LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

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India's textile industry expected to grow to US$350 billion by 2030

Indias textile industry is expected to grow to US$350 billion by 2030 and add 3.5 crore jobs. This was stated by Union Minister of Textiles, Giriraj Singh during the Curtain Raiser event of Bharat Tex 2025 today in New Delhi. He further expressed hope of India being recognised by its Bharat brand and green sustainable textile products at the world stage. Singh asserted that the Union Governments PLI scheme for textiles will enable the apparel industry to boost production and promote their branding. The Minister also added that the PLI scheme will enable linking of the textile value chain and lure FDI in the country.

The domestic equity benchmarks ended with minor losses on Wednesday. The Nifty snapped its 14-day winning streak and settled a tad below the 25,200 level. Global market jitters over a potential US economic slowdown and anticipation of key economic data weighed on sentiment. Despite early losses, selective buying in large-cap stocks helped limit the decline. Healthcare and pharma sectors outperformed, while IT and PSU banks faced selling pressure.

The S&P BSE Sensex slipped 202.80 points or 0.25% to 82,352.64. The Nifty 50 index declined 81.15 points or 0.32% to 25,198.70. The 50-unit index had risen 4.73% in the past 14 consecutive sessions.

In the broader market, the S&P BSE Mid-Cap index fell 0.15% and the S&P BSE Small-Cap index rose 0.26%.

The market breadth was negative. On the BSE, 1932 shares rose and 2019 shares fell. A total of 96 shares were unchanged.

The NSE's India VIX, a gauge of the market's expectation of volatility over the near term, rallied 3.86% to 14.38.

Home

‘Tamil Nadu’s New Textile Policy will be aligned with Tiruppur’s primacy in value-chain’

The new textile policy of Tamil Nadu will be aligned to strengthen Tiruppur's high standing in value-chain in apparel business, Dharmendra Pratap Yadav, Principal Secretary, Handlooms, Handicrafts, Textiles and Khadi Department, said here on Wednesday.

With service sector accounting for 65% of the State's GDP, the challenge was in enlarging the contribution of manufacturing sector since it was employment oriented next only to agriculture, Mr. Yadav said.

Accompanied by District Collector T. Christuraj, the Principal Secretary inaugurated the 51st India International Knit Fair organised jointly by the Indian Knit Fair Association (IKFA) and the Apparel Export Promotion Council (AEPC), a three-day event on the theme: Preserving Our Planet by Innovation and Circularity.

Mr. Yadav expressed hope that Tiruppur, accounting for ₹35,000 crore export business and ₹25,000 crore domestic trade, will take the lead in ESG (Environment and Social Governance), and attract more investments in the garment sector which contributes to women empowerment with them accounting for 80% workforce.

Talking to mediapersons later, the Principal Secretary was said the spinning sector in Tamil Nadu, which constitutes 35% production at the national level, requires modernisation, and the State Government has set apart ₹500 crore corpus to offer 6% interest subvention for industries undertaking modernisation of machinery.

The State Government has given a push to technical textiles, and for scaling up exports in the industrial policy. A corpus of ₹25 crore has been earmarked for a design centre to focus on research and development in new ways of manufacturing and processing in line with international trends, he said.

Sakthivel, Chairman, Indian Knit Fair Association, said 40 out of the 100 buying houses/agents taking part at the fair were from other countries.

The Tiruppur Exporters' Association was keen on projecting its initiatives towards 'Green Tiruppur', Mr. Sakthivel said, exuding hope that the government will consider their request for measures to make improvements in Tiruppur in the area of ESG.

K.M. Subramanian, president, TEA, was hopeful of registering a 10 percentage point rise in diversification to man-made fibres (MMF) by Tiruppur manufacturers from the existing 20.

The emphasis of Rohit Aneja, secretary, Association of NIFT (National Institute of Fashion Technology) Alumni; Rohini Suri, patron, IKFA; and Sanjay Shukla, group leader - Triburg, was on speedy diversification of Tiruppur garment manufacturers to man-made fibres. Seventy percent of the global trade was in MMF, and cracking the polyster game will place Tiruppur and the country on the right track of development, Mr. Shukla said.

Home

India-UK FTA within finger-touching distance: NITI Aayog CEO

Read more at: India-UK FTA within finger-touching distance: NITI Aayog CEO - The Economic Times (indiatimes.com)

Home

World Bank raises India's GDP growth forecast to 7% for FY25

Read more at: http://timesofindia.indiatimes.com/articleshow/113014245.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Home

View: India needs more lending — but not to everyone

Indians are justifiably proud of how easy it has become for them to pay for stuff. If you have an Indian phone number and bank account, instant **digital transactions** are fairly seamless. Now, the **Reserve Bank of India** wants to expand the country's unified payments interface, or UPI, to lending: The central bank's governor has repeatedly promised that a "unified **lending** interface" will soon be rolled out. That carries great potential — and not a little risk.

