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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 64 of 2018 March 29, 2018

USD 65.18| EUR 80.35 | GBP 91.78 | JPY 0.61

Cotton Market (28-03-2018)

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

Rs./Bale	Rs./Candy	USD Cent/lb
19194	40150	**78.95**

Domestic Futures Price (Ex. Gin), March

Rs./Bale	Rs./Candy	USD Cent/lb
20210	42275	**83.13**

International Futures Price

NY ICE USD Cents/lb (May 2018)	82.02
ZCE Cotton: Yuan/MT (Jan 2018)	15,010
ZCE Cotton: USD Cents/lb	**92.26**
Cotlook A Index – Physical	**91.05**

Cotton guide: Cotton continues to trade near 82 cents per pound. The May ended on Tuesday at 82.02 while July at 82.44 cents. The spread between the two contracts maintained contango at around 40 points. No major development as such from the global market. The Chinese auctions are no so impressive for the past three weeks and able to achieve less than 60% of the offering. The trading volume in ICE across contracts is also low below 30K contracts on a daily average while open interest holds steady.

Further this week the traditional beginning of the long only spec funds moving positions forward starts today through next week Monday the Gim Roger's position. Also we believe Thursday's USDA Prospective Plantings report and some chances for rain in Texas has kept the new crop bulls on the sidelines. Therefore, price for the past one week has been trading in the range of 81.40 to 82.50 cents narrowed trading band.

From the domestic front, spot price of Shankar-6 continued to trade in the range of Rs. 40300 to Rs. 40800 per candy ex-gin at a parity of 80 cents per pound. No major cues from the spot side of the market and the daily arrivals have declined in last one week from 170K+Bales a day to less than 130K Bales a day.

According to the latest set of data compiled by the Cotton Corporation of India, arrivals from the current crop from the beginning of the season to March 22 amount to the lint equivalent of 25,776,300 bales (of 170 kilos). This is very similar to the total recorded at the same point last year, and suggests that nearly 71 percent of the crop has now reached the marketplace.

On the domestic future front the March is due for expiry today settled Tuesday at Rs. 20210 per bale and the April ended at Rs. 20520. The spread between the two contracts maintained around Rs. 300 and no major change is expected on today's trading session. Coming to April the market has been taking support near Rs. 20380/400 level and likely that it may move in the range of Rs. 20380 to Rs. 20620 per bale. Note, upon break above 20680 the short term scenario may turn positive.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

These Trade Jabs Don't Mean War. Yet.

China's most effective retaliations to Trump's tariffs won't be economic.

So is a trade war upon us? President Donald Trump announced last week that the U.S. would place $60 billion worth of tariffs on Chinese goods, but what does that mean for the future of world trade? This conflict seems more likely to remain a modest spat than to blossom into a slugfest.

First of all, China responded to Trump's $60 billion in tariffs with a $3 billion tariff retaliation, 1/20th of the initial amount. That's a sign that China is seeking reconciliation rather than escalation. In any case, the $60 billion is less than 3 percent of China's global exports, and the move could lower its gross domestic product by as little as 0.1 percent.

Don't be surprised if the penalties are smaller yet. It is common for Trump to talk big, seeking the impressive headline or tweet, but to follow up with much less. Steel import restrictions were talked up at the beginning of March, but after all the exemptions granted, they don't cover most U.S. steel imports.

Don't be surprised if Trump ends up granting China tariff exemptions to various American importers. In addition to helping the stock market, that would give Trump another political carrot and stick. As for the pressures on the Chinese side, the Wall Street Journal reported Monday that talks to improve U.S. access to Chinese markets are quietly under way. And the market responded positively.

China, of course, knows that Trump's actions don't always match his rhetoric, and so they are likely to hold back on their retaliation. Why send your best punch back when you don't know how badly you've been hit?

The Chinese leadership also knows that the logic of a trade war favors the U.S. Chinese economic growth is likely to continue to slow down, which will be one of President Xi Jinping's biggest political problems.

He is probably willing to ignore some of Trump's antics to keep his domestic economic situation manageable. Having just seized additional power, Xi is the one in the more vulnerable position. Trump just doesn't seem that interested in positioning himself optimally for re-election, instead preferring to pursue his various crusades and rhetorical wars.

Keep in mind that the U.S. is a relatively large buyer in many markets; in economic lingo, it has some monopsony power. So if it cuts back purchases of, say, Chinese toys, China cannot simply reroute those now-surplus toys and sell them to Canada or Indonesia at the same price. This gives the U.S. significant power in trade conflicts. And China cannot throw around its weight as a buyer in similar fashion because it does not import on the same scale.

The Chinese don't have that many ready American targets for economic retaliation. Aircraft are one of the major U.S. exports to China, where market demand for domestic flights is rapidly growing. Beijing has a backlog of about 400 orders with the Boeing Co. It could try to switch some or all of those orders to Airbus SE, but that would mean delays. Airbus would also know it could increase its prices and the Chinese would have to pay. As a buyer, China doesn't have as much leverage in this market as it might appear.

The U.S. has many more targets when it comes to restricting foreign investment, as there is plenty of Chinese capital that would love to flee. The Chinese government already limits the activities of the big technology companies and many other U.S. multinationals in China, so they don't have as many extra sticks in this regard.

The reality is China has margins for responding to the U.S., but they are mostly not in the economic realm. China could ratchet up the pressure on Taiwan, cooperate less on North Korea, pursue further expansion in the South China Sea, or work harder to court European nations and pull them further away from the American orbit. I expect some combination of those to occur, in modest form. That's one reason Trump's China tariffs are ill-conceived.

Will then Trump's trade war be effective on an economic front? Very likely not. The U.S. trade deficit with China already is mismeasured, and it is much smaller than it appears in the numbers. Given how much they save and how much we spend, some bilateral trade deficit is probably inevitable.

Most of all, for historical reasons, China is extremely unlikely to "give in" to foreign influence, seeking to pry open its borders. The U.S. has in fact been trying since the late 19th century, usually without great success.

What we'll get is more expensive imports, more domestic political uncertainty and more trouble on the foreign policy front. That's all for the worse, but still I don't see a major trade war in the offing.

Source: bloomberg.com- Mar 27, 2018

HOME

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Will Trump's trade war kill the WTO?

The US and the EU feel that the WTO can no longer push their agenda, but the developing world is still keeping its faith

There are clear signals that the current trading system represented by the WTO has lost its utility for the US and the EU. They want a new system by making the current one dysfunctional. While most of US President Donald Trump's current actions like raising tariffs are directed against China, they violate WTO rules.

The powerful western countries have controlled the global trade in the past five centuries — by rules if possible, and by war if necessary. During 16th to 19th centuries, Britain, driven by the Industrial Revolution, colonised China, India, US, Australia and most countries in between to get raw material and push its exports. Ditto with the other major colonial powers — Spain, Portugal, and the Netherlands.

Wars were a necessary means to promote trade. Britain fought with China in 1839-42 and again in 1860 to take control of trade with China. Four Anglo-Dutch wars during this period made the British masters of the sea trade routes leading to colonies.

