

IBTEX No. 167 of 2018

August 09, 2018

USD 68.59 | EUR 79.63 | GBP 88.29 | JPY 0.62

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	Rs./Candy	USD Cent/lb
22828	47750	88.67
Domestic Futures Price (Ex. Gin), October		
Rs./Bale	Rs./Candy	USD Cent/lb
23990	50181	93.19
International Futures Price		
NY ICE USD Cents/lb (Dec 2018)		87.18
ZCE Cotton: Yuan/MT (Jan 2019)		16,390
ZCE Cotton: USD Cents/lb		92.50
Cotlook A Index - Physical		99.50
<p>Cotton Guide: Cotton futures slipped to the lowest settlements in two weeks across the board. December future settled at 8718, down 72 points. The contract has settled lower in 3 of the last 4 sessions for a net loss of 165 points. The other months also settled from 32 to 83 points lower. Broadly market was bearish on Wednesday as it failed to break and hold above 90 cents. Profit booking as part of long liquidation and millers hesitation in buying near 90 cents dragged cotton price lower.</p> <p>The market really hasn't done too much in the last 4 weeks as prices have treaded in limited sideways ranges. Over the last 19 sessions Dec has had a 388 point range, from 8610 to 8998.</p>		

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China released in list of US commodities where tariff of 25% is implemented which include waste of cotton yarn, cotton recycled fiber and other waste cotton. However we don't see major reaction on the market but broad sentiment may have pulled price lower.

However, at the top of cotton's discussion list remains: (1) The China/US Trade War; (2) Friday's upcoming USDA Supply/Demand Report; and the forecast for rain over the next week for Texas. There wasn't anything particularly new to these discussions. We believe the USDA report will be very important to watch for.

A reminder on Friday's USDA Supply/Demand reports: The media will no longer receive an early copy of the reports. It was always puzzling how the market could immediately react the minute the report were released, when it wasn't humanly possible to download, much less read them and enter orders. It will be interesting to see what the level playing field looks like.

On the technical front since market has declined so much we expect it to have immediate support of 86.50 and then 86 cents per pound. For the day the trading range would be 86.50 to 88.50 cents.

The decline in US cotton has pulled Indian futures lower. The October has ended the session at Rs. 23970 and we think it may continue to remain sideways to lower. The trading range would be Rs. 23750 to Rs.24080 per bale.

Currency Guide: Indian rupee has appreciated by 0.17% to trade near 68.51 levels against the US dollar. Rupee has benefitted from sharp decline in crude oil price. Brent crude slumped over 3% yesterday as China announced import tariffs on US goods which includes energy products. Stability in yuan and Chinese equity markets has also increased appeal for emerging markets. However, weighing on rupee is deepening US-China trade conflict, Fed's monetary tightening and downbeat monsoon progress. Rupee has opened on a firm note in reaction to crude oil's slide but may shed the gains as Fed's stance and US optimism will continue to support US dollar. USDINR may trade in a range of 68.4-68.7 and bias may be on the upside. .

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

NEWS CLIPPINGS

INTERNATIONAL NEWS	
No	Topics
1	China, Tariffs and the Global Cotton Outlook
2	US, China Impose Next Round of \$16 Billion in Tariffs as Trade War Endures
3	COTTON USA™ Licensees See Bigger Business Benefits
4	Pakistan to get over \$200 million after signing FTA with Thailand
5	US stores look to reboot growth in digital world: Moody's
6	India doubles apparel import duty eyeing China; B'desh exporters see opportunity
NATIONAL NEWS	
1	About 97% of 2017-18 cotton crop reached market: CAI
2	Hike in import duty on textile not good for garment exporters: Expert
3	India: Amended TUFS offers wider financial gains to textile industry
4	Centre to bring final draft of e-commerce policy within next 10 days
5	India needs to simplify GST, cut debts: IMF
6	Fabric makers oppose recommendation impose anti-dumping duty on nylon yarn
7	Ikea to inaugurate first store in India today

INTERNATIONAL NEWS

China, Tariffs and the Global Cotton Outlook

For much of the past decade, the global supply and demand picture when it comes to cotton has been shaped by Chinese policies.

In the three years that followed the 2010/11 price spike, the high guaranteed price that the Chinese government offered their growers was a dominant feature in the market.

