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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 227 of 2018 November 2, 2018

USD 72.82| EUR 83.18 | GBP 94.71 | JPY 0.64

Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22087	46200	**80.64**
Domestic Futures Price (Ex. Gin), November		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22390	46835	**81.75**

International Futures Price	
NY ICE USD Cents/lb (Dec 2018)	79.03
ZCE Cotton: Yuan/MT (Jan 2019)	14,875
ZCE Cotton: USD Cents/lb	**82.32**
Cotlook A Index – Physical	**86.65**

Cotton Guide: It's almost sacrosanct that Cotton future is failing to break below 76 cents. Precisely today is the 23rd session it has taken support. On Thursday market reversed very quickly and rapidly after making intraday low of 76.53 cent moved to 79.60 and finally closed at 79.03 cents per pound. However, on the higher side it is also not breaking the key resistance zone of 80.40 levels. Unless there is either side breakout market will continue to move in the same zone. Interestingly market is continuously absorbing all the external events and factors within the given price band. We have been having funds rollover positions, key economic numbers, currency volatility- USD making flip flop move, US exports sales figure. However, no major change yet seen on the market. Next week we have the important data from the USDA the WASDE Report scheduled on 8th November. We think traders across the globe might continue to keep mute while volatility may continue to prevail within aforementioned band.

Since the price had jumped over 4 per cent the trading volumes were substantially higher. The last month average daily volume has been around 20-25K contracts while on Thursday it had topped 70K contracts, spread trading has been active between December18 and March 19 contract amid roll over of positions. The aggregate open interests have held at 267K contracts marginally higher than the previous session. As of now we aren't sure if the price will break the upper side of the band and move further higher however, fresh trigger could lead the momentum to push price onto higher trajectory.

Despite poor weekly export sales report the cotton price jumped. We believe the general rebounding in commodity price amid lower USD is the major reason for price rise. The export sales report was indeed bad. Net sales of minus 49,000 bales upland were a marketing year low. This included 81,300 bales of upland cancellations to China, most of which appeared to have been rolled to new crop. Shipments were a paltry 114,700 bales including Pima.

A week-old press release from NASS seemed to be getting some attention. The release announces additional efforts to quantify harvested acres in hurricane-impacted Alabama, Georgia, Florida and South Carolina. Prices may have been supported by ideas that USDA could take a sharp knife to the Southeast crop numbers on its next supply demand report. Of course, this kind of expectation could be double-edged knife in the long run. On the technical front Thursday's rally struggled to overcome 50-day moving average resistance as mentioned near 80-80.40 cents. Note the moving average has stopped four rally attempts since October 22nd. If prices can move through this barrier, they may pop up towards 82.50. As said 76 and 75.37 are two key support levels in the market.

The reaction in the ICE future is clearly visible on the domestic future market. Active November future contract end the session on Thursday at Rs. 22550 up by Rs. 300 per bale from the previous session. Interestingly major parts of the gains have happened in the evening session of MCX while ICE market was active in the US. We think the trend may remain modestly positive as it may also take cues from the domestic spot market which is slowly declining amid arrivals pressure. The private estimates suggest all India arrivals to be currently averaged around 1, 40-150,000 bales. The spot price for S-6 has traded steady around Rs. 46500 per candy ex-gin.

FX Update: Indian rupee has opened higher by 0.4% to trade near 73.14 levels against the US dollar. Rupee has benefitted from sharp decline in crude oil price, recovery in global equity market and general correction in US dollar index. Brent crude trades weaker near $72 per barrel after a 2.9% slide yesterday on signs of higher supply from US, Russia and Saudi Arabia. Asian equity markets edged up today amid hopes of US-China trade talks. As per Bloomberg reports, Donald Trump and Xi Jinping expressed optimism ahead of meeting later this month in Argentina, with the US leader saying his Chinese counterpart wants to make a deal to end an escalating trade war. The US dollar index slumped 0.9% yesterday on disappointing manufacturing data and Bank of England aggressive rate hike stance. BOE warned that no-Brexit scenario could force central bank to consider faster rate hikes to contain price pressures. RBI-government concerns eased after government expressed support for central bank's independence and this also benefitted rupee. Rupee may trade with a positive bias amid general stability in equity market and weakness in crude however we may not see sustained gains as overall outlook for US dollar is still positive. USDINR may trade in a range of 72.9-73.45 and bias may be on the downside for the day.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	Many U.S. firms in China eyeing relocation as trade war bites: survey
2	Will China's rivals benefit from the trade war?
3	China's New Love of Imports Leaves Long Road to Trade Balance
4	Mapping global trade: From cotton to T-shirt
5	The Midterms: Action on Trade Possible, But So is Gridlock
6	Sri Lanka: September apparel exports up; industry confident of US $ 5.5bn export earnings
7	New Denim-Washing Technique Cuts Water Use by 90 Percent
8	Myanmar's Labor Strikes Subside, But Garment Sector Concerns Remain High
9	Vietnam and Malaysia may gain from trade war
10	Ghana: Government to single source all textile imports
11	Apparel firms should focus on nearshoring, automation
12	S. Korea posts 2nd biggest export in October
13	Pakistan: Textile industry seeks $5bn credit line from China
	NATIONAL NEWS
1	U.S. Revokes Duty-Free Privileges On Import Of At Least 50 Indian Items
2	GST collection crosses ₹1 lakh crore in Oct
3	Manufacturing PMI jumps to 53.1 on strong order inflows
4	In U.S.-India Trade, Trump Sees Only Harley-Davidson
5	Ikea to create 10,000 jobs in Maharashtra over next 3 years
6	Micro, Small, and Medium Enterprises in India – An Explainer