Trade by war continued till the end of World War II in 1945 and most colonies also became independent by this time. The victory gave the US and Britain the confidence to promote trade through rules as it was cheaper than war. They were masters of the industrial system where most products were innovated and produced efficiently.

Given their dominant economic position, the rest of the world was forced to buy their products so no wars were needed. And the best way of selling the goods was to get everyone to reduce import duties.

This thinking led to the formation of the General Agreement on Tariff and Trade (GATT) in 1947. Important GATT member countries reduced import duties significantly during 1947-1986 in eight rounds of negotiations. The US and EU were in control of the rule-making.

From GATT to WTO

By late 1980s, pharmaceuticals and services industry grew in the US and the EU and needed rules to expand globally. But the GATT formulated rules for trade in goods only. To accommodate the new interests, the GATT was replaced by the WTO in 1995. The WTO covered services and intellectual property rights in addition to goods. The Dispute Settlement Mechanism was recreated as an efficient body for disputes resolution with the provision for appeal.

Believing in the theory that low import duties are essential for trade growth, the US and EU committed to almost zero bound duty for most products. This meant that in future they would not be able to increase the import duty. If they did, they would violate the WTO agreement.

This overconfidence proved to be their undoing. While most developing countries can now increase import duties without violating WTO rules, the US or EU cannot, as they are committed not to.

In the 1990s, the US and EU could not foresee the rise of China, which was to soon become the manufacturing hub of the world. They got most WTO members to sign a plurilateral Agreement called the Information Technology Agreement (ITA) in 1996 in anticipation of promoting their dominance in Computer and telecom products.

Yet, most of the benefits of the ITA were cornered by China, which had emerged as the largest electronics and IT product exporter, leaving the US and the EU far behind.

China made its own rules for conducting trade. It offered free land, power, tax breaks and cheap labour to entice the MNCs. Wherever necessary, it stole intellectual property and forced technology transfer. By 2010 it became a leading supplier of computers, mobile phones, washing machines, TVs, organic chemicals, steel and items of everyday use by the common man.

It produces everything from capital-intensive products like factory machinery to labour-intensive products like shoes and umbrellas. On its part, the US extracted some concessions from China before allowing it to become a member of the WTO in 2003.

However, the US and the EU have not been able to beat China in trade. They are also bound by the commitments made under the WTO rules so they cannot raise import duties without violating WTO rules. But they do not want to meet the WTO obligations such as reducing agriculture subsidies.

Their game plan is to put the old obligations on the back-burner and push the WTO to form rules on e-commerce, an area where the US firms have a clear edge.

‘Deliver on Doha’

But many WTO member countries want them to first deliver on the agreed issues like reduction in agriculture subsidies. This time, the US and EU are unable to bully the developing countries the way they have been doing earlier. The consensus-driven decision-making process leaves no scope for unilateral pushing of the agenda.

So probably the US and the EU have decided that the WTO in its current avatar is of no use to them. One way is to weaken the WTO and Trump is doing just that. The decision to impose import duty on steel and aluminium and duty on imports worth $50 billion from China violate the commitment made at the WTO.

The US had committed to zero duty on most of steel and aluminium items at the WTO in 1995. Trump’s use of threat to national security for imposing a duty on steel and aluminium and then exempting significant suppliers such as Canada and Mexico, the EU, Brazil, Argentina, Australia and South Korea show a complete disdain for the WTO rules.

The US blocking the appointment of members of the Appellate Committee has also choked the WTO system.

That there is no common ground between the developed and the developing countries was clear in the informal WTO Ministerial Meeting hosted by India in Delhi on March 20 where Ministers and high-level officials from 53 member countries voiced their opinion on how the WTO negotiations can be brought back on track.

Most developing countries want progress on the core Doha issues such as reduction of agriculture subsidy, food security and special safeguard mechanism to guard against the imports. Developed countries are not interested in these issues andare pushing for rule-making on new issues such as e-commerce and investment facilitation. They have started pursuing these issues on a plurilateral basis which is bound to weaken the multilateral WTO system.

Trade becomes the first causality if rules are weakened. India may choose to remain a keen bystander and not give in to provocations by the US or China. It could also use the time to work on strengthening its trade architecture.

Source: thehindubusinessline.com- Mar 29, 2018

HOME

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U.S. tariffs vary a lot, but the highest duties tend to be on imported clothing

While U.S. tariffs as a whole continue to be at or near their lowest levels ever, the duties imposed on specific imported goods vary widely depending on what they are and where they're coming from. In general, the stiffest tariffs are levied on apparel and clothing.

Last year, according to data from the U.S. International Trade Commission, import duties totalled $33.1 billion – equal to 1.4% of the total value of all imported goods, and 4.7% of the value of all imports subject to duty.

(Most imported goods carry no duty at all. Only 30.4% of the $2.33 trillion in total imported goods, or about $708.6 billion, were subject to duty; the rest entered the U.S. freely.)

But those overall figures conceal a vast and complex array of individual tariff rates, on thousands of precisely defined import categories. These are spelled out in the Harmonized Tariff Schedule of the United States, the latest edition of which runs to 3,713 pages – almost as long as the Internal Revenue Code.

Biggest U.S. imports generally carry low tariffs

From all countries; dollar amounts in billions

LOWER VALUE — HIGHER VALUE

10 biggest categories of imports for consumption, 2017:	Customs value	% dutiable	Ratio of duties to: Dutiable imports	All imports
Telecommunications, electronic and electrical equipment	$346.9	21.3%	2.7%	0.6%
Computer equipment and industrial machinery	$339.4	16.8%	3.0%	0.5%
Vehicles and parts (excluding rail)	$292.6	42.6%	2.7%	1.1%
Petroleum and petroleum products	$186.5	60.3%	0.2%	0.1%
Pharmaceutical products	$99.7	>0.1%	4.7%	0.0%
Medical, scientific and other precision instruments	$84.7	18.0%	2.2%	0.4%
Furniture, bedding, lighting and other furnishings	$62.7	18.7%	5.7%	1.1%
Jewelry, gemstones and precious metals	$59.2	14.4%	5.9%	0.8%
Plastics and plastic products	$51.8	59.2%	4.6%	2.7%
Apparel and clothing accessories, knitted or crocheted	$44.2	75.8%	18.7%	14.2%
10 highest average tariff rates, 2017:				
Apparel and clothing accessories, knitted or crocheted	$44.2	75.8%	18.7%	14.2%
Apparel and clothing accessories, not knitted or crocheted	$36.5	83.3%	15.8%	13.2%
Cork and cork products	$0.26	0.7%	14.0%	0.1%
Natural wool, yarn and woven fabrics	$0.27	68.8%	13.1%	9.0%
Travel goods, handbags, wallets and other leather goods	$12.8	90.4%	12.0%	10.8%
Footwear	$25.5	94.9%	11.9%	11.3%
Knitted or crocheted fabrics	$0.98	78.5%	10.8%	8.4%
Manmade yarn and woven fabrics	$2.06	57.7%	9.9%	5.7%
Titanium, cobalt, chromium and other base metals	$2.57	53.6%	8.5%	4.6%
Vegetables	$9.65	8.8%	8.4%	0.7%

Note: Excludes goods imported under "special classification provisions," most of which involve product repairs or returns.
Source: Pew Research Center analysis of data from U.S. International Trade Commission

PEW RESEARCH CENTER

The HTS, as it's known, gets very specific: It will tell you, for instance, how the duty on "artificial flowers, foliage and fruit" differs depending on whether the objects in question are made from plastic (8.4%), feathers (4.7%) or man-made fibers (9%).