These guarantees were enforced by the government taking physical possession of the cotton bought at mandated levels. During this time, the Chinese government bought as much as 85 percent to 90 percent of its domestic crop, which led to a massive stockpile of reserve supply.

Given the volumes involved, these policies were clearly unsustainable, and the Chinese government started reversing course in 2015/16 and working to reduce its inventories by limiting imports and selling from its reserves.

That has been a defining characteristic of the global cotton market for the past three crop years.

One reason Chinese policies are so important is that China dominates discussion from the demand side. Chinese mills represent nearly one-third of global mill use. And though China ranks as the world's second largest cotton grower (behind India), the volume of cotton spun by its mills consistently results in a wide production deficit (roughly 15 million bales, or about one-third of Chinese mill use).

Over the past couple of decades, this supply gap has commonly been filled by imports, which has commonly made China the world's largest importer. But the past three cotton crop years have been different. The period saw the Chinese government pushing the use of its reserve cotton supply to fill the gap.

Correspondingly, since 2015/16, Chinese imports have been the lowest in the modern era (i.e., since China joined the WTO in 2001). Chinese imports between 2015/16-2017/18 were nearly 80 percent lower than the average between 2011/12 and 2012/13.

This tremendous decline in Chinese imports has caused China to drop in the global rankings from number one to number three. Bangladesh has been the world's largest importer recently, closely followed by Vietnam. This has been partly due to demand growth in these countries, but is primarily a result of the decline in shipments to China.

Imports from Bangladesh and Vietnam are between 5-8 million bales. The size of China's current production deficit is 15 million bales, which shows that China's need for imports, once reserves stabilize, is more than the sum of imports flowing to Bangladesh and Vietnam.

With China's reserves already lower, Chinese imports can be expected to start increasing soon.

No one knows exactly how fast Chinese imports might rise, but over the next two to three years, Chinese imports could return to levels approximating its production deficit. With Chinese imports recently near five million bales, this implies a doubling or tripling of Chinese imports in the relatively near future.

The volatility in Chinese cotton prices early this summer, which has been attributed to a domestic supply scare, triggered the release of additional import quota by the Chinese government, and suggests that the increase in imports will begin in the 2018/19 crop year (August 2018-July 2019).

The expected increase in demand of 5-10 million bales over the next several years poses the question of where China will get all that cotton. The natural answer is the U.S., the world's largest cotton exporter.

The U.S. has represented roughly 40 percent of global exportable supply in recent years. To provide context for how important the U.S. is as a source of supply internationally, it would take the sum of the next six largest exporters (India, Brazil, Australia, Burkina Faso, Mali and Greece) to equal the volume shipped by the U.S. in 2017/18.

And the current tariff situation further complicates what would have been the easy answer of China importing more cotton from the U.S, as American cotton was on the Chinese list of imports subjected to a 25 percentage point increase in tariffs, which took effect on July 6.

However, there are different categories of import quota potentially available, and not all categories are subject to the tariff increase. One import category, known as “Processing Trade,” which requires the final product (i.e., apparel or home textiles) be exported, is not affected. China also has free trade zones, which can import without quantitative limits and are also not subject to the tariffs.

Another category, known as “General Trade,” where the final goods can remain in China, has been affected by the tariff increase. This range of import categories does leave some room for U.S. cotton to escape higher duties, but also leaves uncertainty regarding how much room there will actually be. The Chinese government traditionally does not publicly disclose the proportion of import quota allocated across different categories.

When considering the effect on U.S. export demand, it is important to look at the strength of U.S. cotton shipments in recent years. Despite China buying only about half of the cotton that it usually does from the U.S., total U.S. exports have ranked as the second (2017/18) and third (2016/17) highest on record. This is due in large part to the growth in sales to markets outside of China, like Vietnam and Bangladesh.

Supporting these sales has been the U.S. reputation for quality. Being machine picked, U.S. cotton has an earned reputation for being contamination free. In today’s environmentally conscious world, the sustainability of U.S. cotton has become an increasingly important selling point. For generations, U.S. universities have been at the forefront of developing new technologies to make agricultural production more efficient. This has doubled U.S. cotton yields over the past five decades.

Further improvements are expected with sustainability a central objective. Cotton Incorporated helps guide this research, funding around 400 projects each year, the majority with a sustainability focus. It starts in the field, with efforts directed towards the development of increasingly precise field applications with the introduction of robotics, but extends all the way through the supply chain with projects directed to reduce the use of water, energy, and chemistry at each step in the fabrication process.