INTERNATIONAL NEWS

Many U.S. firms in China eyeing relocation as trade war bites: survey

More than 70 percent of U.S. firms operating in southern China are considering delaying further investment there and moving some or all of their manufacturing to other countries as the trade war bites into profits, a business survey showed on Monday.

U.S. companies operating in China believe they are suffering more from the trade dispute than firms from other countries, according to the poll by the American Chamber of Commerce in South China, which surveyed 219 companies, one-third from the manufacturing sector.

Sixty-four percent of the companies said they were considering relocating production lines to outside of China, but only 1 percent said they had any plans to establish manufacturing bases in North America.

“While more than 70 pct of the U.S. companies are considering delaying or cancelling investment in China, and relocation of some or all manufacturing out of China, only half of their Chinese counterparts share the same consideration,” the AmCham report said.

The trade war is shifting both supply chains and industrial clusters, mostly towards Southeast Asia, the survey found.

U.S. companies reported facing increased competition from rivals in Vietnam, Germany and Japan, while Chinese companies said they were facing growing competition from Vietnam, India, the United States and South Korea.

Customers are slowing down orders or not placing them at all, Harley Seyedin, president of AmCham South China, told Reuters.

“It could very well be that people are holding back on placing orders until times are more certain or it could very well be that they are shifting to other competitors who are willing to offer cheaper products, even sometimes at a loss, in order to get market share,” he said.

“One of the most difficult things about market share is once you lose it, it is very hard to get back.”

Companies in the wholesale and retail sectors have suffered the most from U.S. tariffs, while agriculture-related businesses have been most hit by Chinese measures, the survey found.

The survey was conducted between Sept. 21 and Oct. 10, shortly after the U.S. imposed tariffs on another $200 billion worth of Chinese goods. That prompted Beijing to retaliate with additional tariffs on $60 billion of U.S. products, escalating a tariff war between the world’s two largest economies.

The U.S. duties are set to rise sharply on Jan. 1.

Both Washington and Beijing appear to be digging in for a long battle, though U.S. officials say President Donald Trump would go through with plans to meet Chinese President Xi Jinping at the G20 summit next month if it looked like the discussions would be positive.

Nearly 80 percent of the survey respondents said the tariffs have knocked their businesses, with U.S. tariffs having slightly more impact than the Chinese ones.

Around 85 percent of U.S. companies said they have suffered from the combined tariffs, compared with around 70 percent of their Chinese counterparts. Companies from other countries also reported similar impacts as their American counterparts.

The top concern of companies surveyed was the rising cost of goods sold, which resulted in reduced profits. Other concerns included difficulties managing procurement and reduced sales.

One-third of companies estimated the trade dispute had reduced business volumes ranging from $1 million to $50 million, while nearly one in 10 manufacturers reported high-volume business losses of $250 million or more.

Nearly half the companies surveyed also said there had been an increase in non-tariff barriers, including increased bureaucratic oversight and slower customs clearance. Analysts have warned of such a risk to U.S. firms as China is increasingly unable to match U.S. measures on a dollar for dollar basis.

The survey's findings add to evidence that export-reliant Chinese cities and provinces are facing growing strains. Guangdong, China's biggest province by gross domestic product, reported a drop in exports in the first eight months from a year earlier.

Source: reuters.com- Oct 30, 2018

HOME

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Will China's rivals benefit from the trade war?

Integrated supply chains mean China cannot easily be replaced

Lately the workers at An Phat have spent more time catering to American tastes. Of the $2.5bn-worth of bags that America imports annually, roughly two-fifths come from China.

