# LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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## News Highlights

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### 19 major commodities see export volume growth, but value declines

[19 major commodities see export volume growth, but value declines | Economy & Policy News - Business Standard (business-standard.com)]

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### ICE Cotton Contracts Hit Multi-Month Lows Amid Market Turbulence

ICE cotton dropped in Tuesday's trading session due to multiple reasons and weak sentiment. All cotton contracts touched multi-month lows amid heavy selling pressure. Improved weather conditions in the US, a stronger dollar, weaker crude oil prices, and impending Federal Reserve interest rate decision amid inflation concerns together contributed to dragging ICE cotton down.

According to trade analysts, the US cotton July contract dropped 309 points to 78.43 cents per pound (0.453 kg). The contract touched a new low of 78.03 cents during the previous session. The December contract settled at 76.83 cents per pound with a loss of 142 points on Tuesday. It lost 716 points in April 2024.

The dollar index crossed 106 levels and settled above this, making cotton expensive and unattractive for foreign buyers. Meanwhile, crude oil settled lower after a calm in the Middle East, which hurt cotton sentiments. The Federal Open Market Committee’s decision on interest rates are . Analysts are not expecting any interest rate cut due to inflation concerns.

ICE cotton noticed gains in trading volume after previous declines. A total of 59,615 contracts were traded on Tuesday. Certified cotton stocks began to decline, starting today at 182,659 bales, with a net reduction for the first time since March.

Currently, US cotton belts are experiencing favourable weather, which is supportive of a big crop ahead. This was also another reason for the major tsunami in the market. During March 2024, ICE May lost 8.19 cents, and ICE July lost 5.80 cents. The ICE cotton July contract lost 13.54 cents in April 2024.

In Wednesday's session, the ICE cotton July 2024 was traded 0.39 cent lower at 78.04 cents per pound. Meanwhile, cash cotton was traded at 74.18 cents (down 3.09 cents), May 2024 at 78.04 cents (down 2.10 cents), the October (new crop) contract at 77.26 cents (down 1.79 cents), the December 2024 contract at 76.60 cents (down 0.23 cent), and March 2025 at 78.28 cents per pound (down 0.21 cent).

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**GST collection for April 2024 highest ever at Rs 2.1 lakh crore, up 12.4% YoY**

India's Goods and Services Tax (GST) collections in gross terms hit a record high in April 2024 at Rs 2.1 lakh crore. This represents a 12.4 percent year-on-year growth, driven by a strong increase in domestic transactions (up 13.4 percent) and imports (up 8.3 percent), finance ministry said in a statement on May 1. The government had collected Rs 1.87 lakh crore as GST in the same period last year.

"After accounting for refunds, the net GST revenue for April 2024 stands at Rs 1.92 lakh crore, reflecting an impressive 15.5 percent growth compared to the same period last year," the ministry said.

Monthly GST collections have risen over the years. From averaging under Rs 1 lakh crore per month in 2017-18 - its first year - collections rose rapidly after the pandemic-hit 20202-21 to average Rs 1.51 lakh crore in 2022-23.

Gross collections in the first month of FY25 was also 17.81 percent higher versus the mop-up in March of Rs 1.78 lakh crore.

"The all-time high GST collection in April 2024 has come on the back of strong growth in collections from northern States like UP, Punjab, Haryana, Delhi etcetera. The GST collection in April month has traditionally been higher (the previous highest GST collection was also achieved in April 2023), given that it reflects the economic activity in the month of March, which is the last month of the fiscal year," said Gunjan Prabhakaran, Partner and Leader, Indirect Tax, BDO India.

Out of the total collections in April 2024, the government garnered Rs 43,846 crore via central GST, Rs 53,538 crore through state GST, and the integrated GST mop-up came in at Rs 99,623 crore, including Rs 37,826 crore collected on imported goods.

GST cess collections for the previous month stood at Rs 13,260 crore, which included Rs 1,008 crore collected on imported goods.

"GST collections breach landmark milestone of Rs 2 lakh crore," Finance Minister Nirmala Sitharaman posted on social media platform X (formerly Twitter).

"In the month of April, 2024, the central government settled Rs 50,307 crore to central GST and Rs 41,600 crore to state GST from the integrated GST collected. This translates to a total revenue of Rs 94,153 crore for central GST and Rs 95,138 crore for state GST for April 2024 after regular settlement," the ministry said.

Finance Minister Nirmala Sitharaman added that with this integrated GST settlement there are no dues pending to the states.

