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IBTEX No. 43 of 2018 March 01, 2018

USD 65.17 | EUR 79.46 | GBP 89.62 | JPY 0.61

Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
19314	40400	**79.42**

Domestic Futures Price (Ex. Gin), March

Rs./Bale	Rs./Candy	USD Cent/lb
20640	43174	**84.87**

International Futures Price

NY ICE USD Cents/lb (May 2018)	82.93
ZCE Cotton: Yuan/MT (Jan 2018)	15,195
ZCE Cotton: USD Cents/lb	**92.54**
Cotlook A Index – Physical	**91.8**

Cotton guide: The month February has ended positive for active May contract at 82.93 cents up by 457 points from previous month close. This has been two consecutive months cotton prices are on the upside trend. From the price perspective cotton has rebounded from 75 cents to near 83 cents per pound. We believe market will remain positive in the near term having immediate target to recent high of 84.50 cents.

As far as trading part is concerned the open interest is slowly adding up for the past seven consecutive trading sessions and the trading volumes are hovering between 25 to 35K contracts.

We see no significant participation while expect that good amount would come in soon when funds start flowing from other markets to commodity and hedge participation increases in market.

Further we have next week the USDA demand and supply report scheduled on 8th of March and expect this data will have significant impact on market.

Today the weekly export sales data will be released and likely that the US exports to increase and should support cotton price to trade positive.

For the day we expect cotton for May contract to trade in the range of 82.30 to 83.50 cents per pound.

On the domestic front spot continued to hold steady near Rs. 40800 to Rs. 40900 per candy ex-gin and the arrivals are increasing to around 170K bales. Market is expected to trade sideways to positive.

Lastly on the future front the active March future settled at Rs. 20650 per bale and for the day the trading range would be Rs. 20450 to Rs. 20800 and recommend buying on lower level.

Note: with the recent price action the basis difference between ICE cotton and Indian spot cotton has reduced to around 3 cents which means exports interest on Indian cotton may be good in the near term may keep cotton price near Rs. 41K per cent ex-gin at the spot market.

Compiled By Kotak Commodities Research Desk , contact us : mailto:research@kotakcommodities.com, Source: Reuters, MCX, Market source

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INTERNATIONAL NEWS

Japan takes lead on Asian free trade

At a time when Japan is doing more than ever to uphold the postwar international system, it is an extreme historical irony that Imperial Japan's Greater East Asia Co-Prosperity Sphere is finally being achieved. Japan's leadership toward getting, on March 8, signatures on the final agreement of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), also known as TPP 11, will be a big step toward Asian regionalisation without the United States.

By default, Japan's World War II ambition of Asian cultural and economic unity free of Western powers looks close to fruition. Yet Japan's core plan had always been for TPP, and the Asia-Pacific, to include the United States – until President Donald Trump's withdrawal.

Since the war, Japan has for the most part conceived the ideal regional framework to be an Asia-Pacific fusion in partnership with the United States. Refusal to participate in initiatives excluding the United States, such as the East Asia Economic Caucus (EAEC), has been paired with support for US-inclusive frameworks, such as the Asia-Pacific Economic Cooperation (APEC) and East Asia Summit (EAS). The guiding principle was to keep the United States in Asia. However, the inauguration of TPP 11 marks the creation of a new, Japan-led pan-Asianism.

The Japanese government is still hoping for a multilateral Asia-Pacific fusion order including the United States. Japanese Deputy Prime Minister Taro Aso confided to Vice President Mike Pence in early February that Japan encourages a US return to TPP. However, Pence's response to Aso's solicitation was to bring up the Trump administration's wish for a US-Japan bilateral free-trade agreement – something unwelcome in Japan.

In reality, opposition to US reintegration among CPTPP members is germinating. The Trump administration has made clear that its possible interest in returning to TPP is premised upon renegotiation of the deal favouring US interests beyond the original agreement. That would necessitate concessions that member countries would flatly refuse.

TPP's suspended clauses

Were the United States to find the original agreement terms palatable and attempt to return, that, too, would be tough. CPTPP has suspended 22 TPP clauses that were swallowed by developing countries in exchange for US market access, such as investor-state dispute mechanisms and intellectual property and labour laws.

It is possible the Trump administration would push for extra clauses, for example concerning currency, when returning to the TPP framework. But with Japanese Prime Minister Shinzo Abe adamantly opposed, that is a lost cause. Even if only the 22 suspended clauses are reactivated, the political costs for developing countries, such as Vietnam, could become unacceptably high relative to the less demanding CPTPP.

The United States is highly unlikely to return to the deal during Trump's first term in the White House. CPTPP countries look set to ratify the deal by 2019. After reaching an agreement in principle last year, Japan and the European Union are aiming for their Economic Partnership Agreement (EPA) to come into force by early 2019.

Japanese focus will then most likely turn to the Regional Comprehensive Economic Partnership (RCEP), a free-trade agreement between the Association of Southeast Asian Nations (ASEAN) and Australia, China, India, Japan, New Zealand and South Korea. Japan's mission is to incorporate India through RCEP into the trade liberalisation of Asia.

If successful, the economic gains of both the CPTPP and RCEP will be significant. But their real value is providing the frameworks to uphold the liberal international order and realise a free and open Indo-Pacific region. Rule-making, rule of law, multilateralism and international cooperation are vital elements to support those two visions, facilitate market access, and conversely counteract market-distorting trade practices and state capitalism.

