LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

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Industry downturn leads India's Q1 FY25 GDP growth to 6.7%: Union Bank

India's gross domestic product (GDP) growth rate would have moderated to around 6.7 per cent in the first quarter (Q1) this fiscal and the gross value added (GVA) growth during the same period is likely to have settled at around 5.8 per cent compared to 6.3 per cent in the preceding quarter, according to a Union Bank report.
This figure falls slightly below the Reserve Bank of India's (RBI) projection of 7.1 per cent for the quarter. The government will release the Q1 FY25 GDP growth statistics on August 30.
The industrial sector was the primary driver of this slowdown, led by the manufacturing segment, exacerbated by election-related uncertainties, code of conduct impositions leading to lagged government spending, the report noted, adding that June traditionally has been a weak quarter.
The downturn marks the third consecutive quarter of declining industrial growth, with the sector's GVA growth dropping from 8.4 per cent in Q4 FY24 to 5.8 per cent in Q1 FY25.
The manufacturing segment has been notably affected, with GVA growth plummeting from 8.9 per cent in Q4 FY24 to 4.5 per cent year on year (YoY) in Q1 FY25.
The agriculture sector likely gave a surprise on the upside, with its growth spiking sequentially to 2.2 per cent in Q1 FY25 from 0.6 per cent in Q4 FY24. This is likely the highest number in the last four quarters, though still lagging behind the growth rate of 3.7 per cent seen in Q1 FY24.

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How Bangladesh's political turmoil is impacting India's textile industry

As production units in Bangladesh resume operations amidst political unrest, the country's garment industry faces significant disruptions. Western companies, wary of the ongoing violence, have temporarily halted placing new orders in Bangladesh, according to a report by *The Indian Express* citing industry sources. This pause is creating ripple effects that extend to India's textile sector, a key supplier of raw materials to Bangladesh. *Moneycontrol* couldn't independently verify the report.

Bangladesh is a major destination for Indian cotton exports. India exports $2.4 billion worth of cotton to Bangladesh annually, making it a key market for Indian cotton producers. Ministry of Commerce data shows that Bangladesh's share in India's total cotton exports has surged from 16.8 percent in FY13 to 34.9 percent in FY24. Raw cotton alone accounted for a quarter of India's total exports to Bangladesh in FY24.
India's textile industry is feeling the pinch as the decline in orders from Bangladesh affects the supply chain. While India has started receiving fresh inquiries for garment production, exports of Indian cotton to Bangladesh are on the decline, according to industry executives. This development is particularly concerning given Bangladesh's crucial role as a global textile hub.
Earlier this month, Chandrima Chatterjee, Secretary General of the Confederation of Indian Textile Industry (CITI), noted that while Western companies are considering India as an alternative sourcing destination, the Indian textile industry faces challenges in meeting both the qualitative and quantitative demands that Bangladesh previously fulfilled. However, she highlighted that India's Production Linked Incentive (PLI) scheme and the PM Mitra scheme are positive steps toward strengthening domestic capacity. Also, Western markets have grown increasingly concerned about human rights issues in Bangladesh, making India a more attractive alternative.

Bangladesh's $45 billion clothing industry, which employs over four million workers, was already under strain before the recent political turmoil. According to S&P Global, the industry has been grappling with a weakened electricity generation infrastructure, rising input costs due to the Russia-Ukraine war, and adverse weather events. The situation in Bangladesh remains a point of concern at the international level, as evidenced by discussions between Indian Prime Minister Narendra Modi and U.S. President Joe Biden on the matter.
India's Finance Minister Nirmala Sitharaman also acknowledged the impact of the situation, noting that the Indian garment and knitted fabric sector is experiencing "a bit of uncertainty" due to the developments in Bangladesh.

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North East India Achieves Milestone With First NABL-Accredited Textile Testing Laboratory

The newly accredited laboratory will play a crucial role in ensuring the exceptional quality of textile products from the Northeast Region (NER). Previously, weavers and producers had to send their products to Kolkata for testing due to the lack of such a facility in the region.

The establishment of this state-of-the-art testing lab in Guwahati, Assam, represents a significant change, providing local weavers and manufacturers with immediate access to high-quality testing services.

This advancement is set to prioritize and empower the NER, enhancing its position in the market. Accreditation offers formal recognition of competent laboratories, helping customers find reliable testing services for various needs, including medical, calibration, proficiency testing, and reference materials.

