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IBTEX No. 109 of 2017 May 31, 2017

USD 64.56 | EUR 72.15 | GBP 82.67 | JPY 0.58

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20246	42350	**83.54**

Domestic Futures Price (Ex. Gin), May

Rs./Bale	Rs./Candy	USD Cent/lb
21180	44304	**87.40**

International Futures Price

NY ICE USD Cents/lb (July2017)	77.22
ZCE Cotton: Yuan/MT (Sept 2017)	15,625
ZCE Cotton: USD Cents/lb	**6.94**
Cotlook A Index – Physical	**89**

Cotton guide:

Cotton market is sideways for the past one week. No major action across the globe. The ICE future for July has been moving around 77 cents per pound; though holding bearish cues since it has breached long term moving average of 100 day period. In the similar lines December continues to trade steady near 72.50+ cents.

This signifies that the July/Dec Spread continues to hold just near 5 cents with July being in premium and certified stocks rising for the contract on a daily basis indicate there is more action to be seen as July move close to its 1st notice period on 26th of June.

Indian rupee appreciated by 0.2% to trade near 64.5 levels against the US dollar. Rupee has benefitted from Prime Minister Modi's commitment to trade and investment reform. Also supporting the currency is higher investor inflows and easing inflation pressure.

The US dollar has also turned choppy amid mixed economic data and lower bond yields. However, weighing on rupee is weaker risk sentiment as is evident from choppiness in global equity market. Market concerns are still high about Trump, Fed and UK elections.

Rupee may trade in a range of 64.4-65.65 but we may not see sustained gains due to choppy equity markets. Focus today will be on India GDP data.

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

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INTERNATIONAL NEWS

Has the global trade revival run out of puff?

Trade growth may have peaked, as both emerging and developed economies fail to ignite.

A revival of global trade this year may be running out of steam before it has got under way, with widely-followed data indicating a slowdown in the pace of growth as analysts warn of sluggish demand in industrialised and developing countries alike.

Figures from CPB World Trade Monitor, a research bureau at the Dutch ministry of economic affairs, show growth in the volume of global trade slowing to 1.4 per cent in the quarter to March, down from a recent high of 2.6 per cent in January, as the first chart shows.

January's rate was the fastest for seven years, helping fuel hopes that the world economy was back on a path to growth after two years of disappointing performance.

Economists have been encouraged by the promise of a "reflation" of the US economy and of a revival in the fortunes of emerging economies, especially those in Asia.

Indeed, compared with the same month last year, emerging market exports surged in March, by nearly 10 per cent. Global trade as a whole rose by 5.6 per cent on that basis, according to the CPB.

Analysts have pointed to a recovery in commodity prices, the resilience of China's construction industry and the integration of supply chains between China and other Asian manufacturing countries as drivers of export growth.

But Simon Evenett, a trade specialist at the University of St Gallen, warned against reading too much into the surge in the year-on-year figures. CPB's seasonally-adjusted data typically show a significant fall in trade volumes in the month of March. This year, they showed a significant increase — perhaps because the Easter holiday fell a month later than usual, in April.

Even smoothing out the year-on-year figures by comparing moving three-month periods, as shown in the second chart, the unusual March data were enough to produce a surge in the annualised comparison that Mr Evenett described as "precious little signal and too much noise".

He noted that there had been two jumps in world trade in the most recent six months of data, in March and in November last year. "The growth hasn't been sustained, nor is it broad-based," he said.

The quarterly data — which the CPB describes as revealing the "momentum" of trade — show that the upturn in volume growth has been led by exports from emerging markets, which grew at a quarterly pace of more than 4 per cent in January, also the fastest for seven years. But the pace slowed to 1.9 per cent in the quarter to March.

David Mann and colleagues at Standard Chartered Bank in Singapore argued in a report last week that the drivers of recent export growth in Asia were "temporary".

"The first was the rise in goods export prices," they wrote, "led by the rebound in commodity prices from their lows of Q1 2016. The second was

China's inventory rebuilding, which is already showing signs of slowing . . . We believe that Asia's export growth has already peaked or is close to peaking."

Freight rates suggest that trade between Asia and developed markets may also have peaked. The average cost of shipping a 40-foot container from China to northern Europe rose from about $400 in March last year to a recent high of $2,081 in October, according to Xeneta, a Norwegian firm that monitors container freight rates. It has since fallen back to about $1,719.

Patrik Berglund, Xeneta's chief executive, said shipping industry consolidation, bottlenecks and other factors were also at play, but that shipping lines would struggle to hold rates high as their customer demand fails to keep pace with the supply of very large new ships being delivered from this year, ordered when the outlook for trade was seen as much brighter.

Other analysts cast doubt on the proposition that a recovering US economy would be a driver of emerging market exports and broader global trade. Stephanie Pomboy of MacroMavens, a New York consultancy, argues that the US consumer's capacity to spend is already stretched and that rising loan delinquency rates show that the US credit cycle has turned.

In a note last week she said the US Federal Reserve was wrong to infer a coming revival in consumption from encouraging employment data, "especially at a time when personal income tax payments are contracting year over year". Simon MacAdam of Capital Economics, a London-based consultancy, took a more positive view.

While acknowledging that the widely-expected upturn in US consumption had so far failed to materialise, he argued that demand from both the US and the eurozone would pick up this year, and described the outlook for trade as "reasonably decent". "The quarter-on-quarter measure will fall back but we see no strong signs of a dramatic slowdown," he said. For the time being, however, demand growth in the developed world remains sluggish. The CPB data show growth in imports by developed economies peaking in the first quarter of this year at a rate that was low in comparison with the past several years.

Bhanu Baweja, strategist at UBS, an investment bank, said a recovery in trade this year was only to be expected. "You couldn't for a second say there hasn't been an improvement but for the past two years global trade has been in recession," he said. "If it rebounds that's good, but it's nothing to write home about."

Adam Slater, chief economist at Oxford Economics, added that any sustained recovery would require an increase in investment in developed economies beyond the current "abysmal" levels. "There has been a sentiment bounce in the past six months but it doesn't show many signs of being durable," he said. "We may see a couple of quarters of improvement and then be back to poor rates of growth."

Source: ft.com- May 29, 2017

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Russian regions driving forward light industry & fashion

Russian regions, especially Ivanovo and St. Petersburg, are turning out to be the main players in driving forward both the light industry (as the Russian textile and apparel industry is called) and fashion. The Ivanovo region, located in the European part of the country, accounts for 80 per cent of the entire Russia's cotton fabric manufacturing.

Further, construction of a synthetic fibre plant is scheduled to begin in the summer of 2017 in the Vichuga special economic zone (SEZ) in the Ivanovo region. Synthetic fibre is not yet produced in Russia, and the to-be constructed plant has already secured orders for 80 per cent of its proposed production capacity, Russian news agency Tass reported.