In September these were among the 5,745 Chinese-made products that started facing American tariffs of 10%—high enough to tempt retailers to look for suppliers elsewhere.

"America has been a hard market to break into, and we saw we could make a push," says Nguyen Le Hang, An Phat's deputy chief executive. Over the past three months its sales to America have more than doubled.

Around the world, companies and countries are vying for business that is seeping away from China because of the trade war. America's president, Donald Trump, hopes his hardball tactics will bring more factories home, but there is little evidence of that so far.

Instead, other countries in Asia are more likely to benefit, because they can more readily step into the voids left by China. Both those further up the value chain than China and those below it spy opportunities.

Wealthier countries are eyeing some of the high-end manufacturing that they lost to China. Taiwan is trying to lure back computer companies, while Malaysia and Thailand want to expand their footholds in electronics. In low-income countries, the focus is on the cheaper sectors that China has long dominated. Vietnam is strong in food processing; Cambodia in footwear; Bangladesh in clothing.

But the trade war cuts both ways. “Factory Asia”—the web of supply chains that is spread across the region, often centred around China—accounts for nearly half of global manufacturing.

The more closely countries are integrated with China, the more that they, too, will suffer from America’s tariffs. The question is whether the gains from any business they snap up from China will offset the slowdown in China-centred trade.

The shift in factories away from China in fact predates the trade war. For the better part of a decade, soaring wages have nudged companies, particularly those in labour-intensive industries such as garment-making, towards poorer Asian countries. Those in more sophisticated sectors are also affected: university graduates in China now earn nearly as much as their Taiwanese counterparts.

Over the past few years China has also ratcheted up its environmental standards, pressuring factory owners to invest in more modern facilities or shut up shop. It is not just foreign companies that are looking for more hospitable climes. Chinese firms are doing the same: their investment in manufacturing in South-East Asia has been growing by nearly 50% a year. Mr Trump’s tariffs should help accelerate these trends.

Not in the bag

Yet the transition away from China is far from straightforward. It is the world’s biggest exporter for good reasons. The country’s dense clusters of companies offer everything manufacturers need: electronics in the south, automobiles in the east and heavy industry in the north. They are supported by top-notch roads and ports. As wages have risen, companies have poured money into automation. Moreover, China itself is a big market, and manufacturers want to stay close to their customers.

All these advantages make China's factories productive. Dan Krassenstein, director of Asian operations for Procon Pacific, a manufacturer of heavy-duty bags for transporting fertiliser, sand and the like, says that China still has its attractions. Workers in India earn 75% less than those in China. But because they are also less efficient, Mr Krassenstein estimates that his savings per bag in India are only around 35%. His company is shifting some production to India—but only gradually.

Others can only absorb so much manufacturing from China before their costs spiral. Its workforce is more than double that of all South-East Asian countries combined.

Walter Blocker, chief executive of Vietnam Trade Alliance, a group of consumer-product firms, describes the flow of business from China into Vietnam as a deluge. Already, wages are rising quickly, as are land prices in industrial parks.

The upshot is that China cannot easily be replaced. Sudhir Shetty of the World Bank reckons that others in the region thus have more to lose than gain from the trade war.

Pain for Chinese exporters will spread to their suppliers, from chipmakers in South Korea to textile-makers in Myanmar. On top of all that, uncertainty about the global trading system could take a toll on investment in Asia. "We are talking about the part of the world that has gained the most from openness," says Mr Shetty.

There is little precedent to help estimate the impact of trade war. Zhang Zhiwei of Deutsche Bank has used America's anti-dumping duties on China-made washing machines, imposed in 2017, as a case study. China's exports of washing machines to America collapsed, but those to other countries stayed strong.

Meanwhile South Korean firms shifted production to Vietnam and Thailand, which let them expand their sales in America—a decent outcome for Factory Asia.

But then in January 2018 Mr Trump whacked tariffs on all imported washing machines. That finally led Asian makers to open factories in America. Machines there are now 15% more expensive.

Casualties unknown

One thing looks clear from recent data: the region is already being buffeted by trade headwinds. In 2017 exports from both richer countries—Japan, South Korea and Taiwan—and poorer ones, such as the Philippines and Vietnam, rose at double-digit rates. This year the pace has slowed sharply. Strikingly, Chinese exports have fared much better; in September they were 15% higher than a year ago.

But that was because companies were shipping as much as they could before tariffs took effect. Disruption is on the horizon.

For some, that prospect is welcome. Already South Korea's Samsung Electronics produces a third of its global output in Vietnam, and it plans to expand. Japanese investment in Vietnam is booming.

At An Phat, there is almost giddy excitement about its chances of acquiring big new customers, and not just for plastic bags.