Therefore, for Japan to play its part, hop, step and jump – Japan-EU EPA, CPTPP and RCEP – it is without America. Taking independent pan-Asian leadership has been geopolitically tricky for postwar Japan. Its initiative to set up the Asian Monetary Fund after the Asian financial crisis in the late 1990s was shut down by the United States and then China.

But with CPTPP, Japan has managed to shake off the legacy of its former attempt to take independent leadership in Asia. So far, neither the United States nor China has opposed Japan's leadership.

US engagement is essential

Nevertheless, Japan's lurking fear is that pan-Asianism excluding the United States could push America to be further inward-looking. Deeper US engagement in Asia is indispensable to balance China. TPP desperately needs the US market to have strategic significance. Opinion in Tokyo is polarised on whether the United States should be tethered to TPP by whatever means – even a bilateral deal with Japan or rebranding TPP to placate Trump as part of a "Trump Pacification Plot."

The turmoil over US involvement is enough to tilt the Japanese government to hedge. Motivated further by the tensions on the Korean Peninsula, Abe has been pushing to improve Sino-Japanese relations. The concentration of Xi Jinping's power in China has unexpectedly facilitated Beijing's acceptance of friendliness toward Japan. The stabilisation of relations is paving the way for mutual head of state visits, something unthinkable in 2010.

The sum total is the emergence of a new regional order without the United States. Japan is looking to fill the vacuum in partnership with Asian countries. The immediate aim is not to oppose or contain China but instead to fill the American void in economic and rule-making terms. What becomes less clear in this emerging pan-Asianism is security. East Asia has become the region with the highest potential for geopolitical instability with global implications. With the existential threat on the Korean Peninsula and a confident, assertive China, there is a need for more robust Japanese national security. Yet Japan's central vision here, too, has and remains to be anchored in Asia-Pacific fusion through the US-Japan alliance. Since economics and security cannot be neatly partitioned, deep regional economic engagement by the United States is essential.

For now, Japan's independent international leadership is an unprecedented postwar development with potential to shape the entire regional alignment in East Asia.

Source: mmtimes.com- Feb 28, 2018

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Turkish exports up 10.7 percent in January, foreign trade deficit doubled

Turkey's exports in January totaled around $12.5 billion, a 10.7 percent rise compared with the same month in 2017, the Turkish Statistical Institute (TurkStat) announced Wednesday.

Turkish imports climbed 38 percent to over $21.5 billion, amounting to a foreign trade deficit of nearly $9.7 billion over the same period, increasing by 108.8 percent compared to same month last year, according to provisional data by TurkStat and the Customs and Trade Ministry.

Official data showed the percentage of imports covered by exports in January was 57.9, down from 72.1 percent last January.

The country's foreign trade volume reached almost $34 billion in January this year, an annual rise of 26 percent, according to the data.

Exports to the EU28 countries, the country's main trading partner, climbed 23.1 percent to $5.2 billion.

"The proportion of EU countries was 52.3 percent in January 2018, while it was 47 percent in January 2017," TurkStat said.

Germany was the top export market with $1.34 billion, a 10.8 percent share of total exports, followed by the U.K with $747 million, Italy with $742 million, and Iraq with $639 million.

In the same period, Turkey imported the most from China ($2.18 billion), Russia ($2.05 billion), Germany ($1.63 billion), and the U.S. ($1.12 billion).

The data also indicated that the ratio of manufacturing industry products in total exports was 92.4 percent in January, while the ratio of high-technology products in manufacturing industries was 3.3 percent. The ratio of medium- or high-technology products in manufacturing industries' products was 35.2 percent.

On the other hand, the ratio of manufacturing industry products in total imports was 79.8 percent, while the ratio of high-technology products in manufacturing industry products was 13.2 percent in the same month.

The ratio of medium- to high-technology products in manufacturing industry products was 38.2 percent.

Source: dailysabah.com- Feb 28, 2018

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China's vigor surprises, strong regional currencies hinder Asian exporters

Manufacturing data painted a mixed picture of economic activity in Asia, with strong currencies hurting exporters in South Korea, Japan and Taiwan, while China surprisingly showed resilience amid fears tighter regulations may slow growth.

The Lunar New Year holidays disrupted activity, suggesting that the slowdown in some of the economies could be temporary.

There were worries remained that the dollar's broad weakness could hinder the regions export-driven economies, though manufacturing surveys in the United States and Europe later on Thursday were expected to confirm the strong momentum in global trade.

Also, the full impact of China's crackdown on risky financing is likely yet to be seen.

Japanese manufacturing expanded at a slightly slower pace in February as a stronger yen weighed on new export orders and Taiwan's factory growth was the slowest in four months, although both economies still posted relatively solid numbers.

South Korea's export growth slowed in February to its weakest in more than a year.

The Japanese yen JPY= is currently trading around its strongest in more than a year, the Korean won KRW= in more than three years and the Taiwanese dollar TWD= in more than five.

"For Asia, the strength of the currencies will have some impact but generally how growth in the G3 economies fares is more important," said Khoon Goh, head of Asia research at ANZ.

"We should continue to see a strong momentum in exports going into the second half, when base effects come into play," Goh said, cautioning against reading to much into the holiday-distorted numbers.

In the absence of any signs of an acceleration in growth, however, markets remain of the view that central banks in Asia will significantly lag the Federal Reserve in hiking rates this year.

Fed chief Jerome Powell, in his first public appearance since talking the helm at the U.S. central bank, said this week that he aimed to prevent the economy from overheating, cementing market expectations for three or four interest rate increases this year.

