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IBTEX No. 25 of 2020 **February 01, 2020**

US 71.50| EUR 79.32 | GBP 94.41| JPY 0.66

Cotton Market (Jan 31, 2020)		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19043	39800	**70.77**
Domestic Futures Price (Ex. Warehouse Rajkot), February		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19520	40797	**72.54**

International Futures Price	
NY ICE USD Cents/lb (March 2020)	70.06
ZCE Cotton: Yuan/MT (May 2020)	13,515
ZCE Cotton: USD Cents/lb	88.30
Cotlook A Index – Physical	**79.35**

Cotton Guide- With all that is happening in China, the market is undecided as to which way to go. They are finding it difficult to judge whether to go long or to go short. We have therefore seen price fluctuations in both directions in the recent few sessions.

The Market is more interested to look at the demand estimates which can be gauzed from the US Export Sales figures to be released very soon. The prices will move in the upward direction by around 100 points if the US Export Sales Figures are strong. On the flip side, the prices could even take a dip by around 200 points if the Export Sale Figures are weak. Our view is – the Export sales figures would not be strong, which in turn will be bearish for cotton in the near future.

The ICE March contract yesterday settled at 70.06 cents per pound with a change of -30 points. The ICE May and the ICE July contract settled at 70.69 cents per pound and 71.48 cents per pound with changes of -23 and -16 points respectively. This morning while we write this report at 10 am, the markets are already in red with ICE March down by 31 points and currently trading at 69.76 cents per pound. We can expect higher volumes and huge volatility today.

The MCX contracts on the other hand, behaved consolidated. The MCX February contract settled at 19,520 Rs per Bale with a slight change of +30 Rs. The MCX March contract settled at 19,810 Rs per Bale with a change of +60 Rs. The Volumes were higher at 2,050 lots.

The Cotlook Index A has been updated positive at 79.35 cents per pound with a change of +75 points. The prices of Shankar 6 are at 39,800 Rs per Candy citing a change of +200 Rs. Punjab J-34 is steady at 4,103 per maund. Today's private estimate of arrivals is 240,000 lint equivalent bales, including 57,000 from Maharashtra, 53,000 from Gujarat and 58,000 from Telangana.

The Fed on the other hand has kept interest rates unchanged.

On the fundamental front, we presume a consolidated trend with a negative bias for both ICE and MCX. On the technical side, in the daily chart, ICE Cotton March retraced from the resistance of 76.4% Fibonacci retracement level & a downward sloping channel (red channel) resistance around 70.94, which is within an upward sloping channel (green channel). Meanwhile price is around the 5 & 9 day EMA at 69.95, 70.03 acting as an immediate support for the price, along with RSI at 51 suggesting a phase of sideways bias in the market. However, the immediate support for the price would be 69.00, followed by 68.44 which are the previous close & 50% Fibonacci retracement level resp & the immediate resistance is around 70.94 (76.4% Fibonacci retracement level). Thus for the day we expect price to hold the range of 68.40-70.60 with a sideways bias. In MCX Jan Cotton, we expect the price to trade within the range of 19150-19600 with a sideways to positive bias.

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

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INTERNATIONAL NEWS

USA: Clothing and Footwear Spending Dipped in December, Capping a Volatile Year

Consumer spending on clothing and footwear dropped in December for the second straight month after rising in October, the U.S. Bureau of Economic Analysis (BEA) reported on Friday.

Personal consumption expenditures (PCE) for the sector fell 0.11 percent in December to $413.01 million compared to $413.45 million in November, after peaking for the year in October at $415.02 million. Monthly spending on clothing and footwear was up and down throughout 2019, likely reflecting the category's seasonality and uneasy consumer economic confidence.

Similar patterns were found in retail sales reported by the U.S. Census Bureau Retail, which earlier this month said clothing and accessories store sales were down 1.6 percent in December year-over-year. Overall retail sales in December, excluding auto dealers, gas stations and restaurants, increased a seasonally adjusted 0.5 percent over November, which had dipped 0.1 percent from October.

Outpacing the spending in clothing and footwear, BEA reported that overall PCE increased 0.3 percent, or $46.6 billion, last month. Real PCE, adjusted for inflation, rose 0.1 percent, or $6.8 billion, while the PCE price index increased 0.3 percent. Excluding food and energy, the core PCE price index was up 0.2 percent.

The increase in real PCE in December reflected an increase of $2.5 billion in spending on goods and a $4.4 billion rise in spending on services, BEA said. Within goods, spending on prescription drugs was the leading contributor to the increase, while in services, the largest contributor to the increase was spending on health care.

Personal income rose 0.2 percent, or $40.7 billion, in December, according to BEA. Disposable personal income (DPI), a key gauge for retail spending, increased 0.2 percent, or $30.6 billion. Real DPI decreased 0.1 percent in the month.

The increase in personal income in December primarily reflected increases in compensation of employees and personal interest income that were partially offset by a decrease in farm proprietors' income, BEA said. Farm proprietors' income decreased $36.2 billion in December, which included a decrease in subsidy payments associated with the Department of Agriculture's Market Facilitation Program, which includes cotton growers.

Personal outlays increased $51.5 billion in December, while personal saving was $1.28 trillion. The personal saving rate–personal saving as a percentage of disposable personal income–was 7.6 percent.

Source: sourcingjournal.com- Jan 31, 2020

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Levi's Revenue Climbs 3 Percent in FY19, 100 Stores to Open This Year

Levi Strauss is set to open 100 stores in 2020, as the denim giant is seeing strong gains on the international front and in e-commerce.

In a Nutshell: While fourth-quarter revenue was "masked" by Black Friday falling in the first quarter of fiscal 2020, Levi Strauss & Co. still posted a 3 percent gain in net revenue for the year.

The company said expectations for fiscal 2020, as compared to fiscal 2019, are for net revenue growth of around 6 percent. This estimate incorporates anticipated benefits of a Black Friday week in the first quarter, and a 53rd week, which will fall in the fourth quarter and will include a second Black Friday.

Adjusted earnings before interest and taxes (EBIT) margin expansion is expected in the range of 30 to 40 basis points, reflecting gross margin expansion partially offset by an increase in adjusted sales, general and advertising (SG&A) expense as a percentage of revenues. Adjusted diluted earnings per share (EPS) is forecast in the range of $1.18 to $1.22.