Source: sourcingjournal.com- Aug 08, 2018

[HOME](#)

US, China Impose Next Round of \$16 Billion in Tariffs as Trade War Endures

This week the winds of war blew more tariffs into town.

Both the U.S. and China have announced their next tranche of \$16 billion worth of tariffs, rounding out the first \$50 billion each committed to levying on the other's exports.

The U.S. released its list of 279 targeted items Tuesday for the \$16 billion worth of tariffs, which still omits products from the apparel and textiles industry, and focuses largely on chemicals connected to industrial equipment.

Customs and Border Protection will begin collecting the new 25 percent duties on Chinese imports as of Aug. 23.

Right in line with the U.S. announcement, China's Ministry of Commerce confirmed that its own list of \$16 billion worth of tariffs on U.S. exports will also face additional 25 percent duties starting Aug. 23.

China's list of target U.S. goods includes animal hair fibers (recycled or otherwise), cotton recycled fiber, cotton yarn and thread waste, man-made fiber waste, sorted textile materials and shredded fabrics.

The back-and-forth tariff attacks between the U.S. and China shows no sign of abating as each wants the other to back down and both feel right about the actions they're taking—none of which has so far included much that resembles backing down.

For President Trump at least, the tariffs appear to be garnering the affect he was going for in rebalancing trade.

On Sunday, Trump tweeted, "Tariffs are working big time. Every country on earth wants to take wealth out of the U.S., always to our detriment. I say, as they come, Tax them. If they don't want to be taxed, let them make or build the product in the U.S. In either event, it means jobs and great wealth....."

A follow-up tweet went on to say, “..Because of tariffs we will be able to start paying down large amounts of the \$21 trillion in debt that has been accumulated, much by the Obama Administration, while at the same time reducing taxes for our people. At minimum we will make much better trade deals for our country.”

But tariffs may not in fact be working “big time.”

On Friday, the U.S. Department of Commerce said the U.S. trade deficit—which Trump claims his tactics are squarely focused on reducing—is up 7.2% year over year to \$46.3 billion in June.

Between May and June alone, the deficit climbed \$3.2 billion. And some have said the deficit could climb as high as \$100 billion this year.

The U.S. dollar is also strengthening, which goes against the claim that tariffs are having the desired effect, as a stronger dollar makes the U.S. less competitive when it comes to trade.

Source: sourcingjournal.com- Aug 08, 2018

[HOME](#)

COTTON USA™ Licensees See Bigger Business Benefits

Brands, retailers and consumers are increasingly conscious of the fabric content of products they sell and purchase. In fact, according to a 2017 global consumer study, more than three-quarters (76 percent) of respondents said that the type of fabric was important in their clothing purchase decisions.

Specifically, consumers worldwide prefer cotton. When asked which fiber or material is best suited for current clothing fashions in the 2018 Global Lifestyle Monitor, 81 percent globally responded that cotton was their preferred fiber. When compared to other fibers, cotton was perceived as most comfortable (69 percent), sustainable (65 percent) and longest lasting (55 percent).

The ability to show customers that a product is made from materials trusted as quality, high value and sustainable can translate to bigger business benefits.

The COTTON USA™ Mark can do just that. COTTON USA™ is the label brands and retailers use to denote that over 50 percent of a product's material is made from U.S. cotton.

A hang tag study conducted in 2016 that looked at the efficacy of hang tags, showed that nearly two-thirds of consumers surveyed would pay more for a product with the COTTON USA™ hang tag. The 2017 consumer survey also showed that over half of all global consumers associate the COTTON USA™ trademark with comfort, quality, reliability, a premium brand and trust – leading attributes in purchase decision-making.

Licensees may utilize the COTTON USA™ Mark to highlight U.S. cotton products throughout the supply chain and at retail. COTTON USA™ supports partners with a range of value-added services, and the benefits of partnership are tangible.

To qualify for a COTTON USA™ license:

- **OUTSIDE THE USA:** To use the COTTON USA™ Mark on products sold outside the USA, all licensees (mills, manufacturers, wholesalers, sourcing companies, brands and/or retailers) must use >50 percent U.S. cotton in the products (garments, home textiles and non-wovens).
- **INSIDE THE USA:** To use the COTTON USA™ Mark on products sold inside the USA, the products must contain >50 percent cotton and 100 percent of the cotton must be U.S. cotton.