Chances for rate hikes in Asia are far fewer.

Bank of Japan board member Goushi Kataoka cautioned on Thursday against a premature exit from the BOJ's ultra-loose monetary policy and called for a ramping up of the bank's massive stimulus program.

CHINA'S SURVEY DIVERGENCE

In China, a private survey showed on Thursday factory growth at a six-month high, but the findings were largely at odds with downbeat official activity readings on Wednesday, which raised concerns that tighter regulations may lead to a sharper slowdown in the world's second biggest economy.

The divergence might be explained by the fact that the private survey captures more of the activity of small and medium firms in the private sector, while the official survey focuses more on large state-owned enterprises, analysts say.

The state-owned firms service the domestic demand more and their weaker showing may point to weakness stemming from property-cooling measures, higher interest rates and tougher rules against risky financing, factors which are expected to weigh throughout the year.

Government measures to reduce pollution over the winter have also led to cuts in production, economists said.

"The big picture is that while the survey data have generally been strong during the past year, we don't expect that strength to be sustained in coming quarters," said Julian Evans-Pritchard, senior economist at Capital Economics.

ING analysts were more upbeat, however, pointing to the fact that even the weaker private survey showed manufacturers' expectations of future activity were still solid.

"These numbers imply that the low reading is likely driven by holiday effects, rather than by any underlying slowdown in coming manufacturing activity," said Iris Pang, Greater China economist at ING.

In smaller economies, Vietnam's activity was at a 10-month high, Indonesia's was at a 20-month high, while Malaysia's contracted.

Source: reuters.com- Mar 01, 2018

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Cambodia: Official releases EU trade data amid spat

Cambodia exported about $3 billion worth of goods to the EU in the first nine months of last year, according to Ouch Borith, a secretary of state at the Foreign Affairs Ministry.

Borith's remarks came at the ministry's annual meeting and were in response to a report released on Monday by the European Union's foreign affairs ministers, which warned the Cambodian government of "specific targeted measures" and called for enhanced monitoring of Cambodia's Everything But Arms (EBA) agreement over the country's recent political crackdown.

Cambodia's status under EBA grants the country tariff-free access to the EU market, which is traditionally the Kindgom's largest market for exports. A threat to the EBA agreement could imperil Cambodia's industrial sector, which is comprised mostly of garment factories and which employs about 850,000 people.

A comprehensive look at Cambodia's customs data from last year is not available. Commerce Ministry officials have repeatedly told The Post that the Ministry and Economy and Finance's Customs Department has only provided data for the first 3 months of last year, while customs officials could not be reached for comment.

Businesses and academics have complained that the lack of timely customs data hinders their work and research, and top government officials have also acknowledged the slow pace remains a problem.

Cambodia has struggled with widespread illicit trade that goes unrecorded by the Customs Department, particularly in its timber, citric acid, beef and sand sectors.

Source: phnompenhpost.com- Mar 01, 2018

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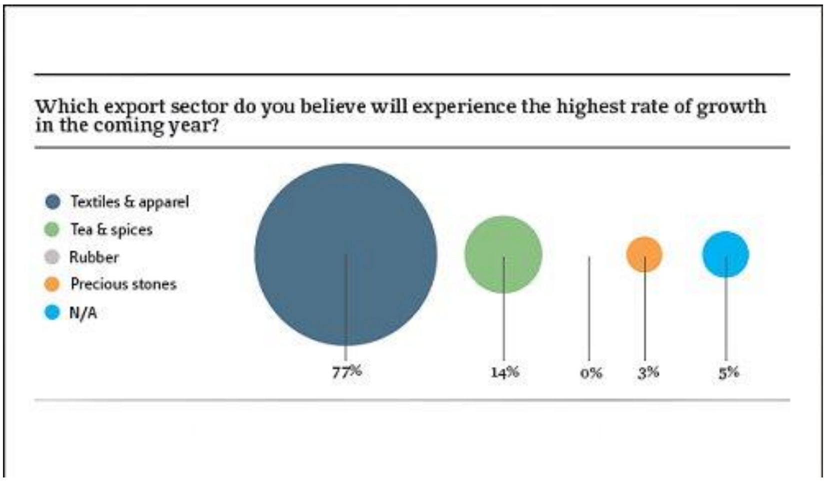
Textiles to lead Sri Lanka's export revival in 2018 - OBG report

Sri Lanka's apparel and textile export segment is likely to experience the highest rate of growth in 2018 as Sri Lanka focus on achieving $20 billion in export earnings by 2020, according to a recent survey by the Oxford Business Group (OBG) said.



Executives interviewed for OBG's most recent Business Barometer: Sri Lanka CEO Survey have resoundingly voted for textiles and apparel as the export segment likely to experience the highest rate of growth in overseas shipments in 2018.

Some 77% of CEOs who took part in the OBG's face-to-face survey predicted that the garments industry would be the growth engine for exports in the year ahead, followed by tea and spices at a distant second with 14%.

Textiles and tea are the backbone of Sri Lanka's tradeable sector, respectively comprising 47% and 12% of total exports in 2016.

Under President Maithripala Sirisena's National Export Strategy, ICT, wellness tourism, spice concentrates, boat building, processed food and beverages, and electronics/machinery were identified as the six priority areas for diversifying the country's export base.

"While diversification will certainly contribute to meeting the government's bold targets, it is clear that local business leaders expect traditional industries to underpin growth for the foreseeable future," the OBG report said.

