

IBTEX No. 158 of 2017

August 01, 2017

USD 64.11 | EUR 75.83 | GBP 84.75 | JPY 0.58

Cotton Market (31-07-2017)		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	Rs./Candy	USD Cent/lb
19911	41650	82.57
Domestic Futures Price (Ex. Gin), July		
Rs./Bale	Rs./Candy	USD Cent/lb
20820	43551	86.34
International Futures Price		
NY ICE USD Cents/lb (Dec 2017)		68.97
ZCE Cotton: Yuan/MT (Sept 2017)		15,625
ZCE Cotton: USD Cents/lb		84.03
Cotlook A Index - Physical		83.7
<p>Cotton & currency guide: Cotton price in the last week traded outside range from the previous week. The ICE December contract during the past week moved in the range of 67.76 to 69.72 cents per pound while ended the week at 68.80 cents up by 38 points from the previous week's close.</p> <p>In the similar lines the domestic cotton price both spot and future advanced while the future contract was more positive. The July which is due to expiry witnessed strong rebound in the price due to short covering and ended the week at Rs. 20820 up by Rs. 580 from the previous close.</p> <p>The October future settled positive at Rs.18440 up by Rs. 570 from the previous week's close. The price action and behavior suggests market holding a precarious trend in the gone by week.</p>		

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However, while we observe the Chinese market performance the ZCE cotton for September and subsequent contracts were down. The September future ended the week lower at 14760 Yuan/MT. The Chinese market movement was much different from the rest of the markets because there is extension of auction sales of cotton by the government until September 2017.

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

Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:

Indicative Prices of Cotton Yarn in China Date: 31/07/2017 Prices in US\$ FOB		
Country	20s Carded	30s Carded
India	2.50	2.80
Indonesia	2.56	2.85
Pakistan	2.33	2.71
Turkey	2.95	3.15
Source: CCF Group		

China yarn

Price of cotton yarn market continued to move down affected by bearish news on cotton. Polyester yarn price also declined due to decreasing PSF price and dull downstream demand. Prices of rayon yarn and polyester/cotton yarn kept stable and that of polyester/rayon yarn inched up.

International yarn

The cotton yarn market has been dull in reflection of the raw cotton market. Spinners in Turkey have complained of weak demand at current levels. Routine conditions have prevailed in Pakistan. Export demand has remained limited. During June, China imported 150kt of cotton yarn, down 5.84% y-o-y and up 5.73% m-o-m. The main supplier was again Vietnam.

Source: CCF Group

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INTERNATIONAL NEWS

China MEG uptrend may continue on strong downstream demand

Spot monoethylene glycol (MEG) prices in China's domestic market have spiked by about 25% over a period of three months, and may continue their uptrend on the back of strong demand from downstream polyethylene terephthalate (PET) sector.

On 28 July, prices stood at an average of Chinese yuan (CNY) 7,320/tonne (\$1,086/tonne) from CNY5,860/tonne in early May, according to data compiled by the China editorial team at ICIS.

The PET industry, which is a major downstream market for MEG, has been experiencing stronger-than-expected demand from the textile industry.

PET producers in China have raised the operating rates of their plants to an average of around 82% amid sharp declines in inventory, boosting their demand for MEG.

A major PET buyer was seen procuring huge volumes of MEG from the spot market, while cargoes are concentrated in the hands of a few players, fuelling the spike in prices.

Supply of MEG, on the other hand, was limited between May and July amid turnarounds at facilities – particularly the coal-based units. (Please see table below)

Rising raw material prices also created cost pressures for coal-based producers to increase their MEG offers to the domestic market.

Meanwhile, at the Chinese ports, MEG inventory has fallen below 500,000 tonnes in July from about 600,000 tonnes in early May amid active sales and delays in arrivals of imported cargoes.

Some market players expect demand to weaken after August, while supply will get a boost from import arrivals and fewer turnarounds at domestic plants.

China may also receive fresh supply from India, where a new MEG plant is expected to start up.

Source: icis.com- July 31, 2017

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Indonesia: Textile industry cuts production in first half of 2017: Association

Indonesian Textile Association chairman Ade Sudrajat has said that the textile industry had to cut production in the first half of 2017 because of weak consumer purchasing power.

Many shopping centers reported weak sales during the recent Ramadhan and Idul Fitri holiday seasons, which usually see the year's peak sales for textile products.

“Several companies have been cutting their production since the first half,” he said, as quoted by kontan.id, adding that the textile industry's electricity usage had declined by 20 percent in the first half of the year.

As part of efficiency measures, textile companies extended their Idul Fitri holiday period for employees to 20 days from two weeks, Ade added.

He also recorded many companies had also postponed their expansion plans, pending the availability of growth in overseas markets.

Separately, the iron and steel industry had withheld sales, pending the materialization of the government's plan to cut the gas price to US\$6 per million British thermal units (mmbtu), said Indonesian Iron and Steel Industry executive director Hidayat Tresiputro.

Meanwhile, state electricity company PLN recorded 1.17 percent increase in its electricity sales in the first half of 2017.

Source: thejakartapost.com- July 31, 2017

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Sri Lanka to have new policy statement in 2018: PM

Ranil Wickremasinghe, Prime Minister of Sri Lanka, stressed on the importance of having a business-friendly environment for exporters and said that there would be a new policy statement in the 2018 budget to stimulate the private sector engagement in the economy. He also spoke about the government's plans to enact a new Foreign Exchange Bill.

While speaking at the European Chamber of Commerce of Sri Lanka (ECCSL)'s seminar titled Sri Lanka - The Next Asian Economic Miracle? Resetting Economic Development Priorities, the PM highlighted the importance of enhancing productivity, competitiveness and maintaining a dialogue between the private and banking sectors to ensure funding.

The event was organised in partnership with the Delegation of the European Union (EU) to Sri Lanka and the Maldives. The conference examined the public and private sector initiatives that could determine Sri Lanka's trajectory in becoming an Asian economic miracle.

Participants benefitted from fresh insights into the future direction of the economy through policy statements of key government ministers and the presentations of reputed academics and speakers from the private sector. The panelists also debated what Sri Lanka must do to overcome current challenges.

At the conference, Arnold Perera, vice president of ECCSL spoke on Sri Lanka's potential to become the next Asian economic miracle. Commenting on the work done by the Chamber, he mentioned efforts made by the ECCSL to upgrade Sri Lanka's OECD country risk classifications which were downgraded in 2009.

