted a substantial increase in net sales for the 2023/2024 season, reflecting a surge of 79% from the previous week and 64% from the prior four-week average. Despite this positive momentum, upward movement was tempered by expectations of improved crops in countries such as Australia. The International Cotton Advisory Committee (ICAC) projected growth across various metrics for the next season, 2024-25, including increases in production, consumption, and trade. However, India's cotton stocks are anticipated to decline by nearly 31% in 2023/24, reaching their lowest level in over three decades due to decreased production and rising consumption.

This reduction in stockpiles could limit exports from the world's second-largest producer and support global prices, but it may also exert pressure on the margins of local textile companies. Looking ahead, India's cotton production for the current season is expected to decrease slightly, while consumption is projected to rise. The country's cotton exports are forecasted to increase, reflecting strong international demand. In addition, China's cotton imports for the marketing year 2024/25 are estimated to rise significantly, driven by higher demand for textile and apparel products domestically and internationally.

From a technical perspective, the cotton candy market witnessed short covering, with a drop in open interest by --2.91 % and prices increasing by 320 rupees. Support for cotton candy is expected at 58580, with a potential downside towards 58490. Conversely, resistance is likely to materialize around 58780, with a breakout potentially pushing prices towards 58890.

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India needs 'hard reforms' to reach GDP growth of 7.5%, says HSBC

India will need to carry out difficult reforms such as overhauling land



and labor laws in order to grow the economy more than 7.5% over the next decade, according to HSBC Holdings Plc.

Even with easy to moderate reforms, growth can come in at 6.5% over the medium term, Pranjul Bhandari, HSBC's chief India economy, wrote in a report on India's elections Monday. "For 7.5%+ growth, moderate to hard reforms will be necessary," she said.

Prime Minister Narendra Modi — who is seeking a third term in elections that run until June 1 — has been campaigning on making India a developed nation by 2047.

While he hasn't defined what that goal means, economists say to become a high-income country as defined by the World Bank, India's economy would need to expand more than 8% annually for the next quarter century to achieve that target.

Bhandari differentiated India's reforms based on the ease of implementation:

"The hard bucket comprises the most controversial reforms, requiring a lot more political capital in order to get them done," the HSBC economist said. "These reforms may also be the most growth accretive over the medium term, as they address bottlenecks which large parts of the economy face."

If the government sticks with the easy reforms of infrastructure investment, curbing the fiscal deficit to 4.5% by 2025-26, and supporting investments in futuristic sectors such as semiconductors, growth would reach 6.5% over the next 10 years, HSBC said.

"We believe it will be clear in the first year of the new government which reform bucket it is most likely to focus on," Bhandari said.

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Indian economy likely to grow 7% in FY24 amid benign global outlook: NCAER

The Indian economy could grow more than 7 per cent during the current fiscal amid a benign global outlook and expected above-normal monsoon, economic think tank NCAER has said.

In its April 2024 issue of Monthly Economic Review (MER), NCAER said a range of high-frequency indicators reveal the resilience of the domestic economy with the Purchasing Managers' Index (PMI) for manufacturing at a 16-year high and UPI, the leading digital payments system, touching the highest volume since its inception in 2016.

"Projected acceleration in both global growth and trade volumes, as well as a forecast of an above-normal monsoon, indicate that the Indian economy can again attain growth rates higher than 7 per cent during the current fiscal year," said NCAER Director General Poonam Gupta.

According to NCAER, Goods and Services Tax (GST) collections reached Rs 1.8 lakh crore in March, the second best since its rollout in 2017, while UPI recorded 13.4 billion transactions (in volume) in March 2024, the highest since its introduction, registering a growth of 55.3 per cent on a year-on-year basis.

"These high-frequency indicators, coupled with a more benign global outlook projected by the IMF and WTO bode well for the Indian economy during the current year," Gupta added.

According to the report, Consumer Price Index (CPI) headline inflation was down to 4.9 per cent in March from 5.1 per cent in February, while



core inflation came down to 3.2 per cent during the same period.

The report said employment indicators again showed mixed trends, with an increase in the number of net new subscribers under the Employees' Provident Fund Organisation (EPFO) on a year-on-year basis.

However, the overall online hiring activities, as per the Naukri JobSpeak Index, moderated year-on-year, it added.