The Vichuga SEZ will also include an industrial technology park built to accommodate small enterprises that will use synthetic fibre to produce finished products.

Another important driver of the light industry in Russia is the St. Petersburg light industry development programme until 2020. The programme includes a set of measures to support small businesses in the textile and apparel sector.

In addition, the city is also building an industry-specific business accelerator to promote new designers, including through the use of advanced technologies like 3D printing, robotic sewing machines and others. The project 'St. Petersburg as the Centre of High Fashion and Light Industry' won three nominations of the national competition organised with the support of the Russian Agency for Strategic Initiatives.

Even the Russian government is supporting the growth and development of the light industry. The anti-crisis plan for 2017 provides for RUB 2.2 billion capital inflow into the sector, which will be in the form of subsidies to finance current manufacturing operations, purchase of domestically produced fabrics, upgrade of production facilities, and import substitution projects.

Earlier this year, the Russian Parliament had passed a bill that allows textile, leather and apparel manufacturers with more than 250 employees to qualify as medium-sized rather than large businesses.

As a result, these businesses get access to cheaper loans and government-supported SME programmes.

Source: fibre2fashion.com- May 30, 2017

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Uzbek textiles ready to get favourable treatment in EU

Textile products from Uzbekistan are almost set to receive customs privileges in EU countries, as the Oliy Majlis, the upper house of the Uzbek parliament, has ratified the ‘textiles protocol’ to the partnership and cooperation agreement (PCA) between the EU and Uzbekistan. The European Parliament had ratified the protocol in December 2016.

In accordance with the procedure, the law ‘On ratification of the protocol to the EU-Uzbekistan PCA and bilateral trade in textiles’ would now be submitted to Uzbek president for signing, as per a Trend News Agency report.

The ‘textiles protocol’ document envisages customs privileges while processing, supplying and transit of Uzbek textile products to the EU countries.

Up till now, the most favoured nation treatment as part of the PCA has not been applied to the import of textile products from Uzbekistan. There was also a double licensing system when issuing permits for the import of textile products from Uzbekistan to the EU.

The European Parliament had ratified the protocol in December last year after Uzbekistan complied with the requirement to eradicate child labour in cotton harvesting.

Earlier this year, IFC, a member of the World Bank Group, launched a new programme in Uzbekistan in order to help cotton farmers improve their production efficiency, safeguard the environment, and improve labour practices.

This programme is part of an effort by IFC to accelerate Uzbekistan's economic growth by modernising one of the country's most important industries.

Source: fibre2fashion.com - May 31, 2017

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East Africa mulls levying steep tax on clothing imports

The East African Community (EAC) comprising Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda, is contemplating increasing tax on clothing and footwear imports. A report commissioned on the two sectors by the EAC has recommended raising taxes by up to 50 per cent to reduce imports and help revive the region's ailing textile and leather sectors.

"... over the years, the clothing and shoe manufacturing industries have collapsed due to the emergence of informal sector trade in used clothes and shoes and the impact of trade liberalisation," the report says in its policy brief.

The report, authored by the EAC secretariat, proposes a 40 per cent tax on "readymade garments or $5 per kg whichever is cheaper".

For the footwear sector, it proposes increasing the common external tariff (CET) on new shoes from 25 per cent to 50 per cent or $20 per pair (for leather shoes) and $5 per pair (for plastic shoes), whichever is higher, Kenyan media said quoting the EAC report.

Among the measures suggested include a three-year tax waiver for textile raw materials and shoe manufacturing equipment that are not available locally. A ban on export of raw hides and skins is also proposed.

If the proposals are accepted, it will increase the price of imported clothing and footwear in the six countries EAC region.

Source: fibre2fashion.com - May 31, 2017

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Philippines empowering its weaving community

A two-day module on financial literacy was organised for Philippines' weaving community, who significantly contributes to the country's economy. The module offered lessons and workshops in product costing, money management, standardisation, scheduling, inventory management and accounting. Handloom woven products have an important place in country's exports.

Handloom woven products have also gained eminence in view of the world's fashion industry moving to natural fabrics. This trend is now also visible in Philippines' local markets.

The module, organised during April 26-27, 2017, was facilitated by Therese Fernandez-Ruiz and Stephanie Anne Cuevas of Rags 2 Riches, and Sha Nacino of Write Conversations. The module was attended by 45 weavers/weaving community officers, representing 15 of the Philippine Textile Research Institute's partner handloom weaving centres throughout the country.

In July 2016, together with the Philippine Commission on Women (PCW) and funding from the Government of Canada, Philippine Textile Research Institute (PTRI) had inked a memorandum of agreement to provide training on basic entrepreneurial skills to PTRI's identified regional handloom weaving innovation centres.

The module aimed to make handloom weaving a growing, expanding and sustainable business for the weavers. It was meant to boost weaving industry so that the new generation switches back to weaving rather than seeking foreign employment.

While the interest in handwoven fabrics continues to grow world over, textile outputs of the Philippine's weaving communities require improvement on quality specifications, standard measurements and design needs of various SME retailers, designers and exporters that cater to both mainstream and niche or artisan markets. Handloom weaving currently is done using time-consuming techniques and produces expensive fabrics in comparison to machine-produced materials.

For more than 30 years, PTRI has trained more than 4,000 weavers in the country and assisted 35 per cent of the existing weaving companies on skills training, repair, conversion or modification of handlooms, weave design development and loom execution.

The Philippine handloom weaving falls under the micro, small and medium enterprises.

Source: fibre2fashion.com- May 30, 2017

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Pakistan: Cotton firm

Trading picked up at the Karachi Cotton Exchange on Tuesday, while spot rates remained unchanged.

The spot rates stood firm at Rs6,850/maund (37.324kg) and Rs7,341/40kg. Ex-Karachi rates also remained unchanged at Rs6,985/maund and Rs7,486/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

An analyst said deals of the last few days were reported in trade activity on Tuesday. “These deals were made on Sunday, Monday and Tuesday,” he said. “Proper situation of trade activity will be clear after a couple of days. Currently, the activity is slow.”

Mills are preparing for the arrival of new crop, which would start with Sindh’s cotton from the middle of June and the arrivals will pick up the pace in July, he added.

The cotton market recorded three transactions of around 3,000 bales at Rs6,775 to Rs7,200/maund.