Export industries received a welcome boost in May 2017, when the EU reinstated Sri Lanka's Generalized Scheme of Preferences Plus (GSP+) status, which had previously been rescinded over human rights concerns in 2010. GSP+ status removes the majority of import duties on Sri Lankan goods entering the European single market, and likely drove the 13.8% year-on-year increase in garment exports to the EU in November 2017.

Even though the immediate future looks bright for the garments segment, Sri Lanka would be wise to devise adaptation strategies for technological advancements in manufacturing processes.

Developments in innovative areas such as 3D printing and robotics are likely to erode some of the country's current competitive advantages in the years to come, as without the need for lower labor costs, clothing giants may start to move production facilities closer to their main consumer markets.

Meanwhile, the rise in oil prices worries the executives as Sri Lanka was forced to ramp up oil imports last year, following a severe drought that hampered hydro-generation capacity. According to the survey 49% of respondents place rising global oil prices as the top risk factor.

One of the chief reasons for Sri Lanka submitting to the $1.5bn IMF bailout package was the profligacy of the previous Mahinda Rajapaksa administration, which had agreed to a number of high interest Chinese loans to fund infrastructure projects.

Many of these developments have operated below capacity since completion, making it difficult for Sri Lanka to honor its payment commitments. As a result, the Sirisena administration has been forced to make hard choices, such as handing over control of 70% of Hambantota Port to Chinese interests on a 99-year lease.

Chinese investment plays a major role across Sri Lanka's economic sectors: China is now the country's main source of foreign direct investment, its largest trading partner and its second-largest tourism source market. Despite this, just 16% of executives surveyed in our barometer cited a slowdown in Chinese demand as the top external risk that could impact the national economy in 2018.

Source: colombopage.com- Feb 28, 2018

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Openness to trade makes SA vulnerable to global shifts

No modern economy remains the same over time; change is the order of the day annually, cyclically, structurally.

Whereas seasonal and cyclical changes follow a fluctuating pattern, structural changes are longer-term shifts in the fundamental nature of the economy and are not easily reversed. These longer-term changes are driven by intentional policies as well as by unintentional effects of economic processes.

In the case of SA, its "openness" to trade — the fact that a relatively high proportion of its economic activity is due to imports and exports — makes it more vulnerable to global economic shifts than if it was less open. The effects of these globalisation forces and domestic economic policies have brought the South African economy to the state it is today — far from the envisaged prosperous and egalitarian ideal.

In fact, there is more inequality today than in the mid-1990s when the democratic state was in its infancy. This can be explained by the declining share of value appropriated by unskilled and semi-skilled workers.

Poorer households are reliant on unskilled and semi-skilled workers to earn income for them, and these categories of workers have been losing out relative to high-skilled workers and the owners of capital.

Why is this taking place? One important reason is because the services sector is growing and the manufacturing sector is shrinking. This tendency, when found in a developing country, is called "premature deindustrialisation". A developing economy would be expected to show an increasing level of industrialisation up to the point it becomes a developed economy.

Much of Africa is deindustrialising as it battles to compete with the manufacturing economies of the Far East. The fact is a services-orientated economy, which SA is becoming more like, has less of a need for unskilled and semi-skilled workers than an industrialising economy. Production is becoming more skills intensive, hence the tendency for these categories of workers to lose out in terms of income and increasing unemployment.

It is not all bad news because net income gains are still positive relative to the mid-1990s, but higher-skilled workers and owners of capital have gained more than the other groups and the rising inequality resulting from this must surely be a concern for social stability.

The owners of capital have gained, but the share paid to overseas investors has risen proportionately. In general, overseas equity investors and lenders now take a larger slice out of the earnings of the economy, the latter since they are creditors of the state (government and parastatals). This type of flow is called "leakage": it reduces available income for circulation in the domestic economy. Other leakages that have increased are the share of income paid to the state — taxes — which are less efficiently utilised than private expenditure.

Imported goods and services can also be regarded as a "leakage", because income is paid to foreign rather than domestic businesses. Government policy in the mid-1990s was to grow the economy by encouraging export-led growth. Instead, the economy has become more reliant on imports, with import penetration increasing by 20% in the top 12 industrial sectors, but export intensity only up 11% in the same sectors.

The increased leakages have reduced the dynamism of the economy, in the sense of reduced multiplier effects of increased expenditure. This means any economically stimulating expenditure that takes place — such as private investment, an increase in exports or an increase in government expenditure — will have a lesser impact on the economy than it would have had 20 years ago.

Expenditure multipliers can also be calculated by individual sector. The largest decreases are for industries in the clothing, textiles, leather, footwear and transport equipment sectors. These also happen to be sectors targeted by the Department of Trade and Industry for industrial support, suggesting that the return on investment for this support may be below par.

The sectors that are the targets of industrial policy are also lacking in their ability to create jobs at the rate required by the economy. On aggregate, the industrial sectors targeted by the Department of Trade and Industry's industrial policy action plan are becoming more skills intensive, which means they will not be able to absorb unemployed low-and middle-skilled workers even if they grow.

This tendency may be acceptable in Europe, where population growth is relatively static and education quality is high, but it is different in SA. It appears our industrial policy is misdirected if it is intended primarily to create the jobs that the economy so desperately needs.

Even when considering the economic "successes" since the end of apartheid, there are caveats. Three of the fastest-growing sectors are government services, banking and finance, and mining. The latter is subject to the commodity cycle and is based on an exhaustible resource so it cannot be the subject of long-term planning. The other two are strange services sectors that "take" much more than "give" to the economy.