Since 1989 the COTTON USA™ brand has been licensed to over 51,000 product lines representing more than 3.8 billion apparel and home textile products. COTTON USA™ licensees span the entire global supply chain and are from 31 countries.

COTTON USA™ makes it easy for our licensees. Joining the COTTON USA™ licensing program grants access to use the COTTON USA™ Mark to signify a product's U.S. cotton content, communicating quality, trust and premium value, messaging that could equal big business benefits for the licensee.

Source: sourcingjournal.com- Aug 08, 2018

[HOME](#)

Pakistan to get over \$200 million after signing FTA with Thailand

Pakistan would get benefits of \$ 200 million after signing the free Free Trade Agreement (FTA) with Thailand and also enhancing the trade volume between both nation. Pakistan and Thailand would present their complete final list of Free Trade Agreement (FTA) in coming round of negotiation start in mid of September ,2018 for increasing trade liberalization between both the countries.

A Free Trade Agreement (FTA) between Pakistan and Thailand will be signed in last week of December 2018 to reach the final agreement, a top official of Ministry of Commerce told state-run media Wednesday. The 10th round on FTA negotiation will start between Pakistan and Thailand by mid of September, 2018, he said.

Both sides had exchanged the final offer lists of items for free trade, including automobile and textile sectors in order to remove the reservations of both sectors, Pakistan wants concession on 110 products on textiles, agro-products, plastic and Pharmaceuticals as same Thailand granted to other FTA partners in these products, he said.

He said that Pakistan had relative advantages over Thailand in some 684 commodities including cotton yarn and woven textiles, readymade garments, leather products, surgical instruments and sports goods.

While talking on second phase of Pak-China FTA, he said China had agreed to provide market access to 58 items, shared by Pakistan besides providing concession on all items included in the offer list. He added that coming round of negotiation with China under 2nd phase of FTA would held in coming month of October, 2018 in Islamabad.

This acceptance came during the negotiations held under 2nd phase of Pak-China Free Trade Agreement (FTA) in China. “We wants the concession on 70 export items and low tariff line on products for further trade liberalization in 2nd phase of FTA between Pakistan and China,” he said.

Source: dailytimes.com.pk- Aug 09, 2018

[HOME](#)

US stores look to reboot growth in digital world: Moody's

US department stores are emerging from a protracted period of underperformance with a leaner and more refined focus, says a new report by Moody's Investors Service.

While many still have a distance to go in taking the friction out of shopping for increasingly demanding customers, early indications are that the biggest companies are making important progress.

"To do so, companies are undertaking the expensive but necessary process of rolling different shopping platforms—online, brick and mortar, and smart phone apps—into one," said Moody's vice president Christina Boni.

Department stores are employing a range of strategies as they seek to satisfy customers spoiled for shopping choices, he said. Some are harnessing big data to build loyalty programs, which have become critical differentiators among stores, while others are providing product and inventory information online to save customers time or are steering customers toward more cost-effective behavior, such as returning products to stores.

Some offer customers free shipping when they spend more than a certain amount, a press release from the company said citing the report.

Department stores must continue to allocate capital spending to technology. Mobile applications are critical to remaining relevant, with shopping apps becoming the norm for many customers, allowing them to check prices, make payments, manage reward programs and track orders, the report said.

At the same time, department stores can leverage their online capabilities to mitigate some of the challenges associated with managing large, mall-based stores, the report added.

Source: fibre2fashion.com- Aug 08, 2018

[HOME](#)

India doubles apparel import duty eyeing China; B'desh exporters see opportunity

Bangladeshi readymade garment exporters, already enjoying duty-free access, see further opportunity in Indian market as the country (India) has doubled the import tax on 328 textile products to 20 per cent, mainly to reduce its imports from China.

India on Tuesday hiked the tax hoping to bring down textile imports to \$6 billion in current fiscal year 2018-19 from \$7 billion in last fiscal year, according to a Reuters report on Tuesday.

'The decision of India for doubling import tax on more than 300 textile products will benefit Bangladesh as we have duty-free market access to the country,' Faruque Hassan, senior vice-president of Bangladesh Garment Manufacturers and Exporters Association, told New Age on Tuesday.

