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Exporting Excellence 70 Years & Beyond

IBTEX No. 7 of 2025 January 09, 2025

Currency Watch			
USD	EUR	GBP	JPY
85.88	88.51	105.72	0.54

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INTERNATIONAL NEWS

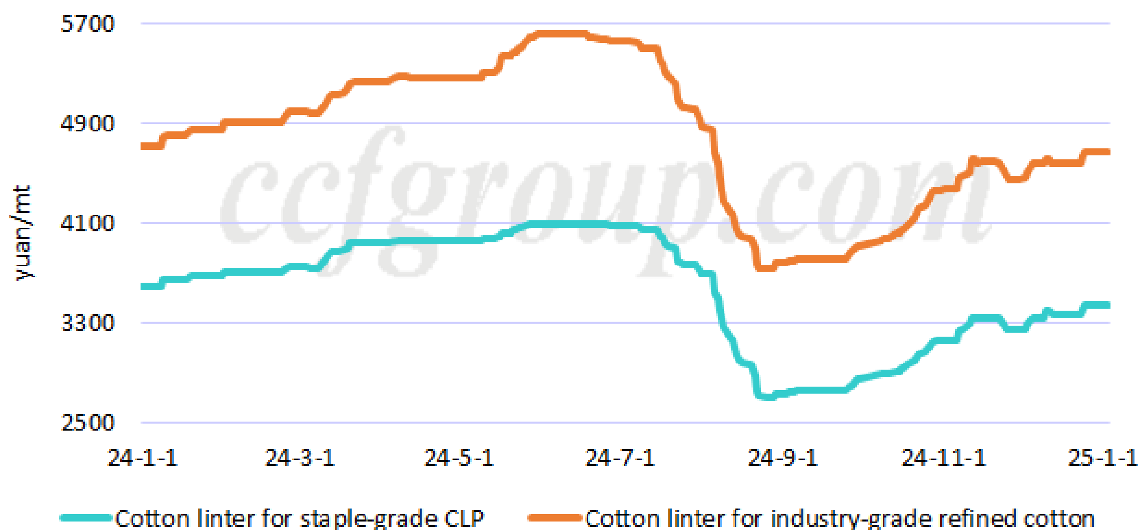
China cotton linter market review in 2024

In 2024, the cotton linter market experienced a tumultuous and extraordinary year, with significant fluctuations overall. Prices saw a wide range of movement, exceeding 2,000yuan/mt.

Product	Early 2024	End 2024	Change	High	Low	Change (yuan/mt)
Cotton	16,160	14,120	-12.62%	17,000	14,000	3,000
Cottonseed in Xinjiang	2,860	2,150	-24.83%	3,200	1,920	1,280
Cotton linter in Xinjiang	4,310	4,280	-0.70%	5,300	3,200	2,100
Cotton linter outside Xinjiang	4,720	4,680	-0.85%	5,700	3,700	2,000

In the first half of 2024, the cottonseed meal and cottonseed oil markets were weak, leading to a stalemate in the cotton by-products market. This resulted in limited output of cotton linter. Due to the contraction in supply and the downstream demand for restocking, manufacturers continued to hold back stocks and quote firmly, leading to continuous price increases, which peaked around early Jun.

The price of cotton linter for industry-grade refined cotton outside Xinjiang rose from 4,700-4,800yuan/mt at the beginning of the year to 5,600-5,700yuan/mt by the end of May and beginning of Jun. During the same period, the price of cotton linter for industry-grade refined cotton in Xinjiang increased from 4,300yuan/mt to around 5,300yuan/mt, with a total increase of about 1,000yuan/mt.



After the end of May, due to a significant drop in Chinese cotton prices and its own supply-demand dynamics, cottonseed prices took the lead in slipping in early Jun. By mid-Jun, the cotton linter market weakened with falling prices. In Jul, soybean oil and soybean meal led the commodity market decline, causing sharp fall in cottonseed meal, cottonseed oil, and cottonseed prices. After mid-Jul, the price of cotton linter accelerated its downward trend. In Aug, concerns about an economic recession in Europe and the U.S. intensified, leading to heightened market panic and a widespread collapse in the commodity market.

The prices of cottonseed and cotton linter plummeted, with cottonseed prices falling by about 1,200yuan/mt and cotton linter prices slumping by over 2,000yuan/mt, far exceeding market expectations. However, as panic subsided, cottonseed prices rebounded at the end of Aug and beginning of Sep, while cotton linter prices bottomed out.

After the National Day holiday, the new arrival of cotton linter was limited, and downstream companies were actively purchasing and restocking, with delinting mills pre-selling in large volumes. Prices continued to rise in Oct, with a cumulative rebound of about 1,000yuan/mt from early Sep to mid-Nov. After mid-Nov, prices initially fell before rising again. By the end of Dec, the price of cotton linter for industry-grade refined cotton outside Xinjiang was 4,700yuan/mt, and in Xinjiang, it was around 4,300yuan/mt, close to the price level at the beginning of the year.

In summary, in the first half of 2024, there was a contraction in the supply of cotton linter, leading to price increases, while macroeconomic disturbances in the second half caused prices to plummet before rebounding. Throughout the year, prices fluctuated significantly, with a range exceeding 2,000yuan/mt. The price at the end of Dec was basically close to the level at the beginning of Jan.

However, the journey from the starting point at the beginning of the year to the endpoint at the end of the year resembled a "roller coaster," with intense fluctuations. Looking ahead to 2025, external disturbances are becoming stronger, increasing market uncertainty. However, given the favorable supply-demand dynamics, prices are expected to have upward momentum for corrective fluctuations.