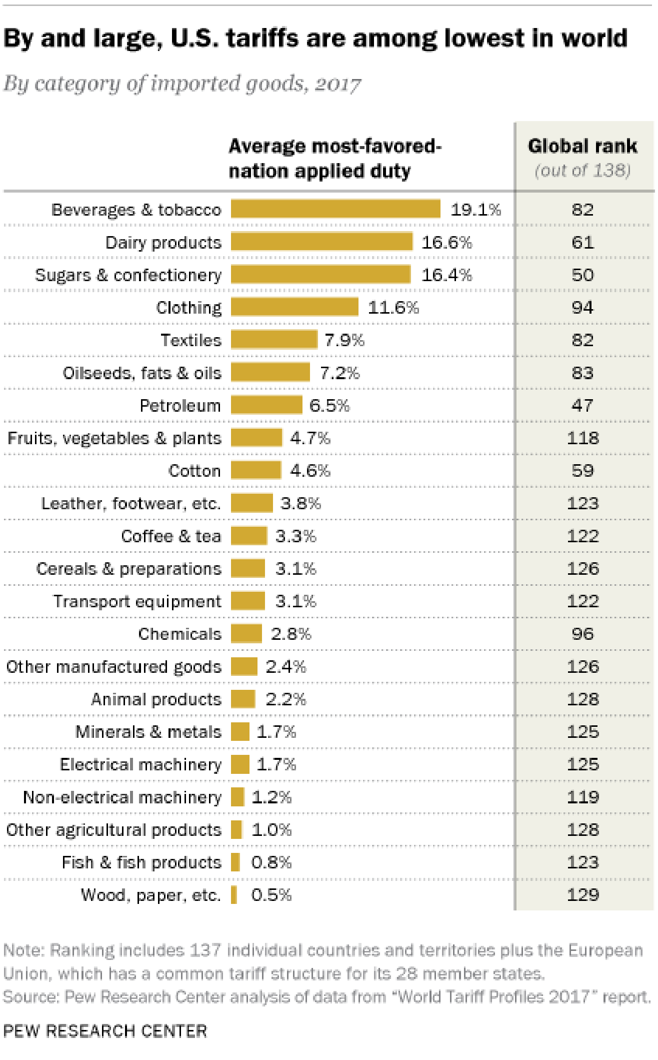
Broadly speaking, the largest categories of U.S. imports tend to carry relatively low tariff rates, while the highest rates usually are found in relatively small categories. Clothing is the main exception: The two main classifications of "apparel and clothing accessories" together accounted for $80.6 billion in imports last year (3.5% of the total); nearly $64 billion of those imports, or 79%, were "dutiable" – that is, subject to duty.

The average tariffs on the dutiable portions were 18.7% for knitted or crocheted clothing, and 15.8% for non-knitted or crocheted items – the two highest average rates out of 98 broad import categories. Footwear was close behind: Nearly all of the $25.5 billion in imported footwear is subject to duty, at an average rate of 11.9%.

By contrast, average duties were far lower on "electrical machinery and equipment," the single largest category of imported goods. This category includes telecommunications gear, computer chips, TVs and broadcasting equipment, electrical transformers, and related products.

The U.S. imported nearly $347 billion worth of such goods last year, but only 21.3% of them carried a duty; the average duty on that portion was just 2.7%.

Computer equipment and industrial machinery is the next-biggest import category ($339.4 billion), but only $57 billion of those imports are taxed, at an average rate of 3%. “Vehicles and parts” accounted for $292.6 billion in imports but generated less than $3.4 billion in tariff revenue (2.7% of the dutiable value).



The imported steel products singled out for 25% tariffs by President Donald Trump’s administration totaled $29.3 billion last year, according to our analysis of ITC data; all of them had been duty-free before. The categories of aluminum imports specified for an additional 10% tariff in Trump’s order amounted to just under $17 billion; about a fifth of those imports already were subject to duties, averaging 3.5% of the assessed value. (Steel and aluminum imports from Canada and Mexico, however, were excluded from the new tariffs, pending the outcome of ongoing talks to renegotiate the North American Free Trade Agreement.)

Minerals and metals, as it happens, are one of the classes of imports on which the U.S. has had particularly low tariffs, according to data from the latest “World Tariff Profiles” report, produced jointly by the World Trade Organization, International Trade Centre and UN Conference on Trade and Development. The “average most-favored-nation applied duty” on minerals and metals was 1.7%, or 125th out of 138 countries and other economic units.

(The "most favored nation," or MFN, part of that metric refers to the tariffs each WTO member country promises to apply to all other WTO members, unless they're part of a free trade area, customs union or other "preferential trade agreement." Also, the report treats the 28-member European Union as a single entity, and it covers Hong Kong and Macao separately from the rest of China.)

The highest U.S. import taxes relative to the rest of the world are on petroleum: The average MFN applied rate of 6.5% is tied for 47th place, with Costa Rica. (The Cook Islands, an autonomous part of New Zealand, has the highest average petroleum tariffs: a whopping 168%.) Also relatively high are U.S. tariffs on imported sugars and confectionery: The 16.4% average MFN tariff ranks 50th out of 138, though it's nowhere near the 93.4% imposed by Turkey.

In general, countries tend to place their highest import duties on beverages (read: alcohol) and tobacco, which helps explain why that's most of what you'll find on the shelves at "duty-free shops" at international airports. The average MFN applied tariff on the "beverages and tobacco" category, according to the WTO data, is 35.8%. (The U.S. average rate, by contrast, is 19.1%.) Egypt takes the prize here, with an 803% average applied tariff on beverages and tobacco.

Source: pewresearch.org - Mar 28, 2018

HOME

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How China is outsourcing fast fashion to Ethiopia

Ethiopia is swiftly becoming the new hub of fast fashion. Ultra cheap labour, tax incentives, little to no corruption, and a government that is as want of industrial development as fast fashion companies are desperate for tax breaks.

The Horn of Africa that was once characterized by drought and conflict is now poised to be the promised land producing bulk quantities of cheap garments at even cheaper prices.

But who is winning?

The women working as seamstresses at these factories earn 25 dollars per month. One can imagine the savings for companies like H&M, Levi's, Guess and PVH brands Tommy Hilfiger and Calvin Klein who all manufacture in Ethiopia, continually looking to improve margins and cut supply chain costs. But the question remains if countries like China, India, Sri Lanka and Bangladesh are outsourcing their production to cheaper Ethiopian factories, what does that say about labour conditions and fair wages for the Ethiopians?

