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SD 69.01| EUR 78.15 | GBP 87.43 | JPY 0.64

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21531	45000	**83.25**
Domestic Futures Price (Ex. Warehouse Rajkot), July		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21540	45019	**83.29**
International Futures Price		
NY ICE USD Cents/lb (December 2019)	66.08	
ZCE Cotton: Yuan/MT (September 2019)	13,765	
ZCE Cotton: USD Cents/lb	90.93	
Cotlook A Index – Physical	**77.00**	

Cotton Guide: The ICE December contract has started the day by entering higher grounds this morning. The ICE December contract is seen trading higher by 2% at 68 cents/lb on the first day of the month and the week. This positivity has come in with the news of Trump pledging not to impose more tariffs on Chinese goods. In other words, he mentioned that he would not be imposing new tariffs on Chinese Goods, on the other hand, China agreed to buy US Agricultural goods (However, China did not come out with precise details).

The ICE cotton last week traded consolidated. This above news has now caused a shift in the prices by a considerable extent. The other agri-commodities traded internationally are also seen to have escalated higher.

The MCX contracts have also opened on a higher note. The most active contract the MCX July contract is trading higher at 21860 Rs/Bale with a change of +320 Rs (9:15 am IST). The MCX August contract is also trading higher at 21670 Rs/Bale with a change of + 330 Rs (9:15 am IST).

In the meanwhile, the last working day of the month saw the release of USDA's June planting report. USDA estimated planted cotton acres at 13.7 million, down from 13.8 million which was the figure released in March this year. The Upland cotton area is estimated to be around 13.4 million acres, down by almost 3 percent from the yesteryear. Whereas the US Pima cotton was seen to have shown huge increases in planting figures.

Cotlook Index A 2018/2019	77.00
Brazilian	75.75
Memphis/Orleans/Texas	76.25
Memphis/Easter	77.50
Ivory Coast BEMA	77.75
Burkina Faso RUDY	77.75
Cotlook Index A 2019/2020	76.20

Table 1: Cotlook Indices in cents/lb, Source – Cotton Outlook

The Department of Agriculture in India has also put forward the planting progress report. According to them, last week has seen good progress in sowing with the onset of the monsoons. The total planted area by June 27 was at 2,708,200 hectares which means an increase of 889,900 hectares were seen from the previous report.

The Cotlook Index A has been adjusted a little downward at 77.00 cents/lb with a change of -0.20 cents/lb whereas the Cotlook forward index A has been adjusted to 76.20 cents/lb with a change of -0.25 cent/lb. The Indian Cotton spot prices have been steady at 45,000 Rs/Candy.

The contracts are expected to trade positively for today, however, now the fundamental prospects will rule the market. The Demand situation has still not improved. Nevertheless, we shall consider this week to be tilted towards the positive side as we expect the demand situation to improve a tad.

With the supportive geopolitical news coming in, it is evident that the demand for US Cotton will rise with a decline in demand for Indian cotton imported in China. We can already notice that the demand for cotton yarn is at a snail's pace.

This means we can expect domestic and international prices to behave differently. The Domestic spot prices might fall with the rise of International prices.

On the other hand, while speaking about future contracts, there is a definite correlation between ICE and MCX. We can expect the MCX prices to rise with the ICE Prices. Therefore, the spread between the domestic spot and futures can widen.

On the supply side, as it is the ending of the cotton marketing year, the supplies are seen to have almost exhausted. Therefore, to satisfy the demand requirements of China (considering China's promise to purchase from US), where will the supply come from? This week can thus be driven north by speculative measures.

On the technical front, ICE Cotton witnessed sharp rebound towards the higher end of the consolidation range 68-65. Meanwhile RSI in the daily charts has moved above the 50 level, suggesting a change in momentum towards north.

However, price need to sustain above the crucial resistance zone of 68-69, to move further higher towards 70-72 levels. Likewise, crucial support exists around 66.70, followed by 65.50 level. The MCX trading range is expected to be in the bracket of 21510- 21960 Rs/Bale.

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: Trump Tables 25 Percent Tariffs as US, China Forge Trade Truce

The U.S. and China are talking again, or at least enough to put on hold any new tariffs for now as they restart negotiations to resolve their trade war.

U.S. President Donald Trump and his Chinese counterpart President Xi Jinping met at the G-20 Summit in Osaka Saturday morning, and reached an agreement that would allow the two countries to restart negotiations connected with their year-long trade war.

Trump said at a news conference that negotiations between the two are “back on track.” But just how long the new truce will last is unclear, given the unpredictable pattern of talks over the past year between the two countries. What remains a key issue for the U.S. is the protection of intellectual property rights.

With no other details available, it wasn’t immediately clear what were the actual terms of the agreement. However, Trump did say following the G-20 Summit that he would delay plans to impose a 25 percent tariff on $300 billion of Chinese imports.

Those tariffs, for goods referred to as Tranche 4, were expected to be imposed on merchandise coming into the U.S. at the end of the summer. Trump also said he would hold off on any restrictions against China’s largest telecommunications equipment maker, Huawei Technologies Co. Relaxing restrictions allows U.S. companies to again sell to the equipment maker.

And while U.S. companies can sell their parts to Huawei, it seemed that the ban on imports of Huawei equipment for new 5G wireless networks was still in place.

The U.S. has said the equipment could be used for espionage purposes, and the Commerce Department last month placed Huawei on a blacklist for national security reasons, it said. In turn for the Huawei concession, China is expected to increase its purchasing of U.S. agricultural goods.

While having the truce in place gives apparel firms and retailers some breathing room–particularly for the upcoming back-to-school season and early deliveries of fall and holiday merchandise–companies still need to continue executing their what-if plans. That's because until there's an official agreement that decisively resolves the trade war, there's always a possibility that the U.S. or China could rescind the truce, paving the way for the Tranche 4 tariffs to go into effect.

The National Retail Federation, shortly after the truce was announced, said it hoped that progress made during talks between the American and Chinese leaders will hasten the trade war's conclusion.

David French, senior vice president for government relations at NRF, said, "Pulling back from the brink of further tariff escalation is a good sign for retailers and their customers, and we look forward to continued progress in the talks with China so that further tariffs can be avoided and existing ones lifted."