He said that the ECCSL had also made an effort to promote Public Private Partnership (PPP) initiatives through the European Investment Bank (EIB) which had expressed interest in working with the local private sector.

In his remarks EU Ambassador Tung Lai-Margue said, "Sri Lanka was readmitted to the GSP+ scheme in May this year. This has the potential to significantly boost Sri Lanka's exports to the EU."

In addition to GSP+ the EU is also funding a series of activities under its €8 million Trade-related Assistance Project, which includes the development of a National Export Strategy for Sri Lanka. In order for Sri Lanka to maximise the benefits of GSP+, it needs to diversify its exports within existing sectors as well as to entirely new and non-traditional markets in the EU.”

Ministers Malik Samarawickrema and Mangala Samarweera also graced the occasion and spoke on the government’s economic development efforts. Samrawickrama said that he would consider facilitating a trade adjustment package to local industrialists to upgrade machinery and introduce modern technology so that companies could be more competitive. Samaraweera said government is committed to providing a stable policy regime with a simpler, clear and more transparent tax policy to attract investment climate.

The event was well attended by Ambassadors and diplomatic staff from EU Delegation Office and the missions of Germany, France, Slovenia, UK, US, and the Netherlands, senior government officials, researchers and corporate executives.

Source: fibre2fashion.com- July 31, 2017

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Pakistan: Cotton Crop Assessment Committee to meet next week

The first meeting of Cotton Crop Assessment Committee would be held next week to asses the volume of current cotton crop in the country, cotton commissioner said on Monday.

All stakeholders including Ministry of Textile Industry, representatives of provincial governments, Plant Protection Department, Trading Cooperation of Pakistan and cotton growers would attend the meeting, said Cotton Commissioner Khalid Abdullah.

He told APP that representative from all Pakistan Textile Mills Association, Pakistan Cotton Ginners Association and Pakistan Central Cotton Committee attended the meeting.

The committee would assess the volume of current cotton crop in the country, besides assessing the per acre crop output and average plant population and crop outlook, he added. The meeting would also discuss the challenges and issues being faced by the cotton growers at post harvest stages and would suggest their remedial measures.

Abdullah said cotton crop for the season 2017/18 is progressing well in Sindh and Punjab. He said picking of seed cotton started in lower Sindh in first week of July and crop outlook is stable. Encouraging production was expected during the season, he added.

Due to heavy rains in Mirpur Khas, picking activity has been slowed, he said. Recent rains have damaged cotton crop in Mirpur Khas to some extent but significant losses have not been reported, he added.

Abdullah said cotton crop is in good condition in rest of cotton belt of Punjab and Sindh, besides the pest situation is also below economic threshold level. Seed cotton prices remain between Rs2,800-3,300 per 40 kilogramme in domestic markets.

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

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US considering tax reform to protect American jobs

The House Ways and Means Committee along with some US officials has issued a joint statement on tax reform which aims to protect American jobs and make taxes simpler, fairer and lower for American families.

The committee believes that there should be a lower tax rate for the benefit of small businesses, and lower rates for all American businesses.

The statement has been jointly issued by the House speaker Paul Ryan, senate majority leader Mitch McConnell, treasury secretary Steven Mnuchin, National Economic Council director Gary Cohn, Senate Finance Committee chairman Orrin Hatch, and House Ways and Means Committee chairman Kevin Brady.

“We have always been in agreement that tax relief for American families should be at the heart of our plan. We also believe there should be a lower tax rate for small businesses so they can compete with larger ones, and lower rates for all American businesses so they can compete with foreign ones.

The goal is a plan that reduces tax rates as much as possible, allows unprecedented capital expensing, places a priority on permanence, and creates a system that encourages American companies to bring back jobs and profits trapped overseas,” says the statement.

“We are now confident that, without transitioning to a new domestic consumption-based tax system, there is a viable approach for ensuring a level playing field between American and foreign companies and workers, while protecting American jobs and the US tax base.

While we have debated the pro-growth benefits of border adjustability, we appreciate that there are many unknowns associated with it and have decided to set this policy aside in order to advance tax reform,” said the officials in the statement.

“Given our shared sense of purpose, the time has arrived for the two tax-writing committees to develop and draft legislation that will result in the first comprehensive tax reform in a generation.

It will be the responsibility of the members of those committees to produce legislation that achieves the goals shared broadly within Congress, the Administration, and by citizens who have been burdened for too long by an outdated tax system,” adds the statement.

The statement also says, “Our expectation is for this legislation to move through the committees this fall, under regular order, followed by consideration on the House and Senate floors.

As the committees work toward this end, our hope is that our friends on the other side of the aisle will participate in this effort. The President fully supports these principles and is committed to this approach. American families are counting on us to deliver historic tax reform. And we will.”

“We are all united in the belief that the single most important action we can take to grow our economy and help the middle class get ahead is to fix our broken tax code for families, small business, and American job creators competing at home and around the globe.

Our shared commitment to fixing America’s broken tax code represents a once-in-a-generation opportunity,” said the officials.

Source: fibre2fashion.com- July 31, 2017

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Bangladesh to digitally map supply chain to tackle garment sector abuse

Bangladesh, the second largest garment producing country in the world, will digitally map its entire garment industry in the first such initiative to bring transparency in the supply chain in an effort to stop abuses.

The mapping project will collect "credible, comprehensive and accurate data" on factories across Bangladesh and disclose it in a publicly available, online map, said a manufacturers association that launched the project on Saturday.

Bangladesh's garment sector, worth about \$28 billion per year and employing 4 million people, came under scrutiny after the collapse of the eight-storey Rana Plaza factory complex in 2013 that killed more than 1,100 workers.

The death of 10 workers in a boiler explosion at a garment factory earlier this month renewed calls for more transparency and implementation of labor laws.

"We believe (the project) will empower stakeholders across the industry, including workers, factory authority, brands, government and civil society organizations to create positive changes..." Siddiqur Rahman, president of the Bangladesh Garment Manufacturers and Exporters Association, said in a statement.

"This transparency initiative would significantly complement our ongoing efforts towards enhanced, more risk-averse supply chains," Rahman said.

Campaigners have criticized many retailers for failing to improve working conditions in their supply chains. Long hours, low pay, poor safety standards and not being allowed to form trade unions are common complaints from garment workers.