The setting for Ethiopia's growing fast fashion hub is the Hawassa Industrial Park. Funded with 250 million dollars of Chinese investment there are currently four parks, with plans to open eight more by 2020, according to Bloomberg, who dubbed it "the great Beijing outsourcing experiment."
Companies are exempt from five years of tax

The tax break is very attractive, with companies exempt from income tax for the first five years of business. Also exempt are duties and taxes on the import of capital goods and construction supplies. "The plan is to create a total of 2 million jobs in manufacturing by the end of 2025," the Ethiopian Investment Commision stated in Bloomberg.

Of course there are grey areas, and a dark one at that. The industrial development of the country could at any time clash with the unstable political situation that threatens the outbreak of a civil war. Unresolved ethnic conflicts linger, and as the second most populous African country with 105 million people, it is the 6 procent minority that dictate politics and security forces.

Still, the Ethiopian government is hoping to create a robust and competitive industrial base, even if the country is in a state of emergency. It is working to ensuring agricultural transformation, enhancing export capacity and building itself as a global manufacturing sector.

Source: fashionunited.in - Mar 27, 2018

HOME

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Egypt: Textile exports record $62M in January

Exports of the Egyptian textile sector decreased 4 percent during the first month of 2018, recording $62 million, compared to $64 million in January 2017, according to the Egyptian Textile Export Council.

Egypt adopts a strategy to become a center for textile manufacturing during the upcoming years through the issuance of industrial lands to expand the construction of textile and already made clothes' factories.

Ministry of Industry and Foreign Trade constructed two cities for textile in Badr City during 2017, in addition to building the largest textile and clothing city in Egypt, in cooperation with a Chinese company, on a land of 3.1 million square meters located in Sadat City in Menoufia governorate.

The largest city will be completed by 2024. The construction of the first phase has started in March 2018 and will be ended by 2020; the first phase will include 57 factories.

Minister of Industry Tarek Kabil announced earlier that he is working on improving the national components to be able to replace the imported products with Egyptian ones and to raise the quality of textile in the coming years.

Generally, the strategy of regulating the imports and supporting the exports led to an 11 percent increase in the Egyptian exports in 2017, reaching $22.4 billion. It also targets to increase the exports to $25 billion in 2018.

Egypt's non-oil exports rose 10 percent in 2017 to $22.42 billion, up from $20.41 billion in 2016.

Source: egypttoday.com- Mar 28, 2018

HOME

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Fashion behemoth H&M has $4.3 billion in unsold clothes: Another case of clicks hurting bricks?

The continued preference for online channels has hurt even iconic businesses, and the latest case belongs to Swedish fashion giant H&M which has a whopping $4.3 billion in unsold inventory. In its latest quarterly report released yesterday, H&M reported that its pile of unsold stock consisting of shirts, dresses and accessories had grown 7 percent in the past year.

Media reports in the United States attribute the growing pile of inventory to fall in foot traffic in the past year, as customers ditched crowded shop floors in favor of online shopping, or lower-cost offerings elsewhere. In the previous quarter too the fashion giant had reported an unexpected fall in total revenue. Notably, the decline was the first in two decades, which have seen 4,700 new H&M stores around the world.

H&M is not the only one hurt by the rising preference for online retail around the world. Many top voices worldwide and back home attributed the Toys 'R' Us bankrupt, an American toys and juvenile-products retailer, which was founded way back in 1948, filed for bankruptcy on September-17, prompting many to believe than the online revolution was responsible for the company's fate.

Interestingly, even as the retailers continue to struggle Jack Ma's Alibaba and Jeff Bezos-run Amazon are seem to be thriving. Vetri Subramaniam of UTI AMC says that the consumer preference for online channel as opposed to retail in the United States has eroded the market capitalization of retailers built over the last 6-7 decades. "Thanks to the rise and continued rise of online and particularly Amazon, you are now seeing a decimation of the market cap that got created in organised retail over maybe six or seven decades," the expert told ET Now in November-17.

Apart from retailers, there have been instances of even smaller online businesses such as Aditya Birla Online Fashion getting Amazoned. After winding up Trendin.com for similar reasons, the Birla Group said announced the closure of Abof.com in December-17.

Source: financialexpress.com- Mar 29, 2018

HOME

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Goal driven and competitive South African manufacturing can up the stakes in global competitiveness

Manufacturing Indaba, the foremost Manufacturing event in sub-Saharan Africa and with its strategic partners, the dti and the Manufacturing Circle has grown exponentially, and now in its 5th year, is considered to be the leading manufacturing business platform.

Manufacturing Indaba has relocated to the Sandton Convention Centre in Sandton to allow for added venue space to expand the exhibition, and the various conference components of this National event (19 – 20 June 2018). Coupled with this expansive move, and the swell of public and stakeholder interest in this sector, Manufacturing Indaba (MI) has over the last few years extended its outreach to the various provinces, similarly highlighting their numerous offerings, debating the challenges and setting future goals within the equally prestigious and influential MI hubs of Kwa-Zulu Natal (Durban-22 August 2018), Eastern Cape (Port Elizabeth-3 October 2018) and the Western Cape (Cape Town-7 November 2018).

Manufacturing production in South Africa advanced 2.5% year-on-year in January of 2018. This following a downwardly revised 1.8% rise in the prior month, and in line with market expectations. Accordingly, it was the biggest gain in manufacturing production since June of 2016.

The high notes for manufacturing since June of 2016 has seen an output for food and beverages at 10.1% from 1.2% in December, with basic iron & steel and metal & machinery at 4.3% from 3.8%. The production of electrical machinery also rallied at 4.1% from -8.4%, wood & wood products, paper, publishing & printing declining less at-3.2% from -5.7%.

South Africa has developed an established, diversified manufacturing base and this sector offers an opportunity to significantly accelerate the country's growth, development and remains crucial for creating employment. The prime cornerstones of SA Manufacturing include-

-**Agriprocessing**: The agri-food complex comprising inputs, primary production and processing contribute approximately R124 billion to South Africa's GDP, and employ 451 000 people in the formal sector.

-**Automotive**: The automotive industry with vehicle manufacturers such as BMW, Volkswagen, Ford, Toyota and Daimler Chrysler is rapidly expanding Likewise the components industry, for example, Arvin Exhust, Bloxwitch, Corning, and Senior Flexonics have established production bases in South Africa creating a well- placed scenario for investment opportunities.

-**Chemicals**: SA's chemical industry is of considerable economic significance to the country, contributing around 5% to the gross domestic product (GDP) and approximately 25% of its manufacturing sales.

-**ICT and electronics**: SA's information technology (IT) industry growth outstrips the world average. The country's established and sophisticated indigenous information and communications technology (ICT) and electronics sector is comprised of more than 3 000 companies, with access to cutting edge technologies, equipment and skills.

With access to the rapid expansion of telecommunications and IT throughout the African continent, SA's software developers are also recognised as world leaders in innovation, production and cost efficiency backed by an excellent local infrastructure.