French reiterated that a tariff would punish American consumers and threaten U.S. jobs. A report prepared for the NRF indicated that implementation of the new Tranche 4 tariffs would cost Americans $4.4 billion each year for apparel and $2.5 billion for footwear.

Source: sourcingjournal.com- June 29, 2019

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China-Bangladesh business matchmaking held in Dhaka

A Sino-Bangladeshi business matchmaking event was held here on Saturday.

The event titled "China, Fujian-Bangladesh Economy and Trade Cooperative Matchmaking Conference" attracted dozens of enterprises from both countries.

The matchmaking event was held on the sidelines of the three concurrent international exhibitions on tanning and footwear technology, printing machinery, and garments textile and allied industry which concluded Saturday.

According to organizers, companies from many countries or regions participated in the fair, among which, the large number come from China, having business in capital Dhaka and the port city of Chittagong.

Source: xinhuanet.com- June 29, 2019

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US brands continue to grow in Mexico

Between 2006 and 2016 exports of clothing from the United States to Mexico increased by 32 per cent. Due to Mexico's proximity, and ease of business, US companies have focused on their southern neighbor to carry out their clothing exports.

US companies have also seen business opportunities in Mexico and have ventured to expand their network of stores throughout the country.

Gap for example, has 69 stores, Nike, with 19 establishments and Levi's, with 47 points of sale. One of the main partners of foreign companies in Mexico is the distribution company Grupo Axo, which operates almost 750 stores in Mexico, with PVH Corp as one of its main customers, through Calvin Klein and Tommy Hilfiger.

Another of the companies managed by Grupo Axo in Mexico is Guess, with 53 stores open in the country. Abercrombie & Fitch, Victoria Secret and Coach are other brands of the group currently being managed in Mexico, as well as in Chile.

The dynamics in the rest of Latin America is totally different. While the business with Mexico has grown, exports of American clothing to the rest of the region have plummeted by 26.5 per cent between 2006 and 2016.

Source: fashionatingworld.com- June 29, 2019

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US cotton industry develops new protocol for greater sustainability

At the Cotton Sourcing USA Summit, Ted Schneider, President Cotton Council International introduced US Cotton Trust Protocol, a new integrated data collection, measurement, and verification procedure to more than 400 attendees in Scottsdale, Ariz.

Its objective is to document US cotton production practices and their environmental impact. The data will benchmark farmer gains towards the industry's sustainability goals of 2025 as well as provide the global textile supply chain additional assurances that the cotton is produced in a responsible manner.

In the summit, Ted Schneider said, "I would argue that US cotton is already among the most sustainably produced in the world. We know that US cotton growers continue to embrace new technologies and management techniques that reduce impact and increase yield, but today's textile industry needs more than just our word."

"The trust protocol is meant to address that need with a tangible and transparent snapshot of US cotton growing practices and the gains resulting from them."

A pilot program will be launched in the month of June 2019 which will be fully implemented for the 2020 cotton crop year. Practicing growers will have to adopt data tools that allow quantitative measurement of sustainability metrics like FieldPrint Platform, a pioneering assessment framework along with a self-assessment checklist.

"In June of 2019, we're going to have a pilot program launched for the protocol, where it's a self-enrolled system.

We're going to not only ask the leadership of the industry to be highly involved in this pilot program, but we're also reaching out to the merchants and cooperatives and asking them to help us as well to enroll perspective members," said Executive Director of the U.S. Cotton Trust Protocol Ken Burton.

"Stay tuned if you're a producer. Hopefully, you will hear about us over the next couple months as we are enrolling producers through this summer."

For the next decade and beyond, U.S. cotton producers and industry organizations are setting new environmental targets to keep pushing the frontier of sustainability and leading the worldwide effort in responsible cotton production.

During the Summit, participants were also updated on how the US cotton industry intends to meet its 2025 sustainability goals. The target areas and goals were established using science-based evaluations, including key performance indicators (KPIs) for producing each pound of cotton and pathways to achieve them.

Source: textiletoday.com.bd- June 30, 2019

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China, Japan share preference for free trade

Chinese President Xi Jinping attended the G20 summit in Osaka, Japan over the weekend, a decade after he visited the country in 2009 when he was vice president. With the reins of power changing hands in Japan and the country undergoing different policy changes, the past 10 years have been relatively difficult for China-Japan ties.

Shinzo Abe has been one of the longest serving Japanese prime ministers. Japan's China policy has thus gradually returned to the way the Liberal Democratic Party chooses to deal with Beijing. But due to Japan's previous China policy, the negative impact of Tokyo's misinterpretation of bilateral relations still remains apparent.

An impression can thus be easily created - Abe lacks sincerity in improving bilateral relations. But the reality is more complicated.

Xi once said about China-US ties, "there are a thousand reasons to make the US-China relationship a success, and not a single reason to break it." Since Japan is a neighbor of China that cannot move away, Abe also has a thousand reasons to make the China-Japan relationship a success.

Abe's China policy is first and foremost dictated by the needs of Japan's domestic politics. That being said, his decisions will not always be good for Beijing-Tokyo relations. But China's peaceful rise is irreversible. Therefore, Abe is putting in more efforts to improve ties with China. This is reflected in his persistent efforts to invite the Chinese leader to Japan.

However, Abe is not a pro-China politician. His zeal to invite Chinese leaders to visit Japan is ultimately driven by Japan's self-interest.

As the host country of the 14th G20 Leaders' Summit, Japan called for maintaining the free trade system. At a press conference following the summit on June 29, Abe stressed again that "the G20 agreed on fundamental principles backing a free trade system." This underscores Abe's preference for the principles of free trade.

The China-US trade dispute shows how strong a proponent of free trade China is. China has always stuck to this stand in trade talks with the US. Xi reiterated China's position of strengthening cooperation and upholding multilateralism on several occasions during the G20 summit.

Japan is an island country and realizes the significance of international economic and trade cooperation. Moreover, protectionism has brought keenly felt pain to Japan, not to mention the Plaza Accord in 1985, which is considered the direct cause of Japan's economic ruin. Currently, whether the US will begin a Section 301 investigation into Japan's automobile export to the US depends on their future trade negotiations.

