LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

NATIONAL

India extends Interest Equalization Scheme for MSMEs by 1 month

India has extended the Interest Equalization Scheme (IES) for pre- and post-shipment rupee export credit by one more month, beyond August 31, 2024. The scheme, initially set to expire on June 30, 2024, was first extended for two months.

According to Trade Notice No. 16/2024-2025 issued by the Directorate General of Foreign Trade (DGFT) on August 31, the extension is specifically for micro, small, and medium enterprises (MSMEs). All other terms and conditions remain unchanged. Previously, the scheme's total outlay was capped at ₹750 crore (approximately $89.9 million), and this extension continues under the same terms.

Under the scheme, banks provide loans to exporters at a reduced interest rate, and the government compensates the lenders for the difference. Exporters have also called for an increase in the subvention rates from 3 per cent to 5 per cent due to a sharp rise in repo rates over the past two years.

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India's export-linked jobs declined as it missed out on post-China opportunity: World Bank

Jobs in India generated directly and indirectly connected to international trade have declined over the last decade, the World Bank said, adding that the country has missed out on the export opportunity presented by China's withdrawal from labour-intensive manufacturing sectors.

World Bank economists noted that India's share in global exports of labour-intensive sectors such as apparel, leather, textiles, and footwear has declined. Meanwhile, countries like Bangladesh, Vietnam, Poland, Germany, and France have managed to increase their global export share in major job-creating sectors by up to 2 per cent between 2015 to 2022. In May, ***The Indian Express* reported** that India's labour-intensive sectors such as textiles, leather, gems and jewellery, and marine products are experiencing a sharp decline. India's shipments from these four high job-generating sectors have dropped nearly 12 per cent compared to pre-pandemic levels five years ago (FY18), this paper reported.

India's textile and garment exports have remained stagnant at around $35 billion, while Vietnam and Bangladesh have gained market share, bolstered by free trade agreements (FTAs) and Least Developed Country (LDC) status, which provide a 10-15 per cent duty concession in the Western countries.

The Bank observed that while India is the fastest-growing major economy, with an 8.2 per cent growth rate in the last fiscal year, urban youth unemployment remains high at 17 per cent. The Bank suggested that to create more trade-related jobs, India should integrate more deeply into global value chains, which would also create opportunities for innovation and productivity growth.

The World Bank stated that the global trade landscape is challenging and undergoing significant changes, yet India has considerable untapped potential to leverage international trade for development despite dynamic services exports.
"India could further leverage Global Value Chains (GVCs) to their full potential, generating more jobs and enhancing productivity," the Bank said in its statement.

The Bank noted that Indian firms could benefit significantly from integrating into GVCs; however, India's share in GVCs has declined due to "policy barriers and other limitations." World Bank economists suggested that India could benefit from a new strategic plan to diversify exports, leverage the changing geopolitical landscape, reduce trade costs, and improve trade facilitation. "India has made progress in facilitating trade and re-engaging with global markets, but progress is limited by new barriers affecting goods, services, and investments," the Bank said.

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World Bank ups India growth forecast to 7% amid global turbulence

Read more at: World Bank ups India growth forecast to 7% amid global turbulence - The Economic Times (indiatimes.com)

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Indian Textile Industry Poised for Growth in 2024 Amidst Global Shifts

New Delhi, Sep 3 (KNN) The Indian textile industry is set to witness notable advancements in 2024, fuelled by a confluence of factors that include rising export demand, resilient consumer spending, and favourable geopolitical dynamics, according to a recent report by B&K Securities.

The ready-made garments (RMG) sector is expected to see a significant uptick in export demand throughout the year. This is largely driven by Western retailers' restocking efforts and heightened interest in spring-summer collections.

Additionally, anticipated interest rate cuts in the US are poised to further stimulate demand for Indian garments. Stable cotton prices and a consistent supply chain will enhance India's cost competitiveness on the global stage.

Despite a moderate domestic market due to lower discretionary spending and existing overstock, the outlook for exports is encouraging.

The Indian textile sector's advantage is further accentuated by the current crisis in Bangladesh, a key player in the RMG market.

Although this presents a temporary boost for Indian exporters, the benefits may be limited due to differing product portfolios and Bangladesh's trade agreements with the European Union.

Over the medium to long term, India stands to gain more significantly as global buyers seek to diversify their supply chains away from China and Bangladesh, particularly as Bangladesh faces rising wages and the loss of its Least Developed Country (LDC) status by 2029.

In the home textiles segment, growth remains robust, bolstered by strong consumer spending in the United States, which absorbs around 60 percent of India's home textile exports.

The increasing market share of Indian players in the US is supported by the China+1 strategy adopted by major retailers seeking to diversify their supply chains.

India's competitive advantage in raw material costs and expanding domestic capacity further cements its position in the US market.

Future opportunities also lie in ongoing Free Trade Agreement (FTA) negotiations with the UK and the European Union, which could lead to higher margins and increased market share for Indian exporters.

However, the industry faces challenges such as logistical disruptions due to the Red Sea crisis and uncompetitive domestic cotton prices.

Additionally, as sustainability becomes a central theme in Western markets, Indian textile companies will need to invest in compliance with evolving norms to maintain their competitive edge.

Overall, while the Indian textile industry is on a positive trajectory, strategic adjustments and proactive measures will be essential to navigate both current challenges and future opportunities.