The company is refashioning itself as a maker of complex parts for washing machines, mobile phones and more. It has brought in state-of-the-art robots and plans to double its workforce next year. The trade war, it hopes, will be a bags-to-riches tale.

Source: economist.com- Oct 27, 2018

HOME

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China's New Love of Imports Leaves Long Road to Trade Balance

Chinese President Xi Jinping has a long road ahead of him if his goal is to reduce his nation's goods trade surplus by buying more from abroad.

Set to address the China International Import Expo in Shanghai on Nov. 5, Xi is putting his personal stamp on an event geared to demonstrate China's willingness to open its economy. China is under pressure from Donald Trump and elsewhere to wind back its $423 billion goods trade surplus, and Xi has already pledged that China will import $24 trillion dollars of goods from abroad over the next decade and a half.

Some 3,000 companies from over 100 countries are due to exhibit at the fair, to connect with buyers from the world's biggest market by population, and 18 heads of state or government are slated to attend. That the event is happening at a time when China is facing higher tariffs on all of its goods sent to the U.S. increases its importance, as the global economy is facing an escalating growth-sapping trade war with little resolution in sight.

A politburo meeting Xi chaired on Wednesday indicated that more stimulus is being planned to shore up a slowing economy battered by a domestic debt cleanup and the trade war with the U.S. No details on new policy plans were released.

Encouraging households and companies to buy more from abroad seems to be an obvious way to address the massive surplus. Under the hood though, Xi's number represents little shift from what's already happening, and the deeper patterns of the world's second-largest economy will be hard to shift in the years ahead, even with a big official target to aim for.

"Trade is mostly market driven and the state's role is limited — what China imports is driven largely by the demands of households and firms and not by officials," said Yukon Huang, a senior associate at the Carnegie Endowment for International Peace's Asia program in Washington. "Thus when the U.S. demands that China reduces the bilateral trade deficit by some amount, it makes the mistake that Beijing's bureaucrats can do this with a stroke-of-the-pen decree."

Already Happening

Compared with 2017's Belt and Road Initiative summit — another pet project of Xi — the import fair has a less glamorous list of attending state leaders. But interest from the business community is keen.

While no senior U.S. officials are due to attend the opening ceremony, 180 U.S. companies including big names such as Alphabet Inc.'s Google, Boeing Co., Caterpillar Inc., Facebook Inc., General Motors Co., Honeywell International Inc., Microsoft Corp., Tesla Inc. and Qualcomm Inc. will show up.

Even though consumption has slowed this year, rising affluence, especially in smaller cities, could stoke consumer demand for medium- to high-end imported goods, and the import fair is an opportunity for Chinese consumers to get in touch with those products, according to Robin Xing, chief China economist at Morgan Stanley in Hong Kong.

But apart from products where foreign companies have obvious comparative advantage, such as Australian beef, Chilean cherries, or integrated circuits, many industries will have to face fierce competition from increasingly sophisticated domestic rivals. Global smartphone makers, for example, are challenged by Chinese companies led by Huawei Technologies Co.

All that might partly explain why, political rhetoric aside, Chinese leaders are rational when giving out numbers. Xi's big headline number, when spread over 15 years, implies an annual average less than last year's total.

Imports for Exports

Imports in the world's biggest trading nation are still largely geared to its export machine. About half of China's imports last year came from electronics and machinery. As foreign value-added content in China's gross exports average about 40 percent, according to BNP Paribas Asset Management, it's clear that a lot of what gets brought into China goes back out again as part of a finished product.

That means there is a strong correlation between China's exports and imports. When exports are doing poorly, imports taper in most cases. If the trade war significantly dents China's exports, the nation's imports from the rest of the supply chain will very likely suffer collateral damage.

Surplus Contributors

China has a huge deficit in services trade, significantly driven by outbound tourism. But in terms of goods, the Asian nation still sits on an enormous surplus, and the U.S. is one of the biggest contributors.

President Donald Trump made that lopsided trade relationship with China a key bugbear of his early period in office, but his tariff approach hasn't helped narrow that gap — instead it is growing to a new record as stimulus in the U.S. drives demand for imports.

The deeper issues at the heart of the U.S. trade conflict — intellectual property, China’s industrial dominance strategy, and the overall political rivalry between the two, aren’t something that can be addressed in an exhibition center in Shanghai.

“This forum seems to highlight the clashing trends created by China — on the one hand, it underscores the magnetic allure of China’s massive market, as European, Canadian and Asian countries all vie to showcase their wares,” said Claire Reade, a former USTR representative in China. “But it also offers a glimpse of the darkening political clouds created by China’s industrial policies and the US-China trade conflict.”