Locating sub-contracting suppliers has been the biggest challenge, with many big manufacturers not transparent about the lower ends of their supply chain, campaigners add.

The digital mapping project is part of efforts to change that, project head Parveen S. Huda said.

"The mapping project will fuel Bangladesh's garment industry advancements, inspire shared responsibility, responsible sourcing, collective action and build upon pre-existing improvement efforts through informed decision-making," Huda said in a statement.

The map will provide a detailed industry-wide database of factories, including names, locations, numbers of workers, product type, export country, certifications and brand customers.

Verification of information will be crowdsourced from the public to ensure that information remains up-to-date and accurate.

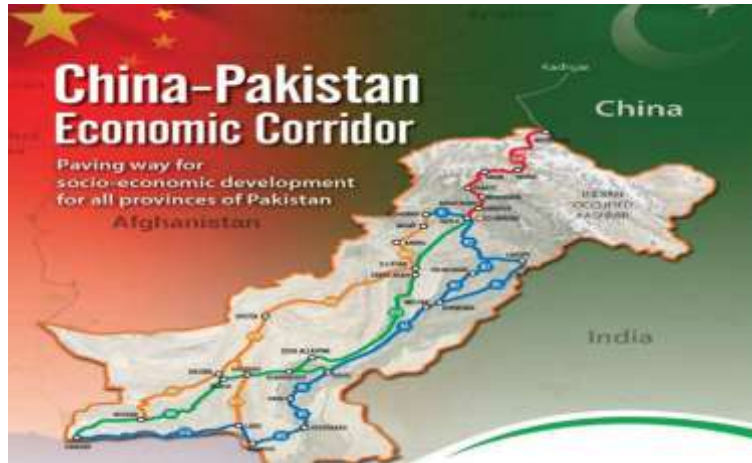
The first public map is scheduled to live in 2018 in the Dhaka region. The final version of the map showcasing all 20 Bangladeshi garment producing districts is expected to be completed by 2021.

Source: reuters.com - July 31, 2017

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‘Pakistan has never faced 2-time bigger import against export’

Pakistan has never faced imports being two-and-a-half times bigger of country's current exports. Pakistan faces this unprecedented trade deficit despite the prevalence of low international prices of our biggest import-oil.



Agha Saiddain, Ghulam Rabbani, Ibrahim Qureshi, Shakeel Ahmad, Sanaullah Khan and Qamar Qureshi, executives of tanning, textile, business forum, agriculture sector, marble and minerals, economic forum and others segments of trade business have observed that the wrong

structural policies and various factors of government remained a primary reason that country has seen a drastic drop in exports.

The economic charts of Pakistan stand on an unsatisfactory level at the moment. They asked future coming government and policy-makers to encourage private sectors to play their roles in putting the economy back on the right track.

The country should fully avail opportunities created due to the worldly chain of events, such as global decline in oil prices and China Pakistan Economic Corridor being made in the region.

Pakistan's trade deficit has knocked a record level of \$30 billion in 2016-17, demonstrating a jump of 42 percent as compared to the last financial year. Exports have declined by 3 percent to \$18.5 billion while imports have gone up by 21 percent to \$48.5 billion.

The trade officials can also play a vital role for presenting good governance, portraying bettering security perception and political stability for enhancement in foreign investment, they were of the view.

Unlike Middle East or East Asia, Pakistan has followed a traditional policy of import substitution rather than export promotion. Therefore, little emphasis have been given on broadening exports has remained over-reliant on textiles as the key export.

Exports of cloth, cotton yarn and value-added textiles make up to almost 60 percent of our total exports.

Source: dailytimes.com.pk- July 31, 2017

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Forthcoming ASEAN-HK FTA to connect Myanmar with Belt and Road finances

Earlier, the city's minister said that the ASEAN-HK Free Trade Agreement negotiations are expected to conclude by year-end, and that the city will pursue closer ties with ASEAN to echo China's Belt and Road Initiative (BRI).

Businesses in Myanmar told *The Myanmar Times* that the upcoming agreement would facilitate inward investments into Myanmar and provide some much-needed capital.

Jaime Or, press secretary of Professor K C Chan, then-Hong Kong Secretary for Financial Services and the Treasury, told *The Myanmar Times* on June 22 that the government hopes to conclude the ASEAN-HK FTA within this year and that negotiations are "under good progress".

The press secretary referred to the speech by Professor Chan in Singapore on June 8. The head of Hong Kong financial services and treasury bureau said that bilateral merchandise trade value between ASEAN and Hong Kong has grown by a cumulative 72 percent over the past decade, and ASEAN is now the city's second largest trading partner.

"After around three years of negotiations, we would love to conclude and sign the Free Trade Agreement with ASEAN within this year," he added.

The minister cited the territory's government's new economic and trade office in Jakarta and the ASEAN internship scheme for Hong Kong students as evidence of pursuing closer ties with ASEAN.

“... we will continue to establish closer ties with ASEAN on all fronts, in particular to echo the [China’s] Central Government’s Belt and Road Initiative,” he said.

According to local media reports, the territory’s new Chief Executive Carrie Lam will visit Singapore and Bangkok on August 1-4. The visit will mark the first official trip by a Hong Kong leader to the Lion City in nine years.

On July 11, Ms Lam said in a speech made in the city that “The importance that Hong Kong attaches to the ASEAN region and co-operation between Hong Kong and ASEAN can be reflected in my decision to make the ASEAN region the destination of my first official overseas visit in my capacity as the Chief Executive.”

“When completed, the China-ASEAN Free Trade Area and the Hong Kong-ASEAN FTA, coupling with CEPA, would provide a solid platform to facilitate trade and investment among Hong Kong and ASEAN countries. It will also help unleash Hong Kong’s full potential as a hub for international trade and investment,” she said.

The chief executive mentioned that the Closer Economic Partnership Arrangement (CEPA), implemented 13 years ago, has connected foreign businesses to China through the city, and will continue to be a freeway serving traffic of international growth initiatives.

Myanmar businesses told *The Myanmar Times* that the upcoming ASEAN-HK FTA would speed up the country’s inward investment from Hong Kong.

Facilitating inward investments

Melvyn Pun, chief executive officer of Yoma Strategic, said that the FTA will accelerate the city’s investments into the education and infrastructure sectors in Myanmar.

