

LETTER

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News Highlights

NATIONAL

Union Minister Piyush Goyal highlights India's expanding engagement with global economy at 13th PAFI Annual Forum 2026 in New Delhi

Centre amends emission reduction targets for refineries and textile units

India-Canada Free Trade Agreement talks to get 'political heft': Piyush Goyal

India's FY27 growth forecast raised to 7.1% by OECD

GLOBAL

Global supply shifts open growth window for Indian apparel: Report

Slight change in ICE cotton futures as traders await demand signal

Europe 2026 growth forecast lifted on resilient demand: S&P Global

NATIONAL

Union Minister Piyush Goyal highlights India's expanding engagement with global economy at 13th PAFI Annual Forum 2026 in New Delhi

Union Commerce and Industry Minister Piyush Goyal has highlighted India's expanding engagement with the global economy and its efforts to strengthen participation in global value chains and supply chains. Addressing the Leadership Dialogue at the 13th PAFI Annual Forum 2026 in New Delhi, Mr Goyal said India is negotiating trade and economic partnerships from the position of an economy that is expected to grow into a 30 trillion dollar economy.

He underlined that India today negotiates with the world as a 4 trillion dollar economy, while its economy on a purchasing power parity basis is around 20 trillion, making it the third largest in the world. He said the gap between these measures would narrow as India progresses towards the vision of becoming a 30 trillion dollar economy.

The Minister noted that India's semiconductor consumption demand is expected to grow to over 150 billion annually in the next five years. He also highlighted the need to develop capabilities across the AI ecosystem, including large language models and agentic models. He also highlighted India's emergence as the third country to have a rocket launched into space by the private sector. Mr Goyal further underlined that India emerged as the world's third-largest Startup Ecosystem with more than 120 Unicorns.

[Home](#)

Centre amends emission reduction targets for refineries and textile units

The Centre has amended a notification setting legally binding greenhouse-gas (GHG) emission-intensity reduction targets for petroleum refineries and the textile sector. The amendment revises the baseline emission figures for at least seven refineries and leaves the targets for 2025–26 blank, ostensibly due to end of the compliance period.

The Ministry of Environment, Forest and Climate Change has introduced GHG emission intensity targets, or GEI targets, for various sectors to bring them under the purview of the country's domestic carbon market, as part of the Carbon Credits Trading Scheme (CCTS). The targets for petroleum refineries and the textile sector were notified in January.

However, the ministry amended the notification concerning these two sectors on September 22, with modifications in the baseline emission intensities—reference level against which future performance is measured—of refineries of Indian Oil across Digboi, Gujarat, Guwahati, Haldia, Mathura, Panipat, and Paradeep, and corresponding changes in the emission intensity reduction targets, a comparison of the January and September notifications shows.

The amendment has retained only the 2026-27 year compliance targets, while removing the 2025-26 year targets.

The amendment covers 21 petroleum refineries of Reliance Industries Ltd, Indian Oil Corporation Ltd, Bharat Petroleum Corporation Ltd, Chennai Petroleum Corporation, Hindustan Petroleum Corporation Ltd, Mangalore Refinery and Petrochemicals Ltd, Nayara Energy, and Numaligarh Refineries Ltd. In the textile sector, it covers 173 units across three sub-sectors.

The notification defined targets in terms of tonnes of carbon dioxide equivalent (tCO₂e), which is used to measure the impact of all greenhouse gases and not just CO₂, based on their warming potential.

Carbon Credits Trading Scheme

The CCTS was launched in 2023 to create a framework that incentivises emission reduction through a market-based mechanism and to help achieve India's climate action goals.

Each obligated industry is assigned a GEI target based on emissions per unit of output. Industries that meet or outperform their targets earn carbon credit certificates, which can be sold to industries that are falling short. Industries that do not comply must pay compensation equal to twice the average carbon credit traded price.

GEI is the amount of greenhouse gases emitted per unit of product output, such as the quantum of gases released while producing products across sectors.

'Predictable timeline, stable targets important'

Parth Kumar, Programme Manager, Sustainable Industrialisation Unit, Centre for Science and Environment, said that while updating data is important for accuracy, delays in notifying targets and frequent changes in compliance requirements can create uncertainty for industry and the market itself.

“A predictable timeline with stable targets is important for companies to plan investments and ensure that the intended emission reductions are achieved in the stipulated timeframe,” he told *The Indian Express*.

Heavy industries and core manufacturing sectors, where it is hard to reduce emissions, have been covered under these targets. So far, the Centre has set targets for aluminium, cement, chlor-alkali, pulp and paper, petroleum refineries, and textiles. A revised draft of targets for iron and steel is under consideration.