Source: thenews.com.pk- May 31, 2017

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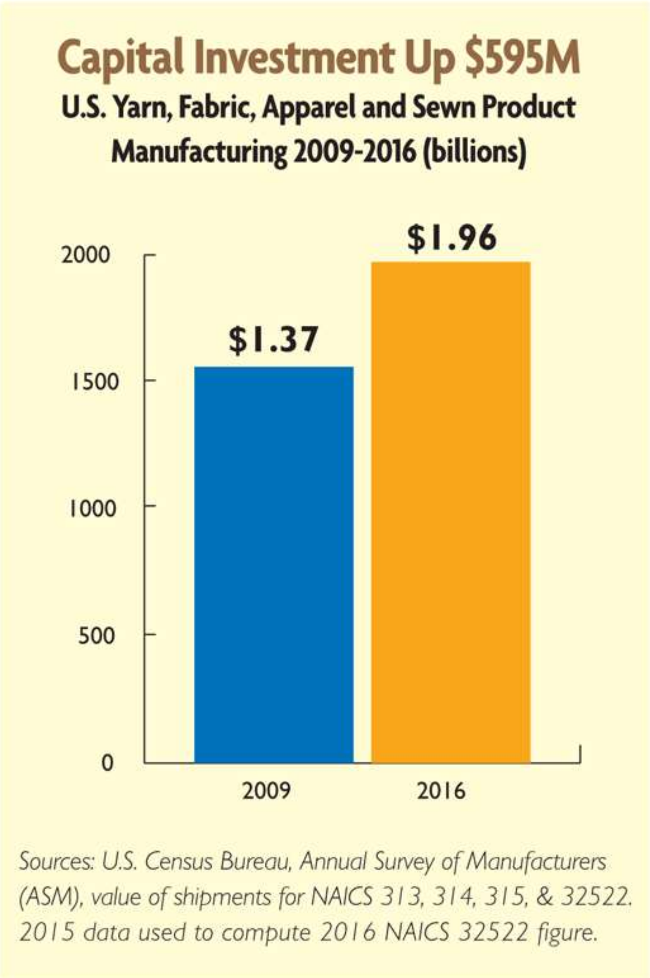
2017 State Of The U.S. Textile Industry



How history went on to unfold reminds us of just how much change can occur in 12 months. And nowhere has change been more dramatic than in Washington. Unforeseen by most pollsters and pundits, the election of President Trump turned conventional political wisdom on its head and reignited debate on largely stagnant policy issues ranging from trade to tax and immigration reform.

Consequently, if there was ever a time for the U.S. textile industry to fully marshal its resources and decisively engage in Washington, it is now. Thanks to the new Trump policy dynamic, the next 12 months represent the best opportunity in a generation to reorient U.S. manufacturing policy, level the playing field, and usher in a new era of growth for U.S. textile makers.

Before delving into policy matters, however, a statistical recap of how the industry fared in 2016 is in order.

The Numbers

Thanks to a laser-like focus on boosting productivity, flexibility, and innovation, the U.S. textile industry has cemented its position in the global market.

In 2016, the value of U.S. man-made fiber and filament, textile, and apparel shipments totaled an estimated $74.4 billion, an increase of 11 percent since 2009[1].

The breakdown of 2016 shipments by industry sector is:

$30.3 billion for yarns and fabrics;
$24.0 billion for home furnishings, carpet and other non-apparel sewn products;
$12.7 billion for apparel; and
an estimated $7.4 billion for man-made fibers.

Capital expenditures also are healthy. Investment in fiber, yarn, fabric, and other non-apparel textile product manufacturing has climbed from $960 million in 2009 to $1.7 billion in 2015 — an increase of 75 percent.

The textile industry's supply chain employs 565,000 workers. The 2016 figures include:

113,900 jobs in yarns and fabrics;
115,000 jobs in home furnishings, carpet, and other non-apparel sewn products;
131,300 jobs in apparel manufacturing;
25,700 jobs in man-made fibers;
126,600 jobs in cotton farming and related industry; and
52,500 jobs in wool growing and related industry.

When examining these employment figures, it is important to note that the heavy job losses incurred because of massive import surges in the 1995-2008 timeframe, virtually have stopped[5]. Today, like most other U.S. manufacturing sectors, fluctuations in employment figures are generally due to normal business cycles, new investment, or productivity increases.

U.S. exports of fiber, yarns, fabrics, made-ups, and apparel were $26.3 billion in 2016[6]. Shipments to NAFTA and CAFTA-DR countries accounted for 56 percent of all U.S. textile supply chain exports.

The breakdown of exports by sector is as follows:

$4.0 billion —cotton and wool;
$4.5 billion — yarns;
$8.6 billion — fabrics;
$3.6 billion — home furnishings, carpet, and other non-apparel sewn products; and
$5.6 billion — apparel.

The United States is especially well-positioned globally in fiber, yarn, fabric, and non-apparel sewn products markets; it was the world's third largest individual country exporter of those products in 2015.

The most important U.S. export markets by region are:

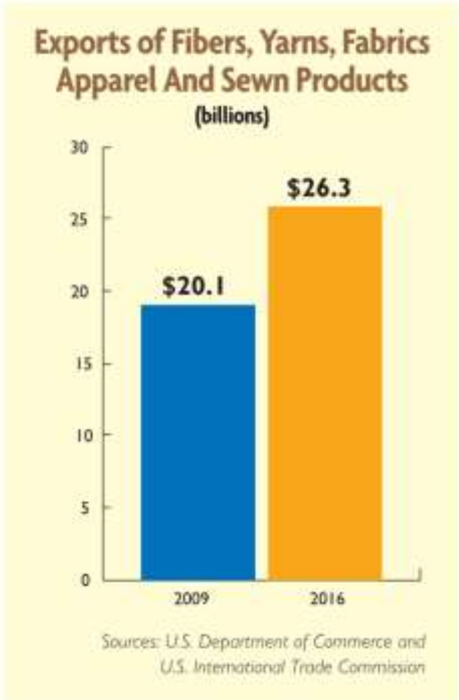
$11.5 billion — NAFTA;
$3.2 billion — CAFTA-DR;
$7.0 billion — Asia;
$2.8 billion — Europe; and
$1.8 billion — Rest of World.
Focusing solely on America's $13 billion in man-made fiber, yarn and fabric exports, the countries buying the most product are[9]:
$4.4 billion — Mexico;
$1.6 billion — Canada;
$1.3 billion — Honduras;
$759 million — China; and
$439 million — Dominican Republic.

(See footnote 10 for top four export markets by country for entire textile supply chain)

Wrapping up the numbers, the fundamentals for the U.S. textile industry remain sound. This is true even though the U.S. market for textiles and apparel was soft in 2016. For the most part, the sluggishness was due to factors beyond the industry's control: an underperforming U.S. economy, a weak global economy, and disruption within the retail sector as sales shift from brick and mortar outlets to the internet.