Even so, constrained by its military alliance with the US, Japan is still avoiding the crucial issue of who caused the free trade crisis in the first place when trumpeting the importance of free trade principles. Although Tokyo has never mentioned it explicitly, it has been taken on by the US from time to time.

Just ahead of the G20 summit, it was reported that US President Donald Trump is not satisfied with the Treaty of Mutual Cooperation and Security between the US and Japan and is considering to pull out of it, which made the Japanese government uneasy in the run up to the Osaka summit.

China's defense of free trade principles at the summit prompted Japanese politicians, such as Chief Cabinet Secretary Yoshihide Suga, to speak highly of Xi's visit, because Tokyo and Beijing are on the same page over the contribution of free trade to promoting bilateral relations.

The year 2019 marks the 70th anniversary of the founding of the People's Republic of China. Beijing-Tokyo ties are poised for a new decade.

President Xi is planning a state visit to Japan in the spring of 2020 under the invitation of Abe. Bilateral relations are likely to see an upswing in the near future.

Whether to focus on openness to create more space for development or follow unilateralism against the objective law of human history affects not only China and Japan, but also global development. If Japan hopes to be a responsible regional power, it must make the right choice.

Source: globaltimes.cn- June 30, 2019

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Vietnam, EU sign free trade deal as fears grow over global protectionism

The signing comes amid worldwide trade turmoil, with a dragging US-China row and Britain's impending exit from the European Union casting a dark cloud over global growth

The European Union and Vietnam on Sunday signed a long-awaited free trade deal that will slash duties on almost all goods as fears grow over mounting global protectionism.

The signing comes amid worldwide trade turmoil, with a dragging US-China row and Britain's impending exit from the European Union casting a dark cloud over global growth.

The deal was hailed by EU trade commissioner Cecilia Malmstrom as "an important milestone" between the trading partners.

"We want to make sure that EU trade in this region has a positive impact so we have enshrined high standards in the deal," she said at the signing ceremony Sunday. The deal will come into force only once it is ratified, which could come by the end of the year.

It comes on the heels of a landmark agreement on Friday between the EU and South American trade bloc Mercosur that will link 800 million people in what will be one the world's largest regional commercial accords.

Vietnam's export-led economy has largely been buoyed by free trade, and open access to the European market is expected to boost its main deliveries to the bloc, namely textiles, shoes, smartphones and computer parts.

European countries are also eager to tap into Vietnam's market of 95 million people and its fast-mushrooming consumer class.

Vietnam has seen some short-term gains from the trade spat as some companies shift from China into friendlier markets.

But analysts warn that a weaker China or US could ultimately dent economies like Vietnam that largely rely on exports to the world's two biggest economies. With exports from Vietnam to US soaring amid the trade spat, US President Donald Trump last week threatened to slap tariffs on the manufacturing hub, calling it "the single worst abuser of everybody".

The EU-Vietnam free trade pact will eventually see duties slashed on 99 percent of Europe's imports from Vietnam.

Billed as a so-called high quality deal, it also includes rules around labour rights and environmental and intellectual property protections.

But the EU has come under fire for not putting enough pressure on Vietnam to improve its dismal rights record.

The one-party communist state has jailed dozens of activists in recent years and passed a cybersecurity bill last year that critics say is aimed at silencing dissent.

Source: business-standard.com- June 30, 2019

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Vietnam’s textiles and apparel sector expects to gain from EU FTA

Vietnam's textile and garment exports to the EU could rise tenfold once the free trade agreement takes effect. The FTA will be signed after nine years of negotiations, and immediately afterwards 70.3 per cent of Vietnamese products exported to the EU would be free of tariffs. Textiles and garments are currently subject to an average tariff of 9.6 per cent in the EU, but it would gradually reduce to zero over seven years.

The EU is the second largest importer of Vietnamese textiles after the US and its imports from Vietnam are growing by seven per cent to ten per cent a year. Major textile companies of Vietnam will see orders increase dramatically when the trade deal comes into force.

Some plan to link up with domestic suppliers in the yarn-forward supply chain in order to comply with proof of origin rules and take advantage of the trade agreement. The high quality standards that are mandatory under the deal are expected to boost Vietnam’s pace of reform and international integration.

However, grasping the opportunities arising from the FTA would not be easy since the tariff breaks are only for goods that meet quality standards and rules of origin. Domestic value must account for at least 40 per cent of the final product.

Source: fashionatingworld.com - June 29, 2019

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Vietnam's apparel industry geared up for good business; successful completion of Denimsandjeans strengthens the fact

Vietnam's apparel industry is all geared up to get more orders and explore every opportunity to grab the business. The recently concluded 4th edition of Denimsandjeans, Vietnam, lends credence to this fact.

Organized in Ho Chi Minh City, the sourcing show (dedicated exclusively to denim) witnessed participation of over 40 denim supply chain companies including some reputed local garment exporters and leading denim players from Southeast Asia and Europe.

All the exhibitors at the event showcased their latest collections and developments for FW 20/21 season. The representatives from over 175 brands, retailers, buying offices and jeans manufacturers of Vietnam visited the show and expressed satisfaction as they found the event to be an important platform to meet all the denim supply chain partners at one place; to mention a few, GAP, Li & Fung, Walmart, PVH, Target, H&M, New Times, Mitsubishi, etc.

The well-managed show also focused on denim fashion as Denim Trend Zone and The Trend Zone were established highlighting the latest trends. There were four categories in this segment namely My Mother Earth, My Creations, My Other Colors and My Special Washes.

Various international experts of the denim industry shared their insights about the various aspects of the denim industry including market, sustainability and much more.

Moving forward, the India edition of the denim show is scheduled to be held on 17 and 18 July 2019 at Bangalore, while the Japan edition will be held on 4 and 5 March 2020 in Tokyo.

Source: apparelresources.com- June 28, 2019

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NATIONAL NEWS

G20 Summit: India, Indonesia set ambitious USD 50 billion target for bilateral trade by 2025

India and Indonesia on Saturday set an ambitious USD 50 billion target for bilateral trade over the next six years as Prime Minister Narendra Modi and President Joko Widodo discussed ways to deepen cooperation in a number of key areas including economy, defence and maritime security. The two leaders, who are in Osaka, Japan for the G20 Summit, met in the morning and discussed ways to boost bilateral ties and enhance cooperation in trade and investment.