Capital expenditures are expected to be approximately $200 million to $210 million, with nearly 100 new company-operated store openings on a gross basis in 2020, in addition to 80 stores from the company's acquisition in South America.

Sales: Net revenues for the fourth quarter ended Nov. 24 declined 2 percent to $1.57 billion.

The company's direct-to-consumer net revenues were flat in the quarter, as expansion and improved performance of the retail network and e-commerce growth were offset by the lack of a Black Friday benefit in the current year. This, in turn, adversely impacted the year-over-year direct-to-consumer net revenues growth comparison by 7 percent, and the total company net revenues growth comparison by about 2 percent.

Net revenues from the company's wholesale business declined 1 percent on both a reported and constant-currency basis, as a 4 percent decline in U.S. wholesale was partially offset by growth in Europe.

In the Americas, net revenues declined 5 percent, with the region's direct-to-consumer net revenues falling 7 percent, reflecting the lack of a Black Friday benefit in the current year, which adversely impacted the year-over-year direct-to-consumer net revenues growth comparison by about 9 percent, and the total region's net revenues growth comparison by about 2 percent.

The region's wholesale net revenues declined 4 percent, primarily reflecting reduced shipments to the off-price channel in 2019, the Dockers line reset in the second half of 2018, and the impact of an acquisition of a South American distributor in 2019.

In Europe, net revenues grew 5 percent, reflecting continued broad-based growth in both direct-to-consumer and wholesale channels across the region. The lack of a Black Friday benefit in the current year adversely impacted the total region's year-over-year net revenues growth comparison by about 3 percent.

In Asia, net revenues grew 1 percent, primarily on growth in the direct-to-consumer channel. Revenue growth across most of the region's markets was partially offset by declines in Hong Kong, reflecting the unrest there, and in India, a seasonal shift in the timing of shipments.

For the year, net revenues grew 3 percent to $5.8 billion. The lack of a Black Friday benefit in the fourth quarter and the acquisition of a South American distributor in 2019 collectively adversely impacted the company's year-over-year net revenues growth comparisons by about 1 percent.

The company's direct-to-consumer net revenues grew 10 percent due to performance and expansion of the retail network and e-commerce growth– the company's retail network had 81 more company-operated stores at the end of 2019 than a year prior.

Wholesale net revenues grew 2 percent, reflecting international growth partially offset by a 3 percent decline in U.S. wholesale net revenues.

Earnings: Net income for the fourth quarter fell 2 percent to 96 million compared to $97 million a year earlier.

Operating income for the quarter was up 2 percent $132 million, as higher net revenues in Europe and Asia were partially offset by higher SG&A expenses associated with the expansion of the company-operated retail network.

Gross profit of $851 million for the fourth quarter rose 1 percent from $847 million in the prior year. Gross margin of 54.3 percent of net revenues was up 110 basis-points compared with 53.2 percent in the same quarter of 2018, primarily reflecting lower sales to the off-price channel and price increases. Currency unfavorably impacted fourth-quarter gross margin by 20 basis points.

For the year, net income rose 38.6 percent to $395 million from $285 million in the prior year, primarily due to a charge in 2018 from the impact of the change in tax law in the United States.

For the year, gross margin was flat on a reported basis. Currency unfavorably impacted fourth-quarter gross margin by 60 basis points. Excluding the unfavorable currency effects, gross margin expansion reflected direct-to-consumer and international growth and the benefit of price increases the company has taken.

CEO's Take: Chip Bergh, president and CEO of Levi Strauss & Co, said: "We are pleased with our results in fiscal 2019. We delivered six percent revenue growth for the year on a constant-currency basis, at the high end of our expectations.

Growth was broad-based by region, channel and category. Underlying fourth quarter organic revenue growth met our expectations in spite of being masked by Black Friday falling in fiscal 2020. We outperformed our fourth-quarter expectations in U.S. wholesale, gross margin and EPS…As we look ahead to 2020 and beyond, we are confident we'll continue to drive profitable growth over the long-term by executing our strategies."

Source: sourcingjournal.com- Jan 31, 2020

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Mexico's Intermoda Expands International Offer

During the 72nd edition of Guadalajara, Mexico's textile-and-apparel sourcing event Intermoda—dubbed "Intermoda Fashion and Business"—visitors found clothing, accessories, footwear and, in the women's aisle, a broad assortment of dresses, from wedding to quinceañera collections.

"One of the things about Intermoda is that you can find everything now—and I mean everything," said Jaime Barba, president and part owner of the biannual Mexico apparel-industry sourcing fair.

He said the event, billed as Mexico's largest of its kind, has grown 50 percent over the past 10 years, with its global-sourcing wing now drawing more than 100 buyers from the United States and nearly 50 from California.

"We have grown to 1,520 stands and 1,000 brands," Barba said during the four-day event's Jan. 14–17 edition in Mexico's fashion capital.

Barba said California firms—highlighting jeans-wear label Ranger as one scouting for denim shirts and Little Kids Wear as searching for finished apparel or full-package suppliers—account for the largest buyer delegations visiting the fair, which also boasts showrooms, a new-designers wing and several runway shows.

There was also a strong lingerie presence, dominated by big stands from Colombia’s Leonisa and Ann Chery. California visitors often come searching for childrenswear, denim, women’s sportswear and specialized imported fabrics. A growing Asian pavilion saw Thailand added to the fold.

Barba said that U.S. buyers, who also came from Texas, Arizona and Illinois, ordered roughly $1.3 million in product. Meanwhile, he estimated international sourcing contracts for the whole fair totaled $45 million.

Intermoda comes as Mexico hopes to recover textile and apparel exports to the U.S., which fell 6.4 percent between 2017 and 2018 to hover around $4 billion as NAFTA’s 2.0 rewrite and presidential elections hurt trade.

Top industry lobby Canaive Yucatán director Fernando Muñoz forecasted exports could jump 3 percent this year as long as U.S. demand remains relatively firm.

Yucatán is working to diversify its fashion offerings, most notably with the recent purchase of a digital-printing machine to make larger amounts of pricier linen and cotton apparel, Muñoz added. This includes guayaberas, or Cuban-style summer dress shirts that local brands such as Hábito and G.Candila sell to markets in California and Florida, which Muñoz claimed buy 60 percent of all U.S.-bound Mexican garments.