With that said, the U.S. textile industry's commitment to capital reinvestment and a continued emphasis on quality and innovation make it well-positioned to adapt to market changes and take advantage of opportunities as 2017 moves along.

Policy Issues



Another cause for optimism is President Trump's forceful call to reinvigorate domestic manufacturing. For decades, U.S. policy has undervalued domestic manufacturing's importance to America, and President Trump is right to question whether this has been good for the country.

Precisely because they will stimulate manufacturing and kick start job creation, NCTO enthusiastically endorses President Trump's macro policy objectives of fighting for free, but fair trade, enforcing U.S. trade laws, making the U.S. tax code more internationally competitive, cutting unnecessary regulation, revitalizing infrastructure, buying American, ensuring cheap energy, and fixing health care.

Drilling down to the details, NCTO agrees with President Trump that U.S. trade policy must be changed to reflect the reality of the twenty-first century economy for it to truly benefit a broad swath of American society.

That is why NCTO supported President Trump's executive action to withdraw the United States from the 12-country Trans-Pacific Partnership (TPP) even though NCTO had endorsed the agreement just one year earlier.

To better understand the rationale behind this strategic repositioning, please recall that NCTO worked tirelessly to persuade the previous administration that TPP should include all provisions necessary to prevent any sudden surge of imports from Vietnam that would be capable of disrupting the U.S.-Western Hemisphere textile and apparel supply chain. Indeed, NCTO is grateful to the Obama administration for partnering with the U.S. textile industry on TPP to negotiate:

a strong yarn-forward rule of origin for the vast majority of products;

reasonable duty phase-outs (10-12 years) for most sensitive products;

provisions that would have maintained a stable Western Hemisphere production chain; and

customs provisions that capture the critical enforcement aspects of previous agreements.

Noting that NCTO had leveraged its prospective support for TPP in return for the Obama administration securing these vital objectives, it was incumbent upon NCTO to be true its word and endorse TPP when the Obama administration kept its end of the bargain.

The 2016 election of President Trump, however, brought about a dramatic change on trade. President Trump's fundamental opposition to TPP allowed NCTO to revisit its position and communicate to his transition team soon after the election that NCTO supported withdrawal from TPP.

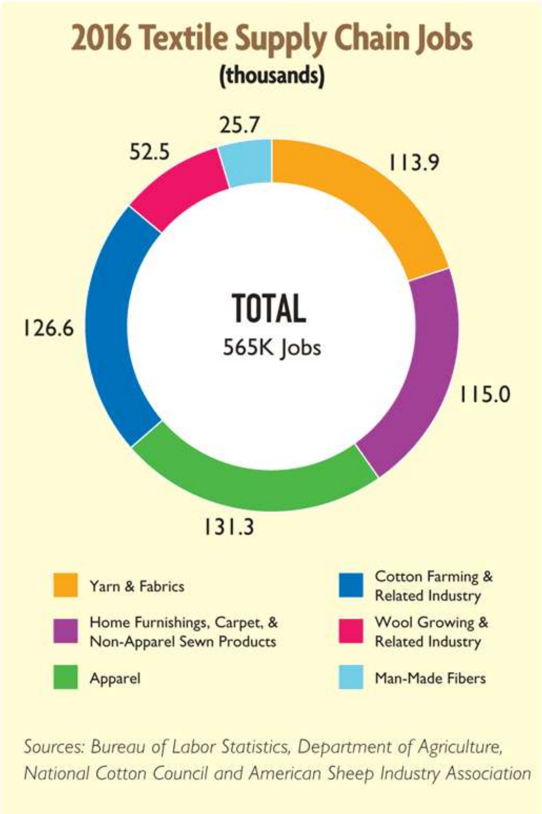
Mindful that President Trump also had signaled interest in pursuing individual bilateral free trade agreements with TPP countries, NCTO further communicated opposition to any bilateral free trade agreement with Vietnam because of that country's non-market economy and its demonstrated ability to disrupt the U.S. textile market.

Unlike TPP, NCTO strongly supports NAFTA because it is a pillar upon which the U.S.-Western Hemisphere supply chain is built. At $11.5 billion combined, Mexico and Canada are the U.S. textile industry's largest export markets. Moreover, Mexico provides a vital garment assembly capacity the United States largely lacks.

That said, NCTO agrees with President Trump that NAFTA should be reviewed and can be improved. For example, NAFTA's yarn-forward rule of origin contains loopholes like tariff preference levels (TPLs) that benefit third-party countries, such as China at the expense of U.S. industry. Closing them would boost U.S. textile production and employment.

NCTO also strongly endorses President Trump's call for much tougher trade enforcement. Trade deals grant lucrative duty-free preferences to importers, thereby creating significant enticements for would-be wrongdoers. Stopping customs fraud has the twofold benefit of filling Treasury Department coffers and encouraging more production in the NAFTA and DR-CAFTA regions.

Without hesitation, the United States should focus more resources on customs enforcement to aggressively investigate those who purposely undervalue U.S. imports to avoid duties or who illegally circumvent U.S. free trade agreement rules of origin via third-country transshipment or through other fraudulent means. In addition, penalties for customs fraud must be certain, swift, and sufficient to deter this harmful, illegal activity.



Also within the trade enforcement realm, NCTO supports U.S. Commerce Secretary Wilbur Ross's proposal for the U.S. government to self-initiate anti-dumping and countervailing duty cases. Other helpful actions the U.S. government should take include continued rejection of China's demand to be recognized as a market economy and cracking down on illegal currency undervaluation.

One final trade priority is the enactment of a Miscellaneous Tariff Bill (MTB). NCTO strongly supports duty relief on manufacturing inputs that are unavailable domestically and do not compete with other U.S.-made products.

That said, NCTO is concerned that the MTB process is being abused through the filing of hundreds of petitions on finished goods, particularly apparel. On principle, NCTO opposes MTBs on finished goods because they often compete with like products made with U.S. inputs. Duty reductions on finished textile items from any source can also undermine U.S. free trade agreements that grant duty relief through a yarn forward rule of origin.

Moving on to tax policy, NCTO wholeheartedly agrees that the U.S. tax code is in dire need of reform to make it more competitive internationally. Lowering the corporate rate and allowing the immediate expensing of capital investment would be a significant benefit to NCTO members. NCTO is also carefully studying the border adjustable taxation issue.

As a trade association representing U.S manufacturers and exporters, NCTO is keenly aware that foreign border tax schemes, including tax rebates to offshore competitors who export goods to our market, disadvantage U.S. producers. As such, NCTO is poised to engage congressional leadership when any detailed border adjustable taxation legislation is put forth to thoroughly understand how that proposal may impact the textile industry.

NCTO is also pleased with President Trump's initiative to cut unnecessary regulation and is encouraging its members to take advantage of the public comment period that closes on March 31 to submit ideas to improve the federal regulatory regime.