The government services sector and the banking and finance sector have grown strongly yet their actual value addition cannot be in proportion to the magnitude of growth. Years of double-digit wage growth in the public sector has led to public sector jobs being better remunerated than equivalent private sector jobs. No one would believe this payment asymmetry is also correlated with productivity differences.

The financial sector has enjoyed massive efficiency gains as it has moved almost all services to the virtual environment. However, due to the oligopolistic nature of the sector and a lack of competitiveness, few of these gains have been passed on to consumers. These two services sectors — government and financial — are therefore "parasitic", extracting large economic rents from the economy. Their strong growth in the post-apartheid economy cannot be seen as true success.

Given these structural shifts, trade and industrial policy should be re-evaluated for its effectiveness in leveraging industrial strengths; creating jobs; growing the economy; enhancing technology uptake; up-skilling unskilled and semi-skilled workers and assisting with work transition processes.

Source: businesslive.co.za- Feb 28, 2018

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Vietnam: Garment firms need more workers for expanding operations

According to Tran Cong Khanh, Head of the Labourer Management Office of the Ho Chi Minh City Export Processing and Industrial Zone Authority (HEPZA), HEPZA now has 290,000 workers, of whom 95 percent have returned to work after the Tet holidays. The rest either took a further leave or changed their jobs.

According to the Centre for Forecasting Manpower Needs and Labour Market Information (FALMI) in Ho Chi Minh City, the city saw a shortage of 30,000 workers after the Tet holidays, mostly in the fields of real estate, IT, electricity-electronics, construction, garment-textiles and footwear, logistics, export and import, human resource management.

FALMI Deputy Director Tran Tuan Anh highlighted the stability of the workforce in local firms after the Tet festival, saying that most of labourers want to have stable jobs while companies better take care of their employees.

Though most of enterprises have adequate labourers, those operating in the fields of garment-textiles, processing and services-restaurants are forecast to see a shortage of 8-10 percent of employees because of their production expansion after the traditional holidays. Many local garment companies are in need of a huge volume of workers.

Dinh Thi Tuat, a representative of a jeans factory under Phong Phu International JSC in HCM City's district 9, said her factory needs as many workers as possible. The Phong Phu International JSC resumed its production on February 22 (the seventh day of the first lunar month). A number of workers from neighbouring provinces have yet returned to work.

Some dozens of workers usually change their jobs after the traditional Tet holidays, Tuat said, explaining that, the huge recruitment mostly aims to serve its production expansion for export.

Uyen Linh Production Commerce Co. Ltd. in district 9 is also in need of between 100-300 garment workers. It pays between 6-8 million VND (265-350 USD) per month, and other benefits.

According to the HCM City Association of Garment and Textile (AGTEK), garment-textile firms have had enough purchase orders for the first quarter, even some for the second quarter right from the first days of 2018.

AGTEK President Pham Xuan Hong said the sector hopes to grow 10 percent in 2018. Vietnam's key export markets such as the US, EU and Japan have stable demand, while new markets also see positive signs.

Hong underlined potential for firms in the sector, saying that big ones have entered big markets, while small ones eye niche markets with small volume, yet high prices.

Most of employers consider experience and skills of their candidates and advantages to fulfill their purchase orders and expand their markets.

Source: vietnamnet.vn - Feb 28, 2018

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Kenya plans to revive textile sector in NYS cotton farming

Kenya's National Youth Service (NYS) has been allocated 100,000 acres of the Galana-Kulalu Complex to revive the ailing textile industry, President Uhuru Kenyatta said during the passing out parade of NYS recruits in Gilgil recently. He said the project is in line with his Big Four Agenda aimed at steering the economy to double digit growth.

Under the plan, 50,000 jobs are expected to be created in cotton farming, which has a target of generating 20 billion Kenyan shilling (Sh) in apparel export earnings this year, according to a report in a Kenyan newspaper.

The Galana-Kulalu ranch is located in the counties of Kilifi and Tana River.

Source: fibre2fashion.com- Mar 01, 2018

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PRGMEA hails EU decision to retain GSP+ status for Pakistan

Welcoming the European Union decision to retain the generalized system of preferences (GSP) plus status for Pakistan, the Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) has stressed the need for an aggressive marketing plan, besides implementing the prime minister's export package to maximise benefits from the decision.

PRGMEA senior vice chairman Sheikh Luqman Amin said Pakistan almost failed to take full advantage of the GSP plus benefit granted in 2014, primarily due to the indifferent attitude of the government departments towards the country's textile sector, according to Pakistani media reports.

He said about half of the exporters are yet to receive refunds under the previous package of former Prime Minister Nawaz Sharif as the central bank's regional branches, which deal with more than 70 per cent of value-added textile exporters based in Punjab, are not ready to speedily process their cases.

Another key challenge is the tax regime and custom clearance procedures. The industry is subjected to a higher duty on raw materials compared to other countries, which makes the final product more expensive.
Due to cumbersome customs procedures and high duties on import of cotton yarn, artificial fibres and PTA, the garment industry has been unable to move from the existing cotton concentrated 80:20 mix to the globally-demanded 50:50 mix in its exports, he added.

Source: fibre2fashion.com- Mar 01, 2018

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Europe: New textile fibre necessitates changes in nomenclature law

A new amendment to a European Union legislation has modified several provisions related to textile fibre names and associated wtih labelling and marking of the fibre composition of textile products. It has also accepted the nomenclature of a new textile fibre called polyacrylate.