“There has been a steadily growing interest from Hong Kong businesses, from hotels to property developments and factories, to establish operations in Myanmar. “We are hopeful that a FTA between Hong Kong and ASEAN will further accelerate this trend. In particular, we hope this can further strengthen the collaboration in education and infrastructure development in Myanmar,” he noted.

John Barnes, director of Marga Group, remarked that Myanmar has an enormous potential to promote itself via the FTA and leverage the financial capital in the territory.

“As a whole, ASEAN is already Hong Kong’s second largest supplier of goods, but Singapore, Malaysia and Thailand take the top spots within the member states.

“Myanmar can stand to gain a lot from promoting itself through this FTA as Myanmar goods are relatively unknown compared to its ASEAN neighbours. “The FTA will encourage investment from Hong Kong, thus contributing higher GDP growth by allowing Myanmar businesses access to cheaper inputs, introduce new technologies, and foster competition and innovation,” he said.

Mr Barnes expected the agriculture and manufacturing sectors to benefit the most initially. “At the initial stages, agriculture and manufacturing sectors will benefit the most.

“It will eventually lead to exposure in other industries to encourage direct investments, particularly in real estate, infrastructure and finance,” he said, adding that the city is the top three foreign direct investment centres around the world and stands at the frontline for the BRI.

“By engaging in more trade, Myanmar can lift its status as a key beneficiary of Hong Kong and China funds. Marga has actively promoted Myanmar in Hong Kong by constantly sponsoring bilateral exchange tours related urban development, infrastructure and finance,” he continued.

Peter Wong, regional director (Southeast Asia and South Asia) at the city’s Trade Development Council, told The Myanmar Times that the FTA would offer Myanmar a means to attract international finance.

“The ASEAN-HK FTA is the largest FTA for Hong Kong, after the Closer Economic Partnership Arrangement [CEPA] with China. Hong Kong is a financial centre and boasts clusters of high-quality professional services firms.

“The upcoming FTA will provide a clear framework for trade and hence facilitate Hong Kong’s investment into the region, especially in services, which the region is in need of.

“For Myanmar, the FTA would mean that the country has an additional financial centre, backed by strong growth of the China market, to tap into for investments.

“Leveraging Hong Kong as an international financial centre and a gateway to China will help realise Myanmar’s economic potential,” he said.

Source: mmtimes.com - July 31, 2017

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Indonesia’s knitwear exports increases by 20 per cent

Indonesia's textile and garment exports increased 0.62 per cent in the first half of 2017. A 20.4 per cent rise in knitwear garment exports contributed significantly.

However, the country noted a decline in exports to major markets such as the US, the EU and Japan by 3.6 per cent, four per cent and five per cent respectively.

The boost in exports is said to be a result of the introduction of automated processes in textile and garment manufacturing.

Automation has made exporters even more competitive in pricing and delivery, thereby boosting the country's exports.

The country is aiming to attract foreign importers with improved economic and political stability. This could, in turn, be a deciding factor in reinforcing Indonesia's position in the textile and garment industry.

The target is to increase textile exports by 1.7 per cent in 2017. Indonesia's textile and textile product exports grew three per cent from January to February this year.

The country's clothing and textiles are exported mainly to the United States, Japan, Turkey, China, and Germany. There is high demand for Indonesian batik and other traditional Indonesian fabrics.

Indonesia is one of the largest textile and apparel producers in the Asean region.

The industry employs approximately 17 per cent of the country's workforce and contributes significantly to the country's economy.

Source: fashionatingworld.com - July 31, 2017

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Bangladesh retains tops position in global apparel exports market

Bangladesh clocked in the highest growth in apparel exports in 2016 among top eight clothing exporters of the world.

The country's share in the global export market was 6.36 per cent with a growth rate was 6.07 per cent in the past year, 5.9 per cent in 2015 and 5.1 per cent in 2014.

Bangladesh ranked the third largest clothing exporter after China and the European Union in the past year.

China, the top exporter, registered negative growth of seven per cent in the past year and its market share declined significantly to 36.4 per cent down from 39.3 per cent in 2015.

Vietnam's export too slowed down to five per cent in the past year while it registered double digit growth in 2015. Nevertheless, its share in the global clothing market increased to 5.54 per cent in 2016 from 4.90 per cent in 2015.

Clothing exports from India declined two per cent in the last year while its share also marginally shrank to four per cent in 2016 from 4.10 per cent in 2015.

Among the top 10 exporters, Cambodia registered slightly higher growth (6.10 per cent) than Bangladesh in 2016 while the share of the country was only 1.42 per cent in the global market.

Source: fashionatingworld.com - July 31, 2017

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New York Fashion Week in September

New York Fashion Week will be held from September 7 to 15, 2017. It will be led by headliners Calvin Klein, led by Raf Simons, and Tom Ford. Alexander Wang, Victoria Beckham, Public School, and Opening Ceremony are among the designers and brands that will be present.

Plus size brand Torrid will present during the week for the first time. The brand makes cute, super wearable and affordable clothing for sizes 10 to 30. This is the first time in many seasons that a plus-size brand and plus-size models will have their own stage at NYFW, smack dab in the middle of the style world's most watched event. Torrid will be casting ten models for the show.

September also marks the end of the fashion week's partnership with Skylight Clarkson Square. Fashion presentations and runway shows were held at the venue since 2015, and following September, there will no longer be a home base and the shows will be decentralized.

The inclusion of Rochambeau goes back to the New York City-based brand's previous show time when it was part of the women's schedule, before joining the men's schedule exclusively.

New York Fashion Week is held in February and September of each year.

Source: fashionatingworld.com - July 31, 2017

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The challenges of building an industrial economy in Africa

In today's sophisticated global economy, Africa remains a weak link. The region could become an emerging manufacturing hub through optimal development of natural and human resources and increased technological transfers. Li Yong, director-general of the United Nations Industrial Development Organisation, said: "Africa is by no means destined to lag behind the rest of the world economy. But to fulfil its economic potential, Africa must industrialise."

Manufacturing is a major untapped growth opportunity in Africa, but the sector's share in gross domestic product (GDP) across the continent has stagnated at 11 per cent over the past decade, compared to 23 per cent in East Asia & Pacific, according to the most recent World Bank data.

In 2015, Africa's manufacturing output was worth US\$500bn, of which five countries (Egypt, Morocco, Nigeria, South Africa, and Tunisia) comprised the bulk of total capacity. Seventy per cent of production was consumed in the country of manufacture; tenth and one-fifth, respectively, were traded within Africa and exported outside Africa, according to Mckinsey Global Institute (MGI).