Rebuilding America's infrastructure is another NCTO priority. Besides boosting U.S. productivity and facilitating commerce, infrastructure is a growing market for textile products such as workwear, geomembranes, filtration systems, and composites for load-bearing systems.

Fostering a national culture of innovation is important too. In that regard, NCTO urges President Trump to nurture the Advanced Functional Fabrics of America (AFFOA) project. This defense department program is matched three to one with private dollars and tasked with making it easier to develop and commercialize the next generation of high-performance textiles.

With respect to government procurement policy, NCTO is proud of its steadfast efforts to defend and strengthen the Berry Amendment. This "buy American" provision for the military is an excellent example of how the government and the private sector can work together to the benefit of one another.

The U.S. military benefits from guaranteed access to a secure U.S. supply line for thousands of superior, highly-advanced products. In return, the domestic textile sector receives $1.5 to $2 billion in annual Defense Department sales that boost U.S. investment and employment.

Noting that the Trump administration and Congress appear serious about wanting to buy more American, NCTO would aggressively work to make sure textiles are included in any effort to enact common sense laws or regulations that would strengthen "buy American" requirements applying to infrastructure or other federal spending. As demonstrated by Berry, when the federal government buys American, it is good for the U.S. textile industry and even better for America.

Another NCTO priority is ensuring that the U.S. textile industry has uninterrupted access to reasonably priced energy. Most man-made fibers are derivatives of petroleum products. In addition, many textile producers are reliant on natural gas to power manufacturing operations.

Noting this, NCTO strongly supports construction of expanded oil and gas pipeline capacity to keep energy prices low.

Finally, the U.S. textile industry must acknowledge that its most valuable resource, its workforce, is aging. To keep thriving long term, American textile manufacturing must recruit a new generation of talented chemists, designers, engineers, skilled technicians and semi-skilled labor. To this end, U.S. companies must continue to forge links with local leaders, schools, and government, vocational programs, community colleges, universities, and state business lobbies to make sure that state and federal policy produces a labor pool both adequate in size and well prepared to succeed in a hyper-competitive global economy.

Other NCTO Activities

The industry's need to attract America's best and brightest is one reason why NCTO embarked upon the "American Textiles: We Make Amazing" rebranding campaign two years ago.

NCTO is pleased to report the campaign is slowly, but surely, challenging outdated perceptions of the U.S. textile sector thanks to the fact that American textile manufacturers have a great story to tell. America's textile industry is world class thanks to leveraging the most cutting-edge production processes, investing in the best machinery, and leading in sustainability and innovation.

Judging by the earned media and social engagement generated by "American Textiles: We Make Amazing" marketing efforts, more and more people are hearing the good news and viewing the U.S. textile industry in a new light.

Conclusion

Although the U.S. textile industry has stabilized its position in the global economy, it cannot afford to rest on its laurels. There will always be intense and sometimes unfair competition from abroad, changing consumer demands and inevitable economic downturns.

Again, that is why it is so important for the U.S. textile industry to seize this generational moment to influence federal policies if it wants to usher in a new era of growth. With so much at stake in the next twelve months, members of NCTO and other textile trade associations must stay actively involved in their respective organizations.

Moreover, all domestic textile manufacturers who have not been active in Washington, but are serious about wanting a seat at the table to change textile policy for the better, are invited to join NCTO.

Good policy does not materialize from thin air, and NCTO must be well financed to affect the changes that will give our sector the best chance to build a stable and prosperous future for U.S. textile companies. That's a long way of saying the U.S. textile sector's great workers and their families and communities are depending on the leadership of the industry's leaders.

Source: textileworld.com - May 30, 2017

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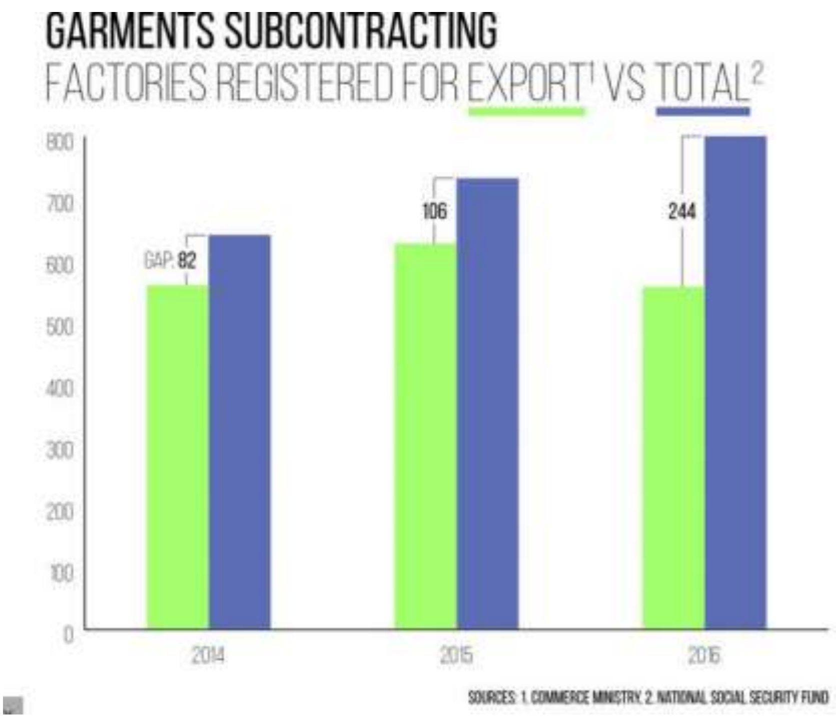
Cambodia: Garment Industry Facing Subcontracting Threat: ILO

Cambodia's garment factories appear to be ramping up their use of subcontractors, which tend to get the least attention from regulators and raise the most fears of abuse among labor rights groups, according to a report released on Monday.

In its latest bulletin on the country's all-important garment sector, the International Labor Organization (ILO) looks into why exports continued their strong growth last year, rising 7.2 percent to hit $7.3 billion, even as the number of workers and registered exporting factories fell.



After years of consistent growth, the sector's workforce fell nearly 3 percent last year to 605,000. The number of factories fell from 699 in 2015 to 626.

The ILO says faulty—but improving—Commerce Ministry statistics and rising productivity likely explain some of the trend. But it warns that exporting factories may also be relying increasingly on subcontractors, with worrying consequences.

"A rise in employment and production in subcontracting factories could be a concerning development if subcontracting is being used as a way to undercut regulations, including labour law and the minimum wage," Maurizio Bussi, ILO's country director, said in a statement.

"The situation should be carefully monitored bystakeholders and relevant agencies of the Royal Government of Cambodia."