The new law, Commission Delegated Regulation 2018/122, which entered into force on February 15, amends a number of sections and definitions of the existing legislation, Regulation 1007/2011.

According to the preamble to the new regulation, there were a host of reasons for amending the earlier regulation which required labelling to indicate the fibre composition of textile products, with checks being carried out by analysis on the conformity of those products through indications given on the label.

The 2011 regulation contained a list of textile products for which inclusive labelling was deemed to be sufficient. It included sewing, mending and embroidery yarns presented for retail sale in small quantities with a net weight of 1 gram or less. Due to progress made on the technological front, “that particular textile product was no longer presented for retail sale in quantities with a net weight of 1 gram or less.” Therefore, the list qualifying for inclusive labelling needed updating.

The 2018/122 regulation, which was adopted on October 20, 2017, was to enter into force on the twentieth day following its publication in the Official

Journal of the European Union. The regulation was published in the official journal on January 26, 2018.

The new textile fibre that was at the root of many of the changes is polyacrylate. According to the definition which has been added to Annex I of the 2011 framework regulation, polyacrylate is a “fibre formed of cross-linked macromolecules having more than 35 per cent (by mass) of acrylate groups (acid, light metal salts or esters) and less than 10 per cent (by mass) of acrylonitrile groups in the chain and up to 15 per cent (by mass) of nitrogen in the cross-linking.”

Annex II of the 2011 regulation laid down the minimum requirements for a technical file to be included in the application for a new textile fibre name. The very definition has had to be amended.

The earlier clause was: “The characteristics mentioned in the definition of the new textile fibre, such as elasticity, shall be verifiable via testing methods to be provided with the technical file along with the experimental results of analyses.” The new clause has added the following: “The definition proposed shall describe the fibre composition.”

Clause 5 which was about “Sufficiently developed identification and quantification methods, including experimental data” has now become “Proposed identification and quantification methods, including experimental data.”

Henceforth, “The application [for a new textile fibre name] shall contain all the experimental data, in particular regarding fibre characteristics, identification and quantification methods proposed. Data on the accuracy, robustness and repeatability of the methods shall be provided with the file.”

There is also a new provision related to the availability of samples in the same annex: “The manufacturer or any person acting on the manufacturer’s behalf shall provide representative samples of the new pure textile fibre and the relevant textile fibre mixtures necessary for verifying the accuracy, robustness and repeatability of the proposed identification and quantification methods.

The Commission may request additional samples of relevant fibre mixtures from the manufacturer or the person acting on the manufacturer’s behalf.”

The 2011 regulation had mentioned that it was “necessary to harmonise the names of textile fibres and the indications appearing on labels, markings and documents which accompany textile products at the various stages of their production, processing and distribution.”

However, the labelling and marking requirements do not apply in cases “where textile products are contracted out to persons working in their own homes or to independent firms that carry out work from materials supplied to them without the property therein being transferred for consideration or where customised textile products are made up by self-employed tailors.”

Source: fibre2fashion.com- Mar 01, 2018

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NATIONAL NEWS

Sri Lanka exporters ask for removal of apparel quota to India

The Sri Lanka Apparel Exporters Association Chairman Felix Fernando has asked the Indian government to enhance apparel quota system significantly or remove it completely. This will give the Sri Lankan apparel exporters more confidence in doing business in the Indian subcontinent, he feels.

Since quota restrictions have been imposed, Sri Lankan can export only a certain quantity. The existing apparel quota is not sufficient enough for large scale Sri Lankan apparel manufactures to export to the Indian market and it is pertinent to remove these existing impediments to create win opportunities for both countries.

Sri Lankan apparel exports have grown substantially recording a 6 per cent growth over the last six months, the Association Chairman was of the view that the current trend would continue in the coming months. Sri Lanka currently exports fabrics and other materials from several ASEAN countries including China which are not eligible to receive the GSP Plus benefit. There is a need for a methodology to help the country's manufactures to obtain required fabrics and materials from India rather than importing from several ASEAN Countries.

Special Assignments Minister, Sarath Amunugama pointes out the apparel quota was given not with the idea of restricting, it was given with the idea of stimulating trade.

Today, that objective is not necessarily the utmost. Sri Lanka has well and now is ready to compete. Apparel is very sensitive product to India given its own apparel industry, the minister noted adding removing or improving the existing quota wouldn't affect the extensiveness of the Indian market, but it would certainly be a nice gesture for a country like Sri Lanka.

Source: fashionatingworld.com- Feb 28, 2018

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India replaces China as world's fastest growing economy, GDP growth at 7.2% in Q3

The Indian economy grew at 7.2 percent in October-December 2017, and will likely expand 6.6 percent in 2017-18, latest official estimates said on Wednesday, amid strong revival signs in consumption spending and investment activity.

The economy is poised to move into a faster lane, swiftly recovering from the disorderly effects of demonetisation and the goods and services tax (GST). The rebound in India's "real" inflation-adjusted gross domestic product (GDP) growth from 6.5 percent in the previous quarter (July-September) will likely help regain its lost status as the world's fastest growing major economy outpacing China, which grew 6.8 percent in October-December 2017.

Latest estimates broadly mirror the trends seen in high frequency indicators like corporate income and industrial output data. It is in line with the government's earlier estimates. In January, the government had projected that India's GDP would grow at 6.5 percent in 2017-18. Implicit calculations suggest that GDP in the October-March period would grow at 7 percent.