It was obvious that India's import of textile products from China would decrease due to the tax hike and Bangladesh would be benefited as the next nearest import source, he noted.

Faruque also said that the decision of India would create opportunity for increasing bilateral trade and business between Bangladesh and India.

'If India increases its import of RMG product from Bangladesh, Bangladesh will also increase its import of yarn, fabrics and dyes chemicals from India,' he added.

Reuters reports that India has doubled the import tax on more than 300 textile products as the world's biggest producer of cotton tries to curb rising imports from China.

It was the second tax hike on textiles in many months after an increase of tax on other products including fibre and apparels last month.

The moves are expected to provide relief to the domestic textile industry, which has been hit by cheaper imports.

Total textile import of India jumped by 16 per cent to a record \$7 billion in the fiscal year to March 2018. Of this, about \$3 billion were from China, according to Reuters.

The Indian government did not disclose details of the 328 textile products that will be subject to the duty increase announced on Tuesday.

‘It is logical that if India’s textile products import from China decreases, Bangladesh can grab the space. But it is not confirm whether India would meet their demand through import or local production,’ former Bangladesh Knitwear Manufacturers and Exporters Association president Fazlul Haque said.

Bangladesh’s RMG export to India in the financial year 2017-18 increased by 114.68 per cent to \$278.67 million, according to the data of Bangladesh Export Promotion Bureau.

Reuters reports that rising imports sent India’s trade deficit with China in textile products to a record high \$1.54 billion in 2017/18, alarming industry officials as India had been until recently a net exporter of textile products to China.

Sanjay Jain, president of the Confederation of Indian Textile Industry, told Reuters he did not expect China to retaliate to the Indian duty increases as it still had a trade surplus with India.

He said India’s textile product imports could fall to \$6 billion in 2018/19 as a result of the tax hike to 20 per cent.

India’s imports of textile products from Bangladesh, Vietnam and Cambodia also jumped in the last few years as they are not subject to any duty under free trade agreements signed by India with these countries.

The 20 per cent duty will not be applicable to products sourced from those countries due to the FTA, Jain said.

Industry officials say in the last few months Chinese fibre has been shipped to Bangladesh and processed and exported to India with zero duty.

‘Rules of origin need to be implemented for textile products. Otherwise Chinese products will land from other countries,’ said a Mumbai-based garment exporter, who declined to be named.

Jain said India’s textile and garment exports could rise 8 per cent to \$40 billion in 2018/19 due to a weak rupee and as the government was expected to introduce incentives to boost overseas sales.

India’s trade differences with the United States have also been rising since president Donald Trump took office.

India, the world’s biggest buyer of US almonds, in June decided to raise import duties on almonds and some other US imports by 20 per cent, joining the European Union and China in retaliating against Trump’s tariff hikes on steel and aluminum. The increased tariff on US goods will be applicable from September 18.

Source: newagebd.net- Aug 07, 2018

[HOME](#)

NATIONAL NEWS

About 97% of 2017-18 cotton crop reached market: CAI

About 97 per cent of the estimated 365 lakh bales (170 kg each) of cotton crop for the 2017-18 season has arrived in the market by July-end, the Cotton Association of India (CAI) has said in its latest estimate of India's cotton situation. The CAI has kept its estimate for the current season beginning October 1, 2017 unchanged from previous two estimates.

The CAI has, however, revised the state-wise crop estimate for the North Zone compared to the estimate made during the last month, based on the arrival figures up to July 31, 2018 reported by the respective states.

In Punjab and Haryana, the crop estimates for the season have been reduced by 2 lakh bales and 50,000 bales respectively compared to the estimate made during the last month. However, the crop estimates for Upper Rajasthan and Lower Rajasthan have been increased by 1.00 lakh bales and 1.50 lakh bales respectively compared to the last month based on the arrival figures.

The CAI has projected total cotton supply up to July 31, 2018 at 400.45 lakh bales. This includes arrival of 353.45 lakh bales up to July 31, 2018; estimated imports of 11 lakh bales; and the opening stock of 36 lakh bales at the beginning of the season as on October 1, 2017.

Further, the CAI has estimated cotton consumption for 10 months i.e. from October 2017 to July 2018 at 270 lakh bales, while the shipment of cotton till July 31, 2018 has been estimated at 67 lakh bales.