To get an estimate of the number of subcontractors, the ILO, a U.N. agency, compared the Commerce Ministry's list of registered exporting factories with separate figures kept by the National Social Security fund that capture all garment factories with at least eight employees, whether they export or not. The ILO notes that some of the factories counted by the fund may be producing for the local market only, but adds that they're believed to be a "very minor" part of the whole.

Comparing the separate sets of figures reveals that the fund counted 82 more factories than the Commerce Ministry did in 2014, 106 more in 2015, and 244 more last year.

The ILO says the subcontractors may be operating above board, but could also be used to evade the law as they may get less attention from government regulators. The ILO's own Better Factories Cambodia program skips them entirely, one of the main criticisms of their inclusion.

"Subcontractors' enterprises are operated from private home, warehouses or industrial buildings," the report says. "It is common for there to be no name displays on the facility and for factories to change locations regularly; in some cases they may do so to evade their responsibilities to their workers."

A spokesman for the Labor Ministry, which monitors garment factories, could not be reached for comment.

But Ken Loo, secretary-general of the Garment Manufacturers Association in Cambodia, was highly skeptical of the ILO's interpretation of the numbers.

Though the report implies that the fund's numbers apply strictly to garment factories, Mr. Loo said he believed they may include other enterprises as well.

He was also doubtful that the year-on-year increase in factories captured by the fund actually represented new facilities, given the introduction of medical insurance to its list of services last year.

"This forces them to go down to all the factories, and this helps them, obviously, in capturing more factories," he said.

Mr. Loo said some factories might look for outside help to fill sudden, extra-large orders when they're already operating at capacity. But when they have capacity to spare, he said, "financially it makes more sense for a factory to pay their workers overtime than to use subcontractors.... It's just business sense."

Mr. Loo said he would take a closer look at the fund's number's before drawing any further conclusions.

Source: cambodiadaily.com - May 30, 2017

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Textiles industry urges govt to continue rebate on state levies post GST : Texprocil

The textile industry has urged the government to continue with the Rebate of State Levies (ROSL) scheme under the Goods and Services Tax (GST) for the benefit of made-up exports.

The ROSL scheme was introduced in March 2017 initially for three years. But, the industry fears that the scheme will be withdrawn prematurely, with GST subsuming all other taxes and benefits. Under ROSL, exporters of made ups get incentives of 3.9 per cent of the value of exported goods.

The ROSL benefit not only ensured Indian made ups were competitive in the world markets but also encouraged Indian players to expand capacity to meet overseas demand.

"When the scheme was introduced, many small, medium and large companies started working on capacity expansion. A number of companies are currently in various stages of capacity expansion despite the fact that the scheme is just three months old," said Ujwal Lahoti, Chairman of The Cotton Textiles Export Promotion Council (Texprocil).

The objective of the scheme was to provide rebate on state levies consisting of state value added tax (VAT) and central sales tax (CST) on inputs including packaging, fuel, duty on electricity generation and duties and charges on purchase of grid power, as accumulated through the stages of production from yarn to finished made ups.

Many leading companies manufacturing "made ups" are reportedly drawing up plans for investments in this sector after the scheme has been announced. The ROSL scheme will certainly lead to an increase in exports of made ups articles which in turn will create more employment.

"Any increase in the exports of made ups will create additional employment in the entire value chain such as spinning and weaving besides the made ups sector especially in the rural areas and for women," said Lahoti.

Earlier, a package including the ROSL scheme was announced for the garments sector in July 2016. According to data released by the Ministry of Textiles, after the package was announced, between July 2016 and March 2017, garment exports increased to $13.47 billion from $12.37 billion during the same period in the preceding year.

Since both "garments" and "made ups" fall under the category of "cut & sew" products and the requirement for labour is more or less similar in both the sectors, increase in the exports of made ups will certainly lead to the creation of more employment and the effect can be seen in the next three to six months, Lahoti added.

Source: business-standard.com- May 31, 2017

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Cotton flooding the world? 5 factors India has to watch out for

India's cotton output in 2017-18 may also rise given the forecast of a normal monsoon.

Indian cotton growers are embracing for a challenging year as a higher production in countries such as the United States, may keep prices low.

Higher prices of previous year have pushed farmers to grow more cotton and now the world faces an over-supply.

India's cotton output in 2017-18 may also rise given the forecast of a normal monsoon.

The government may step in to protect the interest of farmers by raising the minimum support price, or purchase price of government agencies, slightly. There could also be import curbs to prevent the local farmers from the onslaught of dumping of cheaper cotton by countries such as China.

Here are some of the factors that could impact Indian farmers and textile companies:

1. Higher production

World cotton production is forecast to increase 7% to 113.2 million bales, or 24.65 million tonne in this crop year that starts from August 2017, after a 9% rise in 2016-17.

“The higher 2017/18 cotton production projection is the result of favorable prices that are encouraging a rebound in area,” the United States Department of Agriculture said in a report.

India, China, and the US are forecast to account for a combined 62% of global cotton production in 2017-18, as compared with 63% in 2016/17.

The International Cotton Advisory Committee (ICAC) said in a report that high cotton prices in 2016-17 are expected to encourage farmers to expand the area under cotton by 5% to 30.8 million hectares in 2017-18.

A normal monsoon forecast by India’s weather office IMD means a boost to the cotton and other agriculture products.

“India’s cotton area is forecast to increase by 7% to 11.3 million hectares in 2017-18 as farmers are encouraged by better returns due to high cotton prices and improved yields last year. Assuming yield is similar to the five-year average, production could increase by 3% to about 6 million tonne,” ICAC said.

After contracting in the last five seasons, China’s cotton area may expand by 3% to 2.9 million hectares due to the stable cotton policy and high cotton prices.

ICAC forecast production in China is expected to rise by 1% to 4.8 million tonne, the first increase in five seasons.

Similarly, farmers in the United States are forecast to expand harvested cotton area by 12% to 4.3 million hectares and production could grow by 8% to 4 million tonne.

2. Sluggish consumption

While output gathers pace, ICAC says global cotton consumption is forecast to increase at by 2% to 24.6 million tonne as world economic growth recovers in 2017 and 2018.

After decreasing by 3% to 5.1 million tonne in 2016-17, India's consumption is forecast to recover by 2% to 5.2 million tonne due to competitive prices for its cotton yarn products, expanding capacity and the resolution of the consequences of demonetisation.

China's mill use of cotton is forecast to increase by 1% to 7.7 million tonne, accounting for 30% of world cotton consumption.

Mill use in Pakistan may grow by 1% to 2.3 million tonne due to new incentives for textile exports offered by the government while Bangladesh may witness 5% rise to 1.5 million tonne.