The Central Statistics Office's (CSO's) second advance estimates released today are based on actual data for three quarters, which give a better picture of the health of the economy.

The CSO also estimated that gross value added (GVA), which is GDP minus net taxes, grew 6.7 percent in October-December from 6.2 percent in the previous quarter and 6.9 percent in the same quarter of 2016-17. GVA is set to grow at 6.4 percent in 2017-18 from 7.1 percent in 2016-17. It is a more realistic guide to measure changes in the aggregate value of goods and services produced in an economy.

The manufacturing sector grew 8.1 percent in the third quarter of 2017-18, from 6.9 percent in the previous quarter, and 8.1 percent in the same quarter of the previous year. The sector is projected to expand at 5.1 percent during the full year, inching towards last year's 7.9 percent growth, indicating that factories and firms have moved on from the irritants caused by GST.

A mid-year switchover to GST from July 1 prompted anxious shops and companies to de-stock and clear up the inventory pile ahead of the new system's kick off. Companies had significantly cut back production in June as part of a business strategy to carry over as little old stock as possible into July. Nobody was quite sure whether prices would rise, fall or remain the same after GST, which partly explains the jostle to drain out old stocks at heavy price markdowns.

Latest lead indicators have shown encouraging turnaround signs over the last few months, with urban consumption recovering into the year-end. The manufacturing sector appears to have recovered from the post-GST lull, along with a jump in industrial production, primarily capital goods output. Available data also suggests healthy growth of corporate earnings in that quarter, despite rising commodity prices.

Government revenue expenditure (minus interest payments) also accelerated to 24 percent (year on year) from 12 percent in the year-ago period. Non-agricultural growth has shown signs of improvement thanks to better investments and the service sector, including public administration and credit growth indicators.

Double-digit growth of capital goods, the sharp rise in capital spending of the central government and the modest pickup in capital spending of state governments in the third quarter of 2017-18, are likely to have contributed to the 12 percent expansion in gross fixed capital formation (GFCF) in October-December 2017-18.

However, since the value of new investment projects and the value of projects completed recorded a contraction in the quarter, it may be premature to conclude that a broad-based revival in investment activity has commenced," said Aditi Nayar, Principal Economist, ICRA.

The agriculture sector grew 4.1 percent in October-December from 2.7 percent in the previous quarter, and 7.5 percent in the same quarter of the previous year. It is projected to grow 3 percent in 2017-18 from 6.3 percent in the previous year, CSO estimates said. Farm sector growth will likely remain subdued because of unfavourable estimates for kharif output of crops such as oilseeds, pulses, cereals and cotton, and the base effect related to record high output in 2016-17.

The construction sector grew 6.8 percent in October – December from 2.8 percent in the previous quarter as well as in the same quarter of the previous year, broadly reflecting trends in output and sales of inputs, such as cement and steel, even as the sentiment remains weak after the RERA Act and the GST.

"Improvement was broad-based, with a pickup in most production/investment demand indicators. Under GVA, agricultural and non-agricultural activities have both picked pace. Besides base effects, better construction and agri sectoral performance bodes well for employment creation prospects. Looking ahead, the likelihood of higher rural incomes (on higher MSPs) and pre-election spending is likely to be supportive of 2018-19 numbers," said Radhika Rao, India Economist, DBS Bank.

Source: moneycontrol.com- Feb 28, 2018

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Forcing Monsanto out of India could have serious consequences for cotton farmers

Those who advocate swadeshi tend to forget that the Bt seeds patented by Monsanto were responsible for doubling the yield of cotton per hectare. They also tend to forget the fact that none of the Indian research institutes or desi universities could come up with a gene like CRY 1AC that could help tackle pests like Monsanto Bollgard.

Forcing Monsanto to close its cotton business has serious consequences. We have sent a wrong signal to the international business community. We have put the fate of cotton farming and thereby the cotton value chain in jeopardy. For the 2018-19 season, cotton farmers in India will not get Bt seeds that will tackle bollworms. They will be forced to use old Bt seeds or unapproved, unauthorised seeds sold at a premium.

Cotton farming is very important for our country as its value chain, namely textiles, provides employment to the highest number of people in the country. ... Therefore, the central government must let cotton farmers have access to the latest technologies. Government should also make policy changes to make our textile products competitive in global markets.

Asking Monsanto to come back and approving its latest seed technology would be the first step in right direction.

Source: geneticliteracyproject.org- Feb 28, 2018

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No more confusion in picking perfect fit as government plans standardised clothing size chart

Based on the body measurements and specifications of Indians, National Institute of Fashion Technology (NIFT), New Delhi is to take on a sizing survey to come up with a India size chart for ready-to-wear clothes by 2021, Hindustan Times reported. NIFT under the instructions of Ministry of Textiles will hold the country-based survey of people under the age group 15-65 years that is estimated to cost nearly Rs 30 crore, Hindustan Times report said citing an unidentified ministry official.

After the two-year long survey gets completed and an India size chart gets ready, all the Indian apparel brands will have to comply by the new standards, and carry India size label on the all the ready-to-wear clothes, the report added. Already 14 countries including US, UK, France, China and others have completed such surveys in their respective countries. The new size chart will help develop a standardised clothing size chart for Indians.

The report added that 3D whole body scanners will be used to measure the sizes of 25,000 Indian men and women across six cities of the country. India, at present, doesn't have its own standardised clothing size chart for ready-to-wear clothes, and uses altered versions of such charts used by other nations. It results in a high number of returns and exchanges of garments being reported in India due to poor garment fit.