Accreditation also boosts customer confidence by ensuring the reliability of testing and calibration reports issued by accredited laboratories.

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On textile trail of India at the new gallery at National Crafts Museum

India is known as the land of rich textiles wherein they are an intrinsic element of every aspect of life, be it a wedding, festive celebration, religious ritual, or even a funeral. History reveals how the highly embellished and ostentatious costumes worn by royalty of yore was a power statement.

From the pure zari, gold and silver brocade achkans of the Mughal emperors to the effervescent bandhani and gharchola ensembles of the Maratha and Rajput clans; from the opulent turbans of the rulers of the Sikh empire to the mul and cotton sarees of Bengal region — the evolution of textiles goes parallel to the changing political and socio-economic dynamics of the country. History is also witness to how fabrics have been a symbol of the power to protest, with khadi as a metaphor of Indian identity during the freedom movement. Handmade textiles have withstood the test of time and are celebrated for their unique artisanal and design aesthetics.

The National Crafts Museum and Hastkala Academy's recently launched Indian Textiles Gallery II in New Delhi is an ode to this rich craftsmanship and its threatened yet continuing legacy. Curated by Fashion Design Council of India president Sunil Sethi and renowned art historian Jyotindra Jain, this immersive and magnificent exhibition is titled ‘Tradition and Innovation’.

The gallery features a one-of-its-kind collection of some 150 pieces. There are opulent weaves such as Banarasi brocades, the Mekhlas of Assam, the Patolas of Gujarat, the Balucharis of West Bengal and the Maheshwaris of Madhya Pradesh, besides block printed materials, embroidery techniques, kalamkari printing and resist-dyed fabrics. These have been carefully selected from over 2,600 museum artefacts, making it a display that embodies the cultural legacy of our country.

One can find Phulkari pieces from Punjab, along with mirror work or kaanchi embroidery cholis from Gujarat. There are telia rumals from Andhra Pradesh and batik rumals from Bengal, tie-and-die Rajasthani odhnis resplendent in colourful hues, Naga shawls, brocade patches on quilts, woven Tangaliya sarees, kantha-embellished fabrics — all a testament to the textiles of erstwhile India dating back to the 18th century and even earlier.

There is a section that highlights pieces from the ‘Vishwakarma’ exhibitions curated by the late textile conservator Martand Singh, fondly known as Mapu. ‘Vishwakarma’ involved a series of seven textile art and history exhibitions held across the length and breadth of the country between 1982 and 1992. Supported by cultural activist Pupul Jayakar, this initiative was instrumental in introducing design concepts to craftsmen, weavers and artisan communities.

Adding value to this poetic and exclusive gallery is the use of innovative museum lighting and presentation techniques, in tandem with specially-designed LED lighting that comes with sensors and dimmers. Alongside, there are podiums, platforms and toughened glass cases that display the rare and vintage textiles.

The inaugural show at the Innovation Gallery focuses on designer Payal Jain’s retrospective. On display are 30 years of her creations in the form of 15 installations. The designer deploys a multitude of materials like paper, metal, glass, bamboo, surface embellishments and nuanced embroidery techniques to portray her evolution and design journey. This section will be a floating space and a fresh exhibition will go live every three months.

In the installation section, most noteworthy is the creation titled ‘Soul of a Woman’, depicting the pains and pleasures of a woman’s life. The emphasis on using scraps of found natural material and objects like wood and metal lend it an aura of a sustainable creation that dwells on elements of the past and present. Viewers can also spot fabrics such as bandhej, kantha and crochet along with ghungroos, beads, baubles and thimbles embellishing this artwork — a testament to the fact that India is perhaps one of those rare lands where textile art, weaving and embroideries are living traditions and continue to exist.

As Sunil Sethi articulates, “It took us over eight months to sift through the mammoth number of vintage artefacts and see which ones would fall into a distinct narrative. The most remarkable and innovative textiles, the sheer beauty of handwork and design thinking can be seen in this exhibit.”

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Apparel Group to bet big on India, expand store presence from 250 to 1,000

Read more at:
https://retail.economictimes.indiatimes.com/news/industry/supporting-buying-goods-from-each-other-to-help-indian-firms-protect-against-disruptions-piyush-goyal/112923979

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India has trade surplus with 151 nations; deficit with 75 during Jan-June 2024: GTRI

India has recorded trade surplus with as many as 151 countries such as the U.S. and Netherlands, while the country has a trade deficit with 75 nations including China and Russia during the first half of this year, according to think tank GTRI.

