

LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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NATIONAL

India's WPI inflation drops to 1.31% in August 2024

The annual rate of inflation based on all India Wholesale Price Index (WPI) number is 1.31 per cent (provisional) for the month of August 2024 (over August 2023), a decrease over 2.04 per cent registered in the previous month, according to the ministry of commerce and industry.

The month over month change in WPI for the month of August 2024 stood at (-) 0.45 per cent as compared to July 2024

“Positive rate of inflation in August 2024 is primarily due to increase in prices of food articles, processed food products, other manufacturing, manufacture of textiles and manufacture of machinery and equipment etc,” the Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade (DPIIT), under the ministry of commerce and industry, said.

The official WPI for all commodities (Base: 2011-12 = 100) for the month of August 2024 decreased to 154.5 from the previous month's 155.2.

The index for manufactured products (weight 64.23 per cent) for August 2024 dropped slightly to 141.6 from 141.7 in July 2024. The index for 'Manufacture of Textiles' sub-group decreased slightly to 136.5 in August from 136.7 in July, while the index for 'Manufacture of Wearing Apparel' increased slightly to 152.8 from 152.1 in July.

The index for primary articles (weight 22.62 per cent) declined by 1.37 per cent to 194.9 in August from 197.6 for the month of July 2024, while that for fuel and power (weight 13.15 per cent) increased by 0.14 per cent to 148.1 in August from 147.9 for the month of July 2024.

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India's apparel retail will continue to grow with rising incomes: Centrum

<https://brandequity.economicstimes.indiatimes.com/news/research/indias-apparel-retail-will-continue-to-grow-with-rising-incomes-centrum/113417246>



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Southern states steal the show in GDP contribution

<https://m.economictimes.com/news/economy/indicators/southern-states-steal-the-show-in-gdp-contribution/articleshow/113435787.cms>

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Demographic advantage, Indian economy's sweet spot

<https://www.thehindu.com/opinion/op-ed/demographic-advantage-indian-economys-sweet-spot/article68652703.ece>

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India's August trade deficit widens to \$29.65 bn after imports hit all-time high of \$64.36 bn

<https://m.economictimes.com/news/economy/foreign-trade/indias-august-trade-deficit-widens-to-29-65-bln-after-imports-hit-all-time-high-at-64-36-bn/articleshow/113424199.cms>

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USDA estimates record rice production in India, while cotton area dropped

The United States Department of Agriculture (USDA) forecasts India's marketing year (MY) 2024/25 rice production at record 139.0 million metric tons, up marginally from last month and 1 percent higher than last year, due to an increase in planted area. The harvested area is forecast to reach a record 48.5 million hectares (mha), up 1 percent from the previous month and nearly 2 percent from last year. Yield is forecast at 4.30 tons per hectare, down slightly from both last month and last year.



The Crop Situation Report, published by India's Department of Agriculture and Farmers Welfare on August 30, 2024, reported sown area at 40.8 mha, up nearly 4 percent from last year, as some farmers switched from cotton to rice.

According to the report, farmers were drawn to planting rice due to its potential for higher yields and lower input costs relative to cotton. Furthermore, improved rainfall in key producing areas encouraged an above-average pace of planting.

India Cotton: Harvested Area Drops 7 Percent from Last Year

The USDA estimates India's MY 2024/25 cotton production at 24.0 million 480-pound bales, down 2 percent from last month and 7 percent from last year. Harvested area is estimated at 11.8 million hectares (mha), down 2 percent from last month and 7 percent from last year. Yield is estimated at 443 kilograms per hectare, slightly down from last month but marginally up from last year.

The drop in harvested area is primarily due to farmers switching to more profitable crops and excessive heat in the northern cotton areas. Planting has decreased in Gujarat, Maharashtra, and Telangana, where farmers have switched to rice, soybeans, and peanuts.

At the beginning of the season, northern cotton areas, which comprise around 15 percent of total production, experienced pre-monsoonal heat as high as 47 degrees Celsius, hindering sowing.

Consequently, planting is estimated to be down as much as 35 percent in the north. The Crop Situation Report, published by India's Department of Agriculture and Farmers Welfare on August 30, 2024, reported the sown area at 11.2 mha, down 9 percent from the same period last year.