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**The case for cautious optimism over state of Indian economy**

Last year, the Indian economy fared better than expected. The National Statistical Office's second advance estimates have pegged growth for the full year at 7.6 per cent. As per the International Monetary Fund's Regional Economic Outlook report, India has been a "source of repeated positive growth surprises". There are expectations of the growth momentum continuing this year as well. In its most recent World Economic Outlook, the IMF has upped its growth projections for the country. The Fund now expects the Indian economy to grow at 6.8 per cent in 2024-25, up from its earlier projection of 6.5 per cent. The Reserve Bank of India is more optimistic. In the last monetary policy committee meeting, the central bank had projected growth at 7 per cent. The Asian Development Bank has also upped its estimate of growth this year to 7 per cent. The World Bank has pegged the economy to grow at a marginally lower rate of 6.6 per cent in its recent South Asia Development update. Rating agency Crisil expects growth at 6.8 per cent, while ICRA is less optimistic at around 6.5 per cent. This range of **GDP growth** estimates from 6.5 to 7 per cent does suggest that the Indian economy is likely to remain the fastest growing large economy in the world.

There are several reasons to be optimistic about the **country's growth prospects**. As per the India Meteorological Department, the southwest monsoon this year is "most likely to be above normal". There is a 60 per cent chance of La Nina conditions developing by June-August as per the most recent update from the US National Oceanic and Atmospheric Administration. A good monsoon would bode well for food production, and, as a consequence, possibly provide a fillip to rural demand. There are also expectations of a firm pickup in private investment activity as capacity utilisation rates rise. Both bank and corporate balance sheets are healthy — bank non-performing loans fell to 3.2 per cent in September 2023, while the corporate debt-to-equity ratio has fallen from 1.16 in 2014-15 to 0.85 in 2022-23 as per a report from Nomura. However, there is a possibility of government capex slowing down in the first few months of the year due to the elections. On the trade front, while the IMF does expect world trade volume in both goods and services to pick up, uneven global growth and geopolitical conflicts do create uncertainty. There are, however, several sources of concern. As per the IMF, growth in the global workforce will be driven by India and sub-Saharan Africa, with these regions accounting for "nearly two in every three entrants over the medium term". Creating more productive forms of employment opportunities for the millions entering the labour force each year should be a top priority for the next government. Alongside, it must also commit to the path of fiscal consolidation and bring down its debt.

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**Public investment remains an important driver for India's growth, says IMF**

Public investment remains an important driver for India, making it the world's fastest growing major economy, the International Monetary Fund (IMF) said in its latest remarks on the Regional Economic Outlook for Asia and Pacific released Tuesday. The IMF also said that headline inflation may see further reductions due to lower energy prices in several economies in the Asia and Pacific region, but food price pressures – especially for rice – may slow headline disinflation in India.

The IMF had earlier this month raised India's growth forecast for the financial year 2024-25 to 6.8 per cent from 6.5 per cent earlier and retained the growth forecast for 2025-26 at 6.5 per cent. India and the Philippines have been the source of repeated positive growth surprises, supported by resilient domestic demand, the IMF said.

The IMF has also raised the regional growth forecast for Asia and Pacific to 4.5 per cent, up 0.3 percentage point from six months earlier, reflecting upgrades for China, where

policy stimulus is expected to provide support. But the growth forecast for the region is slower than 5 per cent growth in 2023.
Global disinflation and the prospect of lower central bank interest rates have made a soft landing more likely, hence risks to the near-term outlook are now broadly balanced, Krishna Srinivasan, Director, Asia and Pacific Department said in a blog post. Asian central banks should continue to focus firmly on domestic price stability and "avoid making policy decisions overly dependent" on anticipated interest rate moves by the US Federal Reserve, Srinivasan said.

In a still subdued external environment, robust private consumption will remain the main growth driver in Asia's other emerging market economies, he added.

For inflation, the IMF said it is already at or close to target in emerging markets and there is heterogeneity in inflation drivers going forward. "Core inflation is largely expected to remain contained. As for headline inflation, several economies may experience further reductions due to lower energy prices while in others (for example, India), food price pressures—especially for rice—may slow headline disinflation," the IMF said.
Asian countries are better placed than before to cope with exchange rate movements, with fewer financial frictions and better macro-fundamentals and institutional frameworks and should continue to allow the exchange rate to act as a buffer against shocks, he said.
Advancing fiscal consolidation is an urgent priority both to lessen the burden of higher debt levels and interest costs and to rebuild the fiscal space needed to address medium-term structural challenges.

The IMF said China is a source of both upside and downside risks. "Policies aimed at addressing stresses in the property sector and to boost domestic demand will both help China and the region. But sectoral policies contributing to excess capacity will hurt China and the region. Geoeconomic fragmentation remains a significant risk," it said. Growth rate for China, the world's second-largest economy, is projected to slow from 5.2 per cent in 2023 to 4.6 per cent this year and 4.1 per cent in 2025.
Global conflict poses additional risks to trade, as evidenced by the re-routing of ships around Africa to avoid the Red Sea, which raises shipment costs, Srinivasan said. "For Asia's economies these are unfortunate developments, as many of them are deeply integrated into global supply chains and benefit greatly from trade. Hence policymakers should be cautious to not aggravate trade frictions themselves," he said.