Five sub-sectors of manufactured categories are: Capital-intensive; e.g chemicals, transportation equipment. Labour-intensive; e.g textiles/apparel. Resource-intensive; e.g wood products, paper and pulp. Local processing: e.g rubber, plastics, fabricated metals, food. High-tech; Computers and office machinery.

Lagging global competitors

Africa's share of global manufacturing exports has also stagnated at a paltry one per cent since 2000. In comparison, the World Bank reported China expanded its share of global exports from 4.7 per cent in 2000 to 18.8 per cent in 2015.

Other Asian countries; Bangladesh and Vietnam, too, achieved rapid growth in manufacturing exports by matching low labour costs with active steps to attract investment, develop skills, and greater access to global markets through trade agreements.

African import products can be manufactured more cheaply within the region. One third of food, beverages, and other processed goods consumed in Africa are imported; while Southeast Asian and Latin American countries import approximately 20 and 10 per cent, respectively, of such goods. Similarly, about two-thirds of Africa's supply of capital-intensive items (mainly automobiles and machinery) are imported, which is twice the level for Latin America.

Despite abundant local raw materials, Africa still imports a large share of manufactured products, including cement and refined petroleum. In 2015, 49 refineries were operating across the region, but little new capacity is expected on stream over the medium-term, reflecting the challenge of building competitive refineries in Africa. Regional refining capacity remains low at 2.1mn-bpd, while BP reported Africa's total 2016 oil production at 7.89mn-bpd.

Promising fundamentals

The continent is well-placed to industrialise, driven by the following factors:

- Massive natural resource endowments, which can be used as raw materials for heavy and light industries. Africa boasts the largest unexplored resource basins on Earth with 80-90, 50, and 40 per cent, respectively, of chromium, manganese, vanadium and platinum; diamonds; and gold, as well as 60 per cent of world's uncultivated, arable cropland (approximately 600mn hectares). It also holds 7.5 per cent of global oil reserves and huge stranded natural gas resources.
- Fairly inexpensive labour and favourable demographics (about three-quarters of Africa's population is aged under 35). Hence, it will soon have the world's biggest workforce of 1.1bn by 2034, according to MGI analysis. These demographic trends offer an opportunity for vocational training and skill development – a prerequisite for building industrial value chains. Unit labour costs and wages are low compared to other regions.
- Africa also benefits from an educated diaspora.

- Africa's stock of housing, commercial buildings and infrastructure is expanding – in tandem with rapid urbanisation – thereby creating demand for construction materials such as cement, metals, and wood.

High-potential sectors

Africa's manufacturing output could double within a decade reaching the US\$1trn mark by 2025, reckons MGI. Three-quarters of output expansion could derive from meeting growing domestic consumer and business demand, reducing the volume of goods that is imported.

The rest could derive from boosting exports. Kenya, Ethiopia, Tanzania, Rwanda, Ghana, Senegal and Mauritius are expected to undergo some degree of industrialisation, along with Nigeria.

The largest opportunity for increasing manufacturing value added lies in the capital-intensive category, like machinery/transport equipment, followed by agri-food value chain. Resource-intensive manufacturing (cement and petroleum products) and labour intensive goods (such as textiles/clothing) are smaller but still significant outlets for manufacturers to service both local and regional markets. As Africa's business sector expands, demands for inputs such as machinery/ equipment and fuels/chemicals are increasing fast.

That makes the manufacturing of capital-intensive innovations a profitable sub-sector, however, that opportunity is mostly confined to those with established manufacturing hubs (Egypt, South Africa and Morocco). Nigeria has capacities in petrochemicals and fuels, Kenya in machinery and auto spare-parts, Botswana in diamond cutting, Zambia in metal processing, Ghana in gold refineries and aluminium smelting and Cameroon and Sierra Leone in steel-making underpinned by iron ore reserves. Labour-intensive manufacturing can integrate more African countries into global supply chains. But regional share of global labour intensive exports (US\$1.6trn in 2014) was one per cent, well below 35 per cent share of global total for China in this category.

Industrial development strategies

The shortcomings in infrastructure, especially power supply and transport logistics, low labour productivity, still high trade barriers and lack of economies of scale constitute major barriers to industrialisation.

Assembly-line operations are attracted by the presence of cluster industrial parks and special economic zones where investors receive fiscal incentives. Ethiopia plans to invest US\$10bn over 10 years in export hubs to house textile, leather and agro-processing firms.

Lower tariff and non-traffic barriers will help firms reliant on imported intermediate inputs/machinery to export manufactured goods. To address the scale issue, three Regional Economic Communities in Africa representing 26 countries have launched the Tripartite Free Trade Area (TFTA) to provide an integrated, larger market for manufacturers.

Most African manufacturers need business administration courses to upgrade their productions and acquire better knowledge of the global marketplace. An educated workforce is crucial for export-oriented activities. “Investment in technical and vocational training programmes should complement investment in basic education to enhance specific skill-sets related to individual industries and value chains,” advises African Development Bank.

The African continent given its competitive edge in natural resources is not industrialising to its full potential. Foreign manufacturers boast high market shares in categories that could be produced more cheaply in Africa for both local and regional markets. Presently, manufacturing sector serves a fraction of fast-growing domestic demand. However, industrialisation is crucial for job creation, export diversification, and diverting resources from less productive activities to newer ones, raising overall productivity, thereby leading to ‘structural transformation’ of the region.

Source: africanreview.com - July 31, 2017

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NATIONAL NEWS

CBEC issues clarifications on GST for textiles sector

The Central Board of Excise and Customs (CBEC) and Commercial Taxes Departments of States/Union Territories have jointly issued clarifications on various aspects related to the Goods and Services Tax (GST). This comes in the wake of protests against various clauses and rules under the GST regime. The clarifications will help the industry in filing GST.

Since raw jute and raw silk have been kept at nil rate slab in the GST, suppliers dealing only in raw jute and raw silk are not required to register, it said.

However, since cotton is placed under 5 per cent rate and farmers are not liable to registration, the buyers of raw cotton from the farmers are required to pay tax on Reverse Charge basis as per Section 9 (4) of the CGST Act.