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RBI issues revised guidance note on operational risk management, extends it to NBFCs

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India's eight core sectors grow 5.2% in March

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India-Mauritius Treaty Protocol 2024 — these are the main implications for foreign investors

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INDIA'S COTTON YARN AND FABRIC EXPORTS GROW BY 7% TO REACH \$11.7 BN IN FY24

[India's cotton yarn and fabric exports grow by 7% to reach \\$11.7 bn in FY24 - Apparel Views](#)

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CBIC develops common bank audit plan for central, state GST officers

The Central Board of Indirect Taxes and Customs (CBIC) has brought out common norms for central and state level Goods and Services Tax (GST) officials to audit banks, CBIC chairperson Sanjay Kumar Agarwal told field officers.

The move gives more certainty about audit procedures to banks as officials would have a common audit plan to go by. The common minimum audit plan for banks, issued in April, provides guidelines to help audit officers, both from the Centre and the states, to function in an "efficient, focused, transparent and coordinated manner," Agarwal said in a communication posted on CBIC's website.

Agarwal called the common audit plan a "stellar example" of the synergy between the Centre and the states in implementing the indirect tax.

More predictable

Mint had reported on 22 January 2023 that the Central and state governments were working on making GST audits uniform across the country which would make scrutiny of GST compliance more predictable for businesses and ensure consistency of audits of different units across the country.



GST audits are meant to check the correctness of declared sales, taxes paid, refunds claimed and input tax credit availed by going over the tax returns and other records maintained by businesses. A mismatch could raise a red flag.

Holistic audit

"The common minimum audit plan is expected to help officials to conduct audits in the banking sector in a holistic and comprehensive manner, given that the banking sector is one of the more complex industries, though well-organized. Insurance and telecom are the other complex sectors where similar plans may help officials to carry out audits," said Rajat Mohan, executive director at MOORE Singhi.

Agarwal also informed field officers about a new agreement signed by the authorities in India and Australia for greater "trust-based" facilitation of merchants from both the countries. Customs authorities in India and Australia have agreed to have mutual recognition of their authorized economic operators (AEO) programmes that extend certain privileges to trusted merchants. AEO programmes facilitate ease of doing business. Agreements with other countries for mutual recognition of these schemes extend the scope of the privileges to merchants and brokers engaged in international trade. These privileges include faster clearance of shipments at ports, lower inspection charges, quicker tax refunds, facility for deferred duty payment and acceptance of self-declaration of origin of goods. Signing MRAs enables merchants from India to avail of these benefits in the country signing an MRA with India.

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India to grow 6.8% in FY25, public investment to be the driver, says IMF

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Exports seen higher in April, order inflows robust

Exporters who witnessed a 3.1% annual decline in shipments last fiscal are again upbeat as order inflows have seen a significant rise in April, the first month of new fiscal year. Orders have risen across key sectors in April as compared to March and April of last year, sources said.

The sectors like textiles and apparel and leather are reporting an increase in orders which points to a healthy first quarter, director general and chief executive officer of Federation of Indian Export Organisations (FIEO) said Ajay Sahai.

Another factor that will help in coming months is the shipments of orders that were booked in March but could not leave Indian shores on time as the Red Sea crisis and other developments in the Middle East have disrupted global shipping. Earnings from these orders will be reflected in the early months of 2024-25.

Key reason for disruption in shipping is that after Houthi rebels of Yemen started attacking merchant ships the cargo vessels started avoiding the Suez Canal and detouring around the Cape of Good Hope. Transit times have increased by 30% and container shipping capacity has dropped by 9% as ships spend more time at sea.

The experience of exporters aligns with the forecasts of revival in world trade by World Trade Organisation (WTO) and United Nations Conference on Trade and Development (UNCTAD). WTO expected world trade volumes to expand 2.6% in 2024 after a contraction of 1.2% in 2023. In value terms the world merchandise trade had fallen 5%.

India too had recorded a 3.1% decline in exports to \$ 437 billion in FY 24. In the last financial year the April-June quarter was the toughest when exports had declined 6.3%. So this year the low base would also help the numbers look good.

The engineering sector that contributes 25% to total exports is also reporting order inflows at above the last year's level. "April is traditionally a slow month after a rush in March and order flow is by and large at the sustaining at least



year's pace," chairman of Engineering Export Promotion Council (EEPC) Arun Kumar Garidia said.

Engineering exports struggled in the early part of FY 24 but made a sharp rebound in the second half to close the year with a 2.1% growth to \$ 109.32 billion. The sector also increased its share in India's exports to 5.01% from 23.74% in FY 23.

The export sector has weathered the global headwinds from macroeconomic factors and geopolitical tensions well in FY 24 but fears of an escalation remain. Sahai said if the Middle East situation deteriorates it will pose a challenge.