The Global Trade Research Initiative (GTRI) said that India does not need to worry about the trade deficit from importing crude oil and coal, however, it must focus on reducing the industrial goods imports, especially from countries like China, as these threaten India's economic sovereignty.

"Between January and June 2024, India had a trade surplus with 151 countries, representing 55.8 per cent of its exports and 16.5 per cent of its imports, totalling USD 72.1 billion," GTRI said in a report.

The biggest surpluses were with the USA (USD 21 billion) and the Netherlands (USD 11.6 billion) during January-June this year.

"India had a trade deficit with 75 countries, which accounted for 44.2% of its exports and 83.5% of its imports, resulting in a USD 185.4 billion deficit, much larger than India's overall trade deficit," it said, adding this situation highlights the need to reduce reliance on specific imports and strengthen domestic production.

The data analysis by the think tank also showed that with 23 of 75 countries, India's trade deficit exceeded USD one billion and these countries accounted for 32.9% of India's exports and 73.5% of its imports.

The top five countries with the highest trade deficits were China with USD 41.88 billion, Russia with USD 31.98 billion, Iraq with USD 15.07 billion, Indonesia with USD 9.89 billion, and the UAE with USD 9.47 billion.

Remaining 18 countries with trade deficit exceeding USD one billion include Saudi Arabia (USD 9.43 billion), Switzerland (USD 8.46 billion), South Korea (USD 6.93 billion), Japan (USD 6.13 billion), Qatar (USD 5.76 billion), Hong Kong (USD 5.21 billion), Taiwan (USD 4.28 billion), Australia (USD 3.34 billion), Thailand (USD 2.60 billion), Germany (USD 2.10 billion), Vietnam (USD 2.07 billion), Malaysia (USD 1.49 billion), Venezuela (USD 1.47 billion), Peru (USD 1.10 billion), and Ireland (USD 1.10 billion).

It added that India should not be concerned about the trade deficit with 11 countries that primarily export crude oil, petroleum products, and coal to India such as Angola, Iraq, Saudi Arabia, Australia and Nigeria.

But the country "may keep a watchful eye about the trade deficit with 4 out of the 23 countries that primarily export gold, silver, and diamonds to India as tariff cuts in gold and silver in this budget from 15 per cent to 6 per cent may lead to rise in imports," GTRI Founder Ajay Srivastava said.

And these nations include Peru, Switzerland, UAE, Hong Kong.

On China, the report said that during January to June 2024, India exported USD 8.5 billion to China while importing USD 50.4 billion, resulting in a trade deficit of USD 41.9 billion.

This low export and high import makes China India's largest trade deficit partner.

"Worse, 98.5 per cent of imports from China, or USD 49.6 billion, are industrial goods. China accounts for 29.8 per cent of India's industrial goods imports. India must invest in deep manufacturing to cut dependence on import of critical industrial products from China," Mr. Srivastava said.

Goods whose share of China in India's global imports are more than 50% include umbrellas, artificial flowers, man-made filaments, rolling stock, glassware, leather goods, ceramic products, toys, and musical instruments.

It added that the updated trade data for FY24 now shows the USA as India's top merchandise trade partner, overtaking China.

"The revision added an extra USD 2.8 billion in global imports, bringing India's total imports to USD 678.2 billion. Of this increase, USD 1.4 billion came from the USA. As a result, India's imports from the USA rose from USD 40.8 billion in May to USD 42.2 billion in August, making the USA India's top trading partner with a total trade of USD 119.7 billion, surpassing China," it said.

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Economists keep FY25 growth projections unchanged around 7%

The first quarter's stronger-than-expected gross-value-added (GVA) print and a sharp recovery in private consumption may have surprised many analysts, indicating resilience of the economic growth. But most economists who FE spoke to have kept their GDP growth forecasts unchanged for FY25, as they foresee a possible reduction in urban consumption going forward, along with slower manufacturing activity.

Most economists expect the GDP to grow at 7%, or slightly below in the entire fiscal year. This is a tad lower than the Reserve Bank of India's (RBI) forecast of 7.2%.

