LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

NATIONAL

India's financial conditions tighter in Aug relative to Jul: CRISIL

India's financial conditions were tighter in August relative to July, shows CRISIL's financial conditions index, which moderated to 0.5 in the month from 0.8 in July.
Unwinding of yen carry trade, lower FPI inflows, a mild depreciation in the Indian rupee, increased volatility in equity markets and rise in bank lending rates led to tighter financial conditions in India.

Global developments like a decline in crude prices, weaker US dollar and easing US bond yields helped some of the segments of India's markets and hit the others. Foreign portfolio investors (FPIs) inflows reduced in August, hitting equity market the most, while the rupee depreciated mildly.

However, the bond market, which benefitted from falling crude prices and US yields, and the continuing effects of India's inclusion in the JP Morgan Emerging Market Bond Index, handled the global turbulence better, the domestic rating agency said in a release.

Domestic factors remained supportive as systemic liquidity conditions improved and bank credit growth remained strong. Easing domestic inflation, coupled with the US Federal Reserve rate cut, is further creating conditions for the Reserve Bank of India to begin its easing cycle in the second half of this fiscal, the S&P Global company noted.

CRISIL expects RBI to begin cutting rates from October at the earliest, lest unpredictable weather events and geopolitical tensions play spoilsport. Overall, it expects two rate cuts in this fiscal.

Factors supporting financial conditions include higher surplus in systemic liquidity, softer money market rates, lower crude oil prices, declining US treasury yields, softer domestic bond yields and strong bank credit growth.

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Narendra Modi lays foundation stone of PM MITRA Park in Amravati

Indian Prime Minister Narendra Modi today laid the foundation stone of a PM Mega Integrated Textile Regions and Apparel (PM MITRA) Park at Amravati in Maharashtra. The 1000-acre park is being developed by the Maharashtra Industrial Development Corporation (MIDC) as the state implementation agency.

The government had earlier approved setting up of 7 PM MITRA Parks for the textile industry. These parks are a major step forward in realising the vision of making India a global hub for textile manufacturing and exports.

The textile sector has immense industrial possibilities in Maharashtra, he emphasized, pointing out that the Vidarbha region has been a big centre for quality cotton production. However, successive governments had pushed cotton farmers into misery due to petty politics and corruption, he was cited as saying in an official release.

The vision included a complete cycle of farm to fibre, fibre to fabric, fabric to fashion and fashion to foreign, he said.

New supply chains would be created to help the country's exports leading to an increase in income, he said.

Maharashtra is gearing up for the modern infrastructure and connectivity needed for industrial progress, he added.

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Decisions at Indian inter-ministerial meeting to reduce shipping costs

Decisions taken by the ministry of ports, shipping and waterways and the ministry of railways at an inter-ministerial meeting yesterday chaired by commerce and industry minister Piyush Goyal will significantly reduce shipping costs, improve availability of containers, resolve the issue of empty containers, lead to faster evacuation of export consignments and reduce congestion at ports.
The meeting discussed rising freight costs, shipping delays, shortage and non-availability of containers and congestion at ports leading to difficulties for exporters.

Due to geopolitical tensions, the Red Sea Crisis, Houthi rebel operations, ongoing wars and its impact on international trade, there is a need to engage with a multidisciplinary team, Goyal emphasised.

The meeting decided to set up a multidisciplinary help desk to support exporters.

The Container Corporation of India (CONCOR) has decided to allow empty containers to be stored free for 90 days in the yard at the Jawaharlal Nehru Port Authority (JNPA) and has also significantly slashed the loading and handling charges, a release from the ministry of commerce and industry said.

Railway Board chairman Satish Kumar announced that the charges of ₹3,000 (~$35.91) being levied now beyond 90 days has been reduced to ₹1,500. Further, the storage and handling rates will be reduced for containers from ₹9,000 to ₹2,000 for a 40 ft container and from ₹6,000 to ₹1,000 for a 20 ft container.

The Shipping Corporation of India (SCI) announced chartering container ships to significantly increase container capacity. Capacity will be enhanced by 9,000 twenty-foot equivalent unit (TEUs) on an immediate basis.

SCI will also buy additional five container ships to further enhance cargo handling capacity. The shipping lines assured that all charges like container transportation and lift on-lift off at yards would be embedded in the delivery order given to shippers.

Capacities of ports have already been enhanced by 2.3 million TEUs. It was decided at the meeting that private container yards will have to mandatorily register themselves with goods and services tax authorities and any charges in cash would not be accepted in cash to stop illegal profiteering arising out of shortage and delay.