“We make 100,000 guayaberas monthly, of which 5,000 are exported,” said Muñoz. “We hope to begin exporting at least 5 percent more every year.”

That may be easier said than done, said Emilio Penhos, owner of the outerwear brand Shyla, who said that Mexican trademarks face tough challenges planting a flag in the U.S.

“There are many practical and marketing know-how barriers,” he said. “It’s very difficult to be recognized in a highly competitive market unless you have a local structure and good partnerships.”

Additionally, Penhos mentioned that greater marketing efforts would benefit the Mexican apparel market. “Mexican brands have to do a better job at marketing themselves. Everyone knows Corona beer, for example, but hardly anyone knows Mexican fashion.”

Source: apparelnews.net- Jan 31, 2020

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What’s New In Cotton™ to focus on innovation and sustainability

Sustainability and innovation will be the focus at Cotton Council International’s (CCI) upcoming What’s New In Cotton™ booth in Hall 6, C53 at Première Vision in Paris, France, on February 11-13.

“U.S. cotton’s sustainability and innovation are What’s New In Cotton™ right now,” Bruce Atherley, Executive Director, CCI said. “At Première Vision we will present innovative technologies utilizing U.S. cotton, designed to inspire the textile industry, such as innovative traceability solutions and a sustainable alternative to traditional stretch fabrics.”

Regarding sustainability, Atherley said that CCI will introduce the new U.S. Cotton Trust Protocol, a program that provides U.S. cotton farmers a voluntary way to formally document and communicate common elements of best management practices – a significant step that further shows that U.S. cotton is shrinking its environmental footprint.

“The Trust Protocol will provide U.S. cotton’s customers the confidence that they are sourcing, spinning and selling sustainably-produced U.S. cotton,” he said. “Through the collection of robust data, the Trust Protocol will remove risk by giving U.S. cotton’s customers the evidence they need to demonstrate progress toward the United Nations Sustainable Development Goals and other sustainability pledges – making the Trust Protocol the right choice for today and tomorrow.”

Visit the COTTON USA™ booth at Première Vision to learn more about U.S. cotton’s sustainability and the innovative ways U.S. cotton can be used to boost your business.

Source: indiaretailing.com- Jan 31, 2020

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Positive results after 1st round of Cambodia-PRC FTA talks

The first round of negotiations for a Cambodia-China free trade agreement (FTA) highlighted the potential for creating strong economic and investment partnerships between the countries in the upcoming years, according to Cambodia's commerce ministry, which recently said 'positive results' were achieved during the exchange of ideas during the meeting.

The FTA aims to boost bilateral trade to $10 billion by in the next three years.

During bilateral talks on January 20-23 last year in Beijing, Prime Minister Hun Sen and his Chinese counterpart Li Keqiang approved a feasibility study on the potential FTA, Cambodian media reports cited the ministry as saying.

The first round of negotiations was held in Beijing on January 20-21 and was presided by commerce secretary of Cambodia Sok Sopheak and China's assistant minister of commerce Ren Hongbin.

Ministry spokesman Long Kemvichet said an FTA can be considered as the next step in strengthening a rule-based trading system with partners.

Garment Manufacturers Association in Cambodia deputy secretary general Kaing Monika said the moves towards an FTA is the right direction and the right time for Cambodia to start looking at negotiating FTAs with various countries and blocs.

The second round of negotiations is expected to be held in Cambodia in the first half of 2020, the ministry added. Bilateral trade volume between the two countries reached $7.4 billion last year, a 22 per cent increase compared to 2017's $6.04 billion, ministry data shows.

Source: fibre2fashion.com- Jan 31, 2020

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Myanmar's apparel sector adopts environment friendly initiatives

Myanmar has begun investing in environmental sustainability. Till now, only one garment manufacturer in the nation has been certified Leadership in Energy and Environmental Design platinum.

Two other facilities, both operated by garment manufacturer Guston Amava, comprise 34 per cent recycled building materials, such as reclaimed steel, in their construction, along with rooftop solar panels, an evaporative cooling system and water-reduction features.

However, Myanmar has a long way to go. Factories are missing cost-saving benefits of making their operations greener and securing higher investments as buyers pay closer attention to sustainable production.

Myanmar is one of the world's fastest growing garment, footwear and travel goods suppliers. But this growth also results in increased environmental impact, which requires best-practice solutions for improved production efficiency, energy, water and waste management.

At a time when retailers and consumers are paying close attention to the conditions under which their garments are produced, ethical and sustainable production is a big deal.

Making their operations more environmentally friendly will help factory owners compete with other sourcing markets and give them a better chance of retaining existing orders and securing new business. Else they face the danger of ceding business to competitor countries.

Source: fashionatingworld.com- Jan 31, 2020

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Global apparel industry facing numerous challenges

Challenges confront the global apparel industry in 2020. Polarisation of manufacturers is continuing, with top class of large, well equipped manufacturers growing their market share at the expense of smaller suppliers. Domestic production in the US and in Europe is growing, but its market share is still very small. All of these trends are expected to continue in 2020.

The supply chain needs to accelerate the transformation to a more demand driven model. That's a prerequisite for improving the bottom line. The challenge is for buyers and manufacturers and their suppliers to build responsive, flexible and sustainable value chains that are able to deliver the right product in the right amount at the right time.

This requires collaboration which in turn requires from buyers to look beyond cost, to be prepared to share part of the investment burden by forfeiting short term lower buyer prices for long term gains and to engage suppliers as strategic partners. It also requires an acceleration of implementation of the ample technology available to move the industry into the digital age.

Another challenge is to reduce the environmental impact of clothing. Once improvements are made they must be communicated in the right way to consumers.

Source: fashionatingworld.com- Jan 31, 2020

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Turkey-Gambia bilateral trade on the rise’

Hon. Lamin Jobe, Gambia’s Minister for Trade, Regional Integration and Employment has revealed that data has shown that bilateral trade between Turkey and The Gambia has been on the rise for the past decade.

He added that while there was hardly any trade between Turkey and The Gambia in the 90s, the bilateral trade volume reached USD2M in 2000, USD21M in 2011, USD36M in 2012 and USD38M in 2017.

Minister Jobe made these remarks on Monday during the opening of a Turkey-Gambia business forum held at Paradise Suites Hotel.