The telecommunications industry is thriving, contributing more than 7% to South Africa's gross domestic product (GDP). With approximately 5,5 million installed fixed-line telephones, South Africa is ranked 23rd in telecommunications development in the world and represents more than 30% of the total lines installed in South Africa.

-**Metals**: The large, well-developed metals industry, with vast natural resources and a supportive infrastructure, represents roughly a third of all South Africa's manufacturing. The iron and steel basic industries involve the manufacture of primary iron and steel products from smelting to semi-finished stages, and today South Africa is acknowledged as the largest steel producer in Africa.

-Textiles, clothing and footwear: The textile and clothing industry endeavours to incorporate all natural, human and technological resources at its disposal to make South Africa the preferred domestic and international supplier of SA manufactured textiles and clothing.

Through technological developments, local textile production has evolved into a capital-intensive industry, producing synthetic fibres in large quantities and local clothing and the textile industry have grown and offer the full range of services from natural and synthetic fibre production to non-woven, spinning, weaving, tufting, knitting, dyeing and finishing.

Hence the industry displays the sophistication of First World markets augmented by SA's sophisticated transport and communications infrastructure. Exports account for R1,4 billion for apparel and R2,5 billion for textiles, mostly to the US and European markets.

In order for South Africa to reach the top 20 in global manufacturing competitiveness, it needs to harness certain attributes that countries who are at the top of the global competitive edge in manufacturing prioritise in order to maintain this edge; these include the roles played by advanced technologies, policy, and infrastructure, but also the importance of people. Historically, the availability of high-quality talent will always remain in the top set of competitiveness drivers.

Likewise, another important goal and pertinent to African is regional competitiveness where new alliances are formed in order to create mutually beneficial advantages for all involved.

Countries that have maintained global manufacturing supremacy prioritise an all-inclusive innovation agenda to remain attractive to global companies, while pinpointing the right balance across a number of key drivers; these include support for high value talent, cost competitiveness, productivity gains, supplier strength, and the maintenance of policy and regulatory environments that are favourable to global business requirements.

Source: engineeringnews.co.za - Mar 28, 2018

HOME

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Pakistan wants no export duty from China

Pakistan is going to seek zero-rated duty on exports to China. Massive under invoicing on imports from China would be checked so that Pakistani exporters get equal benefit.

Chinese companies have shown interest in relocating their textile units to Pakistan or are interested in entering into joint ventures.

The Chinese are keen to bring their machinery for producing quality textile goods in return for local set-up, like factory premises.

Issues like market access, high cost of doing business and exchange rate are retarding the growth of Pakistan's exports. However, the country is working on these issues and has already devalued the currency by up to ten per cent.

The extension given by the European Union over GSP Plus has helped Pakistan increase exports of value-added textile goods by up to 90 per cent. As a result, total exports grew by 13 per cent during the July-February period of the current fiscal.

Also, the package given to exports in the shape of duty drawback on taxes has helped boost textile exports between January and February.

Pakistan and China will have a second round of discussions on the free trade agreement next month.

Pakistan needs foreign investment and would encourage any sector which helps increase external trade and boost exports.

Source: fashionatingworld.com - Mar 28, 2018

HOME

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Pakistan: Textiles – Are we losing the plot?

Like it or not, in its 70 years history, textiles is the only globally competitive stand-alone industry that Pakistan has created. The definition of standalone being that given a level playing field vis-a-vis its international competitors, the industry can hold its own both in terms of quality and pricing.

However, owing to Islamabad's limited understanding of the industry's operational dynamics - both domestically and internationally – it is churning out rather myopic policies, which if not corrected will result in slowly but surely dismantling this all-important national industry.

As the country's textile exports rapidly lose ground – nearly15% decline year-on-year - the textile exporting community in Pakistan today stands quite confused on whether or not this government is even serious about safeguarding a sector that nationally accounts for nearly 12% of GDP, 40% of employment and 57% of exports.

Textile manufacturing by its sheer structure figures relatively low on capital deployment but is highly labor intensive, making it an ideal industry for developing economies with large populations. Little wonder that economies like India, China, Bangladesh, and of other Asian countries, consciously support or subsidise respective home textile manufacturing just to sometimes simply keep people employed.

Thereby, in doing so, unleashing a great game of the sort to capture more and more global textile market share and where everything to displace the competition is considered Kosher. We know of some such blatant official policies in selected Indian states who pick up a part of monthly industrial wage-bills to stave-off redundancies; unrealistic minimum-wage-level and window dressing on environmental compliance in Bangladesh; and of artificially low power bills and finance costs in China, to name only a few and all designed to beat the competition.

But, in contrast what we instead see here in Pakistan is: a) an incoherent approach to counter this attack, b) a complete disconnect between ministries who in one way or the other tangibly affect our textile chain – a dedicated textile ministry is no more, and c) some embarrassingly simplistic turnaround solutions that are put forward from time to time by related ministers, albeit in isolation and not as a joint plan.

And the official commentary, quite often, so far removed from reality that it tends to be a joke. Though with Pakistan's rising unemployment and ballooning current account deficit (despite low international oil prices) one doubts if anyone really sees its lighter side! Anyway, the comedy of errors can't be ignored:

The finance minister thinks that just by zero-rating the sector – which by the way is an exercise of removing a bad operational mechanism that should not have been legislated in the first place and not of facilitation – the country's exports will suddenly grow by $10 billion, the commerce minister thinks that mere negotiations by his ministerial team can somehow nullify Brexit's fall out on Pakistan's exports, the power minister thinks that in cutting power to the industry by 10 hours/day during the month of Ramadan he is somehow performing some kind of a religious duty; and on the roles of industry, agriculture and environment ministries, the less said the better.

These three provincial ministries somehow appear to be the victims of the maze created by the sheer act of poorly thought through devolution process, which is now manifesting itself in provincial leaders' dangerous indulgence in populism at the expense of industry.

And the indulgence list is endless, starting from their: arbitrary announcements on minimum wage levels, unrealistic environment protection laws that in some cases even surpass the ones in Europe and the USA, absence of standards' harmonisation between provinces leading to an erosion of possible advantages arising from economies of scale, and last but not least, overlapping of federal and provincial functions resulting in double taxation and excessive oversight that not only gets to be counterproductive but also stokes corruption.

Source: nation.com.pk - Mar 28, 2018

HOME

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How Bangladesh should respond to global apparel industry changes

I read an interesting article the other day about a cotton spinning company based in Manchester, England. Although the company, by Bangladesh's standards, produces high volumes of product, it has established a niche for itself in the UK and Japan with customers who appreciate both quality and locality of resource. The article highlighted a growing trend in Europe and US with buyers wanting businesses to develop their products either domestically, or at least somewhere closer to home.

The example of the English spinning company is just one of many. The re-emergence of knitwear and jersey factories in Leicester, England, the growth in manufacturing of products in Portugal and the North Coast of Africa for some of the biggest brand names in Europe, Donald Trump's election pledge of reinvigorating US manufacturing companies, all point towards a shift happening in the current apparel supply chain model.

