LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

NATIONAL

PM Modi assures predictable policy regime for semiconductor business

Prime Minister Narendra Modi assured CEOs of semiconductor industry that his government will follow a "predictable and stable" policy regime even as he emphasised that India has the wherewithal to become a reliable partner in the diversified semiconductor supply chain.

Ahead of the Semicon India conclave, the prime minister chaired on Tuesday a Semiconductor Executives Roundtable in which he underlined that democracy and technology together can ensure the wellbeing of humanity. He gave assurances to the CEOs that India will provide a conducive environment for growth in the semiconductor sector.

"The Indian government will follow a predictable and stable policy regime. With the focus of Make In India and Make for the World, the government will continue to support the industry at every step," Modi said, according to officials.

The PM said the ideas of the innovators in this field have an impact on India's future and semiconductors will be the basis of the coming Digital Age which will be technology-driven. "The day is not far when the semiconductor industry will be the bedrock for even our basic necessities," he said.

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India open to do business with China, but terms must be looked into: EAM S Jaishankar

External Affairs Minister S Jaishankar on Tuesday said India is open to pursuing business with China, but the question is in what sector and under what terms. He was speaking in Berlin at Germany's annual ambassadors' conference.

Jaishankar stated that China was the world's second-largest economy and a premium manufacturer. "We are not closed to business from China. Nobody can say I won't do business with China. I believe the issue is in which industries you do business and at what terms. "It is far more complicated than a black and white binary answer," he explained.

On the Russia-Ukraine war, the foreign minister said both countries had to negotiate an end to the conflict and India was willing to give advice to either of them if asked.

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India remains committed to reducing budget deficit over medium term: Fitch

India remains committed to reducing the budget deficit over the medium term, despite its focus on higher public capex and demands of the coalition government, Fitch Ratings said on Tuesday.

In a report, it said India has achieved or outperformed its budget deficit targets in the last few years, thereby improving its fiscal credibility.

Fitch said India using RBI dividend to lower its fiscal deficit target for the fiscal year ending March 2025, reinforces its view that the country prefers fiscal consolidation over additional spending.

Still, India's deficit, and interest-to-revenue and debt ratios remain high compared with the 'BBB' category sovereign peers, Fitch said.

"...we believe its (India) government remains committed to reducing the budget deficit over the medium term, even amid the demands that governing in the coalition will impose on the newly elected administration - and despite the government's sustained focus on supporting economic growth through higher public capex," the rating agency said.

In the full Budget presented in July, the government lowered the fiscal deficit target to 4.9 per cent for the current financial year against 5.1 per cent estimated in February's interim Budget.

In May, the RBI board approved a Rs 2.11 lakh crore dividend to the government for 2023-24 fiscal.

Last month, Fitch Ratings affirmed India's sovereign rating at 'BBB-' with a stable outlook citing a strong medium-term growth outlook and solid external financing position.

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Mixed growth signals, India's FY25 GDP may slow to 6.7%: Nomura

https://m.economictimes.com/news/economy/indicators/mixed-growth-signals-indias-fy25-gdp-may-slow-to-6-7-nomura/articleshow/113231442.cms

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India for stricter Rules of Origin in auto sector under India, UK trade agreement

https://m.economictimes.com/news/economy/foreign-trade/india-for-stricter-rules-of-origin-in-auto-sector-under-india-uk-trade-agreement/articleshow/113235341.cms

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Textiles, infrastructure sector may see high NPA levels: Ficci-IBA survey

While expecting overall asset quality to improve over the coming six months, lenders have flagged risks of high Non-performing Assets (NPA) in sectors like textiles, food processing and infrastructure, according to the FICCI-IBA survey.
In the survey, for the January to June 2024 period, about 76 per cent of respondents have cited textile as a sector with high NPA levels. This was followed by 59 per cent of them reporting infrastructure and 53 per cent identifying food processing as a segment with high incidence of bad loans.

"Some of the sectors that may continue to show NPAs over next six months include agriculture, textiles and garments, MSMEs, and gems & jewellery," said the survey released on Tuesday.
Bankers said these sectors stand out from the overall trend. The adverse international markets have impacted the repayment capacity of some textile and garments units and the sector-specific conditions would only change gradually for better.
A total of 22 banks, including public sector, private sector and foreign banks, participated in the survey by Federation of Indian Chambers of Commerce and Industry (FICCI) and Indian Banks' Association (IBA). These banks together represent about 67 per cent of the banking industry, as classified by asset size.