The forum was jointly organised by Gambia Chamber of Commerce and Industry, Turkish Foreign Economic Relations Board, Gambia’s Ministry of Trade Regional Integration and Employment and Gambia Investment and Economic Export Promotion Agency as part of activities of the visiting Turkey President to The Gambia.

The forum was geared towards bringing together business operators from the two countries as part of ongoing efforts to widen and deepen trade and investment ties between the two nations.

Trade Minister Jobe added that the volume of trade largely consists of Turkish export to The Gambia.

He pointed out that currently Turkish clothing and home textile industries have a significant place in the world market, adding that the clothing and textile industry in Turkey is largely based on cotton and domestic output and does not fully meet the demand which makes Turkey the third largest cotton importer.

He further said that about eight percent of the cotton trade in the world is invested in sub-Saharan Africa which has more planting capacity and a competitive advantage due to the AGOA.

In The Gambia, Hon. Jobe said “we have 43.5 percent bearable land as a share of land area,” adding that in the past cotton used to be the second cash crop after groundnut in The Gambia.

According to him, work has already begun to revive the sector starting in the Upper River Region considering that our main cash crop has lost value in the international market.

“We are hence promoting the production of cotton, cashew, sesame and horticultural products as well as light manufacturing and ICT.” He added that in this regard, Turkey can provide technical, technology and vocational education support to increase productivity in these sectors and give mutual benefit.

He observed that since the first Turkey-Africa Summit in 2008, Turkey has blended the development package; technology transfer, human resource development and infrastructure development has contributed to Africa’s resurgence.

He noted that the government of The Gambia has embarked on serious reforms to continue to enhance the competitive test and increase inflow of foreign direct investment into the country.

Ruhsar Pekcan, Turkish Customs and Trade minister, said many Turkish investors intend to invest in The Gambia, adding that Turkish industries also intend to build infrastructure in The Gambia.

She highlighted that they are more than willing and ready to support Gambia’s development plan.

“Africa is of great importance to us and I hope this will be the seed of many fruitful relations,” she stated.

Source: thepoint.gm- Jan 31, 2020

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Pakistan: Slowdown continues on cotton market

Cotton broker Syed Mudabbir Shah said that trading activities are sluggish as ginners await the PCGA report which will be released on Feb 3.

The arrival of phutti (seed cotton) in the market has shrunk to the extent that ginning factories are shutting down, he said. “Even the farmers have stopped selling phutti since they are also pinning their hopes on the outcome of the PCGA report,” Shah added.

The export of Chinese cotton products and other goods have been halted. Pakistani importers have also stopped opening of LCs of Chinese cotton products.

Cotton analyst Naseem Usman said that trading activities have slowed down locally while international cotton markets are also dull as coronavirus outbreak fears continue.

Phutti prices in both Sindh and Punjab remained between Rs3,200-4,850.

The following deals were reported to have changed hands on ready counter: 600 bales, station Rahim Yar Khan, at Rs9,300; 400 bales, Shujabad, at Rs9,200; 1,000 bales, Haroonabad at Rs8,600; 400 bales, Yazman, at Rs8,550; 200 bales, Ahmedpur East, at Rs8,700; 400 bales, Hasilpur, at Rs8,400; and 400 bales, Khanewal, at Rs8,300.

Source: dawn.com- Feb 01, 2020

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NATIONAL NEWS

India has benefited overall from free-trade agreements

Some experts argue gains are mostly in case of smaller partners, while deficit is on the rise with larger ones

India has benefited overall from the free-trade agreements (FTAs) signed with its trade partners from the perspective of trade balance, according to the Economic Survey. The only countries where the percentage increase in import was higher than that of exports were Japan, South Korea and Sri Lanka

However, some trade experts point out that the benefits mostly accrue with respect to trade partners who are small in size and suffer from supply constraints, while India's trade deficit is increasing with most major partners.

"From the perspective of trade balance, India has clearly gained in terms of 0.7 per cent increase in trade surplus per year for manufactured products and of 2.3 per cent increase in trade surplus per year for total merchandise," said the survey.

At least seven of the 14 trade agreements with partners including Bhutan, Singapore, Chile, Nepal, ASEAN (Association of Southeast Asian Nations), MERCOSUR (a South American trade bloc) and Afghanistan have benefited exports of manufactured products from India, it said. Four of the agreements — with Sri Lanka, Thailand, South Asia and BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) — have had no effect on exports. Only in the case of Japan and South Korea have exports of manufactured goods suffered.

RCEP exit

The issue of whether India has gained from FTAs has assumed greater significance in the context of the country's decision to exit the Regional Comprehensive Economic Partnership (RCEP) pact with 15 other nations including China and those in ASEAN.

“Interestingly, most of the countries where India has gained are small players and are not much of a match for India, as they have supply constraints,” pointed out Biswajit Dhar, Professor, JNU.

Moreover, many of the agreements, such as the ones with Bhutan, Nepal, Chile, BIMSTEC and Afghanistan, are merely trade arrangements or preferential trade agreements (PTAs) with limited impact, and not full-fledged FTAs.

The big fishes

“What matters are the trade agreements with large players, and the fact remains that India’s trade deficit with most big trading partners is increasing,” Dhar said.

While the Economic Survey itself points out that India’s trade deficit worsened with Japan, South Korea and Sri Lanka after the bilateral trade pacts were signed, figures released by the Commerce and Industry Ministry reveal that India’s trade deficit with the 10-member ASEAN increased to $22 billion in 2018-19 compared with a deficit of $13 bilion a year ago.

As per figures given in the survey, the overall impact on India’s exports to the partners with which the agreements have been signed, is 13.4 per cent for manufactured products and 10.9 per cent for total merchandise. The overall impact on imports was found to be lower at 12.7 per cent for manufactured products and 8.6 per cent for total merchandise.

Source: thehindubusinessline.com- Jan 31, 2020

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Rise in drawback rates comes as relief for textile industry

The increase in drawback rates on made-ups and garment exports has come as marginal relief to the textile industry which is going through testing times. The new rates will come into force from February 4.

The increase in the drawback rates is on account of various factors such as the changes in the duties, price (CIF) of imported inputs, FOB value of exports and import intensity.

KV Srinivasan, Chairman, the Cotton Textiles Export Promotion Council, said that the rise in drawback rates for cotton textiles products will improve competitiveness of these products in the export markets. Exporters are passing through challenging times on account of difficult export market conditions combined by the removal of some export benefit recently.