According to Ministry of External Affairs spokesperson Raveesh Kumar, India and Indonesia set a USD 50 billion target for bilateral trade by 2025. Trade between the two countries in 2016 was USD 12.9 billion.

It rose 28.7 per cent to USD 18.13 billion in 2017 with Indonesia's exports to India reaching USD 14.08 billion and its imports from India standing at USD 4.05 billion, according to Indonesia's Central Statistics Agency.

During his meeting between Prime Minister Modi and Indonesian President Widodo, the two leaders discussed ways to deepen bilateral cooperation in trade and investment, defence and maritime fronts. This was Modi's first official engagement on the second day of the June 28-29 Summit.

"Beginning Day 2 of the #G20 Summit by meeting a valued friend. PM @narendramodi holds talks with President @jokowi on ways to deepen India-Indonesia cooperation," the prime minister's office tweeted. In a tweet, Kumar said,

"Taking forward the comprehensive strategic partnership. PM @narendramodi had a productive meeting with Indonesian President @jokowi on margins of #G20Summit. Discussed expanding cooperation in trade & investment, defence, maritime, space & exchanged views on Indo-Pacific vision".

On Friday, Modi held bilateral and plurilateral meetings with many leaders, including US President Donald Trump, Russian president Vladimir Putin and China's Xi Jinping.

Source: financialexpress.com- June 29, 2019

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Should India stay with Regional Comprehensive Economic Partnership mooted by ASEAN?

What's holding up India's entry into the trade pact?

The story so far: The Association of South East Asian Nations (ASEAN), which announced the idea of a Regional Comprehensive Economic Partnership (RCEP) in 2012, is pushing stakeholders to conclude talks by the end of 2019 and take it forward.

At the ASEAN summit which ended in Bangkok last Sunday, the Malaysian Prime Minister, Mahathir Mohamad, said he is willing to push through the trade agreement without India "for the time being." Others said all 16 members must agree on the final RCEP document. India apart, Australia and New Zealand have raised concerns about joining such a partnership.

What is RCEP and why does it matter for the world?

Billed as the world's biggest trade agreement, the RCEP of 10 ASEAN countries with its six free trade agreement (FTA) partners India, China, Australia, New Zealand, Japan and South Korea could well change the face of global trade as we know it. The RCEP includes countries that make up 45% of the world's population with 33% of its GDP, and at least 28% of all trade in the world today. If the RCEP is concluded, as ASEAN countries that are driving it hope it will be, by the end of this year, it will bring stability to an otherwise unpredictable world market.

The worry is that it could also make world trade less flexible, putting members into a quasi-bloc with China at the helm. Most RCEP members also conduct substantial trade with the United States, and the ongoing U.S.-China trade war may force many of them to take sides, causing a geopolitical rift within the group even before it is fully formed. As a result, the next four months leading up to the next RCEP summit will be watched closely by the entire world. Anticipation levels are high, and the ASEAN grouping even has a countdown to the summit, to be held on November 19 in Bangkok, on their website.

Why has it taken so long to negotiate?

This week marks the 26th round of negotiations for the RCEP, which are being held amidst high secrecy in Melbourne, Australia (June 22-July 3). So far, seven of the 18 final RCEP agreement chapters have been concluded, say officials, and ASEAN chair Thailand has committed to wrap up all the rest in time for the November summit. The concept of the RCEP was promoted by ASEAN countries in 2011, but an RCEP declaration came at the ASEAN summit in Phnom Penh in 2012, and negotiators met for the first time in 2013.

Six years later, the main stumbling blocks for the RCEP are the India-China trade relationship, as well as some concerns from Australia and New Zealand on labour and environmental protections. While much has been agreed on, and all countries remain committed to concluding the RCEP agreement, the last-mile will only be crossed when all those concerns are met. In May this year, China proposed a plan to conclude the negotiations without the naysayers, i.e. take the ASEAN+3 (China, Japan and South Korea) into the agreement, while leaving space for India, Australia and New Zealand to join later.

The Malaysian Prime Minister, Dr. Mahathir Mohamad, echoed the idea after the ASEAN summit last week, but the move was opposed by most in the grouping. As one ASEAN diplomat put it, given the size of India's market there is "no point without India in RCEP". For India, too, there are many reasons to stay in the deal.

Apart from giving up the first mover's advantage, India would give up the chance to frame the grouping's rules and investment standards if it fails to join the RCEP at this stage. Staying out would also run counter to the Narendra Modi government's plans to ramp up its engagement with ASEAN countries through the "Act East" policy, as well as its hopes for maritime cooperation in the India-Pacific.

Source: thehindu.com- June 29, 2019

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India ups the game in delivering infra projects in partner countries

India has fulfilled its promise of reviving a textile factory in Kenya in a record time of less than three years, under a line of credit extended during Prime Minister Narendra Modi's visit in 2016.

This is in sharp contrast to the days when the country was seen to be slow in delivering on its development partnership commitments especially in comparison with strategic rival China.

The development partnership between India and Kenya is also significant as it comes amid murmurs of protest on the African continent over China's terms of engagement with countries while extending loans for infrastructure projects.

The Rift Valley Textiles factory in Kenya was shut down in 2000. India extended a line of credit worth $29.95 million during Modi's visit to revive and modernize the factory. The contract to upgrade the factory was awarded to an Indian private company, Lakshmi Machine Works Ltd (LMW), which completed the project in June.

The renovated factory was inaugurated in the third week of June by Kenyan President Uhuru Kenyatta in the presence of Indian high commissioner to Kenya Rahul Chhabra, two people familiar with the developments said.

The factory now has a cotton processing capacity of 83 bales a day, up from 8 bales a day previously. It has an output capacity of 15 million metres per annum, up from 1.7 million metres per annum, said one of the people mentioned above.

"LMW has also provided training to technicians, operators and trainers in India as well as in house (at the factory in Kenya). The modernization of the factory is expected to revive the textile industry of Kenya and when the factory becomes fully operational the direct and indirect impact of the factory revival will be enormous. This will range from direct employment to growth in incomes of cotton growers in 22 counties, along with the strengthening of forward and backward linkages," said one of the people mentioned above.