Thus, the stock at the end of July 2018 is estimated at 63.45 lakh bales including 42.65 lakh bales with textile mills while the remaining 20.80 lakh bales are estimated to be held by CCI and others (MNCs, traders, ginners, etc).

The projected yearly Balance Sheet for the Season 2017-18 drawn by the CAI estimates total cotton supply till end of the season i.e. up to September 30, 2018 at 416 lakh bales of 170 kg each. This includes opening stock of 36 lakh bales at the beginning of the season.

The CAI has estimated domestic consumption for the season at 324 lakh bales while the exports are estimated to be 70 lakh bales. The carry-over stock at the end of the 2017-18 season is estimated by at 22 lakh bales.

Source: fibre2fashion.com- Aug 08, 2018

[HOME](#)

Hike in import duty on textile not good for garment exporters: Expert

The government of India has doubled the import duty on more than 300 textile products for the second time this month, which is not good especially for garment export industry, said Animesh Saxena, Managing Director, Neetee Clothing, Gurgaon cum Executive Member of Apparel Exporters and Manufacturers Association.

Talking to KNN India, he said "Our export growth is stagnant because our fabric basket is mainly restricted to cotton fabrics."

Calling it an unhealthy move taken by the government, Saxena said, "Indian polyester fabrics are of not good quality and are expensive too. By taking this step, government is trying to protect Indian polyester fabric makers but also restricting the growth of apparel export in this category."

The government expects that the higher duty will help India's domestic industry, which employs nearly 10.5 crore people and has been facing stiff competition from cheaper imports.

India doubled the import tax from the existing rate of 10% to 20% to boost the ailing textile sector, promote local manufacturing and create employment opportunities.

The move came after the recommendation from the textile ministry, which had said that local manufacturing is suffering due to cheaper imports from China and other neighboring countries.

This is for the second time government increased the import duty. Last month, the government had doubled import duty on over 50 textile products including jackets, suits and carpets to 20 per cent.

However, the 20 percent duty will not be applicable to products sourced from Bangladesh, Vietnam and Cambodia countries due to the FTA.

Source: knnindia.co.in- Aug 08, 2018

[HOME](#)

India: Amended TUFS offers wider financial gains to textile industry

The Union Ministry of Textiles recently introduced Amended Technology Upgradation Funds Scheme (ATUFS) that will offer wider financial and operational benefits to all textile players.

The scheme, first introduced in 1999, to improve operational efficiency of textile units, was later upgraded to encourage new investments in the sector.

The scheme has so far, attracted billions of rupees in investment. Under this scheme, co-operative banks can lend money to textile units for technology upgradation. The scheme, set to benefit the synthetic textile sector immensely, has also been extended to limited liability partnership (LLP) firms.

Roadblocks in the way

The ATUFS was launched in place of erstwhile Technology Upgradation Fund Scheme (TUFS) in 2016 for seven India Amended TUFS offers wider financial gains to textile industry 001 years ending March 2022.

The financial and operational parameters and implementation mechanism for ATUS were notified in February 2016. The government provides credit-linked subsidy under the scheme.

Interestingly, the scheme was fraught with difficulties. Therefore, the Ministry of Textiles allowed, for the first time textile units to benefit from this scheme in addition to other benefits availed from the state governments. Subsidy prospects

Under the new scheme, those who had applied for unique identification number (UID) under revised and restructured technology upgradation fund scheme (RRTUFS) before January 12, 2016 but UIDs could not be issued due to non-availability of funds, will be given a one-time opportunity to apply for subsidy under ATUFS.

The revised technology specification for machinery of the eligible segments would be prescribed annually in advance by the technical advisory and monitoring committee (TAMC) effective from April 1 of the year. The revised guidelines will allow textile commissioner to constitute a technical committee which will assist the TAMC to prepare an indicative list of machinery manufacturers.

The committee will meet monthly to update the list of machineries and manufacturers. Most importantly, accessories, attachments, sample machines and spares procured from other manufacturers enlisted in the indicative list will also be eligible for subsidy up to 20 per cent of basic cost of machinery.

Except in the case of merger, acquisition, amalgamation or takeover of an entity, the plant and machinery bought with TUFS subsidy shall not be disposed off before 10 years of the date of purchase without prior approval of the textile commissioner.

Government initiatives

The government has been assisting textile players with timely policy support. In June last year, it announced a Rs 60-billion package which helped attract Rs 270 billion fresh investment till early March 2018.