Source: ccfgroup.com– Jan 08, 2025

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UK's apparel imports from Indonesia slip 15% in Jan-Sept 2024

United Kingdom imported $161.551 million worth of apparel from Indonesia in the first nine months of 2024. This inbound trade declined by 15.48 per cent from the imports totalling $191.129 million in the corresponding period of 2023. However, Indonesia has a negligible presence in the UK's apparel market, with a share of just 1.15 per cent.

The country's apparel imports totalled $14.030 billion from January to September 2024. Indonesia was out of the top ten apparel suppliers for the country, ranked twelfth, according to Fibre2Fashion's market insight tool TexPro.

Trade data revealed that women's garments dominated the total apparel imports by the UK from Indonesia. From January to September 2024, imports of women's garments from Indonesia were noted at $59.171 million, which was 39.66 per cent of the total apparel imports by the UK. Interestingly, unisex garments were the second most dominant segment, with an import value of $51.125 million. Men's garment imports were noted at $36.305 million during the period, comprising less than one quarter at 24.33 per cent of the total apparel imports from Indonesia. Baby wear imports were valued at $2.594 million, making up 1.74 per cent of the total.

The UK imported man-made garments worth $63.230 million in the first nine months of 2024, which constituted 42.36 per cent of the total apparel imports from Indonesia. Cotton garment imports amounted to $38.545 million, or 25.82 per cent. The inbound shipment of garments made from wool/animal hair was $1.770 million (1.19 per cent), silk garments $0.072 million (0.05 per cent), and garments of other types of fibres at $45.640 million (30.58 per cent), as per TexPro.

In 2023, the UK's apparel imports from Indonesia were noted at $242.215 million when its total apparel imports amounted to $20.286 billion. Indonesia was the thirteenth largest apparel supplier for the country.

Source: fibre2fashion.com– Jan 09, 2025

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Peru's apparel imports from China dip to $387 mn in Jan-Sept

Peru's apparel imports from China were valued at $387.704 million during the first three quarters of 2024. This was 2.72 per cent lower than the imports of $398.532 million in the corresponding period of 2023. China remained the largest apparel supplier with a market share of 60.28 per cent during the period.

The country's total apparel imports reached $643.146 million from January to September 2024. The imports decreased by 0.92 per cent from the inbound shipment of $649.338 million in the same period of 2023, according to Fibre2Fashion's market insight tool TexPro.

Trousers and shorts were the most dominant products in Peru's apparel imports during the first nine months of 2024. The imports of trousers and shorts were valued at $51.222 million, which constituted 15.68 per cent of the total apparel imports for the period. The import of jerseys was $44.946 million (13.76 per cent), socks $35.422 million (10.84 per cent), innerwear $34.605 million (10.59 per cent), and T-shirts $25.687 million (7.86 per cent), as per TexPro.

In 2023, China's share was 59.71 per cent of Peru's total apparel imports, which totalled $843.884 million. The imports from China were recorded at $503.903 million. The imports had fallen by 12.76 per cent from $577.637 million in 2022, when textile imports had seen impressive growth following the COVID impact.

Earlier, Peru's apparel imports from China were noted at $446.253 million in 2021, $408.431 million in 2020, and $510.508 million in 2019.

Source: fibre2fashion.com– Jan 07, 2025

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2024 retail growth muted despite festive shopping surge: BRC

The later timing of Black Friday in 2024, which fell into December rather than November, had a notable impact on retail figures in the UK. This shift artificially lowered November's performance while boosting December's numbers, though the effect cancelled out in the 'three months to December' assessment.

For 2024, UK total retail sales increased by 0.7 per cent compared to 2023, while non-food sales declined by 1.5 per cent year-on-year. During the Golden Quarter, covering the three months to December, sales growth was 0.4 per cent compared to the same period in 2023. December alone saw a remarkable 3.2 per cent increase in UK total retail sales year-on-year, outperforming the 1.9 per cent growth recorded in December 2023. This exceeded the three-month average growth of 0.4 per cent and the 12-month average growth of 0.7 per cent, British Retail Consortium (BRC) said in a media release.

Non-Food sales in December grew by 4.4 per cent year-on-year, reversing a 2.1 per cent decline in December 2023, surpassing both the three-month average decline of 1.1 per cent and the 12-month average decline of 1.5 per cent. In-store non-food sales increased by 0.4 per cent year-on-year in December, a sharp turnaround from the 2.9 per cent decline seen in December 2023, and outperformed the three-month and 12-month averages, which showed declines of 2.4 per cent and 2.2 per cent, respectively.

Online non-food sales surged by 11.1 per cent year-on-year in December, reversing a 0.8 per cent decline in December 2023. This figure exceeded the three-month average growth of 1.2 per cent and the 12-month average decline of 0.4 per cent. The online penetration rate for non-food items rose to 39.6 per cent in December from 37.2 per cent in December 2023, well above the 12-month average of 36.6 per cent.

"Following a challenging year marked by weak consumer confidence and difficult economic conditions, the crucial 'golden quarter' failed to give 2024 the send-off retailers were hoping for. Non-food was particularly hard-hit, with sales contracting from the previous year," said Helen Dickinson, Chief Executive at the British Retail Consortium.