The advantages to western buyers and to local entrepreneurs undertaking these ventures are many. Companies taking over redundant sites in the West are being encouraged by their governments to do so through various incentives and attractive purchase price of business premises.

Purchasing products from the Far East carry with it risks of unfavourable currency exchange rate fluctuations, particularly with the shadow of Brexit looming over Europe which is affecting the exchange rate of both the Pound Sterling and Euro. Local end consumers in the US, UK and Europe are attracted by “Made in” tag of domestically produced items and are even willing to pay a premium to purchase them.

Finally, buyers are always looking at ways to reduce lead-times from order deliveries. Having a supply base closer to home allows greater flexibility in ordering as well as the opportunity to respond quickly to changes in market demand and emerging trends.

The question that we must now ask is, “How should Bangladesh respond to these changes?” It is no longer optional to rely solely on the fact that the country can offer lower prices for products due to cheaper labour and raw material costs. Increase in labour costs will soon be upon us.

Moreover, the majority of Bangladeshi manufacturers have produced apparel with six weeks lead time till now—whereas retailers could easily place an order closer to home and receive their goods sooner.

Therefore, it implies that Bangladesh needs to reconsider its current production process and find an alternative approach to the whole apparel production cycle.

The reshoring trend signals new challenges for Bangladesh's apparel industry—if not immediately, then surely within 10-15 years from now. To transform this challenge into an opportunity, while we must strive to continue on the path of developing our products with integrity, developing new innovative techniques throughout the production cycle—from fabric and trim purchasing, to product development, production and finishing and finally, shipment of goods to customer—must be combined with concerted efforts to reduce development and shipping lead times, as well as the need to shake off the long-held obsession of chasing volume driven business. Instead, concentrating more on developing smaller quantity premium products that earn higher prices is needed. This will also serve us better to adjust to the growing globally trend of online shopping.

Unlike old-fashioned retailers, most online based marketing companies are looking for and placing orders of smaller quantities while looking for high quality products.

This makes the time ripe for us to rethink our over dependence on apparel export to traditional markets such as the EU and the US. We need to explore and expand access to Asian markets that are closer to home like China, India, Japan, South Korea, etc. where more than half the world's population is based.

Bangladesh, being a major apparel producing country, must take the latest changes in the textile industry seriously, not only to defend itself from external shocks, but to also proactively pursue whatever opportunities that may arise.

Source: thedailystar.net- Mar 29, 2018

HOME

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NATIONAL NEWS

India-China trade: Deficit rising,close the gap before it's too late

The most alarming fact is that the value of Indian exports either stagnated or declined.

India's bilateral trade with China has been a one-way street, for many years, and it's been "Advantage China" all the way.

The facts speak for themselves. At the beginning of the 21st century (1999-2000), India's exports to China stood at $539.04 million, while imports from China came to $1.282.89 billion — an adverse trade balance of $743.85 million.

In the subsequent years, this imbalance only grew, and it is high time that India takes corrective action. In 2000-2001, India's exports were $831.3 million, to China's $1.502 billion. Just look at the figures:

- 2001-2002: India $951.95 million to China's $2.036 billion
- 2002-2003: India $1.975 billion to China's $2.792 billion
- 2003-2004: India $2.955 billion to China $4.053 billion
- 2004-2005: India $5.615 billion to China $7.097 billion
- 2005-2006: India $6.759 billion to China $10.868 billion
- 2006-2007: India $8.321 billion to China $17.475 billion
- 2007-2008: India $10.871 billion to China $27.146 billion
- 2008-2009: India $9.353 billion to China $32.497 billion
- 2009-2010: India $11.617 billion to China $30.824 billion
- 2010-2011: India $14.168 billion to China $43.479 billion
- 2011-2012: India $18.076 billion to China $55.313 billion
- 2012-2013: India $13.534 billion to China $52.248 billion
- 2013-2014: India $14.824 billion to China $51.034 billion

It's clear that the real thrust to Sino-Indian bilateral trade began in 1999-2000, and from the start it was "Advantage China" and "Disadvantage India".

China began with a $743.85 million trade surplus in 1999-2000. The proverb “morning shows the day” comes to mind. It indeed did for both Beijing and New Delhi. One wonders what made the Indian government ignore this huge imbalance for so long. What were the compulsions, if any, and were they foreign or domestic?

The irony is that whereas India’s bilateral trade deficit was bad from 1999-2000 to 2004-05 (varying between $743.85 million in 1999-2000 to $1,482 billion in 2004-05), the year-on-year Chinese surplus figure never exceeded the $2 billion mark. Against that, India’s deficit (or the Chinese surplus) started becoming unmanageable and alarming from 2005-06, when it touched a record $4.108 billion. The adverse trend kept increasing from then on.

In 2010-11, it went into negative territory, touching minus $29.31 billion and then kept on going downhill: in 2011-12 $37.23 billion; in 2012-13 $38.74 billion and in 2013-14 it was $36.21 billion. Then in 2014-15, the gap shot up to $48.479 billion. The figure was $52.696 in 2015-16 while in 2016-17 it marginally dropped to $51.110 billion.

The most alarming fact is that the value of Indian exports either stagnated or declined. Thus whereas India’s exports to China in 2013-14 stood at $14.824 billion, it declined to $11.934 billion in 2014-15; $9.010 billion in 2015-16, and marginally rising to $10.171 billion in 2016-17.

The question arises: why have Indian exports steadily fallen over the years? Does it show India’s inclination and propensity to take shortcuts for “more import from” and “less export to” China?

Are we taking the “easier route” of “import for internal trading” at the expense of our indigenous industrial production, factory expansion and employment generation? Are we unwittingly taking recourse to what the United States did over three decades ago?

The US then depended on comparatively cheap mass-produced fast-moving consumer goods (FMCG), manufactured by Western as well as joint-venture Chinese corporations based in China, which sent the goods from there to the US. At that time, the US imported huge amounts of goods from China to avoid buying “comparatively expensive” American goods.

Is India making the same mistake now? Is the cost of goods taking precedence over quality?

But in the long run, India has no alternative but to adopt a course correction — both for the health of the economy as well as to ensure political survival.

It would be an understatement to say that the situation is alarming. Why? Because the Chinese are investing $52 billion for the China-Pakistan Economic Corridor (CPEC), passing through our territory in Jammu and Kashmir under the illegal occupation of Pakistan and China.

Can it then be said that the entire CPEC investment money in our own territory is being sourced from India? Is India unknowingly, but indirectly, funding a cause which it deems to be a violation of its sovereignty? Is it incorrect to suggest or ask: “Is India scoring a same-side goal under the banner of Sino-Indian bilateral trade?” Only for the sake of so-called Chinese goodwill?

There is one factor which is too conspicuous to be ignored. The entire Sino-Indian bilateral trade appears to be between a country supplying cheap raw material (India) and a nation that is an industrial goods manufacturer (China), which could be likened to Lenin’s famous quote on imperialism being the highest stage of capitalism, in which the industrial nations send their finished goods (at a fat profit) to consumers who had earlier exported the raw material to produce it.

Low-cost raw material ending with high-priced finished goods results in an adverse trade balance for India!