Jawaharlal Nehru Port Trust (JNPT) chairman Unmesh Sharad Wagh assured that steps have been taken to eliminate congestion and bottlenecks at the port. To enhance export-related processes, traffic delays near and around JNPA will be minimised and simultaneous container scanning at JNPA will be implemented for faster clearances and reduced turnaround time.

All efforts will be taken to ensure faster movement of air cargo as well and reduce turnover time.

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Textile traders defend Africa as industry strives for circularity

The used textile market is at a 'turning point' and requires collaboration and innovation to deliver a truly global circular economy throughout a vibrant international supply chain. That was the key message from the very well-attended first-ever Textile Circularity conference organised by the Bureau of International Recycling.

Speakers stressed the importance of trade between developed economies and Africa, dismissing media reports that 40% of clothing exports was suitable only for landfill. Representatives from Ghana, Kenya and Uganda countered such claims, arguing that detailed research showed the proportion was actually in single figures. They said it made no sense for astute African businesses to import textiles from the EU or the US they could not use.

Participants also grappled with a range of issues facing the used textile markets, including the impact of EU regulations, “fast fashion”, the definition of “waste” and emerging technologies.

BIR held the event in Brussels on 17 September at a time when the EU sector is struggling. In a pre-recorded video message, President Susie Burrage OBE said textile reuse and recycling was at a turning point and the industry needed help to overcome the challenges it faced.

Ms Burrage insisted that collective efforts to deliver proper sorting, reuse and recycling and repurposing were vital to achieving a circular economy in textiles in both developed and developing countries.

“The narrative around end-of-life, or end-of-use, textiles is becoming increasingly tangled,” she told delegates by video link. “Media headlines often paint a one-sided picture, leaving the public confused at the real story of used clothing.”

Africa rejects dumping claims

In the conference’s first session chaired by Alan Wheeler of the UK-based Textile Recycling Association, a defiant African perspective came from *Marlvin Owusu, an executive member of the Ghana Used Clothing Dealers Association*. “One of the biggest challenges we have is simply the misconception of second-hand clothing.”

Mr Owusu said that while EU law defined “waste” as discarded materials no longer intended for their original use, the Ghanaian view was that it was clothing that could no longer be reused or repurposed. An independent report commissioned by his organisation using that criterion found such items made up the proportion of textiles waste arisings being imported into Ghana is only up to 5% and is often considerably less. He said this was “far below the exaggerated figures that have been put on media outlets for a long time”.

Ghanaian traders delivered quality affordable clothing in a sustainable trade at the core of circularity, he insisted. Reports such as that from the OR Foundation suggesting 40% waste in imported bales could not be trusted, he argued, because “there is no business model in the world that could support a waste level of 40%”.

Via video link, *Teresiah Wairimu, chair of the Mitumba Consortium Association of Kenya*, also spoke of “unverified figures” for waste from those with no understanding of the African markets. In the capital Nairobi, she insisted, the figure was 1.89%.

Ms Wairimu said she represented two million people directly employed in the clothing industry with more than 20 million others depending on it for their livelihood. “We are business people, we import goods for sale and our Government regulates and forbids waste. In Kenya, we only import sorted clothes and we are leading the way on building a circular economy through textile use … It is very insulting to hear we are importing waste.”

Mr Wheeler said it was very important that the voices of the Global South were heard in a textile circularity debate.

In a presentation on a survey of the large second-hand Owino textile market in Kampala, Uganda, Michelle Wilson, Director of Programmes for the WasteAid charity (GBR), said the biggest source of waste was from the dozens of machinists repurposing clothes within the market rather than from the hundreds of sellers. A final report is due later in the year but preliminary findings from a survey of 600 market participants suggested levels of waste of around 1%.

Ms Wilson thought definitions of waste could explain the discrepancy between this local figure and the 40% claims. She spoke of a local term ‘fagi’ – meaning textiles that may not sell because they are unfashionable or not wanted at that time.

“When we talk about waste we think of something that is ruined but, in the markets, fagi might go round and round until something else happens to it. The [actual] waste is quite low but there is lot of other materials that stay in circulation for quite a long time.”

All three felt the bigger challenge was for governments and businesses to improve the domestic waste management of all waste in their countries.