"With Black Friday falling as late as it did, this year it was part of the Christmas shopping season even more so than in previous years. December, coupled with Black Friday week at the end of November, delivered welcome sales growth for retailers. However, sales growth during the golden quarter of October to December was minimal. In 2025, we will see retailers increasingly utilising customer data and AI technology to deliver increased personalisation when it comes to targeting products and offers to their current, and potential, customers," Linda Ellett, UK head of consumer, retail & leisure, KPMG, said.

Source: fibre2fashion.com– Jan 07, 2025

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Egypt's textile industry upgrade could reshape global cotton supplies

Egypt is currently undergoing a major transformation of its textile industry, pouring hundreds of millions of dollars into the process, which is expected to affect the country's long staple cotton supplies.

The revitalisation effort is primarily concentrated in, though not limited to, Al-Mahala al-Kobra, a key textile, spinning, and weaving center in Egypt's Nile Delta, about 120 kilometers north of Cairo. Here, numerous state-owned factories are being extensively renovated after years of neglect and decay.

The first phase of the initiative has already been completed, resulting in significant industrial mergers, including the establishment of what the Egyptian Government calls the "world's largest textile factory."

The Egyptian government has also launched a national program to modernise the textile industry, allocating US $ 1.1 billion for the overhaul of its textile, spinning, and weaving factories. Industry experts predicted that the program's implementation would make Egypt a significant manufacturer of manufactured goods, textiles, and fabrics.

Given that Egypt is one of the world's leading producers of long staple cotton, the modernisation of its textile sector is probably going to have an impact on the country's exports of cotton.

Egypt, the Egyptian prime minister remarked, may not need to export the cotton it grows soon after the textile sector transformation initiative is executed in full later this year or early next year at most.

Egypt produced about 1.8 million pounds (about 4 million kilogrammes) of cotton during the 2024 cotton growing season, up from 1.4 million pounds (about 3.1 million kilogrammes), according to the government.

However, the majority of this production is anticipated to be used to run local industries due to the expanding industrial needs in the area; as a result, local experts anticipate a significant impact on long staple cotton supply in the global market.

According to the Agricultural Research Centre, the research division of the Egyptian Ministry of Agriculture, Egypt, which supplies around 20 per cent of the world market for long staple cotton, now exports its cotton to 22 states instead of the previous 55.

Expats have said that this could lead to other countries, such as India, China and the US, to step in to compensate for this shortage by increasing production.

Source: apparelresources.com– Jan 08, 2025

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Global 2024 holiday retail online sales hit $1.2 tn, up 3% YoY: Report

Holiday retail online sales surged to a record $1.2 trillion globally and $282 billion in the United States, an increase of 3 per cent year-over-year (YoY) globally, and a rise of 4 per cent YoY in the United States. For the European Union (EU), online sales grew 1 per cent YoY, according to a report by Salesforce.

The outperforming shopping season was powered by surges in mobile and social commerce alongside increased consumer spending after months of saving in the first half of 2024. However, shoppers have already sent back $122 billion in merchandise, Salesforce said in a press release.

"Retailers had a robust holiday season, but a 28 per cent rise in the rate of returns compared to last year is a cause for some concern," said Caila Schwartz, director of Consumer Insights at Salesforce. "Retailers who have embraced AI and agents are already seeing the benefits, but these tools will be even more critical in the new year as retailers aim to minimise revenue losses on returns and reengage with shoppers."

Both consumers and retailers leaned into the use of artificial intelligence (AI) and agents to enhance holiday shopping experiences through product recommendations and personalised order support, influencing $229 billion—or 19 per cent–of all online orders, a 6 per cent increase from 2023. Retail use of generative AI features like agents increased 25 per cent during the holiday season compared to September and October in 2024. Shoppers used AI-and agent-powered chat for customer service 42 per cent more than they did during the 2023 holiday season, added the release.

More than $122 billion of global purchases have already been returned, up 28 per cent from last year. This increase is partially due to trending consumer behaviours like try-on hauls and bracketing (buying an extra size above and below your standard size).

However, retailers will likely see this number grow to $133 billion – presenting an important opportunity for brands to use agents to make the returns process easier and more tailored to specific customer needs.

Seventy-five per cent of US shoppers are interested—and one-third are very interested—in using an AI agent to complete returns and exchanges.

Retailers using social commerce strategies saw 20 per cent of global holiday sales generated through platforms like TikTok Shop and Instagram.?? social media as a traffic-referring channel also grew 8 per cent YoY, driving 14 per cent of all traffic to ecommerce sites during the season.

While global mobile traffic share remained the same YoY (79 per cent), the percentage of orders placed grew to nearly 70 per cent, up from 67 per cent in 2023. Mobile orders reached their highest level on Christmas Day, accounting for 79 per cent of all orders, up from 77 per cent in 2023.

Seventy-nine per cent of shoppers in the US reported that, over the past year, store associates utilised mobile devices to assist them during in-store shopping. Overall, $842 billion in global sales and $195 billion in US sales were initiated by mobile devices.

Average discount rates for the entirety of the 2024 holiday season reached 23 per cent in the US (up 1 per cent YoY) and 22 per cent globally (up 2 per cent YoY). The general apparel segment saw some of the steepest discounts, averaging 30 per cent globally and 33 per cent in the US. Nearly three-quarters (72 per cent) of US shoppers said that the loyalty programs make them more likely to continue doing business with brands.

Commerce Cloud powered more than 220 million online orders while delivering fast, easy, and personalised digital experiences to shoppers. Marketing Cloud facilitated more than 378 billion marketing messages for businesses this holiday season, a 5 per cent YoY increase. Service Cloud helped customers field and resolve nearly 33.3 billion case interactions throughout the holidays.