For readymade garments, all goods of sale value not exceeding Rs 1,000 per piece would be taxed at 5 per cent and the goods of sale value exceeding Rs 1,000 per piece would be taxed at 12 per cent. Therefore, it is the sale value i.e. the transaction value on which the tax has to be paid and not the MRP.

CBEC further clarifies that relaxation in filing of returns for the months of July and August 2017 has already been provided by the GST Council wherein for the first two months of GST implementation, the tax would be payable based on a simple return (Form GSTR-3B) containing summary of outward and inward supplies which will be submitted before August 20 (for July) and September 20 (for August).

However, the invoice-wise details in regular GSTR – 1 would have to be filed for the month of July between September 1 and 5, and for August between September 16 and 20. Form GSTR – 2 would be auto-populated from GSTR – 1.

Source: fibre2fashion.com- July 31, 2017

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GST on garment job works may be lowered to 5%

The panel, headed by Finance Minister Arun Jaitley and comprising of representatives of all the 29 states, is also likely to consider removing anomaly in taxation in cases where the intermediate goods are taxed at the highest bracket than the tax on final output, the source said.

The GST Council is likely to consider this week lowering of tax rates for job works for making garments to 5 per cent from 18 per cent, a source in the finance ministry has said.

The panel, headed by Finance Minister Arun Jaitley and comprising of representatives of all the 29 states, is also likely to consider removing anomaly in taxation in cases where the intermediate goods are taxed at the highest bracket than the tax on final output, the source said.

It will be the first full fledged meeting of the GST Council, chaired by Jaitley and comprising state counterparts, after the roll out of the new indirect tax reform on July 1.

The Council had on July 17 discussed, via video conferencing, hiking cess rate on cigarettes as there was some anomaly in the rate fixed earlier. Apart from reviewing the roll out of the Goods and Services Tax (GST) regime, the 19th meeting of the Council on August 5 may take a look at streamlining the anomalies raised by the industry over the past one month, said sources, who did not want to be named.

Currently, services by way of job works in relation to textile yarns (other than man-made fibre/filament) and textile fabrics attract 5 per cent GST. Other job works in relation to garments attract an 18 per cent levy.

Sources said the Council may look at streamlining it and bring all job works, including for making garments from fabric, under the 5 per cent slab. "This would help the textile sector as the final product was taxed between 5-12 per cent," the source said.

As per the rates decided by the Council, in the textiles category, silk and jute fibre have been exempted, while cotton and natural fibre and all kinds of yarns will be levied a 5 per cent GST. Man-made fibre and yarn will, however, attract a 18 per cent tax rate.

All categories of fabric attract a 5 per cent rate. Man- made apparel up to Rs 1,000 will attract a 5 per cent tax and those costing above Rs 1,000, will attract 12 per cent.

Source: moneycontrol.com- July 30, 2017

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Denims and jeans to be first denim focused show in India

Denimsanjdeans.com, the pioneers of denim exhibition in Bangladesh and Vietnam, is organising its first Indian Denim Show on September 25-26, 2017 in Bengaluru, India. The show will be the first-of-its-kind denim-focused show in India, which will bring reputed denim mills including top local and international garment manufacturers, together on one platform.

Denim has been one of the main booming textile segments in India in the past decade. Where the capacity of Indian mills to produce denim fabrics was only about 300 million meters in 2005, it has risen over 300 per cent, reaching about 1.3 billion; making India stand second only to China globally.

A major part of this production is consumed locally. Over 500 million jeans are being sold in India itself; which is a little more than the approximate 490 million jeans sold in the US currently.

India is now the second largest consumer of denim apparel after China. India is set to get a big lead over US and EU in coming years, as its consumption increases in tier-2 and tier-3 cities, said the organiser in a press release.

Rising government focus and favourable policies is leading to growth in the textiles and clothing industry of India. The Union Government also recently announced a Rs 6,000 crore special package for the textile and apparel sector. This package will bring forth significant flexibility in labour laws, boost exports and generate employment.

"It gives me great pleasure to bring our show to India after successfully running it in Bangladesh and Vietnam.

I feel that the Indian denim industry is at an inflexion point, where we will see it take off strongly and attain depth and breadth. While we are already the second largest consumer of jeans today, we will see the market maturing substantially in terms of usage across regions and demographics.

Our show aims to bring together the major stakeholders in the supply chain to come together and help in this process," said Sandeep Agarwal, founder, Denimsandjeans.com.

Key retailers, buying houses and factories from India as well as from Europe, South East Asia and US are expected to visit this show. It will provide a great opportunity to source denim fabrics and apparel.

Source: fibre2fashion.com- July 31, 2017

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GST regime: Filing returns is the next challenge

About 80 lakh taxpayers, over a dozen clarifications from the government, nearly 500 official workshops and six Master Classes, and just one rate correction amid calls for more revisions... Despite some initial hiccups, the government and India Inc are quite satisfied with the first month of the country's new indirect tax regime – the Goods and Services Tax (GST).

The next major challenge that everyone is gearing up for, however, is the uploading of invoices and filing of returns, which will begin from August-end and culminate in September.

While the Finance Ministry as well as industry leaders believe the initial transition since the GST rollout on July 1 has been quite smooth, both concede it would still take another couple of months for businesses to get completely used to the new levy and its nuances.

A silver lining for both has been that end customers have not been impacted much, unlike in the past when new levies were introduced.

Ministry gearing up

“The phones have stopped ringing. We expect the next rush and call for clarifications to start towards the end of August, when taxpayers will begin filing returns,” said a Finance Ministry official.

While the GST Network has started the facility of uploading of invoices, taxpayers have to file their GSTR 1 for July by September 5.

Over 71 lakh existing taxpayers have already registered for GST. Revenue Secretary Hasmukh Adhia said on Saturday that over 10 lakh new registrations have been approved. “Another two lakh applications are pending and in process,” he said.

Each of them will upload three returns and many assesseees could face problems in uploading and filing.

According to Tejas Goenka, Executive Director, Tally Solutions: “Clients have been quite happy and we have had a large number of registrations and many unregistered dealers are also registering to ensure input tax credit.” But sounding a note of caution, he pointed out that the actual testing of the IT infrastructure and GSTN is yet to be done.

“The government has been very prompt in issuing clarifications on certain issues, which has helped ensure a smooth rollout of GST,” said MS Mani, Senior Director, Deloitte. “But the technological preparedness will be tested when the input tax credit matching begins and returns are filed in September.”