[Home](#)

India-Canada Free Trade Agreement talks to get ‘political heft’: Piyush Goyal

Goyal said he met his Canadian counterpart last week in Mumbai and indicated that ministers would become more closely involved in the talks rather than leaving them to bureaucrats.

Speaking at the Leadership Dialogue at the 13th PAFI Annual Forum 2026 in New Delhi, Goyal said the Narendra Modi government was pursuing trade agreements based on what he described as “fair, equitable and balanced” terms, in contrast to deals negotiated by the erstwhile Congress-led UPA government.

“The mindset of the nation has changed today. Now we negotiate from a position of strength. Now we negotiate with confidence in our abilities,” he said, referring to recent trade agreements with the UAE, Australia, the UK, the EU and New Zealand.

Goyal defended Prime Minister Narendra Modi’s decision in 2019 to keep India out of the Regional Comprehensive Economic Partnership (RCEP), saying membership of the China-led trade bloc could have resulted in a flood of imports that would have hurt Indian industry.

Referring to the recently concluded India-EU trade agreement, Goyal said India had secured larger quotas for steel, a \$500 million climate-finance commitment and safeguards for sensitive sectors such as dairy and agriculture.

“It’s only the beginning, there’s going to be much more coming,” he said.

Goyal said the India-US trade agreement was among nine deals he considered to have been reached by the Modi government, although the two sides were still working on tariffs. “It is almost done and dusted. We have to find the right, comparable, competitive advantage over our competitors so that we can quickly execute the agreement,” he said.

Goyal said the nine agreements collectively provided India preferential market access to economies with a combined GDP of about \$60 trillion. Including trade agreements signed by previous governments, he said, India would have access to markets representing about \$70 trillion in GDP.

He said negotiations were also progressing with several other countries and blocs. Talks with Chile were moving towards an agreement, while negotiations with Peru could face difficulties because of competing interests, he said.

India has also finalised the terms of reference for FTA negotiations with Mexico, with commerce secretary Rajesh Agrawal expected to visit the country soon. Negotiations are under way with Maldives, Mercosur, the Southern African Customs Union (SACU), the Gulf Cooperation Council (GCC) and Israel.

We are in dialogue with Eurasia (Central Asia and Russia) for a free trade agreement, he said. Speaking about India's engagement with the GCC, he said New Delhi already has separate FTAs with the UAE and Oman. Other three started coming individually, so finally we decided to have an FTA with the GCC, which we have launched and we will do first round of negotiations in October or so, he said. The GCC members are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE.

He said the India-Israel negotiations was already launched and two rounds have been held so far. According to him, the two will see faster progress after the election in Israel, which is expected soon. Taking all these potential deals, India will collectively get access to another \$15 trillion GDP, he said. "So 75% of global GDP... India will be part of [this] value chains, supply chains, flow of goods, services, tourists, educational institutions, sports" as most of them have "multifaceted" arrangements, he added.

Goyal said India would hold the first round of negotiations with the GCC in October. The six-member bloc comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE. India already has separate trade agreements with the UAE and Oman.

India-Israel FTA negotiations have also begun, with two rounds completed, and Goyal said he expected faster progress after Israel's forthcoming election.

He said India was also in dialogue with countries in Central Asia and Russia for a broader Eurasian trade agreement.

Taken together, the potential agreements under negotiation could provide India access to another \$15 trillion economy, Goyal said. He said the government's objective was to

integrate India more deeply into global value chains and supply chains covering goods, services, tourism, education and sports.

Goyal said India's trade negotiations were being guided by the government's goal of making the country a developed economy by 2047.

[Home](#)

India's FY27 growth forecast raised to 7.1% by OECD

India's economy is projected to grow by 7.1 per cent in fiscal 2026-27, with the Organisation for Economic Co-operation and Development (OECD) raising its forecast by 0.8 percentage points from June. India retained the strongest growth outlook among the G20 economies covered in the organisation's September 2026 interim Economic Outlook, despite higher energy costs and trade uncertainty.

The OECD also raised India's growth forecast for FY2027-28 by 0.1 percentage point to 6.5 per cent. Both projections, however, indicated moderation from the 7.8 per cent growth recorded in FY2025-26, according to the report, titled *Weathering Successive Shocks*.

Resilient domestic demand and government measures cushioning households and businesses from higher energy prices had supported India's economic momentum. However, reduced purchasing power is expected to weaken growth during the second half of calendar 2026, before a gradual recovery in 2027.