Data Cloud ingested over 8.5 trillion records (+77 per cent YoY), processed nearly 1.4 quadrillion records (+29 per cent YoY), and helped retailers action over 840 billion profiles across various platforms and channels like Marketing Cloud, Yahoo and Google. Einstein provided more than 368 billion AI-powered product recommendations to shoppers this holiday season to personalise the customer experience, up 30 per cent from last year.

Salesforce data is based on an analysis of 1.5 billion shoppers and 1.6 trillion page views across the Salesforce Platform, highlights trends that shaped the holiday season.

Source: fibre2fashion.com– Jan 09, 2025

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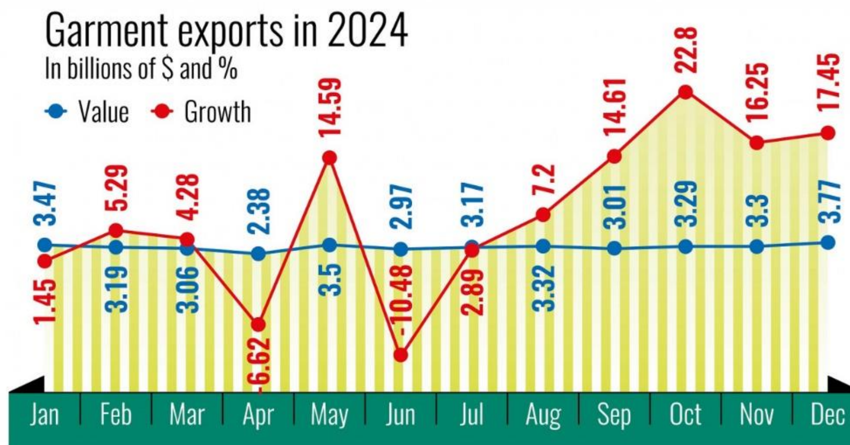
Bangladesh: RMG exports grew moderately in 2024 despite headwinds

In spite of turbulent times prevailing both at home and abroad, garment exports from Bangladesh grew in 2024 by 7.23 percent year-on-year to $38.48 billion, according to the Export Promotion Bureau (EPB).



This is due to an increasing demand for clothing with the fall of inflation in major export destinations.

Last year, the local garment sector witnessed demonstrations, national election-related movements, factory closures and production halts amid massive labour unrest after the fall of the Sheikh Hasina-led administration on August 5.

Goods shipment was severely affected in July, August, September and October due to a student-led mass movement culminating in Awami League's ouster and widespread labour unrest demanding wage hikes and an end to workplace discrimination.

On the international front, high inflation has persisted over the past few years because of far-reaching implications of the Russia-Ukraine war that began just after the pandemic, affecting consumer demand.

But Western economies have been rebounding gradually with rising demand, for which retail sales have also been growing with the clearance of inventories of previous years in Europe and the US.

Exports from the sector grew although many had thought that shipments would be negatively affected by domestic and external challenges.

For instance, garment exports in fact declined by 6.62 percent year-over-year to $2.38 billion in April, which came as a surprise given that the export trend was enjoying positive momentum.

Similarly, garment shipments declined last June by 10.48 percent year-on-year to $2.97 billion after increasing by 1.45 percent in January and 4 percent in March.

In July, apparel exports grew by only 2.89 percent year-on-year to $3.17 billion, as per the EPB data.
However, the exports rebounded strongly from September, growing by 14.61 percent to $3.01 billion that month and by 22.80 percent to $3.29 billion in October.

The trend did not stop there as the garment shipments grew by 16.25 percent to $3.30 billion in November before expanding again by 17.45 percent to $3.77 billion in December.

Exports started rebounding from September as normalcy gradually returned to the industrial zones after the labour unrest ended with factory owners accepting the 18-point demands of garment workers.

Moderate retail sales growth continued in November even as two of the holiday season's busiest shopping days bumped over into December and were not included in the month's totals, according to National Retail Federation (NRF), the largest US retail association.

"November sales increased on top of a strong October and would have been even higher if Thanksgiving Sunday and Cyber Monday hadn't fallen in December," NRF President and CEO Matthew Shay said in a statement.

"Year-over-year gains were solid even as retail prices in many categories are lower this year, showing that consumers are buying more merchandise as the economy continues to grow. We remain confident in our holiday forecast," Shay said.

Total retail sales, excluding automobiles and gasoline, were up 0.15 percent seasonally adjusted month-over-month and up 2.35 percent unadjusted year-over-year in November, according to the Retail Monitor. That compared with increases of 0.74 percent month-over-month and 4.13 percent year-over-year in October.

In 2023, the garment export sector aimed for $50 billion in 2024 but adjusted expectations to $38.48 billion, marking a 7.23 percent increase from 2023.

The industry confronted challenges like wage protests leading to a 56 percent wage hike, said Mohiuddin Rubel, a former director of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and additional managing director of Denim Expert.

Even after uncertainties from the national election, there was a 1.45 percent year-on-year growth in garment exports in January, he said.

A 60 percent cut in export incentives, compounded by global economic instability and volatile oil prices, affected consumer behaviour, he said.

Rising energy and transportation costs, along with high bank interest rates, hurt small and medium enterprises, causing closures, he added.

Despite a slight increase in exports in July and August compared to the same months of 2023, the figures for 2024 lagged behind those of 2022. Rubel also said the outlook for 2025 depends on improved industrial relations and political reforms.