Apex industry body, the Confederation of Indian Textiles Industry (CITI), reported a 4 per cent decline in textile and apparel exports at Rs 2,279 billion for the financial year 2017-18 from Rs 2,382 billion the previous year. While textile exports declined marginally by one per cent to Rs 1,202 billion at the end of fiscal 2018 from Rs 1,217 billion a year ago, apparel exports saw a sharp drop of 8 per cent to Rs 1,077 billion as against Rs 1,165 billion in the fiscal 2017.

Source: fashionatingworld.com- Aug 08, 2018

[HOME](#)

Centre to bring final draft of e-commerce policy within next 10 days

The government will be bringing out the final draft of a policy on e-commerce policy within the next 10 days, amid opposition to the proposed foreign direct investment (FDI) clause in it.

The final draft is being considered by a national think tank chaired by Commerce and Industry Minister Suresh Prabhu, a senior ministry official confirmed on Wednesday, at a discussion on the proposed policy by the Confederation of All India Traders (CAIT).

Major retailer associations, trade bodies, and even online seller associations have opposed most of the proposals in the draft policy, alleging these favour some of the major e-commerce players such as Ola and Paytm.

They are also critical of the proposal to introduce FDI in the inventory-based model of e-commerce, up to 49 per cent for Indian-owned businesses that procure exclusively from within India. Current norms allow foreign capital in e-commerce only when the entity acts as a marketplace, facilitating other businesses and not selling directly to consumers.

“The proposal to push FDI in the inventory model should be scrapped, as it threatens the livelihood of millions of small traders. Online and offline businesses are considered separate by the Competition Commission of India itself and should be kept so.

Despite the commerce ministry announcing Press Note 3, which bans all such FDI, major e-commerce players have managed to channel into India millions of dollars,” says Ashwini Mahajan, co-convenor of the Swadeshi Jagran Manch, a Rashtriya Swayamsevak Sangh-supported entity.

The first draft of the proposed policy prepared by the national task force on e-commerce had argued that allowing domestic e-tailers to access foreign investment would boost growth.

“The recommendations of the task force have pointed out that smaller firms, artisans, and businesses in rural areas need access to crucial capital to grow and take advantage of the e-commerce boom,” says the official mentioned earlier.

The government has also come under fire from retailer bodies for lax implementation of existing FDI norms, whereby major players such as Amazon and Flipkart have been accused of raising front companies to circumvent the rules.

“The government doesn’t know how many e-commerce companies are functioning in India. None of our proposals has been taken up and we have received no response from the commerce ministry despite multiple pleas,” complains the All India Online Vendors Association.

Retailers have also raised the issue of a rising number of complaints regarding product quality and services against e-commerce players.

While the Enforcement Directorate under the finance ministry is currently tasked with handling violations of FDI norms, most complaints about e-commerce products are forwarded to the consumer affairs Ministry.

CAIT contends most product-related complaints are not properly addressed and it is compiling data in this regard.

A national regulator for the e-commerce sector, with which all digital businesses will be legally bound to register, has been recommended by the e-commerce task force.

Source: business-standard.com- Aug 09, 2018

[HOME](#)

India needs to simplify GST, cut debts: IMF

The \$2.6-trillion Indian economy is like an “elephant starting to run” and will remain one of the world’s fastest-growing economies, aided by structural reforms, the International Monetary Fund (IMF) said on Wednesday.

However, it needs to simplify the goods and services tax (GST) structure and take advantage of strong growth to trim debt more aggressively than planned.

In its annual country report, the IMF said the government's decision to ensure a 50 per cent premium over cost of farm production "could skew farmers' production decisions, add to inflation, and enlarge the fiscal burden", so "their use (backed by assured procurement) should only be temporary and limited to correcting market failures".

It cautioned that India's debt (at 70.4 per cent of the GDP in FY18) is "close to the thresholds that raise the likelihood of debt distress among emerging market economies".

So, a more ambitious medium-term fiscal consolidation path is required that is consistent with the FRBM review committee's target of trimming the government debt to 60 per cent of the GDP by FY23. The government wants to achieve this target by 2025.

Source: indianexpress.com- Aug 09, 2018

[HOME](#)

Fabric makers oppose recommendation impose anti-dumping duty on nylon yarn

Manufacturers of nylon fabrics in the country's largest man-made fibre (MMF) sector in the city have opposed the recommendation by the commerce ministry's investigation arm, Directorate General of Trade Remedies (DGAD), for imposing anti-dumping duty up to \$719 per tonne on import of nylon filament yarn from European Union and Vietnam.