Respondent banks continued to remain sanguine about the asset quality prospects in the current round of the survey, cushioned by policy and regulatory support.
Over half of the respondent banks in the current round believe that Gross NPAs would be in the range of 2.5-3 per cent over the next six months.
The latest Financial Stability Report of RBI, released in end June, showed scheduled commercial banks' gross NPA at 2.8 per cent, and net NPA at 0.6 per cent as on end March 2024.
Resilient domestic economy accompanied by upgraded and improved credit assessment, effective and continuous credit monitoring, lower slippages, high write-offs and healthy capital position of banks were some of the key factors cited by respondent bankers who expect asset quality to further improve over the next six months, it added.
Referring to the overall business environment, FICCI-IBA survey observed the Indian economy and the banking sector remain robust and resilient. With improved balance sheets, banks are supporting economic activity through sustained credit expansion. However, credit growth is outpacing deposit growth, which could lead to liquidity challenges for the banking system.
Raising deposits to keep pace with the loan growth and keeping the credit cost low remains on the top of banks' agenda, it added.

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GLOBAL

Mastercard & RISE propel wage digitalisation in Egypt's garment sector

The Mastercard Center for Inclusive Growth and Reimagining Industry to Support Equality (RISE) have announced significant progress in their wage digitalisation initiative, aimed at improving financial inclusion and resilience for garment workers in Egypt. Launched in 2019, the project has expanded to nine factories across five governorates, benefitting over 24,000 workers, 43 per cent of whom are women. The joint initiative seeks to address the challenges posed by the garment sector's reliance on cash payments, which have long hindered workers, particularly women, from managing their finances and building savings. A newly released report titled 'Increasing Financial Inclusion in Egypt's Garment Sector through Responsible Wage Digitalization: Benefits for Workers and Business' outlines the transformative impact of the initiative. The Egyptian garment industry is a cornerstone of the nation's economy, employing millions of workers, 40 per cent of whom are women.

However, cash-based wages have created significant financial management obstacles, especially for women, affecting their ability to save and contributing to low financial resilience.

The partnership between the Mastercard Center and RISE has made considerable strides in addressing these issues through responsible wage digitalisation and financial literacy training. According to the report, 93 per cent of workers are now paid via a digital account, a significant increase from the 51 per cent at the programme's start. Workers also reported a 34 per cent point increase in their preference for receiving payments digitally. Additionally, mobile money usage for merchant payments, remittances, airtime top-ups, and bill payments saw a 19 per cent point rise, as per the report.

The initiative has not only helped workers better manage their finances but also increased their savings by 14 per cent points, strengthening their financial resilience. Employers have also benefited, with a 53 per cent reduction in payroll administration costs, demonstrating the efficiency gains from wage digitalisation.

Factory managers participating in the programme were provided with tailored guidance on digitising their payroll systems. Workers, in turn, received financial literacy training from the Center for Development Services (CDS), the programme implementing partner. The training, delivered through a peer educator model, focused on building essential money management skills such as financial planning, budgeting, saving, and decision-making.

Special attention was given to gender-sensitive financial literacy, ensuring that women were equipped with the knowledge and confidence needed to manage their finances effectively. This focus on financial capability is a critical component of wage digitalisation, empowering workers, particularly women, to achieve long-term financial resilience.

The success of this project offers a unique opportunity for the financial and garment sectors to collaborate further, with the potential to scale wage digitalisation and financial literacy benefits across Egypt’s 2.5 million garment workers. Moreover, this initiative has demonstrated the potential for increasing efficiency and transparency in global supply chains, a growing priority for the garment industry.

"Our partnership with RISE not only empowers workers, particularly women, but also aligns with Mastercard’s vision of advancing financial inclusion and building a digitally inclusive economy. The project has demonstrated the transformative effects of responsible wage digitalisation, not only increasing financial inclusion and health but also boosting business efficiency. This initiative in Egypt is a key step in realising our vision for cashless societies, and we look forward to expanding our impact across the garment industry," said *Inji Borai, vice president and country manager, Mastercard, Egypt.*

"Paying workers digitally, when supported with gender-focused financial literacy training, increases financial inclusion and improves workers' financial health. This has many positive knock-on effects for workers and their families, as clearly demonstrated by the results of this successful program in Egypt," said *Christine Svarer, executive director at RISE.*

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ICE cotton notices further fall on stronger dollar; storm on radar

ICE cotton continued to see downward trend yesterday due to stronger dollar index, which was getting support after the release of the US economic data. Traders are monitoring possible impact of tropical storm Francine in cotton growing areas in the US. However, cotton contracted are trading higher today.
Yesterday, ICE cotton December contract settled at 67.68 cents per pound (0.453 kg), down 0.19 cents. The contract traded between 68.31 and 67.51 cent yesterday.