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Indian textile exports to remain strong amid global shifts; FTA negotiations with EU to offer growth opportunities

The Indian textile industry is set to experience developments in 2024, driven by improving demand in export markets, resilient consumer spending in key sectors, and favourable geopolitical conditions, according to the B&K Securities report.

In the ready-made garments (RMG) sector, the demand offtake in export markets is anticipated to show substantial improvement in 2024.

While domestic demand is expected to remain moderate due to lower discretionary spending and overstocking from the previous fiscal year, the recovery in export demand is promising. The domestic market could see a boost in the second half of FY25, supported by an increase in wedding days and festive season, although the rise in realisations is likely to be marginal.

The export growth in RMG is expected to be driven by a combination of factors including restocking by Western retailers, increased demand for spring-summer collections, and a general uptick in retail sales.

The anticipated interest rate cuts in the US will further stimulate demand. India's RMG exports will also benefit from stable cotton prices and uninterrupted supply, enhancing cost competitiveness on the global stage.

The ongoing crisis in Bangladesh, a major player in the global RMG market, presents a temporary tailwind for Indian exporters.

However, the benefits for India are expected to be short-lived due to differences in product portfolios and Bangladesh's trade agreements with the European Union.

Over the medium to long term, India could see more substantial gains as global buyers continue to diversify their supply chains away from China and Bangladesh, particularly as Bangladesh faces challenges such as rising wages and the loss of its Least Developed Country (LDC) status by 2029.

The home textiles segment is poised to continue its growth trajectory, primarily driven by robust consumer spending in the United States, which accounts for approximately 60 per cent of India's home textile exports.

The market share of Indian players in the US has been steadily increasing, supported by the China+1 strategy adopted by big box retailers to diversify their supply chains.

India's competitive advantage in raw material costs and increased domestic capacity will likely sustain its dominance in the US home textiles market.

The Free Trade Agreement (FTA) negotiations with the UK and the European Union offer additional opportunities for growth, potentially leading to higher margins and increased market share for Indian players.

While the industry is on a positive trajectory, it faces near-term challenges such as logistical disruptions due to the Red Sea crisis and uncompetitive domestic cotton prices. Moreover, as sustainability becomes a major theme in Western markets, Indian textile companies will need to invest in compliance with these evolving norms to remain competitive. (ANI)

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GLOBAL

Brazilian cotton prices drop in August amid increased availability

In August, cotton prices in Brazil experienced a notable decline, falling below BRL 4 (~$0.71) per pound by the end of the month. This downward trend was largely driven by a higher availability of cotton in the domestic market, alongside a decrease in international prices and export parity. As a result, more attractive prices for consumers have led to an increase in liquidity for prompt-delivery trades, as per the Centre for Advanced Studies on Applied Economics (CEPEA).

Over the period from July 31 to August 30, the CEPEA/ESALQ cotton index (with payment in eight days) recorded a 4.65 per cent decrease, closing at BRL 3.8863 (~$0.69) per pound on August 30.

The 2023-24 cotton crop harvest in Brazil is progressing well. According to National Supply Company (CONAB), by August 25, harvesting activities had been completed in Mato Grosso do Sul, and 76.1 per cent of the total area had been harvested nationwide. In Mato Grosso, Brazil's largest cotton-producing state, dry and warm weather conditions have been favourable for the ongoing harvesting activities, CEPEA said in its latest fortnightly report on the Brazilian cotton market.

In August, Brazilian cotton exports also saw a significant drop. Over the 17 production days, 77.7 thousand tons of cotton were shipped, marking a 53.5 per cent decrease compared to the 167.2 thousand tons exported in August 2023. However, the daily export average slightly increased by 0.77 per cent to 4.57 thousand tons, compared to the 4.54 thousand tons per day in the same month last year, according to data from the Secretariat of Foreign Trade at the Ministry of Economy (SECEX/ME).

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Cotton Prices Gained As Cotton Acreage Trails By 9% At 110 Lh.

Cottoncandy prices increased by 1.48% to settle at 58,860, fuelled by concerns over declining acreage and potential supply tightness. The cotton acreage in the current Kharif cropping season has dropped by approximately 9% to 110.49 lakh hectares, down from 121.24 lakh hectares during the same period last year. The Cotton Association of India (CAI) projects the total acreage for this season to be around 113 lakh hectares, a significant decrease from the 127 lakh hectares recorded the previous year. Farmers are shifting to other crops due to lower cotton yields and the high cost of production, further contributing to the reduced acreage.

The cotton balance sheet for the upcoming season is expected to be tight due to higher exports to Bangladesh, which have unexpectedly increased from 15 lakh bales to 28 lakh bales this year. This export surge, coupled with reduced acreage, could lead to a tighter supply situation. India's cotton production and consumption are estimated at around 325 lakh bales, with the increased exports potentially straining available stocks. Currently, the total available cotton stock is estimated at 70 lakh bales, including the stocks held by spinning mills, ginners, and the Cotton Corporation of India, along with expected arrivals in August-September. If the new crop is delayed, the supply could become even tighter. Technically, the market is under short covering, evidenced by a 3.47% decline in open interest to settle at 167 contracts, while prices rose by 860 rupees. Cottoncandy is finding support at 58,730, with a potential test of 58,610 if this level is breached. Resistance is expected at 58,940, with a move above potentially testing 59,030.

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