India had also promised to renovate the Mahatma Gandhi Graduate Library at the University of Nairobi through a grant of $1 million. This too has been completed on time, said government officials. “These projects are an example of how Indian assistance is making a difference to the economy and lives of people in African countries. The speed of our project delivery has also been appreciated," said T.S. Tirumurthy, secretary, economic relations, in the Indian foreign ministry.

Some of the big-ticket projects completed by India recently in Africa include the construction of the presidential office in Ghana, the National Assembly building in Gambia, and the Kosti power plant in Sudan. Africa is a key development partner of India garnering a sizeable portion of India’s lines of credit assistance of $28 billion extended in 2018-19.

Foreign minister Subrahmanyam Jaishankar, in one of his first public statements after taking office in May, said that project delivery would be a key focus area.

At an event in New Delhi, Jaishankar said he would hold monthly reviews of India’s development projects to ensure their timely delivery. In the past, there have been complaints of time and cost overruns, giving India the reputation of being a well meaning partner but whose efficiency in delivering on time is questionable.

India upping its game comes against the backdrop of China emerging as the single largest financier of African infrastructure, financing one in five projects and constructing one in three, according to a paper by Deloitte Africa dated March 2019.

“To date China has participated in more than 200 African infrastructure projects. Chinese enterprises have completed and are building projects that are designed to help add to or upgrade about 30,000 km of highways, 2,000 km of railways, 85 million tonnes per year of port throughput capacity, more than nine million tonnes per day of clean water treatment capacity, about 20,000MW of power generation capacity, and more than 30,000km of transmission and transformation lines," Deloitte Africa said.

However, there has been some backlash against China in Africa with Britain’s Telegraph news paper reporting that Tanzania had suspended a port project and Kenya halted construction on a coal power plant.

The port in the Tanzanian town of Bagamoyo was worth $10bn and would have been the largest in east Africa. However, financing terms presented by the Chinese were “exploitative and awkward", John Magufuli, Tanzania’s President, was quoted as saying by the Telegraph.

Analysts say that while India has a long way to go in catching up with China vis a vis undertaking big ticket infrastructure projects, there is some realisation in Africa that Beijing’s terms of engagement are maybe less than desirable and this could present India with an opportunity to take on more projects in Africa .

Source: livemint.com - June 30, 2019

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DGFT invites suggestions on review of Foreign Trade Policy

The Directorate General of Foreign Trade (DGFT) has invited the suggestions from all the stakeholders for framing the proposed new Foreign Trade Policy.

In a notification, it said “It has been decided to revise the current Foreign Trade Policy (2015-2020).Therefore suggestions/inputs are hereby invited from all the stakeholders for framing the proposed new Foreign Trade Policy.”

The suggestions may please be given separately for the Foreign Trade Policy and Hand Book of Procedures, chapter-wise, in the format mentioned in the notification, said DGFT.

The suggestions may be mailed at ftp2019-dgft@gov.in, within 15 days of the issue of this Trade Notice, it added.

Source: knnindia.co.in- June 29, 2019

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Go Tribal campaign to promote tribal arts, crafts in global markets

A new campaign by the Ministry of Tribal Affairs was launched here Friday to create awareness and promote tribal arts and crafts, as well as aid in socio-economic welfare of over 700 Indian tribes across the country.

Organised by the Tribal Cooperative Marketing Development Federation of India (TRIFED), the 'Go Tribal' campaign will promote and make available tribal handcrafted textiles, jewellery, and other accessories through global online market spaces.

Speaking at the event Renuka Singh Saruta, MoS Tribal Affairs, said that the initiative will help tribal art to go global.

"Online market has no geographical boundaries. Through this initiative we want to promote the tribal communities of India and their art while helping them to go global and providing them opportunities to attain a sustainable livelihood.

"Today's youth are embracing native fashion and lifestyle more than ever and its important to reach them," the minister said.

As part of the global marketing, e-commerce company Amazon will market 'Tribes India' collections under the sections of 'Tribes of India Heritage Collection' and 'Tribes of India Natural Collection.

Tribes India and Amazon websites will showcase an array of product range under the campaign.

While the heritage collection on the websites will include handcrafted textiles like ikats, silks and pashminas; tribal jewellery like dokras and banjaras, gifts and pottery, while the natural collection includes Telangana coffees, Uttarakhand soaps, Karnataka spices and more.

"The careful precision and handcrafted intricacy of the works of tribal master craftsmen from across India will be showcased through the 'Go Tribal' campaign. Our association with Amazon will help us reach worldwide," Pravir Krishna, MD, TRIFED, said.

The launch was followed by a fashion skit of carefully crafted embroidered pieces by Gramin Vikas Evam Chetna Sansthan of Rajasthan.

Source: business-standard.com- June 29, 2019

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Budget 2019: Great Expectations

Nirmala Sitharaman has her task cut out as she prepares to present her first Budget. Will she be able to address the challenges in banking, agriculture, infrastructure and consumption? What are the measures that can give a shot in the arm to these segments? A low-down

Agriculture: Dire need for farm reforms

The clock has started ticking. Only three years left to 2022-23 — the year by when Prime Minister Narendra Modi had promised farmers' incomes would double. With the past few years being a washout for rural India, and the agri GDP growth having plummeted to 2.89 per cent between 2014-15 and 2018-19 — versus 4.27 per cent during the UPA-II — doubling farm income has become a big challenge.

The farm distress of the past five years can be explained by the failure of monsoon — two years of deficient and two years of below-normal monsoon rains.

However, food production recorded new highs thanks to improved irrigation facilities and government's incentives on MSP (Minimum Support Price). But farmers couldn't draw the benefit of higher output as market prices crashed and the Centre failed to procure enough output to keep prices up. This was true especially in the case of pulses where production growth far exceeded demand growth. Sugar couldn't be exported as international market prices were down.

In the past five years, the NDA government has increased Budget allocation to the agri sector every year with higher farm loan disbursement, too. But this has not had brought any visible improvement in the livelihood of farmers.

Schemes, including the PM Krishi Sinchayee Yojana, the PM Fasal Bima Yojana, Soil Health Card and Electronic National Agriculture Market, have helped, but not to the desirable level of improving farm income and alleviating rural distress.

Over the next five years, however, with continuity of the government at the Centre, the agri schemes can get a fresh push.