Globally, the OECD projects GDP growth of 2.9 per cent in 2026 and 3.0 per cent in 2027. Government support, additional energy supplies from outside the Gulf and strong artificial intelligence (AI)-related investment had helped offset the economic impact of the Middle East conflict.

The US growth forecast is raised by 0.2 percentage points to 2.2 per cent for 2026 and by 0.3 percentage points to 2.1 per cent for 2027. Strong AI-related investment, including spending on data centres and technology equipment, is expected to support activity, partly offsetting slower consumer spending and real income growth.

China's growth is projected to moderate from 5.0 per cent in 2025 to 4.5 per cent in 2026 and 4.2 per cent in 2027. Rising inflation is expected to weigh on consumption, while government policies aimed at curbing excessive production capacity would restrain investment growth.

The euro area is forecast to expand by 1.0 per cent in both 2026 and 2027. Higher energy prices and policy rates are expected to constrain activity, although easing energy costs and increased defence spending would provide support over time.

Within the euro area, Germany's economy is projected to grow by 1.1 per cent in both years. France's growth is forecast at 0.4 per cent in 2026 and 0.7 per cent in 2027, while Italy is expected to expand by 0.9 per cent and 0.6 per cent, respectively. Spain remained comparatively stronger, with projected growth of 2.6 per cent in 2026 and 1.8 per cent in 2027.

The UK economy is expected to grow by 1.1 per cent in 2026 and 1.0 per cent in 2027, with newly announced government support measures helping consumption. Canada's growth is forecast at 0.9 per cent and 1.3 per cent, respectively, supported next year by stronger private consumption, government investment and a gradual recovery in business investment.

In Asia, Japan's growth is projected to ease from 0.8 per cent in 2026 to 0.7 per cent in 2027, as higher energy import costs and rising policy rates offset support from business investment and government consumption. South Korea's economy is expected to expand by 3.7 per cent in 2026, supported by strong industrial production and exports, before slowing to 2.6 per cent in 2027.

Indonesia is forecast to maintain relatively robust growth of 5.2 per cent in 2026 and 5.1 per cent in 2027, with improved terms of trade supporting investment. Brazil's economy was projected to grow by 2.0 per cent and 1.9 per cent, respectively, while Mexico's growth is expected to strengthen from 1.5 per cent to 1.8 per cent. Australia's growth is forecast to ease from 1.9 per cent to 1.7 per cent.

For India, headline inflation is projected at 4.7 per cent in FY2026-27 before easing to 4.2 per cent in FY2027-28. Government price support measures are mitigating energy-related pressures, although the OECD anticipated a temporary increase in policy rates to contain stronger inflation.

US headline inflation is expected to ease from 3.6 per cent in 2026 to 2.6 per cent in 2027, while euro area inflation is projected at 3.0 per cent and 2.9 per cent. Across the G20, headline inflation is forecast to rise to 4.1 per cent in 2026 before moderating to 3.6 per cent in 2027.

Trade policy changes added to uncertainty. The estimated effective tariff rate on US imports increased from 9.6 per cent in June to 10.9 per cent by mid-September. Among

major countries, imports from India and Brazil faced the largest increases in estimated effective tariff rates after accounting for the share of goods subject to duties.

The OECD warns that prolonged energy supply disruptions, extreme weather and weaker-than-expected returns on AI investment could undermine growth. For India, a very strong El Niño posed risks to monsoon rainfall and agricultural production, potentially adding to food price pressures.

The organisation urges governments to target energy support at vulnerable households and financially sound small and medium-sized businesses, while diversifying energy supplies, improving efficiency and strengthening resilience against future disruptions.

[Home](#)

GLOBAL

Global supply shifts open growth window for Indian apparel: Report

India's textile and apparel sector is entering a potential multi-year growth phase as global brands diversify sourcing away from China, while new trade agreements and government programmes improve market access and manufacturing infrastructure, according to a report by PL Research.

The report titled 'Tailwinds Converging for a Multi-Year Upcycle' said India's apparel export opportunity is being supported by the India-UK CETA, the conclusion of India-EU free trade agreement talks, and policy initiatives such as the Production Linked Incentive (PLI) scheme and PM MITRA. However, it cautioned that India's ability to capture a larger share of global apparel trade will depend on manufacturers scaling up capacity, improving productivity and strengthening vertical integration.

India accounted for about 4 per cent of global textile and apparel exports in 2025, with exports of around \$37 billion in FY26. Apparel accounted for about 44 per cent of India's textile and apparel exports. PL Research noted that India's apparel exports have remained relatively rangebound in recent years, while fragmented manufacturing capacity, longer lead times and limited man-made fibre (MMF) capabilities continue to constrain competitiveness.