Meanwhile, last year the government identified 13 countries where India can showcase its textiles and apparels and handicrafts through exhibitions to help them in getting promoted worldwide, PTI reported.

The countries included Germany, France, Italy, the US, China, Hong Kong, Turkey, Australia, Russia, the UAE, Brazil, Egypt and Chile. India contributes around 5 percent to the the global textile trade.

India is the second largest textile exporter and apparel in the world. The government planned to showcase the strength of indian textiles at global fairs and organise roadshows with the ongoing event and organising India Eve (B2B meetings) post business hours.

The government believes that India holds immense potential to increase its market share in the global markets if the right product is aligned with the specific market.

Source: financialexpress.com- Feb 28, 2018

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Smriti Irani suggests using jute in infrastructure, smart city projects

Pitching for diversification of jute products, Union Textiles Minister Smriti Irani on Wednesday said there is a need to look at the potential of jute for the building of smart cities and infrastructure. “Today, when we talk about diversification of jute products, we look at not only card holder, shopping bag, etc., but also look at the potential of jute for building of smart cities and infrastructure,” she said at the 27th Technological Conference organised by the Indian Jute Industries’ Research Association (IJIRA).

According to her, the industry stands at Rs 10,000 crore at valuation but has a huge potential to grow. Emphasising on the need for research and development in geo-textiles, she said the scientific data can infuse confidence in industry partners and ministries like Road Transport and also provide enough impetus to include geo-textiles for building infrastructure.

With the intervention of IJIRA’s ‘Subhra’, a biochemical formulation, the industry has seen the faster jute retting process and the labour intensity for retting has come down to 7-10 days, Irani said. Along with the reducing number of manhours in the retting process, the formulation ensured the grade of jute output has increased by 1-1.5 times, she said. She also touched upon the need for improvement of quality raw jute.

“We are the biggest producer of jute. But why would not we compete at the same level with Bangladesh? If you look at the Bangladesh business model, they have diversified jute products,” she said. Speaking at an interactive session here on Tuesday late evening, she said, “On the Indian Jute Industry, why would not you diversify in terms of product range as much as Bangladesh does? The industry said the problem begins with the quality of raw jute.”

According to Irani, jute has been used for the building of roads and studies have validated the life-span of the roads increases with the use of jute materials. The golden fibre has also been effective in checking soil erosion. “We need to emphasise on jute to be used for purposes of building infrastructure purposes, like roads and river embankment,” she said.

In 2017-18 for the minimum support price operation, the Jute Corporation of India has spent Rs 46.78 crore till now. The Ministry has a scheme for promoting the use of geo-textiles in the northeast and has sanctioned close to Rs 427 crore especially for this initiative, she said. Irani also said she was in favour of standardisation of technical textiles.

“Our definition of technical textiles varies from the international definition. Hence, I have asked industry associations to come up with definition, parameters which are applicable and acceptable internationally. “When we talk about influencing the global markets, your standard has to be same with international standard. Then, the acceptability increases,” she added.

Source: financialexpress.com- Feb 28, 2018

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Vardhman Textiles starts hedging cotton on MCX

Integrated textile manufacturing company Vardhman Textiles has started hedging of cotton on Multi Commodity Exchange (MCX) in order to cope up with persistent volatility in cotton prices, said a release issued by the exchange on Wednesday.

Cotton is the basic raw material for the textile industries and its prices are influenced by both domestic and international factors particularly with the growing globalization and international trade.

During October 2016 – September 2017, cotton prices witnessed volatility of 19.25% (annualised) and with physical market size of cotton estimated at around Rs. 68000 crore, the cotton industry faced annualised price risk of over Rs. 13000 crore.

Vardhman Textiles, headquartered in Ludhiana, is the flagship company of Vardhman Group.

It is one of the largest textile companies in India manufacturing cotton yarns and fabrics for a range of applications, such as hand knitting yarns, machine knitting yarns, jerseys and sweaters, sarees, dress materials and carpets—with a capacity of over 1.00 million spindles, constituting more than 4% of the country's yarn production, 1320 looms for weaving of fabrics and 180 million meter per annum of fabrics processing capacity. It is also the second largest producer of sewing threads and the market leader in hand knitting yarn in India.

Mrugank Paranjape, MD & CEO, MCX said, "We are glad to serve Vardhman as the platform of choice for their cotton price risk management obligations. Increased corporate participation has enhanced the quality and the process of information convergence in MCX cotton futures, thereby making it the hedging tool of choice for the cotton stakeholders in the country, besides transmitting signals to other major global markets in cotton trading."

IJ Dhuria, Director-Raw Materials, Vardhman Textiles Ltd said, "MCX cotton futures contract has been gaining strength, providing us an ideal platform to hedge our inventory and raw material risks effectively. It has always been our corporate endeavour to best serve the investor interests besides strengthening our competitiveness. I am happy to note that this risk management initiative of ours will help not only convey the same through our corporate governance report but also provide ..

India is the largest producer of cotton in the world accounting for about 27% of the world cotton production. It is also the second largest exporter of Cotton in the world. India's cotton production is estimated at around 36.7 million bales (1 bale =170 kg) in 2017-18 as per the latest estimates of the Cotton Advisory Board. Major producing states are Gujarat, Maharashtra, Telangana and Andhra Pradesh, which together account for more than 70% of the total production in India.

Source: economictimes.com- Feb 28, 2018

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