3. Exports and imports

A robust crop will encourage the US to export more while China is expected to dump its already-high inventory in the world market.

World cotton trade is forecast to rise 5% to 7.95 million tonne in 2016-17, after declines during the previous three seasons.

In 2017-18, the exports are expected to rise to 8.09 million tonne, tad higher than last year.

What's worrisome, India's exports are projected to decrease by 30% to 886,000 tonne, ICAC said.

4.Prices to remain subdued

With over supply in major countries, cotton prices may remain subdued.

Prices may also be tempered as China reduces its inventories by dumping cotton stock in world markets. China's share of global stocks was 61% in 2013-14. It has fallen to 54% by 2016-17, and is expected to fall further to 45% by the end of 2017-18, says USDA.

Meanwhile, stocks in India, Brazil, the US and Pakistan are expected to rise in 2017-18 with larger crops forecast.

With a view to promote cotton farming, the government increased the minimum support price, or purchase price of government agencies, by 1.5-1.6% to Rs 3,860 per quintal for medium staple length cotton and Rs 4,160 for long staple.

Last year, the Cotton Corporation of India (CCI) Limited was been asked to procure cotton at the MSP to protect the interest of farmers and avoid distress sales.

5.Indian textile firms to gain?

A higher cotton output may help Indian textile firms in keeping their input costs lower.

The rollout of Goods and Services Tax (GST) will also help lower the cost for companies.

Ample supply, softer prices and GST will improve the earnings outlook for textile firms.

Source: hindustantimes.com- May 30, 2017

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GST: Opportunity for the textile and apparel sector

The deferral of the Goods and Services Tax (GST) Council's decision to fix the tax rate for textiles and apparel at the June 3, 2017, meeting did not come as a surprise to the industry. The decision requires further deliberations; it would have an impact not only on consumers but also on the millions of workers employed.

The textile and apparel sector plays a critical role in the Indian economy. Its share to GDP and exports are 6 per cent and 13 per cent, respectively. The sector is the second largest employer, with direct employment of over 50 million and indirect employment of over 60 million people.

The apparel sector is 80-fold more labour intensive than the automotive industry and 240-fold more intensive than the steel sector. The sector is also a vehicle of social transformation, especially for women.

Globally, India has an opportunity to ride the growth wave through the textile and apparel sector, with China losing the market share due to rising wage levels. However, the space vacated by China is being taken over by countries like Bangladesh, Cambodia and Vietnam. Here, India has a comparative advantage in terms of abundant labour at competitive prices, as well as a large domestic market base.

Among the key challenges faced by the sector, the tax and tariff policy in particular has created distortions, impeding India's domestic as well as export competitiveness. The sector is characterised by small and inefficient manufacturing, arising out of the exemption from the central excise for those with Rs 1.5 crore of turnover.

The current tax regime also differentiates by type of fibre, price, product and branding. As a result, the supply chain is fragmented and individual production units do not have the scale required for domestic or export markets.

The ad-hoc and fragmented application of tax leads to blocked input taxes, high compliance costs and product categorisation disputes. It also creates opportunities for tax avoidance and gives rise to competitive distortions.

Historically, states had transferred their powers of taxation of the textile industry to the Centre through the additional excise duty (AED). After the introduction of VAT, the AED was withdrawn in 2007 and states were empowered to levy VAT on textiles.

However, they have encountered significant resistance from dealers and hence the textile supply chain remains largely untaxed.

The aggregate revenue from this sector is Rs 3,400 crore, against a total consumption of Rs 4.5 lakh crore.

The GST provides a once in a lifetime opportunity to correct the distortions in taxation by bringing the sector into the tax base.

There is virtual consensus in the industry for seamless application of the GST throughout the supply chain at a moderate uniform tax rate, without any exemption in the supply chain. Extension of the GST to both fabrics and apparel will lead to a very substantial expansion of the tax base.

With a modest compliance in the sector, a 5 per cent GST would generate revenues of around Rs 11,000 crore, a three-fold increase over current revenues.

Indications are that the GST Council is generally supportive of this structure. However, some sections wish to continue the preferential tax regime for cotton fabrics and for unbranded garments.

Historical experience shows that selective application of tax to this sector at higher rates would encounter significant political resistance, perceived as inflationary, lead to leakages, and be detrimental to job creation and overall growth.

The GST provides a historic opportunity for simplifying the tax structure and promote fibre neutrality, innovation, technology development and productive efficiency.

It can play a central role in accelerating growth, enabling India to become a significant player in the international markets.

The industry awaits with bated breath its tryst with destiny on June 3, when the GST Council decides upon the rates for the sector, and prays that it does not face another twist of destiny that will relegate it to the margins forever.

Source: business-standard.com- May 31, 2017

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FIEO seeks uniform GST rate for textiles, leather sectors

In a representation to the Tamil Nadu government today, the Federation Of Indian Export Organisations (FIEO) sought uniform GST rates for textiles and leather sector, two major industry segments in the State accounting for significant export revenue and employment generation.

FIEO representatives presented their case ahead of the crucial GST Council meeting to be held on June 3.

Rafeeque Ahmed, Vice President , FIEO in press release said that the apprehensions of leather exporters that GST will affect their liquidity needs to be addressed.

The SGST component could be loaded to IGST for an efficient drawback mechanism that will ensure immediate refund to the exporters.

IGST and SGST component adjustment can be taken care by the system.

He also urged that the uniform rate of GST be levied on all forms of leather at 5 per cent instead of different slabs for finished, semi-finished leather.

Jayakumar, Finance Minister, Tamil Nadu assured the State Government will provide all possible support for enhancement of State's share in international trade.

Source: thehindubusinessline.com- May 30, 2017

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India's economic fundamentals remain strong: World Bank

India remains the fastest growing economy in the world – economic fundamentals are strong, and reform momentum continues. GST is on track for implementation in the second quarter of the fiscal year, and is expected to yield substantial growth dividends from higher efficiencies, and raise more revenues in the long term, says a new World Bank report.

the fundamentals of the Indian economy remain strong, with robust economic growth, strong fiscal consolidation, low current account deficit, higher agricultural output, growing FDI, low inflation and higher wages in rural areas, says the May 2017 edition of the Indian Development Update.

However, timely and smooth implementation of landmark reforms such as the GST and a new code to deal with bankruptcies, as well as decisive action to resolve the NPA challenge of public sector banks, is crucial to enhance the economy's potential growth, the report adds.

The report notes that India will achieve a major reform of indirect taxes through the GST without increasing the burden on the poor. Given the efficiency and revenue gains that the reform will eventually achieve, the overall impact of the GST on equity and poverty is likely to be positive.