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Clariant Showcases Sustainable Innovations At Coatings Show 2024

Clariant, a sustainability-focused specialty chemicals company, is excited to bring the company's latest innovations to customers at the American Coatings Show 2024. Expert representatives will be spotlighting a variety of innovations to improve performance and reduce environmental footprints through bio-based ingredients, as well as opportunities for collaboration with Clariant specialists.

"Clariant is committed to helping the industry transition away from fossil carbon materials towards greener carbon alternatives," commented *Sebastian Prock, Head of Marketing & Application Development, Industrial Applications, Business Unit Care Chemicals*. "The VITA portfolio offers 100% bio-based products and Clariant also has a new portfolio of additives to simplify the formulation of high-performance water-based coatings for industrial applications."

The VITA product line offers fully segregated, 100% plant-based products, including polyglycols and ethylene oxide derivatives for use in paint and coatings production. Derived from bioethanol, these products are chemically equivalent to fossil-based analogs and show the same performance and efficiency, while significantly lowering carbon footprints compared to traditional materials.

In addition, Clariant offers natural-origin wax products with at least 98% bio-based renewable content. These enhance coating aesthetics, durability, and manufacturing processes. Certified biomass balance-based TERRA options allow sustainable substitutions without compromising performance.



To help customers in the industrial coatings industry transition from solvent- to water-based formulations, Clariant has also developed a new portfolio of wetting and dispersing agents that produce low-viscous formulations while enhancing corrosion resistance and adhesion of the resulting coating. Clariant's team of experts are at customers' service to assist in the formulation and development of coatings to protect and enhance surfaces in varied industrial settings, such as shipping containers, trains, steel bridges, and construction equipment.

"We're also delighted to introduce the newest addition to Clariant's portfolio of light and heat stabilizers for SMP sealants: AddWorks IBC 760," commented *Ray Gonzales, Head of Marketing Coatings & Adhesives, Business Unit Adsorbents and Additives*. "This technology surpasses the performance of current benzotriazole-containing solutions in the market, and it offers improved protection against UV and thermal degradation."

Omya and Clariant have been jointly granted a European Patent for the AddWorks IBC 760 technology, an innovative label-free light and heat stabilizer solution for SMP sealants. This product offers improved processing and handling properties, while reducing the cracking and yellowing that typically occurs during exposure to strong sunlight or high temperature conditions. AddWorks IBC 760 is furthermore a safe and effective solution that meets the high standards of customers and the industry.

In addition, Clariant's "Industrial Applications Innovation Center" in Charlotte, NC is ready to collaborate with coatings manufacturers to jointly tackle technical challenges and compliance requirements. The state-of-the-art lab facilities feature specialized equipment including a spray booth, weathering chambers, and measurement instrumentation to test and optimize customer formulations. Experts at the center also support compliance testing for sustainability standards and emerging regulations.

Meet Clariant's experts at Booth 2846 to learn more about opportunities to collaborate and enhance customer success with innovative high-performing products and solutions that align with the evolving market demand.

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Bangladesh, Thailand Set To Kickstart FTA Talks This Year: Reports

Bangladesh and Thailand have cemented their commitment to commence negotiations on a Free Trade Agreement (FTA) by 2024. The announcement came after the two nations signed a Letter of Intent (LOI) following a bilateral meeting between Prime Minister Sheikh Hasina and her Thai counterpart Srettha Thavisin at the Thai Prime Minister's Office in Bangkok recently.

The agreement underscores a mutual intent to bolster economic ties and enhance trade relations between the two countries even as during the meeting, aside from the FTA



negotiations, an additional agreement and three memorandums of understanding (MoUs) were inked in the presence of the Prime Ministers.

Prime Minister Sheikh Hasina emphasised the importance of Thai investment in Bangladesh's healthcare sector, urging exploration into investments in hospitals and medical facilities. She also extended invitations for Thai investments in Bangladesh's special economic zones and hi-tech parks, underscoring avenues for mutually beneficial collaboration.

Addressing the joint press conference, Prime Minister Sheikh Hasina highlighted the signing of an agreement on visa exemption for holders of official passports, facilitating smoother interactions between officials from both nations.

Additionally, an MoU was signed to explore energy cooperation potential, positioning Thailand as a key partner for Bangladesh in this sector.

Another MoU focused on cooperation and mutual assistance in customs matters, aiming to streamline customs procedures and enhance trade efficiency.

Furthermore, an MoU on cooperation in the field of tourism was signed, reflecting efforts to leverage Thai expertise and best practices to enhance Bangladesh's tourism sector.