US dollar index gained 0.5 per cent and approached three-week high. The currency rose as investors expected US inflation data on higher side, which may force Federal Reserve to think of small cuts in policy interest rate. Higher dollar index put pressure on US cotton as it became expensive for foreign buyers. Recovery in crude oil was also negative factor for cotton futures. Crude oil prices recovered after five consecutive days of losses.

Yesterday, trading volume for the day was 28,007 contracts, while 37,979 contracts were cleared on Friday. ICE data, as of September 6, showed that deliverable No. 2 cotton futures contract inventory remained unchanged at 265 bales. There was no significant news or business to counter the market's downward trend despite the US equities rebounding.

Traders are also watching tropical storm Francine, which could influence weather in major cotton-growing regions. The storm, formed in the Gulf of Mexico early Monday and is headed toward Louisiana, is expected to strengthen into a hurricane by Wednesday.

ICE cotton for December 2024 was traded at 67.92 cents per pound, up 0.23 cents. Cash cotton was traded at 63.04 cents per pound (up 0.42 cents), the October contract at 67.54 cents per pound (up 0.42 cents), the March 2025 contract at 69.67 cents per pound (up 0.21 cents), the May 2025 contract at 71.04 cents per pound (up 0.24 cents), and the July 2025 contract at 71.96 cents per pound (up 0.26 cents). A few contracts remained at the level of the last closing, with no trading noted today.

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Romania's foreign trade stagnates and shrinks as a share of total economy

Romania's trade deficit with goods increased by 29% y/y to EUR 2.95 billion in July, as the exports' modest improvement (+8.6% y/y) was offset by the robust increase (+13.4% y/y) in imports, according to the statistics office INS.

It could be concluded that the robust demand for private consumption, driven by higher wages, drove the imports and the trade gap – but it would be short-sighted. In fact, the 12% y/y nominal advance in consumption in 12 months to June (latest data available) failed to push up the imports that contracted by 1.5% y/y.

In volume terms, the 4.4% y/y advance in consumption (+4.5% y/y for households) pushed up the imports (goods) by only 0.5% y/y. The import of services increased by 1.0% y/y. But the GDP rose three times faster than the import of goods, by 1.9% y/y.

From a slightly broader perspective, Romania's exports and imports (hence the trade gap) expressed in nominal (euro and local currency) terms have actually featured no particular trend for the past two years.

Exports, imports, and trade have stagnated nominally.

High annual growth rates, such as the deficit's sharp advance in July (or Q2), reflect certain volatility but not necessarily real trends.

In comparative terms, as a share of the total economy (GDP), both exports and imports (and the deficit) shrunk.

The exports in 12 months to July contracted by 1.9% y/y to EUR 92.6 billion, imports edged down by 1.0% y/y to EUR 124.0 billion, and the trade gap increased marginally by 1.5% y/y to EUR 31.4 billion.

In the meantime, for the same period of time, the GDP increased by 11.3% y/y (as of June 2024, the latest data available), diluting Romania's foreign trade figures – including the deficit.

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Unilateral carbon, digital measures create trade tensions: WTO

Uncoordinated unilateral approaches to address the digital economy and the low-carbon transition can create potential distortions and trade tensions, the World Trade Organization (WTO) has said.

In its World Trade Report 2024, it cautioned that fragmentation or the unwinding of trading relationships and the recourse to unilateral, rather than multilateral, policies – presents a "major risk to progress in reducing poverty and inequality and particularly affects vulnerable groups, such as low-income households, women and MSMEs".

"Without international trade agreements, large economies might be tempted to raise tariffs unilaterally, reducing the price of their imports at the expense of their trading partners," the WTO said in its report released Monday.

Highlighting that trade measures taken unilaterally by importing economies to raise labour standards in exporting economies have the potential to create trade tensions, it emphasised on strengthening the WTO's deliberative and monitoring functions to ensure more inclusive trade.

It also said that low-income economies stand to benefit from improvements in investment facilitation as set out in the plurilateral Investment Facilitation for Development (IFD) Agreement, something that India has opposed as it is outside the ambit of the global trade watchdog. More than 120 WTO members have supported the China-led IFD pact.

"The WTO remains a cornerstone for international trade cooperation, and new and prospective rules in areas such as investment facilitation for development, services domestic regulation and digital trade promise to advance the re-globalization process," said WTO Director-General Ngozi Okonjo-Iweala.