Source: sourcingjournal.com- Nov 01, 2018

HOME

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Mapping global trade: From cotton to T-shirt

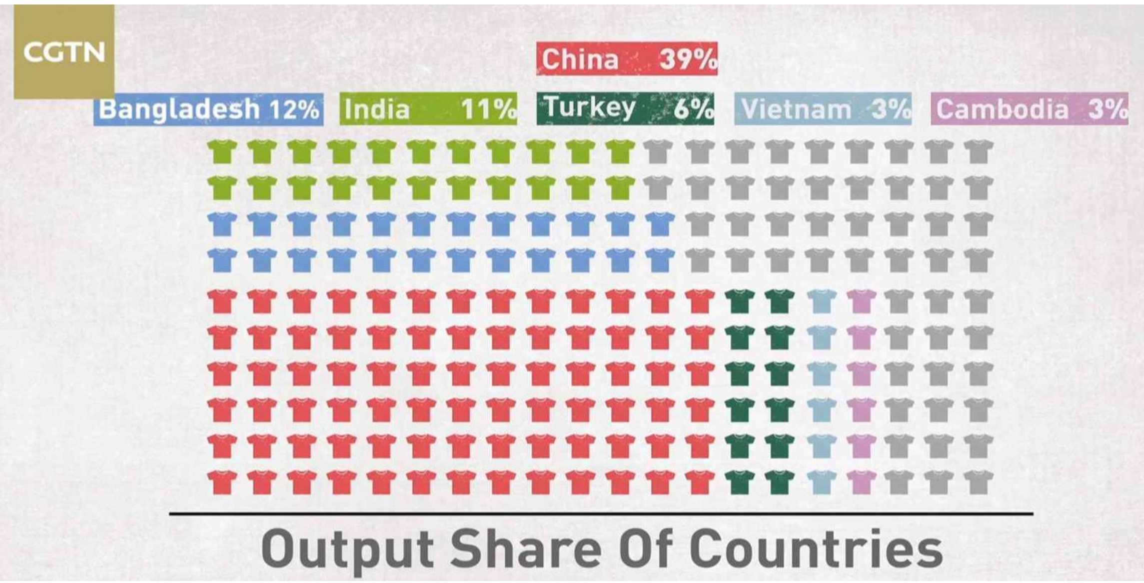
Did you know that the story of globalization and economic cooperation can start with just one single cotton ball?

Cotton is a hugely important raw material in the textile industry, with millions of tons of it produced and sold around the world each year.

You've probably got a few T-shirts back home made from cotton, but do you know how it got to be inside your closet? The journey from cotton ball to items of clothing covers thousands of miles, crisscrossing the world from country to country.

China has one of the world's largest textile industries, with 20 million workers relying on imports from countries like Brazil, India and the US as they create products like the T-shirts we buy, sell and wear around the world.

As of December 2017, the US was the biggest source of Chinese cotton imports, representing 35 percent of all incoming cotton. It was followed by Brazil (27 percent) and India (18 percent), with Australia, Uzbekistan and Mexico among other major exporters.



What does China do with all of that cotton? When it comes to T-shirts, it produces 5.16 billion units every year – representing half of all global output, ahead of Bangladesh and India.

After being imported to China as cotton, the production process is completed and billions of these T-shirts hit the high seas once again, exported to all four corners of the world.

Once these T-shirts are sold off as high-end consumer products or cheaper goods in markets across every continent, does the journey stop there? Not necessarily.

While many of these T-shirts can end up at rag fairs or charity stores, the rise of e-commerce means that more and more individual merchants can now buy up blank T-shirts, add their own designs and sell them on online platforms.

A report by Credence Research earlier this year found that custom T-shirt printing market could be worth as much as 10 billion US dollars in its own right by 2025.

Source: news.cgtn.com- Nov 02, 2018

HOME

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The Midterms: Action on Trade Possible, But So is Gridlock

Trade policy hangs in the balance depending on the outcome of the U.S. midterm elections on Tuesday, from China tariffs to passage of the U.S.-Mexico-Canada Agreement (USMCA), along with the potential for political paralysis on topics of interest to the apparel, textile and footwear supply chains.

ohn Raines, head of political risk at IHS Markit, along with Lindsay Newman, principal analyst at the business data analysis firm, said in a new report that regardless of the outcome of Tuesday's elections, "executive actions are likely to continue to be used to pursue renegotiations of additional trade agreements under a fast-track Trade Promotion Authority." There's also the likelihood of further tariff increases and deregulation efforts, as well as sanctions on individuals, firms and countries.

Given current polling, presidential approval ratings and Democratic performance in recent special elections, IHS Markit predicts Democrats will most likely retake the House, while Republicans will retain their majority in the Senate.