Let’s see what India imports from China and what it exports to that country. Indian exports to China include iron ore, cotton yarn, granite and natural stone, plastic raw material, bulk minerals and ores, human hair, pearl, precious, semi-precious stones, finished leather, marine products, electronic components, etc.

China’s exports to India include telecom instrument, electronic components, computer hardware peripherals, organic chemicals, consumer electronics, electronic instruments, electric machinery and equipment, airconditioners, refrigeration machinery, products of iron and steel, project goods, aluminium products, cranes, lifts and winches, machine tools, accumulators and batteries and moulded and extruded goods.

Even before moving into the White House, US President Donald Trump has been crying hoarse about his country's adverse trade balance vis-a-vis China, but it is doubtful how far, or how much, he will be able to do anything to reverse the situation. India, however, hasn't yet reached the position where America stands today.

Does India really want to fall to that position? Will it do any good to a nation of 1.26 billion? Should India remain a nation of eternal trade deficit even in the 21st century?

Source: asianage.com- Mar 28, 2018

HOME

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Cotton spinners to recover profits on improving demand: ICRA

Even as the cotton prices are expected to remain firm, rating agency ICRA in its report said domestic demand has started showing signs of improvement because of transition to GST and changes in export incentive structure subsiding.

Cotton spinners are likely to recover their profits in the March quarter as domestic demand has started showing signs of restoration, said a report.

Even as the cotton prices are expected to remain firm, rating agency ICRA in its report said domestic demand has started showing signs of improvement because of transition to GST and changes in export incentive structure subsiding.

"The domestic demand for cotton yarn has shown a good recovery in the recent months, reporting an annual 14 percent growth during October 2017-January 2018," said Jayanta Roy, senior vice-president and group head, corporate sector ratings, Icra.

Spinners have witnessed a multi-year low profitability in the last two quarters due to demand-side pressures and high cotton fibre prices.

The agency said even though the expectations of a healthy crop remain for the calendar year (CY) 2018 with an estimated annual growth of 5 percent, slower pace of arrivals and mounting concerns on fibre quality have encouraged pre-emptive stocking by mills.

"This in turn has prevented the domestic cotton prices from stabilising and the expected rise in the minimum support price (MSP) next year will keep it firm to around Rs 115 per kg," it added.

The price expectations are reinforced further by increasing likelihood of a lower output next year.

After growing at 14 percent to a five-year high in CY18 supported by improved acreage and yields in all major cotton-producing countries, Icra estimates the global cotton crop to decline by 4 percent in CY19.

The decline is likely to be driven primarily by lower acreage, as pest attacks reported in some key cotton growing regions this year are expected to deter sowing in those regions next year.

"Even though the crop output in CY19 will continue to be higher than the lows witnessed during CY15 and CY16, it is expected to fall short of consumption.

This will result in a decline in cotton stocks to a seven-year low level next year. Correction in stocks is expected to keep the cotton prices firm over the next 12-18 months," said Roy.

Source: moneycontrol.com- Mar 28, 2018

HOME

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E-way bill: Slow pace worries govt

Fewer registrations mean that as many as 90 lakh taxpayers could register on the portal in the next three days, which is likely to put the portal under heavy strain.

With just three days to go before the rollout of electronic way bill (e-way bill), the government is concerned about the slow pace at which taxpayers are readying themselves for it.

The portal for the e-way bill, an anti-evasion mechanism to track cargo movement in the GST regime, has witnessed just 11 lakh registrations so far, while the GST taxpayer base is over a crore.

The mechanism requires taxpayers to electronically generate e-way bill on the designated portal for transportation of goods worth over Rs 50,000. The taxpayer would have to provide details of cargo, its origin and destination among other specifications to obtain the bill.

Speaking at the fifth foundation of GST Network (GSTN) — the IT backbone for GST — finance secretary Hasmukh Adhia said, "I'm not too sure whether traders, dealers and transporters are still ready. I would like to appeal to them to register themselves on the e-way bill portal as early as possible; they should not then tell us that we didn't inform them."

Fewer registrations mean that as many as 90 lakh taxpayers could register on the portal in the next three days, which is likely to put the portal under heavy strain. "So far only 11 lakh of the existing taxpayers have registered for e-way bill. The fear is that many will come on the last day to register as all businesses would need e-way bills except some service providers," Prakash Kumar, CEO of GSTN said at the event.

In a bid to check revenue leakage in business-to-consumer (B2C) transactions, the implementation of e-way bill was advanced to February 1 but the portal lacked the capacity to handle the load and crashed on the first day itself prompting the GST Council to delay rollout to April 1. From April 1, the system will be implemented in a phased manner starting from applicability on inter-state movements firstly, followed by intra-state transport in states in a staggered manner.

"The main problem is there is no data to suggest how many bills will be generated daily. So earlier, it was based on experience from one state (Karnataka), which proved to be inadequate. Now we have tripled the capacity and based on live experience, we can ramp up capacity further as actual numbers of e-way bills generated daily becomes visible," Kumar told FE. He added that currently 6-7 lakh e-way bills were being generated daily in the trial phase.

The e-way bill portal has been designed and developed by National Informatics Centre (NIC). After the failed launch on April 1, the system has been strengthened to handle 75 lakh inter-state e-way bills daily. Separately, Kumar said that GSTN is ready to implement the new and simplified return-filing mechanism, which is currently under deliberation at the GST Council. He added that GSTN would need time to make changes for the new mechanism if it is vastly different from the current forms that include GSTR-3B, GSTR-1,2 and 3.

Source: financialexpress.com - Mar 29, 2018

HOME

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CBEC extends refund facilitation fortnight till March 31

CBEC has decided to extend the 'Refund Fortnight' and keep open all the Customs field formations on March 29, 30 and 31 even though these are holidays/non-working days.

The CBEC has extended the GST refund facilitation fortnight by two more days till March 31 to settle pending refund claims.

The Central Board of Excise and Customs (CBEC) has been observing a refund sanction fortnight from March 15-29 during which most of the refund claims which were pending due to errors committed while filing the GST returns and where exporters came forward with requisite documentation have been settled, it said.

In order to facilitate further sanction of refunds, CBEC has decided to extend the 'Refund Fortnight' and keep open all the Customs field formations on March 29, 30 and 31 even though these are holidays/non-working days, a Finance Ministry statement said.

"Government is keen to ensure that all the exporters get their refunds sanctioned at the earliest and, therefore, requests the exporters to avail this opportunity to settle their refund claims if not done as yet," the ministry added.

Source: financialexpress.com - Mar 29, 2018

HOME

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Denim fabric will continue to witness overcapacity and margin pressures

India Ratings and Research (Ind-Ra) expects the domestic denim fabric industry to continue to face margin pressures during FY19 due to oversupply, with 15-20 percent of the total capacity remaining underutilised. India is one of the leading denim fabric manufacturers in the world, with a manufacturing capacity of about 1,500 million metres per annum (mmpa). Additionally, competition will intensify as several players have undertaken capacity additions to add another 100-150mmpa by FY19.