The nylon fabric manufacturers feel that the increase in anti-dumping duty on nylon filament yarn will allow indigenous yarn manufacturers to monopolize prices of nylon yarn, thereby creating problems for nylon fabric makers in Surat and other parts of the country.

The unprecedented increase in yarn prices has cast a dark shadow on the city's weaving sector, which is totally dependent on various types of synthetic yarns. City's textile industry, which contributes to nation's 40 per cent of the man-made fibre demand, has more than 6.5 lakh powerloom machines weaving about 3 crore metres of cloth per day with the annual consumption of 6 lakh metric tonnes of different types of yarns and fibres.

Market sources said yarns and fibres, including nylon filament yarn (NFY), polyester filament yarn (PFY), polyester yarn (POY), viscose filament yarn (VFY) etc. manufactured in Vietnam and EU is 20 per cent cheaper than the ones made by domestic players.

Following imposition of anti-dumping duty, the domestic manufacturers of yarns and fibres will get a free hand to increase the prices, especially when the demand increases from local market.

“The domestic spinners are taking advantage of anti-dumping duty, as they know that import of yarn from Vietnam, China and other countries has become a costly affair. They want to earn as much profit as possible from the weavers,” said a yarn dealer.

Mayur Golwala, leader of powerloom weaving industry, said, “We urge the central government not to accept the recommendation of DGAD for anti-dumping duty on nylon yarn.

The government should not think of only five to six nylon yarn manufacturers in the country, but thousands of weavers and workers who are attached with the industry.”

Source: timesofindia.com- Aug 08, 2018

[HOME](#)

Ikea to inaugurate first store in India today

Swedish home furnishing retailer Ikea, which will inaugurate its first store in India at Hyderabad on Thursday, plans to expand its presence to 25 cities across the country including Ahmedabad, Surat, Pune, Chennai and Kolkata by 2025. However, immediately after Hyderabad, the company has planned stores in Mumbai in 2019, followed by Bengaluru and Gurugram.

“We have a long-term commitment to India, which an important market for us. We bring an inspiring, affordable and convenient home furnishing offer and we are more than ready to meet and understand the needs and dreams in the everyday lives of our customers in India,” said Ikea India CEO Peter Betzel. He said India has a population of nearly 500 million in the age group of 25-35 years which is nearly total population of Europe.

“These young people of India are important for us. India is also the fastest growing economy in the world and with a population of 1.3 billion India is an important market for us. We are sourcing over 1,000 products from India and about 1,000 products cost less than Rs 200,” Betzel said.

Further, the Hyderabad store, which is expected to see around 7 million visitors every year, the retailer will employ 950 workers directly and 1,500 workers indirectly. In a statement, Ikea said 50 per cent of its employees will be women.

“It will also come with a strong and affordable service offer including delivery and assembly to help customers who are not familiar with the DIY (do it yourself) concept just yet,” the company said.

Ikea had originally planned to open the first store in 2017.

However, it was delayed and was scheduled for July 19 this year. The company again pushed it back to August 9 citing quality commitments.

The retailer had received the foreign direct investment approval in 2013 for an investment of Rs 10,500 crore and the company has spent half of that amount so far.

The store, with an area of 4-lakh square feet, will house a 1,000-seater restaurant that will offer Swedish as well as Indian cuisine.

Of the 7,500 products in the Ikea Hyderabad store, 3,000 products are unique to India. While 1,000 products are sourced from within the country including 100 per cent cotton textiles and some furniture and decorative pieces made of bamboo, about 2,000 products are tailor-made for Indian homes.

From coir mattresses to easy to use spice (masala) boxes to special dosa tawas and chapatti pans and idli makers, there are many products that are unique to India.

The textiles in the store are all locally sourced and door mats have signs in different in Indian languages. Sofa sets have been designed to fit into small and medium size Indian living rooms.

Ikea officials said they visited over 1,000 homes of various sizes belonging to different income groups to understand the needs and aspirations of people and designed the 2,000 products to suit Indian needs. For instance, most of the furniture products have mini legs because people sweep and mop their homes every day.

Source: indianexpress.com- Aug 08, 2018

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