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India, UK may hold next round of talks on proposed trade agreement in Oct

India and the UK are expected to hold the next round of talks for a proposed free trade agreement in October to resolve the pending issues and close the negotiations, a senior official said on Tuesday. Commerce Secretary Sunil Barthwal said the officials of the UK are briefing their new ministers about the proposed free trade agreement (FTA).



The two sides have already taken stock of the progress of talks at secretary and minister levels.

"The briefings are going on in the UK...they are briefing their new ministers and based on that, the negotiations will start. We are hoping that in October, the negotiations should resume," Barthwal told reporters here.

He also said India is progressing on all FTAs, but there are certain things which are not in control of anyone.

The India-UK talks for the proposed FTA began in January 2022. The 14th round of talks stalled as the two nations stepped into their general election cycles.

Due to the elections in India and Britain, both the countries lost that period.

There are pending issues in both the goods and services sectors.

The Indian industry is demanding greater access for its skilled professionals from sectors like IT and healthcare in the UK market, besides market access for several goods at nil customs duty.

On the other hand, the UK is seeking a significant cut in import duties on goods such as scotch whiskey, electric vehicles, lamb meat, chocolates and certain confectionary items.

Britain is also looking for more opportunities for UK services in Indian markets in segments like telecommunications, legal and financial services (banking and insurance).

The two countries are also negotiating a bilateral investment treaty (BIT).

There are 26 chapters in the agreement, which includes goods, services, investments and intellectual property rights.

The bilateral trade between India and the UK increased to USD 21.34 billion in 2023-24 from 20.36 billion in 2022-23.

The Labour Party's election manifesto for the recent polls also committed to clinching the deal.



A virtual meeting between Commerce and Industry Minister Piyush Goyal and Jonathan Reynolds, UK Secretary of State for Business and Trade was held on July 11 to discuss next steps on the pact.

Talking about the trade agreement with Australia, the secretary said that the two sides are looking at ways to conclude the negotiations before December.

He added that chief negotiators of both the sides are meeting on the pact, besides the trade ministers.

India and Australia implemented an interim pact, officially dubbed as Economic Cooperation and Trade Agreement (ECTA) in December 2022 and now are in negotiations to expand its scope.

He added that FTAs are long-term negotiations as these are comprehensive in nature involving over 20 chapters.

"They are time-taking. But I must say that we are moving forward on all our FTAs except Canada. We had paused (that). All other FTAs are progressing very well," he said.

The bilateral trade has dipped to USD 24 billion in 2023-24, from about USD 26 billion in 2022-23.

On India-Bangladesh proposed Comprehensive Economic Partnership Agreement (CEPA), the secretary said there are some problems in the neighbouring country as of now.

"So we are waiting and watching and we will look at it," he said.

The bilateral trade declined to USD 12.91 billion in 2023-24, from about USD 14.23 billion in 2022-23.

CEPA is a kind of free trade agreement, under which two trading partners significantly reduce or eliminate customs duties on the maximum number of goods traded between them. Besides, they ease norms to promote trade in services and investments.

Further, the commerce ministry informed that the ninth round of negotiations between



India and the European Union (EU) for a proposed FTA is planned for September 23-27 here.

During this round, both sides will discuss core trade issues covering goods, services, investment and government procurement along with necessary rules such as rules of origin, SPS (sanitary and phytosanitary), and technical barriers to trade.

"Also, the concerns of Indian stakeholders regarding the EU's sustainability measures, such as CBAM, deforestation and others, will be discussed with the EU," the ministry said.

The Carbon Border Adjustment Mechanism (CBAM) or carbon tax (a kind of import duty) will come into effect from January 1, 2026. It will initially be imposed on seven carbon-intensive sectors, including steel, cement, fertiliser, aluminium and hydrocarbon products.

According to think tank Global Trade Research Initiative (GTRI), the European Union's Deforestation Regulation (EUDR) would hit India's agricultural exports worth USD 1.3 billion to the EU starting December 2024.