Former BGMEA president Faruque Hassan said garment exports would have been much higher had the challenges not been there. However, he expects 2025 will be a better year as normalcy is returning to the sector.

Exports grew not only in volume, but also value as international retailers' and brands' confidence in Bangladesh has been boosted, and the local currency was devalued, he added.

Source: thedailystar.net– Jan 07, 2025

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NATIONAL NEWS

Economists divided on FY25 growth, H2 delivering the needed bounce

Economists have differing views on the extent of India's economic recovery in the second half of FY25, even though they largely agree that growth will better the first half as projected in CSO's first advance estimate.

The Central Statistical Office (CSO) on Tuesday pegged the advance GDP growth estimate for FY25 at 6.4 per cent. With GDP growth in the first six months at 6 per cent, the second half will need to achieve a robust 6.8 per cent to meet the full-year target, economists said.

Divergent Expectations on Growth

While some economists are optimistic that the final GDP figure for FY25 will exceed the CSO's 6.4 per cent estimate, others remain skeptical, citing subdued urban demand and a slower-than-expected recovery in rural consumption and private investments.

Anubhuti Sahay, Head of India Economic Research at Standard Chartered Bank, expressed caution about achieving the required second-half growth.

"For 6.4 per cent GDP growth in FY25, H2 growth has to rebound to 6.8 per cent, which we view as ambitious. Our forecast places H2 growth closer to 6.4 per cent—better than the first half's 6 per cent but not as robust as suggested by the CSO," she said.

In contrast, Madan Sabnavis, Chief Economist at Bank of Baroda, projected higher growth.

"Advance estimates are extrapolated from H1 data, which reflected weak private investments and urban consumption stress. These factors have since turned around, as seen in Q3. CMIE data on new private investment announcements indicate rapid growth, suggesting that the CSO's numbers are conservative. Final GDP growth could exceed 6.4 per cent, potentially aligning with the RBI's estimate of 6.6 per cent," Sabnavis said.

Factors Influencing Growth

Economists pointed to mixed trends in demand and investment as key determinants of H2 growth:

- Urban Demand: Slowing in recent months.
- Rural Demand: Recovering, but gradually.
- Private Investments: Moderate but improving, supported by new project announcements.
- Government Capex: Progress slower than expected but picking up.

Rumki Mazumdar, Economist at Deloitte India, maintained an optimistic outlook, forecasting GDP growth of 6.5-6.8 per cent for FY25.

"Festive demand and other factors not captured in the CSO estimates will push growth beyond 6.4 per cent. Achieving 6.8 per cent growth in H2 is not ambitious," she said. Mazumdar added that stronger Q3 and Q4 growth, driven by a recovery in consumption, festive spending, and improved private investments, could push GDP closer to 6.7 per cent in 2024-25.

Mazumdar also highlighted that uncertainties weighing on H1 growth such as weak capex execution are now diminishing. "Private investments are expected to strengthen in Q4, with no significant reason for delays. Agriculture has performed better, which should improve rural consumption."

Cautious Optimism Amid Challenges

While some economists believe the CSO's estimate of 6.4 per cent reflects cautious optimism, others argue that achieving even this target will require a substantial rebound in H2. The divergence in views underscores the interplay of challenges and opportunities as India navigates its growth trajectory. The coming months will reveal whether consumption and investment can accelerate enough to meet—or exceed—the CSO's projections, with the Union Budget expected to play a critical role in sustaining momentum, economy watchers said.

Source: thehindubusinessline.com– Jan 08, 2025

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Commerce ministry, Indian mission officials of 20 nations discuss ways to boost exports

Senior officials from the commerce ministry, and commercial wings of Indian Missions of 20 countries on Wednesday discussed ways to promote exports of goods and services. The three-day meeting was concluded on Wednesday.

"Discussed country-specific and sector-specific opportunities and challenges in trade, technology, investment & tourism. Together, we explored ways to strengthen India's global leadership and foster deeper international collaborations," Commerce and Industry Minister Piyush Goyal said on X.

The issues which came up during the three-day deliberations included opportunities and challenges and the way ahead in six focus sectors (of goods and services each) in 20 countries of significance; non-tariff barriers; logistics; WTO (World Trade Organisation) matters; and role and importance of MAI (market access initiative), the official said.

The meeting was important as the commerce ministry is in the process of formulating a strategy to push exports of six key product categories, including engineering goods and electronics, to 20 focus countries, including the US, Australia, France, China, Russia, the UK, Japan, South Korea, Singapore, and Indonesia.

These countries, including the US and the European Union nations, account for a major chunk of India's total exports. After recording double-digit growth in October 2024, India's exports in November contracted 4.85 per cent year-on-year to USD 32.11 billion.

Cumulatively, during April-November this fiscal year, exports increased by 2.17 per cent to USD 284.31 billion and imports by 8.35 per cent to USD 486.73 billion.

Trade deficit, the difference between imports and exports, during April-November widened to USD 202.42 billion from USD 170.98 billion during April-November 2023.

Last month, Barthwal said that the ministry is focusing on 20 countries and six services and manufacturing sectors, including IT/ITeS to further boost the shipments.

Services exports reached an all-time high of USD 34.31 billion in October, registering an increase of 22.3 per cent year-on-year.

Source: economictimes.com– Jan 08, 2025

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Budget 2025 is game changer moment for tax reforms to position India as leading global economic force

By expanding the Production Linked Incentive (PLI) scheme, rationalizing GST rates, and introducing tech-driven measures like faceless assessments, India can leap ahead. But the big question is: Will the government seize this chance to bring the reforms India needs to stay globally competitive?