Source: thehindubusinessline.com- Jan 31, 2020

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Call for an 'Assemble in India for the World' initiative: Economic Survey

Survey says this should be integrated into Make in India to create 4 cr jobs by 2025

To boost exports, India must focus on a set of industries, referred to as 'network products', where production processes are fragmented but controlled by leading MNCs within their "producer driven" global networks.

The Economic Survey has suggested integrating 'Assemble in India for the World' plan into the Make in India programme so that the country can raise its export market share to about 3.5 per cent by 2025 and 6 per cent by 2030.

"In the process, India would create about four crore well-paid jobs by 2025 and about eight crore by 2030," the Survey said.

It further said the incremental value added in the economy from the target level of exports of network products, which is expected to reach $248 billion in 2025, would make up about one-quarter of the increase required for making India a $5-trillion economy by 2025.

Competing with China

The Survey noted that China's remarkable export performance vis-à-vis India is driven primarily by specialisation on a large scale in labour–intensive activities, especially network products, where the production occurs across global value chains operated by MNCs.

Examples of network products include computers, electronic and electrical equipment, and telecom gear.

It pointed out that China enjoys a much greater share of the global export market than India primarily due to its focus on specialisation. But the Survey said that India is clearly catching up with China in terms of diversification across products and markets.

Spreading exports thinly

High diversification combined with low specialisation implies that India is spreading its exports thin over many products and partners, leading to a lacklustre performance compared to China, it added.

According to the Survey, the specialisation effect can change over the years with shifts in the quantity and/or prices of exported commodities. "Therefore, if India wants to become a major exporter, it should specialise more in the areas of its comparative advantage and achieve significant quantity expansion," the Survey suggested.

It noted that the overall impact of FTAs on India's exports to the partners with which it has signed free trade agreements is 13.4 per cent for manufactured products and 10.9 per cent for total merchandise. The overall impact on imports is lower at 12.7 per cent for manufactured products and 8.6 per cent for total merchandise. Therefore, the Survey said, from the perspective of trade balance, India has clearly "gained" in terms of a 0.7 per cent increase in trade surplus per year for manufactured products and of 2.3 per cent increase in trade surplus per year for total merchandise.

India's exports, however, contracted for the fifth month in a row by 1.8 per cent in December 2019 to $27.36 billion. During April-December, exports slipped 1.96 per cent to $239.29 billion and imports declined by 8.9 per cent to $357.39 billion, leaving a trade deficit of $118.10 billion.

Ease of doing business

The Survey noted that policies that foster ease of doing business and flexible labour regulation foster entrepreneurial activity, especially in the manufacturing sector. As the manufacturing sector has the potential to create the most jobs, States must focus on enabling ease of doing business and push for flexible labour regulation.

It further said that ease of doing business has increased substantially in the last five years due to reforms that provided greater economic freedom. “Yet, the pace of reforms in enabling ease of doing business needs to be enhanced so that India can be ranked within the top 50 economies on this metric,” it added.

Source: thehindubusinessline.com- Jan 31, 2020

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Despite virus threat, cotton trade confident of meeting export targets

Exporters look to increase share in other markets

The outbreak of coronavirus, which spread from China to over a dozen countries, is unlikely to pose a major threat to India’s cotton exports as India’s rates are competitive in the international market and the exports can be diverted from China to other markets, a trade body has said.

Downplaying the threat from coronavirus and its impact on the export trade, the Cotton Association of India (CAI), the apex trade body, said there are no specific concerns.

‘No worries’

“On the export front, we are doing good and there is no concern over China virus scare. Exports are going on smoothly and we have so far exported about 600,000 bales (each of 170 kg) to China. Total exports stand at about 22 lakh bales, which means we will be able to achieve our export target very comfortably,” Atul Ganatra, President, CAI, told BusinessLine.

The CAI in its latest estimate has projected exports for the season (October 2019 to September 2020) at 42 lakh bales. One of India's largest cotton exporters, Kotak Commodities, has indicated that even if China remains a concern area, there would not be much impact on India's cotton exports.

Vinay Kotak, Director, Kotak Commodities, said, "There is some concern on the China virus. But if this virus problem is resolved within 10-15 days, then there will be no issue. However, even if the China concerns remain, we may be able to achieve our export targets. Currently, Indian cotton is cheapest in the world so we may be able to gain some extra share in our other existing markets."

The existing markets include Bangladesh, Vietnam, Indonesia and Taiwan.

Pricing advantage

The cotton rates in India is currently hovering at around ₹39,500-40,000 per candy (each of 356 kg of ginned cotton), whereas the international rates are quoting around ₹46,000, which clearly indicates an advantage for Indian cotton in the global markets.

"Our rates are cheapest in the world and we believe that the bottom rate appears to be at ₹39,000," said Ganatra, hinting that India's cotton will have no difficulty finding a market elsewhere.

"The Indian prices are tagged with ICE Futures rates (New York market). So, if the ICE futures go down, there will be some impact on Indian prices but that doesn't seem to be happening any time in the near future," Kotak added.

Meanwhile, looking at the India's cheaper rates and the projected cotton output of 354.5 lakh bales for the season, the government cotton body, Cotton Corporation of India (CCI) has conducted procurement of the fibre crop from farmers at the minimum support price (MSP) rates, which is ₹5,550 per quintal.

The CCI has already bought about 45-50 per cent of the overall arrivals across the markets in India. As per trade data, so far about 180 lakh bales have arrived in the markets as of January-end, and the CCI purchased about 48 lakh bales so far. This means farmers are still holding about 50 per cent of the crop. Considering the current price trend and the stocks available with the farmers, "CCI purchases may touch about 80 to 90 lakh bales easily during the current season," Ganatra said.

Pressure on prices

Raw cotton prices have remained under pressure as the arrivals peak. The prices at cotton markets across the country were quoted in the range of ₹4,800-5,200 per quintal, which is much below the MSP.

However, the demand outlook remains strong and trade sources do not see prices to have bottomed out. "There is a revival in the domestic market. So we are not totally dependent on the international market," Kotak added.

Source: thehindubusinessline.com - Jan 31, 2020

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Budget 2020: Textile industry needs an export boost to buck slowdown; here's what govt can do

Textile industry plays a significant role in the economy contributing to over 13% of the industrial output, over 2% to the GDP of India.