Meanwhile, the Central Board of Excise and Customs is now working on a new IT project for mapping of GST taxpayers. This will allow officers to know the details about each taxpayer in their jurisdiction with a click on their computer.

Other pending issues remain the setting up of the Anti-Profitteering Authority and the finalisation of the E-way Rules and system.

These are expected to be taken up in the next meeting of the GST Council, in August.

Clamour for review

It could also take up some more proposals for a review of tax rates under GST, as many sections of the industry – ranging from religious institutions to textile manufacturers, solar equipment providers and sanitary napkin makers, have been calling for a review of the rate due to a higher incidence.

“The GST Council will also look into a number of issues that were referred to the sectoral industry groups so that specific issues are addressed. These include input tax credit to the leasing industry, multiple value-addition levels in the textile sector making compliance challenging, and inverted duty structures,” said Mani.

Source: thehindubusinessline.com- July 31, 2017

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GST on textiles, clothing job work MMF – Problem areas

The Central Government’s decision on GST in respect of the textiles and clothing sector (T and C) is on expected lines. By and large, the industry’s pleas for a lower rate of GST have been accepted. Not with standing this, two problem areas have been flagged off for the government’s consideration one is job work and second is GST on manmade fibres (MMF) and yarn.

What is encouraging is the statement of Union Finance Minister Arun Jaitley that he is giving three months’ time to see the operation of GST, after which he would examine various demands raised by Southern India Mills Association (SIMA) and other textile bodies.

While the GST on job work up to fabric stage has been cut from 18 per cent to 5 per cent the reduction has not been extended to apparel or garment in the textile value chain. As per the government’s interpretation only services classified as job work in relation to yarn and fabrics of textiles are eligible for the reduced rate of 5 per cent. On the other hand, the industry contends that job work is a manufacturing process and, hence, should be charged at the reduced rate.

Table 1.1: Installed capacity in mills (Non-SSI)

Year	No. of Mills			Installed Capacity		
	Spinning	Composite	Total	Spindles (Mn.)	Rotors (000)	Looms (000)
As of 31st march 2001	1565	281	1846	35.53	394	123
As of 31st march 2002	1579	281	1860	35.75	409	123
As of 31st march 2003	1599	276	1875	36.1	379	119
As of 31st march 2004	1564	223	1787	34.02	383	88
As of 31st march 2005	1566	223	1789	34.24	385	86
As of 31st march 2006	1570	210	1780	34.14	395	73
As of 31st march 2007	1608	200	1808	35.61	448	69
As of 31st march 2008	1597	176	1773	35.01	461	56
As of 31st march 2009	1653	177	1830	37.03	485	57
As of 31st march 2010	1673	180	1853	37.68	494	57
As of 31st march 2011	1757	183	1940	42.69	518	52
As of 31st march 2012	1761	196	1957	43.31	523	52
As of 31st march 2013	1771	198	1969	44.17	546	52
As of 31st march 2014	1757	197	1954	44.47	553	51
As of 31st march 2015	1776	200	1976	45.08	565	52
As of 31st march 2016	1779	201	1980	46.00	581	53

In textile clusters like Tirupur, a host of operations such as garment printing, embroidery, garment washing, ironing and packing are carried out by micro units on a job work basis. Some of these processes such as checking, ironing and button fixing are actually carried out by people who take their work to their home for job work.

As for the MMF segment, GST is proposed to be charged

at 18 per cent on yarn and 5 per cent on fabrics. Tirupur Exporters Association President Raja Shanmugam wants the rate on yarn to be pared down to 12 per cent, if not up to 5 per cent. The customs duty on MMF also needs to be reviewed and reduced if not abolished to enable the textile sector to use more MMF and reduce dependence on cotton, a natural fibre.

Currently, India he says is losing ground in the global market in respect of MMF based items. This is because the ratio of cotton and synthetic usage is 70:30. It is the reverse globally. The 18 per cent GST on yarn makes the MMF-based products uncompetitive in the global market. Domestically, smaller MMF units will be badly hit.

Many a Tirupur exporter apprehends that job working units in the city will be badly affected as several owners of these units which operate out of homes and small dwellings employ family members and relatives. They are in a “dilemma” at the moment. Moreover many owners of job working units lack formal education and will have to employ a person for filing returns online.

The working capital of micro, small and medium enterprises would be impacted as they would have to pay GST up front and later recover the same from the principal. Coming to MMF, yarn and fabric units will find it hard to recover the GST paid as the mechanism for availing of tax credit is available only partially says, Sakthivel, TEA Executive Secretary.

Table 1.2: Installed capacity of small spinning Industry

Year	No. of SSI Units	Spindles (Mn.)	Rotors ('000)
As of 31st march 2001	1021	2.23	71
As of 31st march 2002	1046	2.58	71
As of 31st march 2003	1146	2.93	89
As of 31st march 2004	1141	3.03	99
As of 31st march 2005	1161	3.22	115
As of 31st march 2006	1173	3.37	125
As of 31st march 2007	1236	3.89	153
As of 31st march 2008	1219	4.06	160
As of 31st march 2009	1247	4.31	174
As of 31st march 2010	1260	4.36	181
As of 31st march 2011	1390	4.79	220
As of 31st march 2012	1332	4.96	244
As of 31st march 2013	1302	4.91	250
As of 31st march 2014	1311	4.97	261
As of 31st march 2015	1325	5.06	267
As of 31st march 2016	1335	5.22	279

Customs and Excise duties that apply to MMFs are a major factor in determining the price structure, with no revision in 2017 – 2018 Budget.

The customs duty stands at 5 per cent. In addition, there is a 4 per cent special additional duty and an excise duty equivalent to 12.5 per cent. This brings the total duty incidence to 22 per cent.

The MMF producers believe that import of fibres will be cheaper than indigenous ones even after taking into account costs involved in freight, insurance customs and countervailing duties.

But with anti-dumping duties on raw materials to manufacture fibres, imported prices will be higher than domestic ones. This would significantly benefit MMF producers because of import parity. This means domestic prices are linked to imported prices. Local prices will be almost the same as imported ones enabling them to earn a higher benefit.

Our current reputation in global market is basically only as an efficient supplier of fibre yarn and filament fabrics. Our presence in the final products of garments and made-ups based on MMF is limited and extra efforts are needed to market them.

Obviously, the government's export incentives for these segments should be more liberal. Globally, India ranks second in man-made filament yarn production. It has 12 per cent share of global production of cellulose fibres and filaments and 7 per cent of global capacity.