Union Budget: Supercharging Manufacturing with the PLI Scheme

Since its launch in November 2020, the PLI scheme has been a game-changer for Indian manufacturing, pulling in investments worth ₹2.5 lakh crore and creating more than 5 lakh jobs. Sectors like electronics, pharma, and white goods have reaped big rewards. But it's time to think bigger.

Expanding to New Sectors: Imagine India becoming a hub for electric vehicles (EVs), semiconductors, or green hydrogen. These are the industries of the future. Currently, India imports $15 billion worth of semiconductors every year. What if we made them here?

Encouraging R&D: The world's most advanced economies spend around 4% of their GDP on research and development. India spends just 0.7%. Allocating a portion of PLI incentives to R&D could help Indian firms become global leaders.

Getting SMEs on Board: Small and medium enterprises (SMEs) make up 30% of India's GDP. By simplifying compliance processes, they can also be part of the PLI revolution.

Suggestion: Introduce a ₹10,000 crore innovation fund to boost R&D in EV batteries, artificial intelligence, and renewable energy.

GST in Budget: From Complexity to Simplicity

Simpler Rates: Merging the 12% and 18% slabs into one would make life easier for businesses. These two slabs cover 70% of all taxable goods and services.

Including Petroleum: Right now, petroleum is outside the GST ambit. Bringing it in could save industries ₹50,000 crore annually by cutting down cascading taxes.

Upgrading Technology: Enhancing the GST Network (GSTN) portal could eliminate technical hiccups and handle the rising number of taxpayers more efficiently.

Suggestion: Lay out a phased roadmap for GST reform, starting with sectors like FMCG and textiles.

Customs Reforms: Time to Resolve Legacy Issues

India has customs disputes worth over ₹1 lakh crore, which is a drag on business operations. Clearing this backlog should be a priority.

Amnesty Scheme: Offering businesses a 75% waiver on penalties for voluntarily settling disputes could clear the logjam.

Tech-Driven Solutions: Using AI to resolve cases faster could cut processing times by half.

Clear Guidelines: Simplified and transparent rules could make compliance easier for businesses of all sizes.

Suggestion: Launch a six-month amnesty scheme aimed at resolving 80% of disputes by the end of 2025.

Beyond the Obvious: Other Budget 2025 Opportunities

While the PLI scheme, GST reforms, and customs dispute resolutions are essential, Budget 2025 can also address several other pressing needs to ensure holistic economic growth and global competitiveness.

Investment in Infrastructure

"The infrastructure push is essential not just for improving domestic mobility but for positioning India as a global investment hub," says Dr. Anil Gupta, an economist at a leading think tank. An enhanced focus on infrastructure would strengthen India's economic resilience and fuel growth for years to come. Infrastructure development drives job creation and boosts productivity. Allocating substantial funds toward roadways,

railways, and urban infrastructure can attract foreign direct investment (FDI) and enhance domestic connectivity.

Skill Development Initiatives

As automation and artificial intelligence reshape industries, reskilling India's workforce becomes a critical task. Budget 2025 offers an opportunity to focus on vocational training and upskilling, particularly in emerging fields like data science, renewable energy, and AI. Investment in skill development will be crucial for sustaining growth," says Nisha Mehta, CEO of a leading HR consultancy. A dedicated focus on future-ready skills could equip millions of young Indians with the tools to thrive in a competitive global economy.

Green Energy Transition

India's commitment to achieving net-zero carbon emissions by 2070 requires a substantial investment in renewable energy. A green energy fund dedicated to solar, wind, and hydropower projects could help the nation transition toward sustainable energy sources while creating jobs and reducing dependence on fossil fuels. "The green energy revolution is a vital step towards a sustainable and self-sufficient India," says Ramesh Kumar, an environmental policy expert. Budget 2025 could play a pivotal role in accelerating this transition by prioritizing clean energy initiatives that not only meet environmental goals but also boost economic growth.

Start-up Ecosystem Support

"The start-up ecosystem is ripe for exponential growth. The right policy interventions can transform India into the world's next innovation hub," says Rajeev Ranjan, a venture capitalist. In addition, government-backed funds aimed at nurturing early-stage companies could propel India's entrepreneurial spirit to new heights. Offering tax breaks and incentives to venture capitalists investing in early-stage start-ups could provide critical support to this sector.

India Budget: The Road Ahead

The reforms we've discussed aren't just about numbers or policies—they're about making India a better place to do business. Expanding the PLI scheme, simplifying GST, and resolving customs disputes could transform how the world sees India as an economic player. Infrastructure

investments, skill development, green energy, and start-up support are equally crucial to this vision.

But will the government deliver bold reforms that truly make an impact? Or will this budget be another missed opportunity in India's growth story? As the clock ticks toward Budget Day, the country—and the world—waits for answers.

Source: economictimes.com– Jan 08, 2025

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Rupee fast heading towards 86

The Rupee continued to be under pressure, closing at a new lifetime low of ₹85.8450 per US Dollar (USD) amid a strong greenback, weak Asian currencies, and demand for USD from importers and custodial banks on behalf of their FPI clients.

The Indian unit, which had a gap down opening at ₹85.8225, had closed at ₹85.74 per USD on Tuesday. In intraday trades, INR touched a low of ₹85.89.

IFA Global, in a report, noted that US economic data continues to come in stronger than expected, with US December ISM (Institute of Supply Management) services print coming in at ₹54.1 against expected ₹53.3.