India's model for financial interconnectedness is based around what it calls "digital public infrastructure." The idea is simple: The government, or a closely regulated quasi-public entity, invests in, manages, and pays for the system through which digital transactions take place. Businesses can create apps that use this infrastructure; interoperability is built in, so those apps must compete on cost and quality rather than on the size of their network.

Consumers can decide how much of their information they are willing to share with specific apps or for specific transactions, and theoretically the seller's access to private data is neither permanent nor very deep. The Indian IT whizzes who designed the system insist it avoids the worst of the US model (which is fragmented, insecure, and expensive), European systems (which are overregulated, lecture to business, and stifle innovation) and the Chinese network (which does not privilege privacy or allow for accountability to civil society).

Quite a bit of information has been put on India's UPI, from educational certificates and medical history, to land records. Now that instant payments linked to bank accounts have been in use for years, there's also a lot of financial data that could be put to work.

At least, that's what the **RBI** hopes. Its governor argued that the availability of granular transfer data — as well as tax payments and land records — should make it easier for **financial institutions** to lend to farmers and small businesses that had previously struggled to access **credit**.

That task has been a constant headache for India's financial policymakers. The formal banking system is dominated by the public sector, which lacks much of a profit motive and thus has deeply conservative lending practices.

When the government wants to juice lending, it creates schemes that target specific groups. Then the system switches to the other extreme, handing out cash to anyone and everyone without much discrimination.

That's risky. Meanwhile, the private sector naturally doesn't want to make the effort to enter a lending market dominated by borrowers with little access to collateral, minimal documentation, and few formal records.

Now those same borrowers have a paper trail on the various digital platforms that the government secures. Even the amount of milk sold to various cooperatives by individual dairy farmers is on there somewhere.

Getting that information to lenders in a way that incentivizes them to create a business model for small borrowers, while also protecting citizens' data, is the problem the central bank claims to have solved.

The payoff could be vast. Indian small businesses typically do not grow larger — partly because of constraining regulation, but also because of differential access to credit. India's unproductive agricultural sector, in particular, is short of capital investment and heavily dependent on public finance; it is both credit-hungry and lacks avenues to access cash on demand.

So, what's the worry? Simply this: the potential impact on Indian household behavior.

Throughout India's modern economic history, **household debt** has been pretty low. That's slowly begun to change. According to the RBI, net household savings are at a 47-year low. In fact, they fell by two whole percentage points of GDP just between 2022 and 2023.

Indian households are stressed and borrowing more. The new system might make it much easier to take out collateral-free loans. The potential for this structural shift to become a macro risk is easy to see.

That isn't enough of a reason to hold back **financial innovation**, especially if it might pay dividends in the longer term. But the government needs to be very watchful indeed for unintended consequences.

India has long boasted that its growth model has been led by demand and consumption. If increased consumer spending winds up leading to unsustainable household borrowing patterns, the economy will be in real trouble.

Home

India's cotton production projected at 25 mln bales, says USDA

Sept 4 (Reuters) -Following are selected highlights from a report issued by the U.S. Department of Agriculture's Foreign Agricultural Service (FAS) post in New Delhi:

"FAS forecasts 2024/25 India cotton production at 25 million 480 lb. bales on 11.8 million hectares (29.2 million acres) planted area, a 2% decrease in area from the previous forecast, as farmers have shifted cotton acreage to higher return crops such as paddy, and pulses."

"To date, planting is complete on 11 million hectares, with sowing underway in south India. India's lint prices are trading

eight to nine cents higher than global prices, prompting mills to import cotton until new arrivals begin in October. Mill consumption is forecast at 25.5 million 480 lb. bales, 2% higher from the previous forecast, on improvement in cotton yarn and textile demand in international markets."

Home

India’s export hurdles

THE World Bank’s (WB) latest India Development Update has some good news to offer: The Indian economy continues to grow at a healthy pace despite challenging global conditions. The WB has upwardly revised the growth forecast for the country’s economy to 7 per cent from the earlier projection of 6.6 per cent in the current financial year. The not-so-good news is that India is losing out to competitors like Vietnam and Bangladesh among low-cost manufacturing export hubs. As per the WB, India needs to diversify its export basket and leverage global value chains to reach its $1-trillion merchandise exports goal by 2030.

The report’s unwritten message for India is that there is no room for complacency on the trade front. It is obvious that the ‘Make in India’ push is not really translating into a ‘Make for the world’ success story. And what won’t be music to the Modi government’s ears is the fact that the nation’s share in the global exports of apparel, leather, textiles and footwear has declined from 4.5 per cent in 2013 to 3.5 per cent in 2022. The corresponding share of Bangladesh touched 5.1 per cent in 2022, while that of Vietnam reached 5.9 per cent. No less worrisome is India's increasing trade deficit (the difference between imports and exports) with China. Amid the military stalemate in eastern Ladakh, Beijing is upstaging Delhi with its no-holds-barred economic muscle-flexing. From umbrellas to musical items and toys, there is no stopping the influx of Chinese goods into India.