"Urban consumption is likely to moderate going ahead. We do see a marked slowdown in passenger vehicles sales already, though most other lead indicators still paint a mixed picture," said QuantEco Research in a note. Passenger vehicle sales in July contracted 2.5% on year, according to SIAM data.

Radhika Piplana, chief economist, DAM Capital said that automobile volumes across segments were subdued in July 2024, and a similar trend is expected for August 2024. "Despite a recovery likely in September due to inventory fill up ahead of upcoming festivals of Navratri and Diwali in October 2024, overall Q2FY25 would be flattish for the majority of automobile segments," she said.

Moreover, the lagged impact of higher interest rates as well as regulatory measures for unsecured lending, could weigh on discretionary demand for goods, say economists. As per data, the pace of credit card spends has moderated for the second consecutive quarter to 24.2% in Q1 FY25 – the slowest pace in the last nine quarters.

On the rural front, however, above-normal monsoon and waning inflation is likely to push rural consumption going forward, which has been tepid for more than a year. "Unlike last fiscal, rural consumption is expected to outpace urban, as higher interest rates impact urban areas more," said DK Joshi, chief economist, Crisil. This may curb the slower growth anticipated in private final consumption expenditure (PFCE) in the next three quarters–which saw a sharp recovery in Q1FY25. In the first quarter, PFCE grew at a seven quarter high of 7.4%.

Further, the robust growth in manufacturing GVA (7% in Q1FY25) is likely to falter going forward, due to rebound in input costs. WPI inflation may average 3% in FY25, as against -0.7% in FY24, which shall subdue the manufacturing GVA print in the remaining three quarters.

Meanwhile, the overall GVA grew by 6.8% and the gap between GDP and GVA shrank to merely 19 bps in Q1 FY25 as compared to average gap of 122 bps in preceding three quarters. As per SBI Research, this GDP-GVA gap will likely converge in FY25 as against 93 bps gap in FY24, which denotes GDP print will reflect the output potential of the economy. Last year, the sharp drop in subsidy outgo was inflating the GDP print.

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India aiming for developed economy and ecology: Environment minister Yadav

Emphasising the need for strong ecological and economical fronts, Minister for Environment, Forest and Climate Change (MoEFCC) Bhupender Yadav on Sunday said that as India strives to become a developed economy, it is equally committed to achieving a developed ecological status.
“Developed economies should also embrace developed ecologies. We must all cultivate a strong environmental consciousness as responsible citizens,” Yadav said during the Ideas4LiFE event at IIT Bombay.

“India is striving towards becoming a developed economy under the leadership of Prime Minister Narendra Modi, efforts are also being made to be a developed ecology,” he said.
The minister said that a human-centric approach to development is insufficient, advocating instead for an ecologically conscious model.
Highlighting the adverse effects of development, such as rising temperatures and biodiversity loss, he underscored the essential role of nature in providing food, energy, medicine, and other resources.
He stressed on the importance of preserving one-third of the Earth for biodiversity, noting that around 50,000 species are used for human consumption.

Yadav also outlined three essential actions for sustainable development- changing consumption demands, improving supply systems, and implementing effective policies.
Speaking at the event, the minister outlined the government’s mission and explained the theme of Ideas4LiFE, emphasising the interconnectedness of all aspects of life. He stressed that ‘life’ encompasses more than just human needs and advocated for the harmonious co-existence of all living beings and the environment.
Yadav also extended the deadline for idea submission in Ideas4LiFE from September 15 to October 15.
The government launched the drive in July, inviting ideas for products and services that encourage environment-friendly lifestyles. The initiative calls on students, research scholars, faculty, and innovators to submit innovative and unconventional ideas that support the vision of mindful and deliberate resource utilisation.
So far, the Ideas4Life 2024 initiative in India has registered 1,933 students, who have submitted 384 ideas, according to the MoEFCC data.

The Ideas4LiFE ideathon covers seven themes of Mission LiFE — save water, save energy, reduce waste, reduce e-waste, say no to single-use plastics, adopt sustainable food systems, and adopt healthy lifestyles. Mission LiFE, or "LiFEStyle For Environment", is a campaign that encourages people to take action to protect the environment. It was unveiled by Prime Minister Narendra Modi at the UN Climate Change Conference in 2021.
Highlighting India's environmental accomplishments, Yadav noted that the government achieved its renewable energy targets nine years ahead of schedule and launched the Soil Health Card initiative to minimise chemical use in agriculture.
He also discussed the global food waste problem, highlighting that 15 billion tonnes of food end up in landfills annually.
He called for education, innovation, and technological advancements to be focused on improving and preserving nature.
The minister invited ideas and suggestions from students from various colleges, urging them to contribute to preserving nature and reducing waste, which would ultimately help integrate ecological balance into development strategies.