Infra push

The one agri segment which has not been getting much attention in the last five years is infrastructure. In the upcoming Budget, the Finance Minister is expected to introduce measures to encourage private investment in agri infrastructure and give a road map on how the promised ₹25 lakh-crore will be invested in the sector over the next five years.

Currently, infrastructure at the mandis in the country is very poor. They lack basic facilities including electronic weighing scales and covered warehouses, and not many mandis have proper road connectivity.

Thus, farmers are forced to sell their produce to buyers/commission agents from the same place and lose pricing power. The government can ease the entry of private investment in agriculture by building a sound regulatory framework and some tax incentives.

For promoting investments in warehousing and agro-processing, the Centre can consider tax holidays and simplified licensing procedures.

Also, with monsoon becoming more errant now, it is expected that the government will increase allocation to micro-irrigation schemes and try to drought-proof farming.

Moving beyond building large dams and subsidising irrigation equipment, the government must also make sure that farmers do not waste water by going in for more water-intensive crops. The Centre may announce a few incentives for crop diversification — from paddy, wheat and sugarcane to millets and oilseeds.

Agri credit is expected to be further increased this year, but it looks like the government will also focus on how this credit would be used, and place checks on it.

Consumption: Hoping for a boost

With private consumption contributing 50-60 per cent of the GDP (at constant prices), the need for the government to boost consumption in a slowdown year becomes imperative. The NDA-II begins its term on a challenging note, with a well-entrenched consumption slowdown taking the wind of out of the consumer sectors such as automobile, FMCG (fast-moving consumer goods) and consumer durables. Growth in the ‘Private Final Consumption Expenditure’ component of the GDP trickled down to 7.2 per cent in the quarter ended March, the slowest in FY2018-19. Automobile sales is on first gear and the volume growth for FMCG companies, too, have been moderating.

Weak footing

The note ban in November 2016, quickly followed by the move to GST in mid-2017 dampened the spirits of consumers. But companies quickly recovered from the same. Price cuts induced by the GST pushed up demand for certain products such as soaps, toothpastes and hair/personal care products. Besides, strong urban consumption tilted towards preference for premium and ‘natural’ products, coupled with a pick-up in rural demand from increased spends for rural India, drove sales for FMCG players post the demonetisation and GST hiccups. Auto sales, too, looked up. In 2017-18, industry sales volumes grew 14 per cent year-on-year, double that of 2016-17.

While 2018-19 began on a positive note, demand for discretionary items such as new vehicles and durables faced rough weather due to headwinds such as high interest rates, rise in fuel costs and tight liquidity among NBFCs, which affected lending. The rural consumer also had it tough, due to patchy monsoons coupled with a crash in farm prices. This trend has continued into this fiscal as well.

Auto sales growth, for instance, slipped to 5.2 per cent in 2018-19 year-on-year. It has worsened in the first two months (April and May) of this fiscal, shrinking 12.5 per cent year-on-year. While FMCG companies initially remained more resilient, many began seeing a slowdown in volumes in the January-March 2019 quarter.

What's expected

While a boost to consumption is the need of the hour, limited fiscal headroom may make it difficult for the government to announce populist moves in the upcoming Budget. Already, the interim Budget has brought in a tax rebate for the middle-income group, raised the standard deduction for the salaried class, and announced tax concessions for home owners and a pension scheme for unorganised workers, to put money in the hands of the consumer. Rural consumption was also given a leg-up through an income support scheme for small and marginal farmers, which was later extended to all farmers. The effect of these measures may be seen this fiscal.

To reverse the slowdown in the auto sector , a scrappage scheme for old vehicles (especially commercial vehicles) may be announced in the Budget. To leave more disposable income in the hands of the consumer, enhancement of the Section 80C deduction limit from the current ₹1.5 lakh and an increase in the tax-free limit for long-term capital gains on equity, from the current ₹1 lakh, are expected. Making the NPS (National Pension System) corpus entirely tax-free as promised earlier may also indirectly boost the disposable income of those retiring soon.

Banking: Call for structural changes

After the tumultuous ride under the BJP-led government's first term, the banking sector is discernibly hoping for long-awaited structural reforms within the sector under the Modi government's second innings.

Aside from the slowdown in the overall investment activity impacting credit growth, governance issues, weak balance sheets, a steep rise in bad loans and growing reluctance on the part of bankers to take hard-hitting decisions have left the sector in a limbo, impacting the economy at large.

True, the stock pile of banks' stressed assets is a result of excessive lending between 2009 and 2013 (pre-Modi era), particularly to sectors such as infrastructure, power, textiles and metals.

Bad loans for PSU banks have galloped from 4-5 per cent in FY14 to 13-14 per cent in the past two years. But past sins and massive clean-up of books aside, the fortunes of the sector have been in the doldrums also due to lack of the much-promised structural reforms.
Fizzled attempts

In the 2015-16 Budget, the Centre had proposed the constitution of an independent Bank Boards Bureau (BBB) to usher in an independent selection process for top bank officials. It took one year for the BBB to be operationalised, and as it stands now, it has proved to be a damp squib.

The expectations of a drastic overhaul in the governance of PSBs that ran high — with more autonomy to bank boards and Centre reducing its stake — have fallen flat.

The Centre mindlessly infusing capital into PSU banks has also achieved little. The ₹90,000 crore earmarked in FY18 was a humongous amount to be pumped into PSU banks in a single year (between FY15 and FY17, capital infused totalled about ₹50,000 crore).

This last-ditch effort, along with the over ₹1 lakh-crore infused in FY19, has been sucked into the banks' bad loan provisioning, rather than aid growth.

PSU banks, which constitute over two-thirds of the lending in the country, continue to report modest credit growth; larger banks, too, have shied away from lending to riskier segments to conserve capital.

The progress on the much-touted Insolvency and Bankruptcy Code (IBC) — implemented to speed up resolution and unlock capital — has also been disappointing.

The report card on banks' performance has been dismal over the past five years. For private sector banks, while loans have grown by a decent 16 per cent CAGR (between FY14 and FY19), profits have shrunk 4 per cent during this period, owing to 30-40 per cent rise in bad loans annually. For PSU banks, modest growth in loans (6 per cent CAGR) and over 30 per cent rise in delinquencies have exacerbated their poor performance.