"India remains the fastest growing economy in the world and it will get a big boost from its approach to GST which will – reduce the cost of doing business for firms, reduce logistics costs of moving goods across states, while ensuring no loss in equity," said Junaid Ahmad, World Bank country director in India.

Commenting on demonetisation, the report says, "In the long-term, demonetisation has the potential to accelerate the formalisation of the economy, leading to higher tax collections, and greater digital financial inclusion provided measures such as increased use of property taxes is taken in the areas of tax policy and administration, and share of the population with access to the internet and digital means of payments are increased." The implementation of the GST is a key complementary reform that will support formalisation, as firms have a strong incentive to register with GST to obtain input tax credits, the Update adds.

The Update is also optimistic that growth in private investments is likely to pick up once there is greater certainty on the global outlook, as well as when implementation of the GST is more advanced.

A special focus of the report is on the low female labour force participation of women in India. "Low female labor force participation, however, remains a serious concern. Higher level of women participation in the economy can help propel India closer to double digit growth," says Ahmad.

For India to achieve higher growth, it needs to create safe, flexible and well-paying jobs for a large number of women who are currently not in the labor market. The key to close the gender gap is to create more jobs, especially regular salaried jobs that are flexible and can be safely accessed by women, the Update concludes.

Source: fibre2fashion.com - May 30, 2017

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Levy uniform rate of GST on yarn & fibre: SIGA

The South Indian Garment Association (SIGA) has urged Union finance minister Arun Jaitley to levy uniform rate of GST on yarn & fibre, finished fabric & processed fabric and readymade garments. The association has also suggested, in a letter addressed to Jaitley, that no discrimination be made between branded and unbranded garments under the new tax regime.

The excise law at present discriminates between branded and unbranded garments. By merely attaching a label, a garment becomes branded and falls under the purview of excise duty, affecting garment industry adversely.

Most of the women's and men's traditional wear do not carry any label, while a section of manufacturers who are involved in manufacturing men's casual and formal wear for mass market sale have no brand name/label and are out of the purview of excise duty. This discrimination is causing unwanted unhealthy business practices because there is no specific definition of brand relating to garments, said the association in the letter.

SIGA adds that the basis of GST is 'one tax one nation' and is devised for lowering rate of tax across the nation. Current rate of excise duty is at 2 per cent (with an abatement of 40 per cent) and the VAT rates are 5 per cent to 5.5 per cent in most of the states.

The garment industry provides maximum employment opportunities especially to women, un-educated, poor common man, backward and under privileged community of the society.

All the sectors such as manufacturing, designing, marketing, logistics, packaging as well as retailing provide maximum jobs and there is a huge scope for further development in the country, according to SIGA.

However, operational costs and high rentals are making it difficult for medium and small entrepreneurs in manufacturing or retailing or related industry of packaging or logistics. Simultaneously, traditionally run tailoring shops are vanishing due to heavy running costs and higher wages of work force.

Hence, it is becoming challenging for garment industry to develop further keeping pace with changing time and trends. The garment industry has become one of the biggest support system for the textile industry.

Garment Industry is a complex and sensitive industry governed with many complications in manufacturing with very high rate of rejection due to many reasons as well as fashion cycle, also run by climates, regional traditional wears, etc. In such a scenario, tax rates play a major role to sustain garment trade and industry.

Source: fibre2fashion.com- May 30, 2017

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Over 100 exhibitors to partake in Garment Show of India

The Garment Show of India, one of the fastest growing exhibitions for the apparel retail industry of the country, will host over 100 exhibitors, comprising leading brands and manufacturers and retailers of a variety of products like ladies tops, trousers, leggings, denims, men's shirts, blazers and more. The event will be held in Delhi from June 4-6, 2017.

Participants and brands from various garment hubs like Delhi, Noida, Jaipur, Mumbai, Bangalore, Ludhiana, Kolkatta, Hyderabad, Tirupur and many others will be present at the exhibition.

"Our vision is to make Garment Show of India a one stop platform for everyone who is involved in apparel, fashion or retail business. The idea is to bridge the gap between buyers and sellers.

Our exhibition has manufacturers/brands that can offer quality, fashion and competitive prices and match up with the requirements of retailers, retail chains, e-commerce companies and distributors," said Gagan Marwah, organiser, Garment Show of India.

The exhibition will prove to be an ideal platform for everyone related to the fashion or garment business as they can see the latest trends, meet suppliers from all over India and negotiate for best rates, said the organiser in a press release.

More than 10,000 visitors are expected to visit the show from places like Delhi, NCR, Meerut, Aligarh, Kanpur, Jaipur, Ludhiana, Lucknow, Bihar, Gorakhpur, Haridwar, Saharanpur, Mumbai, Kolkatta, Panipat, Hyderabad, Trichi, Madurai, Chennai, Bangalore, Surat, Ahmedabad, etc.

To attract visitors from all parts of India, especially from tier II & III cities, massive promotions are being carried through newspapers, radio, outdoor advertisements, social media and roadshows all over the country.

Shiv Naresh, one of the most reliable players in sportswear, Brand Kaira from Hyderabad that makes attractive ladies wear, Babeez from Mumbai, Indira Hosiery from Ludhiana, Reecrook and Cactus from Bangalore that make innovative denims, Dotted Jeans, Tinted, Royal Wood, Mac Mount and several others will participate in the exhibition.

Source: fibre2fashion.com- May 30, 2017

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JNPT seeks more powers to expedite SEZ development

The Jawaharlal Nehru Port Trust has sought the powers of a Special Planning Authority so that it can fast-track the development of its 277-hectare SEZ.

The port management has been in talks with global manufacturing companies for setting up units in the SEZ.

JNPT Chairman Anil Diggikar told *BusinessLine* that a formal request has been made to the Maharashtra government, seeking enhanced powers for the faster development of infrastructure at the SEZ, he said.

The SEZ is a prime land parcel located about 5 km away from the port. By December, about 100 acres would be developed by JNPT.

Taiwanese electronics major Foxconn is seeking about 14 acres inside the SEZ for setting up a manufacturing facility.

CEO of JNPT SEZ S Sittarasu said that once the SPA status is granted under the Maharashtra Regional and Town Planning Act, decisions on infrastructure development could be taken in-house. Then JNPT will not have to approach other agencies such as CIDCO for building permissions and other infra development permits.

Advantages

Magus Consulting General Manager Vishal Mehra said that in executing SEZ, time is very crucial.

The SPA status will help companies in de-risking from pre- to post-execution phase while setting up their units.

The permissions for development plan and town plan for SEZ will be granted internally, which will provide immense flexibility to the port management, he said. Mehra added that as the port management is well-versed with the topography of the SEZ, pre-planning and site preparation can be done better by the JNPT staff.

Source: thehindubusinessline.in- May 31, 2017

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