European concern for future

Martin Böschen, president of BIR’s Textile Division and CEO of TEXAID (Switzerland), was concerned about the consequences of tighter regulations for EU exports of textiles. “Are we not then opening this [African] market to others such as China or other countries that are going to export their post-consumer textiles under much less regulation and then kill this industry in Europe?” he asked.

The parlous state of the used textile trade in Europe was also raised by *Mariska Boer, president of EuRIC Textiles and co-owner of Boer Group (NED).* “Our biggest challenge is finding a way to regain a competitive position on the global market for textile reuse. It's only through that we can continue to build a resilient and vibrant industry here in Europe."

Ms Boer spoke of a continuing decline over the past 10-15 years in the quality of clothing put on the market by brands selling "cheap, ultra-fast fashion". "If you get a lower quality in your sorting plant you can't possibly sort a higher quality out."

Other factors weighing on the reuse trade were the costs of labour, energy prices and the continuing war in Ukraine, she said. While proposed regulation would help in the longer term, such immediate issues were weighing heavily on the European markets.

"We call for financial incentives to support those companies within Europe that make an impactful contribution to a sustainable and circular textile value chain," she insisted. "And we need to restrict the import of 'throwaway' fashion within the EU."

Delivering new technology

One session at the conference was dedicated to the emerging technologies driving textile-to-textile recycling alongside the traditional reuse model. Notable among them is chemical recycling, reducing clothing and other fabrics to their molecular building blocks and using them to create new products of value.

Cyndi Rhoades, co-founder of Circle-8 Textile Ecosystems and CEO of Worn Again Technologies (GBR), spoke about a multi-stakeholder collaboration on a pilot facility for "non-rewearable textiles" (NRTs). NRTs will be fed into an automated textile sorting and pre-processing facility due to open in the UK by early 2026. The resulting material is then broken down into purified polyester and cellulose to go into fibre spinning before becoming new textiles.

"There was a perception, which lasted for many years, that chemical recycling was too expensive and too energy intensive," she said. "Today, innovations are getting large-scale investments and brand engagement. However, less than 1% of new textiles are made from existing textiles so there is a seriously long way to go but we are on the right track."

Pursuing circular textiles

Another speaker was *Beatriz Fernandez, programme management officer for the United Nations Environment Programme (CHE)*, who pointed out that textiles contribute up to 8% of the world's greenhouse gas emissions. Material use has increased more than three times over the last 50 years and is expected to increase by 2.3% per year.

A circular business model, she said, could cut 143 million tonnes of GHG emissions by 2030 so improved production practices and greater investment in infrastructure were essential. The UN's Circularity and Used Textile Project is currently assessing the import markets of Ghana, Kenya, Tunisia and Pakistan. "We are aiming to have social and economic growth that is coupled with environmental agendas. Circularity becomes a beacon of hope."

The regulator's perspective came from Vincenzo Gente, Policy Officer in the Environment Directorate at the European Commission, who spoke about progress on revising the Waste Framework Directive as it applies to textiles. Aspects include extended responsibility (EPR) schemes, producer responsibility organisations and rules on waste management. The revision is also impacted by the regulation on eco-design for sustainable products, which entered into force in June 2024, and end-of-waste criteria for textiles which were consulted on earlier in the year.

Successful first

BIR director general Arnaud Brunet said this first "Circularity Challenge" event had been so successful it would certainly not be the last. Historically, he thought BIR's Textile Division had been Eurocentric but that was no longer the case.

"I'm interested that countries like Ghana and Pakistan are becoming exporters of recycled textiles so it's time for companies from those countries to join BIR and strengthen the network and make sure we achieve that circular economy and that we have a global voice when we talk to regulators."

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India's ready-made garment exports surge 11.9% to $1.26 billion in August 2024

Ready-made garments (RMG) exports from India increased 11.9 per cent (year-on-year) to $1.26 billion in August 2024 despite the persisting Red Sea crisis and global headwinds pulling down overall goods exports.

Exporters are hopeful that the growth momentum will continue, as long-term policy support schemes focussed on garment exports and certain engagements with old FTA partner countries, like Japan and Korea, are starting to yield positive results.

"Apparel exports kept its growth momentum despite the global headwinds and persisting red sea crisis and other challenges such as logistic cost and global inflationGrowing at an average of 7.12 per cent in the last five months (April to August 2024-25) RMG exports have bucked the trends of falling merchandise exports which has touched 13 months' low in August," said Sudhir Sekhri, Chairman, AEPC.

Total RMG exports for April-August 2024-25 was $6.39 billion.