The industry employed more than 4.5 crores citizens and contributed ~15 per cent to the export earnings of India FY 19*. In addition to this, the support from the government has aided the industries effort to grow and contribute further.

Government has been extremely responsive and have been listening to the industries and taking measures on real time basis like reshuffling of GST rates, allowing refund accumulated taxes in case of textiles etc.

With the bold reforms taken by government in the recent past including tax reforms, Skill India mission, RoSCTL Scheme for textile sector to defray / rebate the embedded taxes, etc. has helped the industry to remain hopeful on the announcements in budget to be presented on 1 Feb 2020.

However, the sector has been experiencing a pressure on exports across segments in the past few years resulting into fall in exports.

Apart from global slowdown witnessed recently, there are few other factor affecting Indian Textile industry which renders exports from India un-competitive vis-à-vis other countries like Bangladesh, Pakistan, Vietnam, China.

These are high cost of working capital and power, low average productivity from un-skilled operators, challenges in infrastructure, logistics costs as well as longer turnaround time at port.

Fragmented and smaller size of operations deter Indian manufacturers to capitalize on economies of scale. Clusters in India are often 1/5th of the size of competing nations. Countries like China, Bangladesh and Vietnam enjoy comparative advantage given the scales of operation they operate in.

Recent withdrawal of MEIS @ 4% on Made-ups and garments with retrospective effect have added to the woes of Indian textile manufacturers and will hit the textile exports.

The government can support the Indian textile manufacturers by taking measures like swift execution of FTA with UK, EU and USA, remove cap on benefit under the TUF scheme in order to encourage large scale projects, bring relaxation in labour laws, improve infrastructure and provide plug and play mega textile zones near port cities to enhance textile export, and introduce an alternative to MEIS to provide level playing field for Indian exporters.

The government can facilitate financing against government receivable from banks at benchmark rates with low margin of say 10% without any restriction on the tenor/aging.

Stable and long term policies can become a force multiplier for growth in export of Indian textile. This year's budget is one of the most eagerly awaited budget in the recent past and the textile industry has high hopes to see the measures to address the issues faced by the industry.

Source: financialexpress.com – Feb 01, 2020

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Budget expectations: Garment and textile industry wants simplified GST

City-based garment and textile manufacturers are anxiously waiting for February 1 when union finance minister Nirmala Sitharaman will announce her second budget in parliament.

As far as the their expectations are concerned, they want immediate revamp of Goods and Service Tax (GST), simplified process to apply for funding for technological upgradation and reduction in income tax rates.

According to Bhushan Abbi, president of Knit and Fab Cluster, Ludhiana, “Whether its textile or garment industry, the biggest concern of every industry in today’s time is the complex system of GST, which is not only proving to be very tough to comply with but also has serious financial implications in terms of huge penalties and harsh punishments in case of non compliance by the businessmen, even inadvertently.

Therefore, it is of utmost urgency that the GST is simplified and its laws are changed in order to ensure that the innocent businessmen do not get treated at par with the habitual tax offenders.”

According to Narinder Mittal, a garment manufacturer, “We have very high expectations from this Budget and we are hopeful that garment sector will not be ignored by the finance minister. One of the major problems being faced by the micro and small industry is the e-way bill system.

Complying with it is very difficult for the small-scale manufacturers like us and even a minor mistake can cost us dearly. It is impossible for the small businessmen to use this, as it also comes at a cost since we require computer, printer and internet for generating e-way bills and without employing a proper person for this purpose e-way bills cannot be generated by people who are not tech savy. Government should understand our pain and scrap this e-way bill system, at least for the businessmen having turnover below Rs 5 crore.”

Speaking to TOI, Sanjiv Sharma, a shawl manufacturer, said, “On the one side, the government is always talking of promoting ‘make in India’ products. But at the same time, till date there is no scheme with which small-time manufacturers can get government assistance to technologically upgrade themselves.

The current technology upgradation fund scheme is so complicated and it is very difficult to get any sort of assistance via this scheme. Therefore, we request the finance minister to announce a new and simpler scheme wherein needy businessmen can get prompt funding for technology upgrdation."

Source: timesofindia.com - Feb 01, 2020

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Expert take: Right prescriptions, but will the Budget pay heed?

Context matters more in economics and given the dire backdrop of this year's Economic Survey, it is probably more important than ever before. With very few degrees of freedom (read lack of space on the fiscal & monetary policy), now is the time for genuine structural reforms. It is in this backdrop that the Survey should be read and evaluated.

The Survey starts off with its heart in the right place with an overarching theme of wealth creation and the attendant policy choices. It rightly argues that for wealth to be distributed, it first has to be created and called for looking at wealth creators with respect. It takes on from the issue of "Stigmatisation of Capital" highlighted by Arvind Subramanian earlier.

The document has displayed gumption and forthrightness and called out the continued use of anachronistic policies — especially in agriculture — that have outlived their purpose, stymie development of efficient markets and enable rent seeking. It argues that such Acts be repealed by one 'stroke-of-the-pen' as was done post 1990s or amended to enable functioning of competitive markets.

It cites the Essential Commodities Act, 1955 and says about 76,000 raids under ECA were conducted during 2019 alone. It avers that the Act only enables rent-seeking and harassment as the conviction rate is abysmally low and raids have no impact on prices.

It also points to food grain policies making the government the largest hoarder of cereals leading to huge food subsidy burden and inefficiencies in the market. It also finds that full waiver beneficiaries consume less, save less, invest less and are less productive after the waiver compared to the partial beneficiaries. It also says that debt waivers disrupt the credit culture and reduce the formal credit flow to the farmers.

The document argues for coverage of food processing sector to be scaled up, freeing up land markets, appropriate use of farm mechanisation, higher irrigation coverage and enhancing agricultural credit to address the issue of skewness in its regional distribution. However, it lacks specifics for these rather well-known challenges. One also wishes that it had delved more on enhancing the scope and involvement of the private sector in agriculture.

India needs more risk capital to fund growth and also to absorb the excesses of the past. However, the Survey shies away from explicitly examining government ownership issues in the banking sector and instead proposes measures such as incentivising PSB employees via ESOPs and setting up of a common entity to use big data and Artificial Intelligence for credit decisions. Interestingly, the Survey moots formulating health scorecards to monitor rollover risks for countering financial fragility in NBFCs.