"Under the scenarios of either a split chamber or Democratic majority in both chambers, the likelihood of policy gridlock would increase, although opportunities for bipartisanship include infrastructure and immigration reform," Raines and Newman said.

Meanwhile, if Republicans retain control of both houses, Nicole Bivens Collinson, president of international trade and government relations at Sandler, Travis & Rosenberg, said, "Then we're going to see a doubling down and more of the same, which makes me feel that we may see the remaining imports from China subject to additional tariffs. And a lot of that is in footwear and apparel."

Should Democrats take the House and Republicans maintain a majority in the Senate, GOP efforts to make the 2017 individual tax cuts permanent, eliminate the Affordable Care Act or undertake substantial changes to social entitlements will probably be off the table until the next federal elections in 2020, the IHS report said.

In this scenario, although a House Democratic majority is seen resisting efforts to deprioritize environmental protections, bipartisan legislative compromise could include investment in public transportation, ports and water systems, IHS contended.

Collinson said she believes even if Democrats take the House, the pending USMCA will pass. She said if the Democrats try to amend the trade policy in any way, President Trump will just say he'll withdraw it, because under Trade Promotion Authority it is supposed to go to an up or down vote.

"Trump might still double down on the [tariffs] to China because he's going to be mad if the Republicans lose the House," Collinson said. "I feel there will be additional tariffs on China because I don't see Trump backing off of his threats and I don't see Chinese President Xi Jinping moving at all because we all know how important the Chinese face is. I see this as a long-term, multiyear trend of these tariffs. I think we're looking at a new reality and folks just have to face it."

Paul Rosenthal, a partner at Kelley Drye & Warren, said, "Assuming the House does go Democratic and the Senate stays Republican, I don't think you're going to see much change in trade policy, at least not dramatic change.

The reason is that the consensus is that, while the Trump administration may have not been tactically sound, its general assessment of the problem for a lot of industries and the economy is the Chinese failure to abide by its international trade obligations. So, most Democrats will agree with the Trump administration that being tough on China is a good policy."

Rosenthal said there is a lot of concern, however, over the tactics that have been employed, and going after other U.S. trading partners such as Canada, Europe and Mexico has not enjoyed as much support among Democrats or Republicans. Rather, a unified effort with U.S. allies against China's trade policies would be more effective.

If Republicans keep their majority in both chambers, the Trump administration would most likely pursue additional trade tactics, including reconsidering auto tariffs and expanding the current tariff regime against China, the IHS report predicts.

In this case, the administration could pursue some of the more aggressive trade strategies on its policy wish list, including the crafting of the reinitiated U.S.-European Union Trade negotiations and calls for re-evaluating the U.S. participation in the World Trade Organization.

If a blue wave materializes and Democrats win a majority in the House and Senate, Raines and Newman said, "prospects for passage of the current administration's legislative goals would essentially cease." The potential for government shutdowns around budgetary matters would also increase since Democrats would have a unified front.

Under a Democratic House or overall Congress, for that matter, Rosenthal sees more scrutiny of how tariffs are imposed and the process for seeking exemptions. There will also likely be hearings on whether the trade policies are being carried out effectively and fairly.

"I don't think you'll get disagreement about being tough on China, but you'll get a disagreement on whether all these tariffs are getting us the objectives that we want, whether the retaliation has been worth it—you'll get discussions on those types of issues," he said.

Rosenthal said the vote on USMCA is "going to be a close one," which "depends on what the final language looks like and what gets put into the final bill to satisfy certain constituencies." He also felt that the proposed free trade agreements with the European Union and Japan have a chance of moving forward. "I liken it to Nixon going to China," he said, referring to President Richard Nixon, a staunch anti-Communist, having détente with China in the middle of the Cold War and comparing it to Trump, an ardent anti-free trader striking these deals.

Rosenthal also noted there's a chance of bipartisanship on an infrastructure package, although the question of where the money is going to come from after the deficit-raising tax bill still needs to be addressed. In the end, he added, a lot will also depend on whether there is any spirit of compromise or simply continued political polarization and animosity.