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**India, Nigeria agree toearly conclusion of localcurrency settlementsystem agreement**

Nigerian Naira: India, Nigeria agree to early conclusion of local currency settlement system agreement - The Economic Times (indiatimes.com)

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**Better PLI execution on cards if Modi returns to power, says report**

If Prime Minister Narendra Modi wins a third term in office, investors will be looking at better execution of production-linked incentive (PLI) schemes to make India an exports hub, growth in public capital expenditure (capex), and privatisation of state-owned enterprises (SOEs), the Paris-based bank Societe Generale said in a research report on Tuesday.

The seven-phase general elections for Lok Sabha kicked off on April 19. "The consensus of the opinion polls is pointing to a return of the Bharatiya Janata Party (BJP)-led alliance, the National Democratic Alliance (NDA), with a full majority. The market started to price in policy continuity since the victory of the incumbent ruling alliance in state elections in December. A change of guard could lead to a correction in the short term, similar to what we saw in 2004. However, what would matter in the medium term is a stable government," it said.

The French banking group said the turnaround in the investment cycle that started from 2018-19 has further gained pace over the last two years after a COVID-led disruption in 2020 and 2021. "An almost 100 per cent increase in capex over the past four years has been the hallmark of the Modi government’s second term. Going forward, the government might have to moderate the rate of growth to move closer to its fiscal deficit target of 3 per cent. However, public capex is key in sustaining the upturn in the investment cycle and supporting private capex recovery. Hence, capex growth would be a factor to watch for sustained support to earnings growth," it added.

Societe Generale said almost three years since the launch of the PLI scheme, the offtake as measured by subsidies given has been low. "As per government data, about $100 billion of sales have been generated because of the PLI scheme. That is less than 20 per cent of what was estimated at the launch of the scheme. However, some success with Apple iPhone exports and potential discussions with Tesla are some credible successes on the international front. The continuation of more foreign firms starting to manufacture/base operations in India along with the realisation of PLI goals would be a factor to watch," it added.

The Paris-based bank said SOEs have significantly re-rated in the past three years, creating less ambiguity about their valuation in the bid process and, secondly, given the overall increase in public capex, some of these companies are also beneficiaries of this theme which may facilitate their privatisation process. "The government also devised a 'Disinvestment Policy' in 2021, under which it aimed to strategically privatise SOEs or partially reduce its stake in them. However, except for the privatisation of the unlisted airline Air India, the government was unsuccessful on that initiative partly due to the COVID-led disruption and the lack of successful bids," it added.

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## GLOBAL

### FDI Disbursement In Jan-Apr In Vietnam Hits 5-Year Record, Up 7.4% YoY

The total foreign direct investment (FDI) disbursed in Vietnam between January and April this year is estimated to be worth $6.28 billion—up by 7.4 per cent year on year (YoY), the highest four-month amount in the last five years, the general statistics office (GSO) said.

The processing-manufacturing sector witnessed the largest amount: $4.93 billion, accounting for 78.5 per cent of the total FDI disbursed in the country during the period. It also led the newly-registered FDI capital at nearly $5 billion.

By April 20 this year, total FDI inflows into the country had reached nearly $9.27 billion, a YoY rise of 4.5 per cent.

Of the total, $7.11 billion was poured into 966 new projects, an increase of 28.8 per cent YoY in the number of projects and 73.2 per cent YoY in the capital amount.

Among the 50 countries and territories with newly-licenced projects in Vietnam in the first four months this year, Singapore contributed the highest with $2.59 billion, making up 36.4 per cent of the total.

Hong Kong came second with $898.6 million, while Japan ranked third at $814.1 million.

Foreign investors also poured $929.6 million into 902 capital contribution and share purchase deals during the period, a news agency reported.

Meanwhile, Vietnamese investors invested $98.3 million in 36 new projects abroad during the four-month period—down by 29.8 per cent YoY, along with $580,000 in three operating projects.

The Netherlands received the highest investment capital ($54.6 million) from Vietnam among the 14 countries and territories that attracted Vietnamese investment.

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**Sri Lanka's Economic Wins Tempered By IMF Concerns**

Krishna Srinivasan, director of the Asia and Pacific Department at the International Monetary Fund (IMF), commended Sri Lanka's progress under the IMF-supported programme, acknowledging the authorities' efforts amidst challenging circumstances.

He emphasised that Sri Lanka's adherence to the programme had yielded positive outcomes so far, as observed by the IMF.

Despite this, Srinivasan cautioned that significant challenges lie ahead, emphasising the importance of continued commitment to the programme for a sustainable recovery even as he highlighted the need for ongoing fiscal adjustments and governance improvements outlined in the programme to maintain momentum and overcome obstacles.