From profits, the earnings for PSU banks (listed) have slipped deep into the red in the past two fiscals — ₹50,000-75,000 crore of annual losses.

The weak financials of banks and growing stress in the NBFC space have created a crisis of sorts in the financial sector, which the government will have to address in this Budget.

A clear roadmap for consolidation, diluting of government's stake, and a change in governance structure for PSU banks are imperative. Removing the chinks in the IBC process, addressing NBFC woes and pushing forth reforms to revive investment activity should be high on the government's list of priorities.

Infrastructure: Betting on more investments

In the first term of the Modi government, road construction progressed at a brisk pace, increasing from 12 km per day in FY2014 to 27 km in FY2018, and budgetary allocations to the sector grew steadily — from about ₹61,000 crore in FY2018 to ₹79,000 crore in FY2019 (revised estimates), and further to ₹83,000crore in FY2020 in the interim Budget in February 2019. Orders awarded for road construction were also steadily on the rise until FY2018.

But over the past year or so, the sector seems to have run into roadblocks. Among other factors, the troubles faced by NBFCs and banks have meant a funding squeeze for many road players. Issues related to land acquisition and the slowdown in decision-making due to the general elections also took a toll.

Consequently, the order book-to-revenue ratios of many road players shot up. At 32 km a day, there was a miss in achieving the target of constructing 40 km a day in FY2019. The year also saw a steep fall in orders awarded.

The unease in the sector is reflected in the sharp fall over the past year in several road construction stocks such as Dilip Buildcon, Sadbhav Engineering, IRB Infrastructure and Ashoka Buildcon.

Road players will be hoping that the Budget will announce measures to make funding more easily available to them. A special road construction fund, for instance, could help. So could issue of tax-free bonds by a government-controlled entity that could facilitate further lending to road players. Measures that make the process of land acquisition simpler and less litigious will also help the sector get going again, and help achieve the government's ambitious road construction plans including those under Bharatmala.

Lights out

Reforms in the power sector have, however, failed to help power companies in Modi 1.0. Between FY2015 and FY2019, the aggregate profit of S&P BSE Power index constituents grew by a compounded annual growth rate 4.5 per cent, while revenues grew at 8.75 per cent. During this period, the BJP-led government kicked off a mega reform in the power sector to untangle the bottleneck of distribution of power to consumers.

Due to heavy losses, State power distribution companies (discoms) couldn't connect all parts of India with electricity. The Modi government's UDAY scheme to deleverage discoms and the Saubhagya scheme to extend power supply to hitherto 'dark' parts of the country have helped shore up demand for power in India, which has come close to a power surplus, in the past few years.

However, power generation companies such as NTPC, Adani Power and Tata Power were impacted as discoms couldn't pay their dues to generators on time. This has led to working capital cycle getting stretched, and rising interest costs for some. A new UDAY 2, with strict focus on improving operational parameters of discoms would give a boost to the sector. So would the much delayed reform of separating the carriage of power (through power lines) from the retail sale of power.

After the roaring success of renewable power generation under the previous Modi regime, the industry is expecting renewable power to be given 'priority sector' status so that they can access cheap credit to meet the Centre's 175 GW target by 2022. A policy thrust to boost domestic production of photovoltaic cells is also keenly awaited.

Building hopes

A slew of reforms aimed at making the real estate sector more transparent were introduced in Modi's first term. But initiatives such as the GST and RERA dampened the demand initially. The unsold inventory levels rose to over 6.5 lakh in 2016 and new product launches declined — from over 3 lakh units in 2013, it fell to less than 2.3 lakh units in 2017. The sales of companies such as Godrej Properties and Oberoi Realty fell 25 and 21 per cent y-o-y, respectively, in FY17.

Though demand slowly recovered in the early part of 2018, the tight liquidity situation in the market could spoil the scene. As NBFCs are among the primary sources of funding for realty players, the Centre could infuse funding in the system so as to prevent delays in projects and aid revival in the sector. Further, to stimulate the demand in affordable housing, the Centre could take additional initiatives such as enhancing the eligibility criteria for Credit Linked Subsidy Scheme (CLSS), re-introducing ITC (input tax credit), single-window clearance and granting infrastructure status for the sector.

Though the revenues of most realty firms improved in FY19, if the expectations are met, players in the middle- and lower-income housing segment could get an additional boost.

Source: thehindubusinessline.com- June 30, 2019

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Breaking into India's apparel market is not as easy as it seems

A Zara store in a central Mumbai mall is thronging with customers on a Thursday morning as the latest sales begin.

Long lines form at the fitting rooms with people clutching piles of discounted clothes, eager to try them on. Tills are buzzing with queues in a clear sign nobody wants to miss a bargain.

"I can't afford Zara's regular prices, so whenever they have a sale, that's my opportunity to shop," says Shweta Jain, a student, as she browses through a rack of T-shirts.

There is an increasing appetite for "fast fashion" in India amid the growing popularity of western wear in the country. A rise in disposable income and expanding access to social media is fuelling the demand, not only allowing people to know what's trending and what's not, but also giving them the means to buy what's in vogue, analysts and industry observers say.

India's avergae per capita income peaked to $2,041 (Dh7490.5) in the past financial year, macroeconomic analyst CEIC data shows. However, despite reaching the an all-time high, a large segment of the country's more than 1.3 billion inhabitants still cannot afford to buy foreign brands such as Spanish-based Zara.

Other European chains such as Sweden's H&M and US-based Forever 21 are also trying to break into the market, which offers the potential of immense growth. Indian homegrown brands such as Tata Group-owned Westside and women's clothing chain Cover Story are also aware of the fact and and are trying to compete with their foreign counterparts. They have the cost advantage and are selling merchandise significantly cheaper. Competition in the Indian apparel market is fierce and despite prospects of potential future growth, it is highly challenging place to exist at the moment.

“I really think the biggest challenge would be competition,” says Vaishnavi Mandhaniya, a research analyst for the consumer sector at Anand Rathi, a financial services company based in Mumbai. “There's also a lot of competition that comes in from the unorganised sector (small, unbranded sellers), and discounting on e-commerce is something that impacts these companies a lot.”