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ADB President Forecasts 5% Growth For 'Developing' Asia: Reports

In a comprehensive ADB Insight episode preceding the 2024 ADB Annual Meeting, ADB president Masatsugu Asakawa, European Bank for Reconstruction and Development president Odile Renaud-Basso, and Georgia finance minister Lasha Khutsishvili shared insights into forging a sustainable and inclusive future.

Media reports underlined this adding Asakawa highlighted that so-called developing Asia's economies were projected to achieve a robust growth of 5 per cent in 2023, with an anticipated sustained momentum of around 4.9 per cent in the subsequent years.

He underscored successful containment of inflation, with rates dropping from 4.4 per cent in 2022 to 3.3 per cent in 2023. This growth trajectory stemmed from factors like robust domestic demand, improved export performance, strong remittance inflows, tourism revival, and China's economic recovery.



However, Asakawa also outlined significant challenges, including geopolitical conflicts, potential volatility in global financial markets due to monetary policy shifts in advanced economies, and food security concerns.

He emphasised ADB's commitment to addressing the latter through a comprehensive \$14 billion financial package, primarily focusing on bolstering the agriculture sector's resilience to external shocks.

Highlighting the looming climate crisis, Asakawa stressed the pivotal role of the Asia-Pacific region, accounting for over 60 per cent of CO2 emissions and being disproportionately vulnerable to natural disasters. He advocated for collective action against protectionism, promoting open and free trade bilaterally and multilaterally, and deepening cooperation efforts to complement globalisation.

Finance minister Khutsishvili shared Georgia's remarkable economic growth rates, with double-digit figures in 2021 and 2022, and continued momentum with a 7.5 per cent growth in the preceding year, poised to persist in the current year.

These insights underscored the imperative for concerted global efforts to navigate prevailing challenges and foster sustainable development across regions.

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US & Taiwan To Hold New Trade Negotiations In Taipei

The US and Taiwan are set to engage in another round of in-person trade negotiations in Taipei, beginning April 29, 2024, as part of the ongoing US-Taiwan Initiative on 21st Century Trade. The discussions, facilitated by the American Institute in Taiwan (AIT) and the Taipei Economic and Cultural Representative Office in the US (TECRO), aim to further enhance trade relations between the two economies.

The US delegation, led by the Office of the US Trade Representative (USTR) and specifically by Assistant US Trade Representative for China, Mongolia, and Taiwan Affairs, Terry McCartin, will include representatives from various US government agencies. This delegation underscores the significant US commitment to deepening economic ties with Taiwan through detailed and comprehensive negotiations, USTR said in a press release.

This upcoming round follows the successful conclusion of an initial agreement under the same initiative, which was signed on June 1, 2023. The prior agreement covered crucial areas such as customs administration and trade facilitation, good regulatory practices, services domestic regulation, anti-corruption, and support for small- and medium-sized enterprises (SMEs). These measures have already begun to facilitate smoother trade and investment between the US and Taiwan, offering US businesses greater access to the



Taiwanese market, enhancing transparency, and creating a more streamlined regulatory environment.

The negotiators will discuss several key trade areas outlined in the initiative's mandate, building on the foundation laid by the first agreement to further integrate and optimize bilateral trade and economic interactions.

These negotiations are conducted within the framework of the US' one China policy, adhering to the principles of the Taiwan Relations Act, the three US-China Joint Communiqués, and the Six Assurances, ensuring that diplomatic protocols are maintained while striving for economic benefits for both nations.

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IMF Enquires About Bangladesh Bank's Move To Control Inflation

The IMF team, which is now in Bangladesh to assess the progress of the target set by the global lender in a lending package for restoring macroeconomic stability deemed under stress disbursing third tranches of its \$4.7 billion worth of approved loan, met various departments of the central bank recently.

Simultaneously, the Bretton Woods Institution has also suggested formulating a climate risk testing framework for the financial sector to assess vulnerability-absorbing capacities of the banks and other financial institutions on the context of global warming that is severely affecting countries like Bangladesh.

The central bank officials present at the meetings reportedly said members of the multilateral lending agency wanted to know the possible reasons for not being able to curb inflation despite taking a contractionary monetary stance.

The central bankers explained to the IMF delegation that controlling inflation through only interest-rate mechanism is tougher here because of involvement of other non-monetary factors in the supply side.

The IMF delegates also wanted to know the liquidity status in banks amid the persisting contractionary monetary regime and the logic behind providing enhanced cash-support to the banks by the central bank.

They also talked about the forex reserve, possible crawling peg activities as well as the issue of non-performing loans (NPLs).

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