Installed capacity and production of viscose staple fibre is much higher than domestic consumption. This means increased availability for exports. Domestic consumption is 75 per cent of production and the rest is exported. But opposite is the case for viscose filament yarn. And import of viscose filament yarn is significantly higher than domestic consumption. The end of the quota regime meant an increase in fresh investment in the textile sector. The pace of investment needs to be stepped up.

Rising input costs are a major factor affecting exports worldwide. With India enjoying the advantage of its own source of raw materials, this needs to be leveraged to gain a competitive edge over other countries.

Moreover, exports of cotton and cotton yarn need to be regulated in a manner that protects the domestic industry from major fluctuations in raw material prices. There is potential to increase exports by capacity build-up in the sector. For this, improving the compliance level in the factories by introduction of common code for the apparel sector is necessary.

Source: apparelviews.com- July 27, 2017

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Embroidered sarees to attract 5% GST: CBEC

Sarees, whether designer or embroidered, will attract a five per cent Goods and Services Tax (GST), the tax department said today.

Clearing the air over whether sarees will be treated as garments or fabric, the Central Board of Excise and Customs (CBEC) said sarees are treated as fabric and it remains so even after embroidery etc as no new item emerges having a distinct name, character and use.

"Therefore the sarees, whether, embroidered or not would be taxed at the same rate at which the fabric is taxed," the CBEC said in a set of frequently asked questions (FAQs).

It said 5 per cent GST is levied on job processes relating to the textile yarn (other than man-made fibre/filament) and fabrics.

With regard to dress materials, the FAQ clarified that if the sale value is not exceeding Rs 1,000 then a 5 per cent GST will be levied and in cases where it exceeds Rs 1,000, a 12 per cent GST will be charged.

As per the GST rate decided by the GST Council last month, all categories of fabric attract a 5 per cent rate.

Man-made apparel up to Rs 1,000 will attract a 5 per cent tax and those costing above Rs 1,000, will attract 12 per cent.

In regard to sale of old dhotis, the CBEC said it would be treated as "worn clothing" and will be taxed as apparel based on sale value.

"As presumably the old cotton dhoti would be below the sale value of Rs 1,000 per piece, it would be taxed at 5 per cent," the CBEC said.

With regard to new dhotis, it clarified that the tax rate will be 5 per cent.

The CBEC has also clarified that jute handbags and shopping bags would be taxed at 18 per cent under the GST, which came into effect on July 1.

Source: ptinews.com- July 31, 2017

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Nirmala Sitharaman: Government negotiating 21 trade agreements with different countries

Union Commerce Minister Nirmala Sitharaman on Monday said the government was in the process of negotiating 21 trade agreements with different countries, including Israel and Mauritius.

"The Department of Commerce is negotiating 21 trade agreements including with Israel and Mauritius. The Free Trade Agreements (FTA) negotiations are a continuous process and it is difficult to predict a time-line for conclusion," Sitharaman said in a written reply in the Lok Sabha.

As regards an FTA with Eurasian Economic Union, a joint statement to launch negotiations for FTA between India and the Union has been signed on June 3.

"Assessment evaluation of FTAs is a continuous process including on sectors such as steel and agriculture. Before entering into negotiations with its trading partners, studies are undertaken internally, as well as through the Joint Study Group (JSG) to study the feasibility of the proposed FTAs, including their impact on the domestic stakeholders including the apex chambers of commerce and industry, industry associations as well as the administrative ministries and departments," she said.

In order to protect the interest of the domestic industry and agriculture sector, these agreements provide for maintaining sensitive/negative lists of items on which limited or no tariff concessions are granted under the FTA. The government has largely adopted a conservative policy on agricultural products by maintaining a large number of them in the negative list of FTAs.

In addition, in case of a surge in imports and injury to the domestic industry, a country is allowed to take recourse to the measures such as anti-dumping and safeguards.

India has not entered into any new FTA or Preferential Trade Agreement (PTA) during the last three years. However, India expanded the scope of the India-Association of Southeast Asian Nations (ASEAN) Trade in Goods (TIG) agreement in November, 2014 to cover both services and investment with its date of implementation being July 1, 2015.

As of now, 11 FTAs are in force with countries, including Sri Lanka, Thailand, Singapore, South Korea, Japan and Malaysia.

Six PTAs are in force with countries including, Afghanistan and Chile.

Source: ahmedabadmirror.com- July 31, 2017

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Hyderabad round to give impetus to RCEP talks: Commerce Ministry

The recently concluded round of talks in Hyderabad for the mega trade deal RCEP would give an impetus to negotiations, the commerce ministry said today. About 700 officials from 16 countries including India, China and Australia, gathered at Hyderabad during July 17-28 to negotiate the Regional Comprehensive Economic Partnership (RCEP).

In an official statement, Commerce Secretary Rita Teotia said it is important that the RCEP offers a positive and forward looking alternative on account of increasing protectionism across the globe. "... India is constructively engaged in RCEP and hopes that the 19th RCEP Round in Hyderabad would find innovative ways to provide impetus to the negotiations," she said.

The secretary also said that "while RCEP is a beacon of hope for free trade, its real success will be measured by its ability to bring prosperity, economic growth, decent living standards, creation of jobs and greater business opportunities for the people of the region, in an equitable manner".

During the negotiations in Hyderabad, member countries agreed to achieve a set of key elements for significant outcomes by the end of this year. The negotiations also highlighted the need for a balanced discussions to progress talks across all areas, the ministry said.

"During the meeting, all RCEP participating countries agreed that a good agreement has immense potential to deliver on new economic opportunities including job creation that are much needed in today's world of uncertainty," it added.

Further the members also shared commitment to work together in a cooperative manner to push the negotiations in an accelerated way in order to achieve a modern, comprehensive and a mutually beneficial pact that addresses and balances the aspirations and sensitivities of participating countries.

The RCEP aims at liberalising norms for trade in goods and services and boost investment among 16-member countries.

The members comprises 10 ASEAN members (Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand, the Philippines, Laos and Vietnam) and their six FTA partners – India, China, Japan, South Korea, Australia and New Zealand.

The talks for the pact started in Phnom Penh in November 2012. The 16 countries account for over a quarter of the world's economy, estimated to be more than USD 75 trillion.

Source: financialexpress.com- July 31, 2017

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