Political and economic instability in Bangladesh has given India an opportunity to regain lost ground. The key is to reduce production costs and improve productivity without compromising on quality. Considering India's reluctance to be part of mega trade blocs, a greater emphasis on bilateral Free Trade Agreements with Western and Gulf nations is the best bet to counter the Vietnamese-Chinese challenge.

Home

Interest subsidy for exporters extended by a month

The government has extended the interest equalisation scheme (IES) for pre and post shipment export credit for a month pending final decision on whether the scheme should stay for a much longer period.

This is the second extension of the scheme after it ended on June 30. In July it was extended for two months till the end of August but only for Micro Small and Medium enterprises that export their own manufactured products and Rs 750 crore were allocated for it.

The latest extension for the month of September is also limited to MSME manufacturing exporters, according to a trade notice by the Directorate General of Foreign Trade.

Till June the interest equalisation scheme provided upfront reduction in interest rates on per-shipment and post shipment export credit by banks. The exporters from Micro Small and Medium Enterprises exporters got a rebate of 3% on loans under the scheme. The merchant exporters who source goods for exports from other manufacturers and others use to get 2% benefit for exports of 410 identified products. The discount given by banks is reimbursed by the government.

The commerce ministry is seeking a five-year extension of the scheme on the same terms which existed before June 30. Exporters are asking for the subsidy amount to be raised to

5% for MSMEs and 3% for merchant exporters as interest rates have gone up since the rates were set.

An official had recently said that a decision on the extension of the scheme will take time as it is yet to be examined by the Expenditure Finance Committee.
The EFC is an appraisal body in the Ministry of Finance that considers proposals. The EFC is one of several appraisal bodies that recommend proposals to the Cabinet or Cabinet Committees.

The scheme was initially launched on April 1, 2015 for a five-year period till March 2020. Due to COVID it got a one-year extension in 2020. Later more extensions were accorded and the latest one is to end on June 30.

When the scheme was launched it offered a rebate of 5% to MSME exporters and 3 % manufacturers and merchant exporters and they were reduced to the current levels in October 2021.

The scheme costs the government around Rs 3200 crore a year. In 2023-24, Rs 3700 crore were spent on the scheme. Around Rs 1700 crore has been provided for the scheme in the budget for 2024-25.

“The allocation for the scheme in the budget is for the current liabilities. For extension of the scheme additional allocation will be required,” the official had said.

Home

GLOBAL

Global apparel deals flowing into India amid Bangladesh crisis

Read more at: Global apparel deals flowing into India amid Bangladesh crisis - The Economic Times (indiatimes.com)

Home

ICE cotton prices climb amid strong demand & weather concerns

ICE cotton prices rose yesterday following the holiday on Monday, supported by increased demand inquiries, stronger agricultural commodities, and expected weather disturbances. However, external pressures were negative, with the dollar index rising and crude oil dropping more than 5 per cent. Equity markets also fell due to slower manufacturing activity. The US cotton market is increasingly focused on issues in key consumption countries.

Yesterday, the ICE cotton December contract hit a one-week high, settling at 70.50 cents per pound (0.453 kg) after reaching an intraday peak of 71.18 cents.
The stronger dollar made cotton more expensive for overseas buyers. Meanwhile, crude oil traded more than 5 per cent lower, reaching a nearly nine-month low due to a possible resolution in the Libyan oil production and export disruptions. Weak US manufacturing data also raised concerns about demand, limiting gains in cotton prices.

Trading volumes in the cotton market saw a notable increase, with approximately 39,568 lots traded yesterday compared to 23,633 on Friday. ICE data as of August 30 indicated that the deliverable No. 2 cotton contract inventory remained stable at 266 bales.
Weather concerns significantly influenced the market, with three tropical waves in the Atlantic and one nearing the Caribbean, potentially disrupting cotton production. Strong performance across most commodity markets also supported cotton prices.
The US Department of Agriculture's weekly crop report, released after market close, showed that 44 per cent of the US cotton crop was rated in good condition as of September 1, up from 40 per cent the previous week and significantly higher than the 31 per cent reported during the same period last year.
Traders are closely monitoring weather conditions in India and Pakistan, where recent rains and an expected decline in production may boost US cotton exports and support prices.

Currently, ICE cotton for December 2024 is trading at 69.76 cents per pound, down 0.74 cents. Cash cotton is at 66.26 cents (up 0.97 cents), the October contract at 70.76 cents (up 0.97 cents), the March 2025 contract at 71.52 cents (down 0.69 cents), the May 2025 contract at 72.71 cents (down 0.58 cents), and the July 2025 contract at 73.41 cents (down 0.58 cents). Several contracts remained unchanged with no trading activity today.

Home