"I am hopeful that the growth momentum will continue. While the global garment sourcing is realigning itself, we are ready to play a significant role. The long-term policy support for garment exports related schemes will provide stability in the policy regime and will help further thrust garment exports from the country," Sekhri said.

In its wishlist submitted to the government, AEPC has sought flexibility in fabric import, PLI 2.0 for capacity augmentation, an extension of the interest equalisation scheme for at least five years with an increased rate of 5 per cent for all exporters, an Urban Area Employment Encouragement Scheme, an incentive for ESG compliance, and a level playing field in important markets such as the EU.

" It is very encouraging to see the resilience of the industry. With focus on product quality and environmental and social compliance, the industry is poised to take a leap into high growth trajectory and be a major global player of garment exports," Sekhri added.

One of the "most heartening" developments was the news that engagement with old FTA partner countries like Japan and Korea had also started yielding positive results, Sekhri said. RMG exports to Japan, Korea, Australia, Mauritius, and Norway grew by 7.7 per cent, 16.8 per cent, 12.5 per cent, 6.6 per cent, and 17.3 per cent, respectively, in the first quarter of this fiscal year.

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What is the impact on the Indian economy post Fed rate cuts?

The US Federal Reserve recently cut its rates sharply by 50bps to facilitate spending and investment in the country. The Fed lowered its interest rate for the first time in four years to 4.75-5% amid a cooling labour market and easing inflation rates.

The Fed is also expected to systematically cut rates to about 250 bps till 2026.

With this move, the India currency has appreciated with respect to the US Dollar to about Rs 83.69.

Talking to *BT* about the impact on Indian economy, experts said that RBI monetary policy will be a function of domestic inflation. Dharmakirti Joshi, Chief Economist at CRISIL said, “Even though RBI monetary policy is dependent on US Fed Reserve, a lot will depend on CPI rates. Once CPI rates are in check only then can we see RBI going ahead with any rate cuts. The situation will be clear after monsoon season ends.” He also said that currency rate will have impact the export income and excess appreciation of currency can dent export incomes.
Madan Sabnavis, Chief Economist, Bank of Baroda said that rate cuts didn’t come as a big surprise to the Indian markets and some effect was seen on the currency rates and a minor effect on bond yields. He also assured that RBI’s policy will be majorly dependent on the domestic factors like CPI and US Fed will majorly impact the currency rates.

Speaking about the long-term growth of the economy, Joshi said that the Indian economy is likely to be growing and a rise in per capita income is also expected as GDP increases and population growth plateaus.

Sabnavis added that the per capita income will grow when employment opportunities are created in organised sectors and focus is given to the quality of growth.

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India-Asean FTA talks: Goyal calls for addressing local industry's concerns

India on Friday called for addressing the concerns of its domestic industries affected by the existing free trade agreement (FTA) with the 10-nation bloc Asean as the two regions negotiate a review of the pact.

Commerce and Industry Minister Piyush Goyal has also emphasized the need to rectify the inequitable tariff liberalization under the agreement.

Goyal said this during the stock-taking exercise of the progress of review talks for the India-Asean free trade agreement in goods (AITIGA) in Laos.

All the ministers took note of the progress in negotiations for the review of the agreement.

"Minister Goyal in his intervention stressed the need for addressing injury to industries from the existing FTA and the inequitable tariff liberalisation during the review. He also cited India's ongoing efforts of integrating with other economies through FTAs and highlighted the urgency in upgrading AITIGA which otherwise may lead to diversion of bilateral trade to other regions, the commerce ministry said in a statement.

The economic ministers or their representatives from all the 10 Asean countries - Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam participated in the meeting.

It said that the ministers reiterated the commitment to ensure that the outcome of the review should be mutually beneficial and commercially meaningful and will make the AITIGA more effective, user-friendly, simple, and trade facilitative for businesses.

They encouraged the joint committee, which is engaged in review talks, to expedite the negotiations to conclude the review in 2025.

The review of the agreement is a long-standing demand of Indian industry and India is looking forward to an upgraded pact which will address the current asymmetries in bilateral trade and will make trade more balanced and sustainable.

Goyal reiterated India's request for setting up of Joint Committees under the two separate agreements on services and investment, signed in 2014, to review the implementation of these pacts.

The minister is at Vientiane, Laos to participate in the 21st Asean-India Economic Ministers' (AEM-India).

The review is high on India's priority list to make it more user-friendly, simple and trade-facilitative for businesses.

The next round of official talks for the ongoing review meeting of the India-Asean free trade agreement in goods will be held in November.