Referring to the report, she added that rules for open and simplified trade are not enough to support inclusiveness between and within economies and they need to be complemented with other policies at the domestic and international levels.

"Fast-growing trade in digitally- delivered services and environmental goods offer exciting opportunities, with digital trade in particular lowering the bar for enabling underrepresented economies, small businesses and women entrepreneurs to connect to international markets," she said.

As per the report, protectionism is not an effective path to inclusiveness and restricting trade is an expensive way to protect jobs for specific groups within society which can raise production costs, while inviting costly retaliation from disgruntled trading partners.

Trade reforms, costs

As per the report, unilateral trade reforms in developing economies have, on average, boosted economic growth by 1-1.5 percentage points, potentially resulting in a 10-20% higher incomes over a decade.

Moreover, trade cost reductions between 1995 and 2020 led to a 20-35% faster income convergence of low- and middle-income economies with high-income economies.

A more promising path towards a global economy that works for everyone lies in "re-globalization" – bringing more economies and communities from the margins to the mainstream of the global economy by helping them attract more trade- oriented investment, according to the WTO.

For example, while global rules for digital trade at the WTO would create new commercial opportunities in the sector, extending the reach of those opportunities to everyone who could benefit would require action to close the digital divide, with investments in digital connectivity, infrastructure and digital skills, as well as in creating an enabling legal and regulatory environment.

Solutions could also include improving data collection, research and information exchange on the negative spillovers across economies of unilateral policies and on the uneven effects of trade policy, and enhancing the participation of vulnerable groups in trade policy decision-making processes, the Geneva-based organisation said.

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Country's foreign trade shows strong resilience

Container vessels unload cargo at a terminal in Qingdao, Shandong province, in August. [Photo provided to China Daily]

China's foreign trade has continued to demonstrate strong resilience, and the nation's enhanced export channels with emerging economies, coupled with ongoing support from its opening-up policies, will drive its economic growth throughout the year despite external challenges, government officials and experts said.

They said that China's enriched trade and economic ties with Africa, the Association of Southeast Asian Nations and the Middle East, alongside expanding sectors such as technology-intensive green products and cross-border e-commerce, are helping Chinese exporters gain a competitive edge in global markets.

According to the General Administration of Customs, China's foreign trade reached 28.58 trillion yuan ($4.02 trillion) in the first eight months of this year, an increase of 6 percent year-on-year.

This robust growth was driven by a 6.9 percent year-on-year rise in exports, while imports increased by 4.7 percent.

China's foreign trade with emerging economies has grown at a faster pace than its trade with the United States and European markets, while general trade has shown greater resilience compared with processing trade, said Li Ke'aobo, executive deputy director of Tsinghua University's Academic Center for Chinese Economic Practice and Thinking.

General trade refers to a type of international trade in which goods are imported or exported directly by domestic companies without the use of intermediaries like trading companies or agents.

During the January-August period, China's trade with countries and regions participating in the Belt and Road Initiative reached 13.48 trillion yuan, up 7 percent year-on-year, customs statistics showed.

"These facts underscore China's strong trade performance and its increasing international competitiveness," Li said.

Ji Jianjun, a researcher at the Chinese Academy of Macroeconomic Research in Beijing, noted that China recently removed all foreign investment restrictions in the manufacturing sector, and the move is expected to further lift the country's competitiveness by attracting multinational corporations to build plants within the country and export their products globally.

Similar views were expressed by Lyu Daliang, director of the General Administration of Customs' department of statistics and analysis. "In the first eight months of this year, the number of foreign-invested enterprises engaged in import and export activities has increased in China," Lyu said.

Their monthly import and export value has grown year-on-year for five consecutive months, reinforcing China's position as a prime destination for foreign investment and exports, he said.

Meng Yue, deputy director of the department of foreign trade at the Ministry of Commerce, noted that by exporting high-tech and tech-intensive green products, China has accelerated the development of high value-added industrial chains, further stimulating new momentum in foreign trade and providing competitive industrial goods to the global market.

For instance, China saw its exports of mechanical and electrical products, such as electric vehicles, smartphones and integrated circuits, grow 8.8 percent year-on-year to 9.72 trillion yuan between January and August, accounting for 59.1 percent of the country's total export value.

A clear case in point is exemplified by China Merchants Jinling Shipyard (Yangzhou) Dingheng Co in Yangzhou, Jiangsu province. The shipyard's exports reached $300 million in the first seven months, a year-on-year increase of 15 percent, and orders are fully scheduled through 2028.

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