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Bangladesh hasn't had a significant impact on India's trade: CRISIL

<https://www.deccanherald.com/business/economy/bangladesh-hasnt-had-a-significant-impact-on-indias-trade-crisil-3194292>

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Export share of manufacturing companies' sales nears a record low

The share of exports in the sales of manufacturing companies has dropped by nearly two-thirds over a ten-year period ended financial year 2022-23 (FY23). The numbers so far for FY24 suggest it might have fallen further.

Exports accounted for over 18 per cent of manufacturing sales in FY13, but this figure dropped to 6.8 per cent in FY23, and stands at just 1.8 per cent so far for FY24, according to data from the Centre for Monitoring Indian Economy (CMIE).



This is based on 961 companies across the listed and unlisted space. Companies declare foreign exchange earnings as part.

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SIMA seeks measures to address issues related to raw materials for textile industry

The Central government should address issues related to raw materials used by the textile industry, said S.K. Sundaraman, chairman of the Southern India Mills Association (SIMA).

In a press release issued by the Association on Tuesday after its annual meeting, the SIMA said the government should come out with a Technology Mission on Cotton (TMC) to increase cotton production and productivity and address the inverted duty structure for manmade fibre (MMF).

The government had announced a special package last cotton season to encourage indigenous seed technology for high density planting of cotton crop, improve agronomy practices, and to promote cultivation of extra long staple cotton. The phase one of trial projects in these areas saw 30% to 60% increase in productivity and phase II trials were progressing.

At a recent meeting with Union Finance Minister Nirmala Sitharaman in Coimbatore, the Minister assured the industry that steps would be taken to address the MMF value chain inverted duty structure issue in GST. Though it was addressed in 2022, it was reversed due to opposition from a section of the industry, he said.

Mr. Sundararaman, Managing Director of Shiva Taxyarn, was re-elected chairman of SIMA at the annual meeting. Durai Palanisamy, Executive Director of Pallava Textiles, Erode, was re-elected deputy chairman and S. Krishnakumar, Managing Director of Sulochana Cotton Spinning Mills, Tiruppur, was re-elected vice chairman of the Association for 2024-25.

At the annual meeting of the SIMA Cotton Development & Research Association (SIMA CD & RA) held on Tuesday, Mr. Sundararaman, Mr. Palanisamy, and Mr. Krishnakumar were elected its chairman, deputy chairman, and vice chairman, respectively.

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Bangladesh issue to have small negative impact on cotton yarn, footwear, soft luggage, FMCG sectors says CRISIL

The political upheaval in neighbouring Bangladesh can have “small but negligible negative impact” on cotton yarn, power, footwear, soft luggage and fast-moving consumer goods (FMCG) sectors while ship breaking, jute, readymade garments (RMG) should benefit, CRISIL Ratings said in a study adding for most other sectors, the impact would be insignificant.

Stating that developments in Bangladesh have not had a significant impact on India’s trade and going forward, it said it does not foresee any near-term impact on the credit quality of India Inc either.

However, a prolonged disruption can affect the revenue profiles and working capital cycles of some export-oriented industries for which Bangladesh is either a demand centre or a production hub, it added. Besides this one has to keep a watch on Bangladeshi currency taka.

Highlighting that India’s trade with Bangladesh is relatively low, accounting for 2.5% of its total exports and 0.3% of total imports last fiscal, CRISIL said merchandise exports mainly comprise cotton and cotton yarn, petroleum products, electric energy, while imports largely consist of vegetable fat oils, marine products and apparel.

“For cotton yarn players, Bangladesh accounts for 8-10% of sales, so the revenue profile of major exporters could be affected. Their ability to compensate sales in other geographies will be an important monitorable,” it said.

“Their operating profit margins, however, may not be significantly impacted because cotton-yarn spreads are already modest at present,” it added.



Pointing out that companies into footwear, FMCG and soft luggage could see some impact because of manufacturing facilities located in Bangladesh, the rating agency said these facilities faced operational challenges during the initial phase of the crisis.

“However most have since commenced operations, though a full ramp-up and the ability to maintain their supply chain will be critical,” it said.

Engineering, procurement and construction companies engaged in power and other projects in Bangladesh could see execution delays and companies supplying electricity could see delayed payment of dues, it said.

On the other hand, companies in the ship breaking, jute and RMG sectors are seeing an increase in sales inquiries from key export destinations such as the US and Europe, it added.

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