The third round of the negotiations was concluded on August 1 in Jakarta, Indonesia.

The pact was signed in 2009. Asean is an important trade partner of India with about 11 per cent share in India's global trade.

India's exports to the 10-nation bloc Asean were USD 41.2 billion in 2023-24, while imports aggregated at USD 80 billion in the last fiscal. Asean accounts for 10.9 per cent of India's global trade.

India is asking for a review of the agreement to eliminate barriers and misuse of the trade pact.

On the sidelines of the AEM-India meeting, Goyal held a bilateral meeting with Helene Budliger Artieda, Secretary for Economic Affairs, Switzerland.

Both sides discussed the progress in ratification of India-EFTA (European Free Trade Association) Trade and Economic Partnership Agreement signed on March 10 and discussed the way forward in facilitating USD 100 billion FDI (foreign direct investment) commitment by the EFTA states under the agreement.

The EFTA members are Iceland, Liechtenstein, Norway and Switzerland.

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Goyal to push for quick review of India-Asean trade agreement

The Modi government decided to renegotiate the trade deal after goods from China and other non- Association of Southeast Asian Nations (Asean) nations started being routed to India under the Asean-India Trade in Goods Agreement (AITIGA), taking advantage of duty concessions, the people said requesting anonymity.

Goyal is visiting Vientiane, the capital of Laos on 20-21 September 2024 to attend the 21st Asean-India Economic Ministers (AEM-India) meeting and the 12th East Asia Summit Economic Ministers Meeting (EAS EMM). These annual meetings of Asean with their dialogue partners are being hosted by Lao People's Democratic Republic (Laos), which is the Asean chair for 2024.

EAS EMM will see the participation of trade or finance ministers of 10 Asean countries and eight other EAS partners -- India, US, Russia, China, Japan, Korea, Australia and New Zealand. The 10 Asean members are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. Goyal is scheduled to attend several bilateral meetings during his visit apart from having an interaction with the Indian diaspora.

"In the AEM-India meeting, the ministers will review the progress in negotiations for review of ASEAN-India Trade in Goods Agreement (AITIGA)," commerce ministry said in a statement on Friday. The review of AITIGA is "high on our priority to make it more user friendly, simple and trade facilitative" for businesses, it added.

Speaking about the review of AITIGA, one of the persons mentioned above said five rounds of talks on this matter have been concluded, with an understanding to conclude the review by 2025. The fifth AITIGA Joint Committee (JC) and related meetings for review of AITIGA were held in Jakarta (Indonesia) from July 29-August 1.

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GLOBAL

ICE cotton jumps over 2% as US Fed rate cut weakens dollar

ICE cotton prices surged by over 2 per cent, reaching a new two-month high following a rate cut by the Federal Reserve. The easing of the dollar index yesterday is expected to boost US cotton exports. However, according to the USDA report released on Thursday, export sales were slightly lower.
Yesterday, the ICE December cotton contract settled at 73.03 cents per pound (0.453 kg), up by 1.76 cents. The weaker US dollar and improved sentiment in financial markets, following the 50-basis point rate cut by the Federal Reserve, helped support US cotton prices. These positive developments lifted market sentiment in commodity trading.

The US dollar index slipped by 0.38 per cent to 100.64, making cotton purchases more attractive for overseas buyers. The index had fallen as low as 100.21 in the previous session, marking its lowest level in 13 months.

Data from ICE showed that, as of September 18, the deliverable No. 2 cotton futures contract inventory remained steady at 265 bales.

According to the USDA Weekly Export Sales Report, US cotton export sales for the current marketing year totalled 106,800 bales for the week ending September 12. This represents a decrease of 8 per cent compared to the previous week and a 23 per cent drop from the four-week average. However, export sales for the next marketing year increased by 10,600 bales during the same week.

The market is currently shifting from a rising interest rate environment to a falling interest rate model. A weaker dollar could further boost exports, and December cotton prices may climb to around 76 cents.

At present, ICE cotton for December 2024 is trading at 73.40 cents per pound, up by 0.37 cents. Cash cotton traded at 666.53 cents (up by 1.76 cents), while the October contract rose to 71.58 cents (up by 1.90 cents). The March 2025 contract increased to 74.91 cents per pound (up by 0.31 cents), the May 2025 contract reached 75.85 cents (up by 0.24 cents), and the July 2025 contract climbed to 76.25 cents (up by 0.18 cents). A few contracts remained unchanged, with no trading activity noted today.

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