Forex market dealers say the Dollar is strengthening due to rising US treasury yields and possibility of Trump imposing tariff measures on imports from China and other countries.

Radhika Rao, Senior Econmist & Executive Director, DBS Bank, noted that Rupee traders have been keen to assess the new RBI Governor's view on the currency since he assumed office last month.

Recent INR price action points to a higher tolerance for a weaker exchange rate, demonstrated in the 2.1 per cent fall in the INR vs USD in Q2 FY24 (October-December), compared to nearly flat Q1-Q3.

"The weakening bias continues into the new year, with overvaluation of the broad real effective exchange rate (REER) also weighing on exchange rate (November REER was at a record high). Strong intervention presence since Q4 FY24 has led to a drain in domestic liquidity, pushing the balance to a deficit (accentuated by seasonal drivers), notwithstanding the 50bp cut in the cash reserve ratio as well as bond purchases by the RBI," Rao said.

This position had also become unsustainable as a rapid appreciation in the dollar magnified the misalignment, increasing the need to ease grip on the rupee, she added.

In its annual outlook, DBS Bank had highlighted the risk that USD-INR could head towards ₹86.0 on account of dollar strength as well as pressure on capital and investment flows

Rao noted that the rupee's adjustment phase is likely to persist in light of a challenging outlook for flows, even as bond interests stand to benefit from inclusion into two more global fixed income benchmarks this year.

Source: thehindubusinessline.com– Jan 08, 2025

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India Budget 2025: Launch technology mission to boost cotton supply

The Government of India has envisaged a target of achieving $350 billion textile market size including exports of $100 billion by 2030. In order to achieve the target, the country would need more cotton and other types of fibres. However, over the last decade, the country's cotton production has declined by 18 per cent. In this scenario, the industry has urged the government to launch second version of Technology Mission on Cotton (TMC II) and announce it in the upcoming Union Budget for fiscal 2025-26. The Confederation of Indian Textile Industry (CITI) has proposed certain measures to be taken to increase domestic cotton production.

In its memorandum to the government, CITI has said that India would need to increase its cotton production base from the present level of 5.5 billion kg (32.3 million bales of 170 kg) to about 7.5 billion kg (44.1 million bales).

The first Technology Mission on Cotton (TMC I) announced by the government during 2000-01 played an instrumental role in increasing cotton cultivation. However, TMC I was closed a few years back citing that necessary benefits would be made available through different schemes of the Ministry of Agriculture.

Moreover, after the expiry of BT hybrid cotton technology 12 years ago, no new technology has been developed. As a result, India's cotton productivity is estimated to drop to 32.5 million bales in 2023-24 from the highest output of 39.8 million bales in 2013-14. Likewise, cotton yield is expected to drop to 436 kg lint per hectare from the highest yield of 566 kg lint per hectare. These figures may drop further in the absence of suitable policy intervention.

To meet the rising demand for cotton, CITI has urged the government to announce TMC II with a special focus on seed technology. Advanced seed technology is essential to produce cotton with high yield and fibre quality that meets international standards. Additionally, the new seed should be herbicide-tolerant, suitable for high-density planting, similar to ELS cotton, and resistant to drought and sucking pests. Furthermore, global best practices should be promoted for seed sowing, agronomy, harvesting, handling, ginning, and pressing.

A mission-mode approach is required, with a substantial budget allocation for seed and agronomy technology as well as technology transfer. The country also needs a mission-mode initiative for clean cotton with minimal trash, low short fibre content, and contamination-free production. Promoting the branding of Kasturi cotton should also be prioritised.

Source: fibre2fashion.com– Jan 08, 2025

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Rupee depreciation can be slowed

The exchange rate has changed from less than ₹4 a dollar in 1947 to more than ₹85/dollar in 2025. Why? And, what can be done about this? It is important to understand where an important part of the problem lies. In India, prices of most goods and services rise year after year. And, since dollar is nothing but purchasing power over goods and services abroad, its price will also rise.

It is true that the US also has inflation. However, in the long-term, inflation rate has been higher in India than in the US. So, the rupee falls relative to the dollar in the long-term. It is true that the exchange rate moves all the time for various “random causes” and that the relationship between the inflation rate and the exchange rate is quite weak. However, this is true mainly for the short term. In the context of the long term, inflation plays an important role in determining the path of the exchange rate.

If we do not want the rupee to depreciate against the dollar, at the least we need to adopt an inflation target of 2 per cent, which is the inflation target in the US. But we chose a 4 per cent inflation target in the deliberations over the period 2013-16. Given the higher inflation target in India than in the US, we need to accept depreciation of the rupee. However, we can, going forward, slow down the rate of depreciation. How?

Inflation target

We had formally chosen 4 per cent inflation target in 2016 in the backdrop of 7-8 per cent inflation in the previous few decades and around 10 per cent inflation just a few years earlier. And, subsequently the inflation rate has come down substantially though it is well above the 4 per cent target. Now, at this stage, if we are serious about reducing the long-term rate of depreciation of the rupee, we can shift from 4 per cent inflation target to, say, 3 per cent target next year when inflation targeting will be up for a review.

A reduced inflation target is anyway desirable for the less well-off and the less well-informed. So, there is a need to amend the mandate under inflation targeting. This will need approval of the Reserve Bank of India, the Ministry of Finance (MoF), and Parliament. If the inflation rate is to be brought down, then the RBI will need to slow down the rate at which it

issues its money. This is because this money and inflation are related in the long-term. However, a reduced rate of growth of money will, in turn, reduce the income that the RBI “earns” from just issuing additional money.