Source: sourcingjournal.com - Nov 01, 2018

HOME

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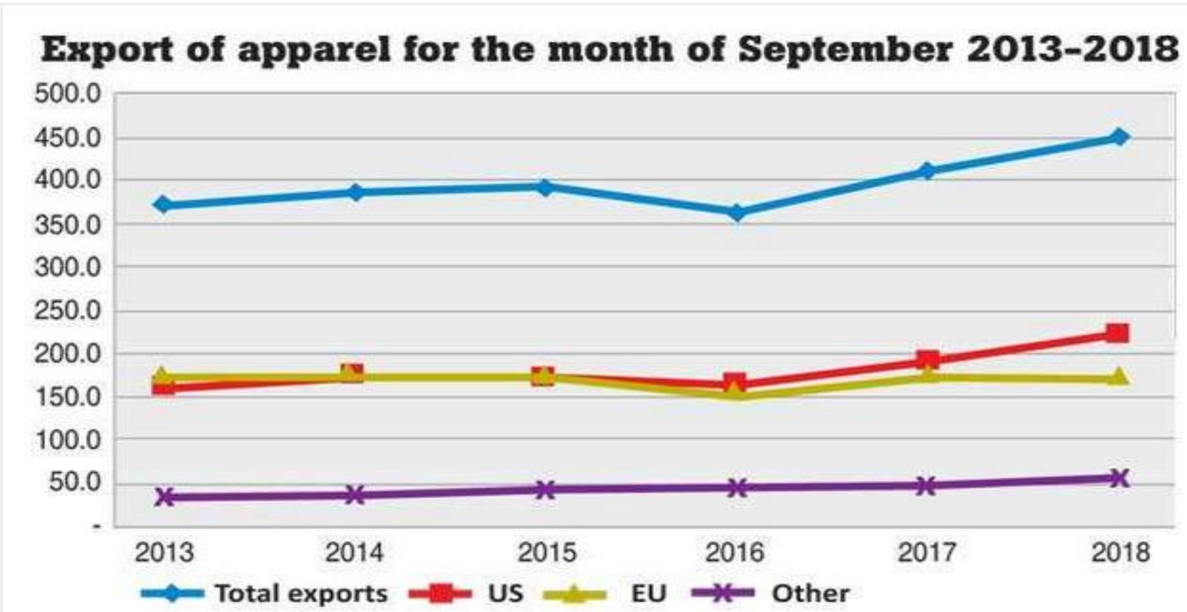
Sri Lanka: September apparel exports up; industry confident of US $ 5.5bn export earnings

Sri Lanka's apparel export earnings grew 9.2 percent year-on-year (YoY) to US $ 451 million in September—the second highest growth rate recorded so far for this year backed by a double digit growth in exports to the US market.



Joint Apparel Association Forum (JAAF) and Sri Lanka Apparel Exporters' Association (SLAEA) remain optimistic that Sri Lanka will be able to achieve its US $ 5.5 billion apparel export target set for this year, helped by higher exports the US and the recovery in exports to the European Union (EU).

During the first nine months of the year up to September, apparel exports grew by 5.04 percent YoY to $3.73 billion, with exports to the US market growing 5.84 percent YoY to US $ 1.66 billion and exports to the EU growing 4.43 percent YoY to US $ 3.57 billion.

In September, apparel exports to the US grew by a significant 16.23 percent YoY to US $ 222 million while the exports to the EU declined by a marginal 0.57 percent YoY to US $173 million.

The exports to other markets such as Canada, UAE, Japan etc. also witnessed a double digit growth of 16.67 percent YoY to reach US $56 million.

Speaking to Mirror Business, JAAF Secretary General Tuli Cooray said that the negative growth recorded in the EU market is slowly getting adjusted, pointing out that in August, apparel exports to the EU declined by 7.81 percent YoY.

SLEA Chairman, Felix Fernando said: "I think we should be able to reach the targets; November and December are usually good months for our exports." He noted that as the winter season arrives late in Europe, it will be positive for Sri Lanka's apparel exports. However, he expressed concerns on the current sluggish retail industry in Europe.

When queried on the impact of the current political situation on GSP Plus preferential market access to the EU markets, Cooray said: "That's too early to think about it. Once Parliament convenes on the 5th of this month, it will be sorted out. We are not overly worried about that."

Fernando stressed on the stable business and political environment and political stability, which is crucial for exporters, to reach export targets.

Reasoning the apparel export growth to US in recent months, Cooray noted that Sri Lanka may be benefiting from the US-China trade war, as several front-end services have already shifted into Sri Lanka.

"We really don't know what the reasons for growth in exports to the US are. But we do believe that there's an impact from the US-China trade war. There may be a slight trade shift, that's a possibility.

We do have a situation where front-end services are being brought into the country. We believe Sri Lanka is becoming more a knowledge-based service provider," he said.

Cooray emphasised that though existing apparel firms in the country would continue to operate and expand their manufacturing in Sri Lanka, there aren't any incentives for foreign firms to shift their manufacturing plants to Sri Lanka, given the current labour shortage and relatively high cost of production.

"Traditional manual manufacturing may not expand in this country as it's not the competitive element that we have any longer. We will be definitely thriving in the front-end side," he added.