Importantly, it suggests that India must integrate "Assemble in India for the world" into "Make in India" to create jobs. Specialisation in labour-intensive activities, especially "network products", where production occurs across Global Value Chains was the primary reason behind China's remarkable export performance. China makes only $8.46 from the assembly of an iPhone 7.

However, total value added is high owing to the sheer scale. India has already tasted some success in electronic goods (mobile phones) whose exports have grown by about 31% in the last two years and import growth has slumped, resulting in a CAD delta of $4.5 billion in 2019.

Shouldn't India emulate the same in labour intensive industries such as textiles, clothing, footwear and toys and network products such as telecom and electrical machinery?

Source: economictimes.com - Feb 01, 2020

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Economic Survey 2019-20 bats for 'pro-business' policy

India's aspiration of becoming a $5 trillion economy depends critically on promoting 'pro-business' policy that unleashes the power of competitive markets to generate wealth, says Economic Survey 2019-20 released today by the ministry of finance. The Survey suggests weaning away from 'pro-crony' policy that may favour specific private interests.

New firm creation in India increased dramatically since 2014, with 12.2 per cent cumulative annual growth rate of new firms in the formal sector during 2014-18, compared to 3.8 per cent during 2006-2014. About 1.24 lakh new firms were created in 2018, an increase of about 80 per cent from about 70,000 in 2014, says the survey.

Government intervention, though well intended, often ends up undermining the ability of the markets to support wealth creation and leads to outcomes opposite to those intended. The survey cites examples of Essential Commodities Act (ECA), 1955; Drug Price Control under ECA; government intervention in grain markets; and debt waivers.

The survey suggests that government must systematically examine areas of needless intervention and undermining of markets; but it does not argue that there should be no government intervention. Instead, it suggests that the interventions that were apt in a different economic setting may have lost their relevance in a transformed economy. Eliminating such instances will enable competitive markets spurring investments and economic growth.

The survey says India has unprecedented opportunity to chart a China-like, labour-intensive, export trajectory. By integrating "Assemble in India for the world" into Make in India, India can raise its export market share to about 3.5 per cent by 2025 and 6 per cent by 2030. It would also result in creation of 4 crore well-paid jobs by 2025 and 8 crore by 2030. Exports of network products can provide one-quarter of the increase in value added required for making India a $5 trillion economy by 2025.

Analysing India's economic performance in 2019-20, the survey states that India's GDP growth moderated to 4.8 per cent in H1 of 2019-20, amidst a weak environment for global manufacturing, trade and demand. Real consumption growth has recovered in Q2 of 2019-20, cushioned by a significant growth in government final consumption.

Growth for ‘Agriculture and allied activities’ and ‘Public administration, defence, and other services’ in H1 of 2019-20 was higher than in H2 of 2018-19. India’s external sector gained further stability in H1 of 2019-20 with Current Account Deficit (CAD) narrowing to 1.5 per cent of GDP in H1 of 2019-20 from 2.1 per cent in 2018-19.

Headline inflation is expected to decline by year end, though it has increased from 3.3 per cent in H1 of 2019-20 to 7.35 per cent in December 2019-20 due to temporary increase in food inflation.

The survey recommends expeditious delivery on reforms for enabling the economy to strongly rebound in 2020-21.

Click here for key highlights of Economic Survey 2019-20

Source: fibre2fashion.com - Jan 31, 2020

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Integrate ‘Assemble in India’ into Make in India

India should draw a lesson from China’s success in exports, and launch a project to ‘Assemble in India for the world’ that would create 80 million well-paid jobs in the next 10 years, the Economic Survey 2019-20 said on Friday.

The survey suggested that with China-US trade tensions at a high, India should step in to seize opportunities in export manufacturing and create well-paid jobs. Adopting such a move will also help India in its aspiration to become a $5-trillion economy, it said.

“China’s remarkable export performance vis-à-vis India is driven primarily by deliberate specialization at large scale labour-intensive activities, especially in ‘network products’, where production occurs across GVCs (global value chains) operated by multi-national corporations. By importing components and assembling them in China for the world, China created jobs at an unprecedented scale," it added.

“Similarly, by integrating ‘Assemble in India for the world’ into Make in India, India can raise its export market share to about 3.5% by 2025 and 6% by 2030, which is highly feasible. In the process, India would create about 4 crore well-paid jobs by 2025 and about 8 crore by 2030," the survey explained.

Exports growth provides a pathway for job creation in India, the survey said, explaining how between 2001 and 2006, labour-intensive exports enabled China to create 70 million jobs for workers with primary education.

In India, increased exports explain the conversion of about 800,000 jobs from informal to formal between 1999 and 2011, representing 0.8% of the labour force, it added.

The US-China trade war is causing major adjustments in GVCs and firms are scouring alternative locations for operations. Even before the trade war began, China's image as a low-cost location for final assembly of industrial products was rapidly changing due to labour shortages and increases in wages, the Economic Survey said in a separate chapter on jobs.

"These developments present India an unprecedented opportunity to chart a similar export trajectory as that pursued by China and create unparalleled job opportunities for its youth. As no other country can match China in the abundance of its labour, we must grab the space getting vacated in labour-intensive sectors," the survey added.

It said India must focus on "a group of industries, referred to as 'network products', where production processes are globally fragmented and controlled by leading multinational enterprises within their producer-driven global production networks." Examples of network products include computers, electronic and electrical equipment, telecommunication equipment and automobiles, the survey explained.

But a labour economist expressed doubts over the efficacy of such a scheme. "You cannot compare 2001-06 China with 2020 India. Second, assembly model of manufacturing, especially in electronic and auto sector, is giving way to automation thus reducing job creation potential," said K.R. ShyamSundar, a labour economist, and professor, XLRI, Jamshedpur.

"It is true that capital will fly from high labour cost markets to low labour cost markets…that's why you see some export manufacturing contracts going to Cambodia and Vietnam from China. The key point for India is: can a pluralistic, aspirational country like ours focus on export revenue by keeping labour standard and wages low? If so, how can you climb the labour market value chain?" ShyamSundar added.