Accordingly, the so-called dividend income from the RBI to the MoF will fall. So, the MoF needs to shift to a small extent to some other revenues, or a reduction is spending. This is not very difficult.

Also, the RBI needs to get more serious about bringing down the inflation rate to whatever is the accepted target rate. For the previous five years or so, this has not been the case. This needs to change. It is true that some of the inflation is due to a big rise in food prices, and the RBI cannot do much about this. But so long as such inflation is not global, a policy of more free trade in food helps. It can reduce the food price inflation in the country. Also, a calibrated policy of procurement, reserves, timely distribution, and a countercyclical tax-subsidy scheme can help.

So, the Ministry of Agriculture and Farmers Welfare, the Ministry of Commerce and Industry, and the MoF need to make suitable changes in policy and in implementation. All this is not easy but its not very difficult either. In the 1970s, we had a major oil price shock, which led to huge cost-push inflation. However, it is not well known that since the early 1980s though the nominal price of oil has increased considerably, the average rate of appreciation in the real price of oil is actually quite low. Of course, the real price has fluctuated considerably. So, the MoF can use a tax-subsidy scheme, or at least a policy of variable tax so as to stabilise the domestic price of oil and, thereby, minimise the cost-push inflation related to oil.

Export competitiveness

The long-term path of the exchange rate is, of course, not just a matter of a difference in the inflation rate between two countries. There is the other important issue of competitiveness in production and in exports. Exchange rate between two currencies incorporates a relative price of a bundle of goods across the two countries. If India becomes less competitive, the rupee can, ceteris paribus, decline. The relative price under consideration is not highly variable but it is, by no means, a constant. And, it is for the market to keep discovering this relative price.

This brings us to the real effective exchange rate (REER). The point is not that the RBI should somewhat target a particular REER and thereby ensure that India's competitiveness in the international markets for goods and services. Instead, the point is that the Ministry of Commerce and Industry should try to ensure competitiveness within the economy (example, pay attention to ease of entering business). Consequently, the market determined REER will, by and large, not go against us.

All this is not to say that the RBI should not intervene in the currency market. It should intervene but do so only when it is absolutely necessary. This makes it credible. It is also consistent with flexible inflation targeting.

In conclusion, at least for now it is advisable to accept the long-term fall in the value of the rupee vis-a-vis the dollar but we can move to a slower rate of depreciation. This requires some serious work by the central bank and other public authorities but it is doable.

Source: thehindubusinessline.com– Jan 08, 2025

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India announces $6.84 bn investment to boost Kandla Port capacity

The Ministry of Ports, Shipping and Waterways, Government of India, has announced an investment exceeding ₹57,000 (~$6.84 billion) crore to enhance capacity at Kandla Port through two major projects. This includes a ₹30,000 crore (~$3.6 billion) investment in a new mega shipbuilding project and ₹27,000 crore (~$3.24 billion) for a new cargo terminal outside the Kandla creek, adding 135 million tonnes per annum (MTPA) capacity to the port.

The new mega shipbuilding facility at the Kandla Port will develop technical capability in the country to manufacture big very large crude carrier (VLCC) or similar class of vessels with capacity up to 3,20,000 tonnes deadweight tonnage (DWT), the ministry said in a press statement.

The facility will have capacity to produce 32 new ships and repair 50 old ships every year. Spread over an area of more than 8,000 acres, the new facility will have components like marina, fishing harbour, townships and marine industrial cluster.

The project is likely to unlock tremendous value for trade interests as well as employment avenues in the region, especially in the ancillary manufacturing and assembly units to come and operate in the cluster.

"We are really excited at the possibilities that this new investment is likely to bring towards contributing meaningfully towards Viksit Bharat. Under Prime Minister Narendra Modi, we are working towards building capacities in our country which will not only propel the growth proposition but also allow it to become a platform of production for the world at large," said Sarbananda Sonowal, union minister for ports, shipping and waterway.

On the other hand, to restructure the port, a new state of the art port is being developed outside of the Kandla creek, towards Tuna. This new port will be developed using the 6 km available waterfront. With an investment of ₹27,000 crore, an additional capacity of 135 MTPA will be developed to the existing volume of Kandla Port.

The new port will handle all existing cargo jetties handling dry bulk cargo, with modern cargo handling equipment and more efficient evacuation systems. This will allow Kandla to be converted into Liquid Jetties, hence, building tremendous scope to handle liquid cargo.

This will tremendously improve the waiting of liquid tanker vessels and improvement in the turnaround time of liquid vessels. Considering the new port's proximity to the navigation channel, the dredging requirement will come down considerably, allowing bigger vessels to dock here.

The Deendayal Port Authority (DPA) has also been working on several other projects on mission mode to enhance capacity of Kandla Port significantly. A new mega cargo terminal, with a capacity of 2.19 million twenty-foot equivalent unit (TEU), is being constructed at Tuna Tekra under Public Private Partnership (PPP) mode. A new multi cargo terminal at Tuna Tekra is also under consideration. This will add 18.33 MTPA to the existing capacity.

Three new oil jetties are in the process of being constructed, which will further add 10 MTPA capacity. One single buoy mooring (SBM) and 2 product jetties are also being constructed at Vadinar. This will further shore up the liquid cargo handling capacity by 24.5 MTPA. A ship repair facility project at Vadinar is also under consideration which will be capable of servicing 32 vessels per year, concluded the statement by the ministry.

Source: fibre2fashion.com– Jan 08, 2025

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