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- Registered students: 1,933
- Submitted ideas: 384
- Themes: Save water, energy, reduce waste, reduce e-waste, say no to single-use plastics, adopt sustainable food systems, and adopt healthy lifestyles

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August 2024 GST collections rise 10% YoY to Rs 1.75 lakh crore

GST Collections: The Goods and Services Tax (GST) collections in August 2024 witnessed a 10% increase compared to the same period last year, amounting to Rs 1,74,962 crore. This growth was evident across all categories, including Central GST (CGST), State GST (SGST), Integrated GST (IGST), and cess.
In August 2023, the gross GST revenue collected was Rs 1,59,069 crore. The previous month's collections totaled Rs 1,82,075 crore.

The cumulative GST collection for 2024 has been 10.1% higher at Rs 9.13 lakh crore, compared to Rs 8.29 lakh crore collected in the corresponding period of 2023. Notably, in April, the total GST mop-up reached a record high of Rs 2.10 lakh crore.
Domestic revenue in August 2024 grew by 9.2% to approximately Rs 1.25 lakh crore, while gross GST revenues from the import of goods increased by 12.1% to Rs 49,976

crore. Refunds amounting to Rs 24,460 crore were issued during the month, marking a 38% increase over the previous year. After adjusting for refunds, the net GST revenue increase for the month under review was 6.5%, reaching Rs 1.5 lakh crore.
The GST council, led by Finance Minister Nirmala Sitharaman, is expected to convene on September 9 or later to discuss the rationalization of tax rates. However, a final decision on adjusting taxes and slabs will be made at a later stage. The upcoming meeting will also address the compensation cess on luxury and sin goods. The fitment committee, consisting of tax officers, has been assigned the task of analyzing the implications of modifying rates on certain items and presenting their findings to the GST council.
It is worth noting that GST was introduced on July 1, 2017, and states were guaranteed compensation for revenue loss until June 2022, resulting from the GST rollout.

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China's Jul goods exports worth $287.6 bn; imports total $225.57 bn

China's international trade in goods and services was worth nearly 4.24 trillion yuan ($597.76 billion) in July this year—a rise of 12 per cent year on year (YoY), according to official data.

In US dollar terms, the country's exports and imports of goods and services amounted to $317.5 billion and $276.4 billion respectively, recording a surplus of $41.1 billion dollars, the State Administration of Foreign Exchange said.

Goods exports were worth nearly 2.04 trillion yuan ($287.6 billion), while such imports totaled 1.6 trillion yuan ($225.57 billion), resulting in a surplus of 431.6 billion yuan, a state-controlled media outlet reported.

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South Korea exports extend gains to 11th month, growth slows

SEOUL, Sept 1 (Reuters) - South Korea's exports rose for an 11th straight month in August, but the pace of growth was weaker than the previous month and market expectations as demand for computer chips slowed, while auto sales remained sluggish.

Overseas sales by Asia's fourth-largest economy rose 11.4% year-on-year to $57.90 billion, trade data showed on Sunday, slowing from a gain of 13.9% in the previous month, which was the fastest in six months.

It was also weaker than a 13.0% increase tipped in a Reuters survey of economists. Growth in semiconductor exports slowed to a five-month low, while auto sales fell for a third consecutive month due to temporary factors, such as wage negotiations and factory suspensions to improve production lines at some firms.
By destination, exports to China rose at a slower pace, but growth in U.S.-bound shipments quickened. Exports to the European Union snapped a six-month run of declines and surged 16.1% to a record high of $6.4 billion.

Yet, exports are heading towards a record-high performance this year, trade minister Ahn Duk-geun said. "Growing trends are seen across major export markets."
Imports rose 6.0% in August to $54.07 billion, after a 10.5% jump in July, which was the steepest since September 2022. It was slightly lower than a gain of 6.3% expected by economists.
As a result, the country posted a trade surplus of $3.83 billion in August, wider than the previous month's $3.60 billion.

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