While acknowledging the government's efforts in addressing governance and corruption issues, the director of the Asia and Pacific Department at IMF, reiterated that the road ahead remains challenging while stressing the necessity for Sri Lanka to remain steadfast in implementing the programme to ensure a durable exit from the crisis and facilitate economic recovery.

Looking forward, Srinivasan expressed optimism about the potential for further improvements if the government maintains its commitment to the programme while highlighting the importance of continued adherence to the programme's objectives for achieving better results in the future.

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**Universal Fibers To Unveil ReFigure At Clerkenwell Design Week In UK**

Universal Fibers is all set to make an impact at this year's Clerkenwell Design Week.

Building upon the success of previous installations, the company unveils its latest brand activation, 'ReFigure' to illustrate their commitment to harnessing innovation to drive positive change.

Drawing inspiration from their dedication to sustainability, 'ReFigure' transforms elements from the 2023 installation, 'Promenade' into a series of colourful and creative resting spaces, inviting visitors to engage with the space in a new way. Located in Clerkenwell Close, this innovative outdoor space breathes new life into materials and concepts, symbolising Universal Fibers' journey towards carbon-negative fiber production.

In addition to the physical brand activation, Universal Fibers incorporates interactive elements and sustainable products into their exhibit in Design Fields (booth DF9). *Jennifer Roundtree, Universal Fibers' global brand and marketing director,* explains, "Our booth is designed to radiate positivity and inspiration, reflecting our commitment to making a difference in our industry and beyond." Visitors can explore the latest products while taking an 'impact quiz' to discover their unique ability to enact positive change.

Universal Fibers has built a reputation for making a positive impact through its people, products, and partnerships. By fostering a culture of collaboration, creativity, and responsibility, they empower individuals to drive positive change both within the organization and beyond. Innovations like Thrive matter, the world's first carbon-negative fibre demonstrates their dedication to redefining what's possible.

Collaboration is key to achieving meaningful impact at scale, and Universal Fibers has amplified its efforts through strategic partnerships with suppliers, customers, and industry organizations. Their new 'impact quiz' is designed to ignite the same passion in visitors and partners alike.

*Anna Plumb, VP of Sales and Marketing for Europe,* adds " We love the vibrant atmosphere of Clerkenwell Design Week. Our 'impact quiz' is a fun and engaging way to discover how we can all make a difference - just like the redesign of our outdoor installation Refigure, which represents our journey of creativity and sustainability".

Join Universal Fibers in celebrating their journey and discovering how you can make a positive impact for a sustainable future at Clerkenwell Design Week, May 21-23, 2024. Visit Design Fields, Booth DF9, to explore their latest innovations and experience the redesigned outdoor installation on Clerkenwell Close.

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**Bangladesh's MMF-Based Apparel Export Has Potential To Double: Reports**

Bangladesh's textile industry stands at the brink of a transformative period, with the potential to double its manmade fibre (MMF) or non-cotton garment shipment within the coming years.
Media reports underlined this adding, industry insiders have emphasised that unlocking this potential requires crucial policy support and the resolution of existing bottlenecks.

However, a comprehensive study has shed light on various policy issues and constraints hindering the industry's growth. Among these are challenges such as limited access to duty-free raw materials, import duties on MMFs contrasting with cotton's duty-free status, and cumbersome customs clearance procedures.

The study titled *'Upscaling the RMG Sector'* by the Research and Policy Integration for Development (RAPID) forecasts a substantial rise in MMF export earnings, estimating a potential increase of $12.5 billion to $19 billion within a decade if Bangladesh achieves its projected market shares for 20 key products.

While cotton-based apparel dominates exports, there has been steady progress in MMF apparel over the past two decades, albeit from a smaller base.

Import data further reflects the growing significance of MMF in Bangladesh's garment manufacturing. Notably, imports of polyester staple fibre and synthetic filament yarn have seen significant increases in recent quarters, indicating a shift towards non-cotton fibres.

Despite its strong foothold in the cotton market, Bangladesh has ample room for expansion in MMF and blended apparel. Currently holding a 5.6 per cent global market share, the country trails behind major players like China and Vietnam even as the global apparel export landscape has witnessed significant changes, with MMF and blended apparel surpassing cotton in value now.

Dr. MA Razzaque, chairman of RAPID, underscored the rising global demand for MMF-based garments, driven by consumer preferences for adaptable, sustainable clothing options while also suggesting that Bangladesh could potentially earn up to $19 billion from MMF garment exports within the next decade with concerted efforts to address existing challenges.

Meanwhile, Fazlee Ehsan Shamim, vice president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), stressed the need for supportive policy measures to encourage entrepreneurs to explore non-cotton segments and attract investment.

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