India's job market is facing a huge demand-supply mismatch with employment generation falling way behind jobs on offer. At least 12 million new fresh faces enter the labour market every year in India. On an average, India created 4.36 million formal jobs per year between 2011-12 and 2017-18, the Economic Survey said, asserting that the percentage of salaried workers' proportion in the labour market has gone up from 18% earlier to 23%.

To be sure, all salaried workers not necessarily form part of the formal employment space. Formal employment in the economy increased from 8% in 2011-12 to 9.98% in 2017-18, the survey clarified.

Source: livemint.com - Jan 31, 2020

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Step into China's shoes to push exports and create new jobs: Economic survey

The government feels the current global trade environment could give India a window of opportunity to chart a China-like, labour-intensive, export trajectory where it can join the global value chain and get investors to 'Assemble in India', creating 4 crore well-paid jobs by 2025 and 8 crores by 2030.

The Economic Survey released today argues the case for joining global value chains and feels that growth in labour-intensive merchandise exports is the best way to increase growth and jobs.

'For instance, in just the five year period 2001- 2006, labour-intensive exports enabled China to create 70 million jobs for workers with primary education. In India, increased exports explain the conversion of about 800,000 jobs from informal to formal between 1999 and 2011, representing 0.8 per cent of the labour force,' the annual document tabled by the finance ministry in Parliament said.

Its argument is that the ongoing US–China trade war, as well as China's rising wages, is causing major adjustments in Global Value Chains and firms are now looking for alternative locales. Analysts, however, feel that most of the factories moving out of China may prefer alternate destinations such as Vietnam and Cambodia which have higher productivity and easier terms to do business, or to destinations like Bangladesh which have rock bottom wage rates.

Global trade expert Professor Biswajit Dhar of JNU said, 'Firms moving out of China would be looking at a large number of factors where we may or may not fit in. However, we do need to boost manufacturing exports and to do so we have to improve logistics and red tape.' The Survey pointed out that while India takes 60-68 and 82-88 hours in border and documentary compliance for exports and imports respectively, Italy takes only one hour for either.

The Survey wants to set a target of raising India's export market share to about 3.5 per cent by 2025 and 6 per cent by 2030, creating about 38.5 million additional jobs by 2025 and about 82 million more jobs by 2030. This could 'make up about one-quarter of the increase required for making India a $5 trillion economy by 2025,' the report said.

Source: newindianexpress.com - Jan 31, 2020

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Eco Survey makes case for correction in inverted duty structure

The Economic Survey on Friday made a case for correction in inverted duty structure as it will help in reducing cost of intermediate inputs imported for making goods for exports purpose.

Inverted duty structure impacts the domestic industry adversely as manufacturers have to pay a higher price for raw material in terms of duty, while the finished product lands at lower duty and cost.

It said that in recent times, India's tariff regime has come under pressure from trade partners who seek a cut in the country's basic customs duties. India has defended its tariff regime stating that it is necessary for protecting the vulnerable businesses in India.

However, it said independent of trade partners, the government is aware that some reduction in tariff rates may have to be done in respect of intermediate inputs and raw material to correct the presently inverted duty structure.

"A corrected duty structure will reduce the cost of intermediate inputs imported for manufacturing of exports thereby making the country's exports more competitive," the Survey said.

It will be a right incentive for boosting manufacturing and also increase the growth of exports, it added.

Source: economictimes.com - Jan 31, 2020

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Majority of trade pacts implemented by India have no effect on exports: Survey

Majority of trade agreements being implemented by India have had "no effect" on the country's overall merchandise exports, according to the Economic Survey.

It also said that products manufactured in India have clearly benefitted from eight out of the fourteen trade agreements considered in the survey.

"A majority of the trade agreements exerted no effect on overall merchandise exports," it said.

The survey considered 14 agreements signed by India -- Chile, Korea, Sri Lanka, Singapore, Bhutan, Afghanistan, Nepal, Malaysia, Japan, Thailand, BIMSTEC, Asean, Mercosur, and SAFTA.

Exports of manufactured goods from India has benefitted from trade agreements with Mercosur (a six-country trade bloc including Brazil, Argentina, Paraguay and Uruguay), ASEAN, Nepal, Singapore, Chile, Bhutan, Afghanistan and Japan.

It said that four of the agreements (SAFTA, BIMSTEC, Thailand and Sri Lanka) had no effect on exports of manufactured products, while the bilateral agreements with Korea and Japan exerted a negative effect.

"Turning to overall merchandise exports, only four trade agreements (Mercosur, Nepal, Singapore, and Chile) show a positive impact," it added.

In trade pacts, two or more trading partners significantly reduce or eliminate custom duties on maximum number of goods traded between them.

Source: economictimes.com - Jan 31, 2020

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India's Snapdeal to sell Unlimited-Arvind Fashion brands

Indian e-commerce firm Snapdeal recently added more than 14,000 products from Unlimited, Arvind Fashion's extensive range of national and international brands, including kids-focused brands like Cherokee, Donuts, Karigaari and Colt; women-centric brands like Elle Studio, Karigaari, Anahi and men's fashion brands like Ruggers, Excalibur and Newport.

The products will cover fashion and fashion accessories for men, women and children. The range covers jeans, trousers, jeggings, skirts, shorts, shirts, Kurtis, tops, churidars and dupattas, according to a news agency report.

The products have been priced in the range on Snapdeal. Users buying from the above range will get an additional 20 per cent instant discount on using Rupay cards.

"Snapdeal's focus is on offering high-quality products at great prices. Unlimited Fashion's vast selection of fashion products is a great fit with what our customers browse and buy on our marketplace," said a Snapdeal spokesperson.

"Our partnership with Snapdeal allows us to leverage Snapdeal's deep reach in Tier II and Tier III cities where we have not yet launched our stores", said Unlimited-Arvind Group's spokesperson.

Snapdeal has over 30 million buyers and more than 500,000 registered sellers. These sellers have more than 200 million listings on the marketplace with 50 million new listings added over the last two years.

Arvind Fashion is a textile manufacturer and the flagship company of the Lalbhai Group, headquartered in Ahmedabad.

The company manufactures cotton shirting, denim, knits and khaki fabrics.

It retails its own brands like Flying Machine, Newport and Excalibur and licensed international brands like Arrow, Tommy Hilfiger, and Calvin Klein through its nationwide retail network.

Source: cottonyarnmarket.net- Jan 31, 2020

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