The global sourcing landscape is meanwhile shifting as China's share of global apparel exports declined from nearly 37 per cent in 2010 to about 27 per cent in 2025. PL Research estimated that this change has released roughly \$50-60 billion of apparel sourcing volume into the global market, with Bangladesh and Vietnam among the major beneficiaries.

The report noted that global apparel brands are increasingly consolidating sourcing among fewer, larger suppliers capable of handling sizeable orders, operating across multiple countries and meeting higher environmental, social and governance (ESG) and traceability requirements. Scale, integrated manufacturing, speed to market and compliance are therefore becoming increasingly important in supplier selection.

For Indian manufacturers, PL Research identified capacity expansion, vertical integration, greater exposure to MMF and technical textiles, multi-country manufacturing footprints and stronger ESG compliance as key areas for improvement. India's synthetic garments accounted for about 32 per cent of garment exports in 2025, up from 22 per cent in FY20, with exports growing at a 9 per cent CAGR over FY20-25.

Labour productivity remains another challenge. The report estimated that Indian workers produce about 8-10 T-shirts per hour on average, compared with 12-15 in Bangladesh and Vietnam. It also highlighted slower adoption of technologies such as computer-aided design, AI-based quality inspection and factory automation among India's smaller and mid-sized garment manufacturers.

Sustainability and traceability are also becoming increasingly important as European regulations require greater product-level information and environmental compliance. PL Research said these requirements are shifting sustainability compliance from a competitive differentiator toward a condition for market access for export-oriented manufacturers.

The report highlighted Indian companies including Pearl Global Industries, Gokaldas Exports and KPR Mill as listed manufacturers positioned to benefit from the changing sourcing environment, citing their respective multi-country manufacturing, capacity expansion and vertical-integration strategies.

PL Research noted that the opportunity created by global supply-chain diversification will not automatically translate into higher Indian market share. It identified scale as a key gap, noting that the world's largest garment manufacturers operate capacities of roughly 200-550 million pieces annually, while KPR Mill is the only listed Indian player with more than 200 million pieces of annual garment capacity.

Slight change in ICE cotton futures as traders await demand signal

ICE cotton futures ended almost unchanged on Wednesday, September 23, as thin trading left the market without a clear direction after two volatile sessions. Export demand was weak and there was potential pressure from new crop supplied.

The most active December 2026 contract settled two points higher at 82.89 cents per pound. The contract traded between 82.18 and 83.48 cents per pound, a range of 130 points, and closed close to the range's midpoint. It was the second consecutive session in which prices stayed within the previous day's range. Volume fell to 35,528 contracts from 52,195 on Tuesday, suggesting traders were holding back from large positions.

December cotton had gained 227 points on Monday after last week's steep decline, before losing 55 points on Tuesday. Wednesday's marginal rise did little to establish whether the recovery would continue. The session's low of 82.18 cents and high of 83.48 cents have become the immediate levels watched for the next move.

Export demand remained a concern. The latest available US cotton sales figures showed limited new business, while China's direct buying remained weak. China's state reserve purchases offered some support to physical demand, though that had yet to produce a sustained rise in ICE futures.

Wednesday's trading showed little conviction. The December 2026 contract closed two points higher at 82.89 cents per pound, after trading between 82.18 and 83.48 cents. Volume was just 35,528 contracts. Traders are now watching those two price levels for signs of the market's next direction.

Traders were also watching Chinese President Xi Jinping's September 23–25 visit to the US for any signals on agricultural trade. Harvest progress, yields and cotton quality in the US remained important supply factors. For now, subdued export demand and uncertainty over the crop outlook left the market trading in a narrow range.

This morning (Indian Standard Time), December 2026 cotton was trading at 82.67 cents per pound (down 0.08 cent). Cash cotton was traded at 80.39 cents (up 0.02 cent), while the October 2026 contract traded at 78.91 cents (down 0.78 cent). The March 2027 contract was traded at 87.41 cents (down 0.42 cent), May 2027 at 87.04 cents (down 0.28 cent), and July 2027 at 87.25 cents (down 0.28 cent).

Europe 2026 growth forecast lifted on resilient demand: S&P Global

S&P Global Ratings has raised its 2026 growth expectations for Europe following stronger-than-expected consumer demand, but warned that persistent inflation, higher long-term interest rates and the summer drought continue to create pressure for consumer markets, costs and planning horizons relevant to textile and apparel supply chains.