Garmenting Capacity to Grow at a Slower Pace than Fabric Capacity

The long-term demand potential for the segment remains intact due to denim's versatile fashion appeal among young populace, rising disposable income and untapped semi-urban pockets of the country.

However, Ind-Ra expects denim fabric capacity additions to outpace garmenting capacity additions over the short term, translating into a continued denim fabric surplus in the market. The denim fabric industry is cyclical in nature and is characterised by periods of excess capacity; however, Ind-Ra expects the present downturn to be relatively prolonged, partly on account of the regulatory disruptions that the industry underwent in FY17–FY18.

The research firm expects the sector's operating margins to remain in the range of 10-11 percent in FY18-FY19. The agency's denim fabric peer set average EBITDA margins deteriorated in 9MFY18 to 10.7 percent (FY17: 11.6 percent, FY16: 12.9 percent).

Softening Cotton Prices May Cushion Margin

For denim manufacturers, cotton forms over 35 percent of the total raw material requirement. With farmers switching from soybean to cotton, the 2017-2018 season has seen about 19 percent rise in cotton acreage. However, the overall cotton production is likely to rise by only 10 percent as bollworm attack has affected production in some regions. The higher production may soften the cotton prices during FY19 and help curtail margin contraction for denim fabric manufacturers. Companies with value-added fabrics and order-backed production are better placed to sustain margins than those in commoditised offerings.

Impact of Regulatory Disruptions to Linger in 1HFY19

During FY18, the textile industry has been reeling under the impacts of two major regulatory disruptions viz demonetisation and GST implementation. The last leg of denim value chain; comprising activities such as stitching, washing, garmenting, sewing etc.; is characterised by high labour intensity. A sizeable chunk of these activities is undertaken by small scale industries which are yet to get fully accustomed to the formal banking system and the GST regime. While there has been a gradual recovery, Ind-Ra expects the impact of these disruptions to linger on during 1HFY19 for these small scale market participants, resulting in demand headwinds for the sector growth.

Exports to Marginally Absorb Surplus

While a part of the denim fabric surplus will get absorbed in the global markets, India’s denim manufacturers majorly depend on the domestic market with exports accounting for below 20 percent of the total production. In FY17, denim fabric exports stood at 142 million metres (FY16: 132 million metres) as against imports of 9 million metres (10 million metres).

The exporters will also see some impact on margins because of reduced duty drawback, notwithstanding the increase in the availability of input tax credit. Furthermore, any adverse outcome of the ongoing dispute with the US Trade Representative at the World Trade Organization with regards to India’s export promotion schemes such as Merchandise Exports from India Scheme and Export Oriented Units Scheme may have a material impact on exporters’ margins.

Rating Outlook

The research firm expects the credit profile of denim fabric manufacturers to moderate over FY19 amid the continuing contraction of operating margin and debt-funded capacity expansions. Aggregate peer set adjusted net leverage (adjusted net debt/EBITDA) is expected to stretch to about 3.75x for FY19 (1HFY18: 3.57x; FY17: 3.40x; FY16: 2.82x). Working capital requirement of most manufacturers has also gone up with inventory build-up, following the drop in demand, longer credits extended to customers as well as pending GST input credits.

Nevertheless, industry players with diversified revenue lines and having a mix of man-made textile products are expected to be more resilient than the pure denim fabric manufacturers. At the same time, investments in backward integration with yarn manufacturing facilities will cushion denim fabric manufacturers against cyclical downturns. Also, companies with strong liquidity, low leverage and short working capital cycle are better equipped to face the challenging times.

Source: indiaretailing.com - Mar 28, 2018

HOME

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Now, EPF benefits for new jobs in all sectors

The package will accord informal sector workers social safety net, besides boosting job creation, it said.

The Cabinet Committee on Economic Affairs on Wednesday extended the larger government-sponsored EPF benefits, currently available under the Pradhan Mantri Rozgar Protsahan Yojana for new employees in the textiles and garment sector, to all the sectors. This was a Budget promise.

“The government of India will now contribute the employer’s full admissible contribution for the first three years from the date of registration of the new employee for all the sectors including existing beneficiaries for their remaining period of three years,” an official release said.

The package will accord informal sector workers social safety net, besides boosting job creation, it said. Under the special package for the textile and garment sector unveiled by the government in June 2016, a crucial component was an undertaking that the government will bear the entire 12% employer's contribution to the retirement fund for new employees for the first three years — against 8.33% for other sectors – under the Pradhan Mantri Rozgar Protsahan Yojana.

The scheme's objective was to encourage job creation. A cumulative increase of $30 billion in export of textiles and garments and Rs 74,000-crore investments in the employment-intensive sector over three years, were envisaged.

Source: financialexpress.com- Mar 29, 2018

HOME

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E-way bill returns

This time around, the Centre should ensure it enables seamless flow of goods, and not a return to inspector raj

E-way bills are once again supposed to come into effect from April 1, after the botched effort to get started with inter-State transactions on budget day. Hopefully, the software backbone will be better equipped to handle the crush of businesspersons.

E-way bills — a document opened by the consignor, consignee, and in some cases, the transporter, to accompany the transportation of goods in excess of ₹50,000 — are meant to ensure consistency and simplicity in documentation and seamless movement of goods within the country. The e-way bill amount should match the entry in the GST returns.

E-way bills will be reintroduced for inter-State transactions to begin with; intra-State transactions may be brought into the ambit from June 1, although Karnataka has implemented it already. However, industry is apprehensive that with GST collections falling short of the monthly norm of over ₹1-lakh crore in 2017-18 (actuals have averaged ₹85,000-90,000 crore a month), the e-way bill may turn into a revenue-raising measure in 2018-19. In effect, this could lead to viewing every moving truck with suspicion.

With invoice matching not having taken off in the GST portal, the e-way bill may emerge as an alternative way to verify tax credit claims. The tax authorities must guard against the temptation to squeeze out that extra drop of tax from businesses. The original objective — of replacing checkpost hold-ups, dubious paperwork and greasing of palms with a transparent and efficient system — should not be lost sight of.

The e-way bill rules have been rightly modified this time round, following representations from industry. For instance, the value of goods exempt from GST will not be considered in calculating consignment value. It has now been clarified that the value of ₹50,000 will apply to a single consignment and not to an assortment of goods from different parties.

The minimum distance allowed for movement of goods without the requirement of an e-way bill, such as between, say, a consignor's godown to the transporter within a State, has been increased from 10 km to 50 km. E-commerce agencies can generate e-way bills after being authorised by the consignor to do so. Empty containers will not require e-way bills.

However, it remains to be seen how the system actually works, when goods are moved from one vehicle to another while in transit. In the event of an e-way bill lapsing if a vehicle breaks down in transit, there could be documentation challenges.

The law does not focus on abandoned vehicles as goods are shifted — they could head anywhere, carrying goods no one knows about. The e-way system is laudable but is not designed to check outright highway robbery. These issues should be sorted out so that large-scale theft is contained and bonafide businesses are spared.

Source: thehindubusinessline.com- Mar 29, 2018

HOME

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