The rise in competition comes at a time when analysts expect consumer demand to cool down a bit in the wake of a broader slowdown in the country's economy, after gross domestic product hit a five-year low of 5.8 per cent in the first quarter of the current financial year, official figures show.

The longer-term outlook for both the economy and apparel market is attractive, though.

A report by the global consultancy McKinsey estimates India's apparel market to be worth $59.3 billion by 2022. That brings it into the market league that includes the UK, where the apparel sector is worth $65bn.

Given the fact that India has a far larger population and disposable income is on the rise, there is a good chance it can overtake major European markets in the future and it makes sense for the international brands to enter India as early as possible.

“India is increasingly a focal point for the fashion industry, reflecting a rapidly growing middle-class and increasingly powerful manufacturing sector,” analysts at McKinsey write in the report. “These, together with strong economic fundamentals and growing tech-savvy [population], make India too important for international brands to ignore.”

Anuj Arora, the general manager of Oberoi Mall, one of the major shopping destinations in India's financial capital Mumbai, says that given the demand for fast fashion, “malls across India are gradually giving more importance to fast fashion brands as they see these brands driving footfall”. Oberoi Mall features US-based GAP and Zara stores.

“Most consumers, especially the millennials, have a strong affinity to these brands and we have provided prime spaces with exciting store fronts to them,” says Mr Arora.

The mall, he says, has plans to bring in more apparel brands in the future.

McKinsey says that more than 300 international fashion brands are expected to open stores in the country over the next two years, which bodes well for the shopping centres such as Oberoi Mall.

Among the new entrants due is the Japanese high-street chain Uniqlo, which operates more than 2,000 stores globally across 20 countries. It plans to open its first store in India in the country's capital, New Delhi, later this year. In an interview with the Indian business publication Economic Times last week, Tadashi Yanai, the chief executive and founder of Uniqlo's parent company Fast Retailing, said India has the potential to be the “number one and the most exciting market in the world” for the company. “The budget is unlimited when it comes to investment” in the country, according to Mr Yanai.

When Uniqlo enters India, it will go into direct competition with Zara, owned and operated in the country by Intidex – the world's largest fashion retailer - in a joint venture with Indian conglomerate Tata Group.

Zara posted a 13.4 per cent net profit drop for the financial year to the end of March 2019 to 714 million rupees (Dh39m) for its Indian operations, just one sign that competing in apparels space is not easy in Asia's third-largest economy.

Zara operates 22 stores in India, in cities including Mumbai, Bangalore, Surat in Gujarat and Chennai.

However, rival H&M, which entered Indian market five years after Zara in 2015, already has more than 40 stores in the country.

Analysts say that is likely to have been helped by the fact that H&M's products are generally cheaper than Zara's.

“It's probably due to the unaffordability of Zara for a lot of people in India,” says Ms Mandhaniya

The Indian market is still very much dominated by Indian clothing, and there's additional pressure on foreign chains of finding suitable retail space.

While Tata group is maintaining its ties with Zara in India, it is hedging bets by expanding its home-based Westside brand for people who can't afford Zara prices. Tata Group is rapidly building up Westside with prices around half those of Zara's. It does, however, follow the mantra of an ever-changing range of apparel and, like Zara, brings new lines to its stores every few weeks.

Tata Group's retail division, Trent, has plans to open 40 Westside stores a year, as well as hundreds under its mass market Zudio brand, chairman of Trent, Noel Tata, told Bloomberg.

“The middle class is growing, incomes have grown, Indians are travelling more and they have more money to spend,” Mr Tata said. “Now that we’ve built this capability and this model that’s working so well, it’s time to grow faster.”

Judging by Mr Tata's statement, rival international apparel chains are in for a rough ride.

“Local rivals offering a mix of western wear and Indian styles at lower prices are a major challenge in the current fashion market,” says Manoj K Agarwal, a spokesman for Viviana Mall, a shopping centre in Thane, a city close to Mumbai dominated by Indian clothing brands. Mr Agarwal says “everyone” is interested in getting a foothold in India, and that “both Indian and foreign brands see India as a latent market”.

The trend towards more foreign companies entering the retail sector is being helped by the country's relaxation of foreign direct investment (FDI) rules, Mr Agarwal adds.

India's government last year relaxed regulations to allow 100 per cent FDI in single brand retail - which only sell products under their own label, rather than selling multiple brands - via the automatic route, whereas earlier overseas firms had to approach the Department of Industrial Policy and Promotion for permission to fully own their operations, making it a more drawn-out and cumbersome process to set up.

As steps like these encourage companies to try on the Indian market for size, brands will have to make sure they keep up with the latest trends and find their niche segments sooner rather than later, analysts say.

Source: thenational.ae- June 29, 2019

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Alibaba-like platform for the MSME sector, says Union Minister Nitin Gadkari

Acknowledging the Micro, Small and Medium Enterprise (MSME) sector as a backbone of Indian economy, Union Minister for MSME Nitin Gadkari said that the sector plays a huge role in generating employment.

To make the sector more accessible, Gadkari affirmed that the Government is planning to develop a portal for creating a marketplace like Alibaba where all stakeholders from India's MSME sector can find the demand and supply inputs.

Presently, MSME contributes 29 per cent of India's GDP and about 50 per cent of country's export GDP. MSME sector is also set to increase to 15 crores from around 11.10 crores.

Addressing the International SME convention, Gadkari maintained, "We are going to open a new website, the name of it would be bank of ideas, innovation and research, which will be open for suggestion from the sector.

Prime Minister Narendra Modi's dream of making India a US $ 5 trillion economy can only be fulfilled by ensuring the growth of the MSME sector in the county.

He also talked about the need for research and innovation in the MSME sector and said collaborating with global entities will bring the latest technology in the sector. He also handed out awards to selected 100 SMEs from 34,011 nominations.

The Government is also claiming providing better credit facility, technology up-gradation and skilling to boost the entire MSME ecosystem in India.

"About 5.45 lakh micro enterprises have been assisted with a margin money subsidy of Rs. 12,074.04 crore, providing employment opportunities to an estimated 45.22 lakh persons since the Prime Minister's Employment Generation Programme (PMEGP) inception and till March this year," he added.

Source: apparelresources.com- July 01, 2019

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