The ratings agency expects the eurozone and UK economies to grow by 0.9 per cent and 1.3 per cent, respectively, in 2026, followed by 1.1 per cent growth in 2027. It said its 2026 growth forecasts have been revised upward, while projections for subsequent years remain broadly unchanged. Inflation forecasts have been revised slightly lower for 2026 but higher for 2027 and 2028.

In its 'Economic Outlook Europe Q4 2026: Resilient Demand Meets Persistent Pressure,' S&P Global Ratings said consumers had supported recent economic resilience by drawing down savings despite higher energy costs, but cautioned that this strength could prove temporary.

Eurozone GDP rose 0.6 per cent quarter on quarter in the second quarter, compared with the agency's earlier expectation of a mild contraction following the energy-price shock. UK GDP increased by 0.4 per cent over the same period.

S&P Global Ratings said the eurozone's improvement was partly driven by stronger consumer spending despite weaker purchasing power, a significant decline in household saving, renewed volatility in Irish GDP linked to multinational activity rather than domestic demand, and a rebound in net exports.

Domestic demand in Ireland fell 0.8 per cent in the second quarter, while the rebound in net exports was particularly visible. The agency said some of this strength reflected expectations of changes in US trade tariffs, indicating an important one-off component.

European consumer spending resilience was one of the main macroeconomic surprises of the past three months. Across Europe, real household purchasing power fell by around 0.5 percentage points of gross disposable income in the second quarter because of higher inflation, while real consumer spending increased by an average 0.4 per cent. The gap was largely bridged by a significant decline in the household saving rate.

S&P Global Ratings said several factors may have supported spending. Households may have viewed the inflation shock as largely temporary, while consumer confidence

recovered from its April low. Wealth effects may also have contributed, with equity prices reaching new highs in recent months and nominal house prices continuing to rise.

The agency estimated that net financial wealth increased by 6 percentage points of household gross disposable income over the past 12 months, potentially supporting consumption by up to 0.1 per cent.

Fiscal measures that had cushioned households against higher energy prices also expired at the end of the second quarter in most countries. Early third-quarter data showed retail sales falling 0.6 per cent month on month in the eurozone and 0.9 per cent in the UK in July.

On inflation, S&P Global Ratings said oil and gas price increases were less pronounced than expected through the second and early third quarters, contributing to lower inflation forecasts for 2026. However, geopolitical volatility in the Middle East limited the reduction in its oil-price assumptions for 2027.

European gas inventories were unusually low for this point in the year, prompting the agency to raise its Dutch Title Transfer Facility (TTF) gas price assumptions by around 20 per cent for the fourth quarter of 2026 and 27 per cent for the first half of 2027.

The summer drought has introduced another shock to the European economy, with the most visible macroeconomic impact expected to come through higher food prices. S&P Global Ratings estimates that the drought could reduce economic activity by 0.1–0.2 percentage points in the short term, mainly through agricultural output losses and supply-chain bottlenecks.

While productivity losses, industrial bottlenecks and water shortages affecting the energy sector are expected to have temporary effects, water stress in agriculture could affect crop yields into next year. This could add to inflationary pressures over the next 12 months, particularly if El Niño conditions affect agricultural yields in other regions.

Higher long-term interest rates remain another key downside risk. S&P Global Ratings said long-term rates have moved closer to its June 2026 adverse scenario than its baseline and are expected to weigh on medium-term growth.

The agency now expects German 10-year government bond yields to remain above 3 per cent until at least 2028, compared with its previous forecast for rates to fall below that level in autumn 2026. Its sensitivity analysis suggests that a 1 percentage point increase in the US 10-year Treasury yield sustained for more than four quarters would reduce eurozone GDP growth by around 0.3 percentage points and UK GDP growth by 0.4 percentage points.



For monetary policy, S&P Global Ratings expects the European Central Bank to deliver one additional rate hike in December 2026, taking the deposit facility rate to 2.75 per cent, before returning policy rates to neutral in early 2028. It expects the Bank of England to raise rates in November 2026 and keep them unchanged until the third quarter of 2027.

The agency has also revised its foreign-exchange outlook. With its baseline now assuming that the US Federal Reserve will raise rather than cut rates in 2026, S&P Global Ratings expects the euro and pound sterling to weaken against the US dollar towards the end of the year.

It expects both currencies to gradually recover thereafter, reaching around 1.20 EUR/USD and 1.34 GBP/USD by 2028 as the European economy adjusts to term-of-trade shocks. However, trade tensions and geopolitical developments continue to add uncertainty to currency projections.

[Home](#)