Cooray revealed that Sri Lankan firms are exploring the possibility of subcontracting, getting low-cost apparel from Bangladesh and other regional countries for value addition in Sri Lanka, given the current dynamics.

"We do have logistics and knowledge for value additions, but our cost is higher," he stressed.

He noted that a "serious" industry delegation recently visited Bangladesh to explore this possibility as Bangladesh has the scale of production, while Sri Lanka has the knowledge and logistics for value additions and then to export to other countries.

Fernando also expressed similar sentiments, stating that Sri Lanka could benefit by coming into an understating with Bangladeshi manufacturers to get low cost and volume-based production for value addition to be done in Sri Lanka.

He noted that most of Bangladeshi firms, except for large players are forced to reject export orders received for value added products as they lack the "know-how".

"Bangladesh is also keen on working with us, because they probably hope to gain the knowledge, working with us in the long term as they lack the know-how to manufacture value added apparel products," he said.

Fernando emphasised that the proposed free trade agreement (FTA) with Bangladesh could benefit Sri Lanka's apparel sector, which would encourage Sri Lankan and Bangladeshi manufactures to form partnerships, particularly SMEs.

In addition, Cooray revealed that the industry are taking measures to address labour shortage by enhancing productivity, with technological upgrades and increasing the capabilities of existing labour to handle multi task components.

"We are also exploring to take the industry to areas where labour is available. Sri Lanka is having various pockets where there are people. But that's a very slow process," he added.

Source: dailymirror.lk- Nov 01, 2018

HOME

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New Denim-Washing Technique Cuts Water Use by 90 Percent

Fast Retailing, the Japanese retail group that owns J Brand, Theory and Uniqlo, has developed a new washing technique for jeans that cuts water use by an average of 90 percent and up to 99 percent compared with conventional methods, the company announced last week.

The technology, which hails from Fast Retailing's Jeans Innovation Center in Los Angeles, has already moved past proof of concept, making an appearance in both the current season of Uniqlo Men's Regular Fit jeans and J Brand's newly launched 10-piece sustainable capsule collection.

In 2019, a total of 10 million pairs of jeans from the two brands—the equivalent of nearly a third of Fast Retailing's annual denim production—will be manufactured using this water-saving process, the firm said.

Better yet, by 2020, all jeans made and sold by Fast Retailing will adopt the technology, saving roughly 3.2 billion liters of water, or enough to fill nearly 1,300 Olympic-sized swimming pools. The innovation employs high-tech washing equipment that use nanobubbles—that is, extremely small bubbles of gas in liquid—and ozone to rein in water use during washing while "still ensuring high quality and design," Fast Retailing explained.

Plus, to curtail water pollution, the firm has replaced the pumice typically used in the washing process with a "semi-permanent" artificial stone. Fast Retailing has also "lightened the burden" of its workers by substituting lasers for the labor-intensive scraping process, which is traditionally done by hand, it said.

"We believe that jeans manufactured not only with a focus on design and comfort, but under conditions that are environmentally friendly and protect the rights of the workers involved in the production process, are truly good products, and that pursuing such jeans production will lead to a brighter future," Masaaki Matsubara, director of the Jeans Innovation Center, said in a statement. "We will utilize the technical capabilities and economies of scale of Fast Retailing to contribute to the realization of a sustainable society."

Fast Retailing says it will reveal further details of the new technology sometime in early 2019.

Source: sourcingjournal.com- Nov 01, 2018

HOME

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Myanmar's Labor Strikes Subside, But Garment Sector Concerns Remain High

Following government intervention, a labor dispute in Myanmar that had garment workers on strike for the last two months, is coming to an end.

Chinese-owned garment factory Fu Yuen Ltd, has agreed to reinstate workers it may have sacked without cause. In late August, 30 workers at Fu Yuen in Yangon were fired without notice after being accused of disrupting production and having poor attitudes. Each of the workers fired were part of a labor union, the likes of which have faced persecution in the country before.

The sacking prompted as many as 300 workers to strike in an effort to get the released workers rehired, and protests turned violent last month when assailants attacked a crowd gathered outside of the factory, according to Reuters.

Fu Yuen, however, had maintained the workers were fired for cause and not for being union members.

“As the cost has been rising rapidly in the past few years, the factory had no choice but to lay off those workers with poor attitude at work while hoping to increase the productivity again,” Janice Chan, a representative for Fu Yuen told Reuters Monday.

After mediation by Yangon Chief Minister Phyo Min Thein, however, the factory has agreed to rehire the workers, and the ongoing unrest will come to a halt.

While this labor issue may have been quelled, the latter half of the year hasn’t been a good one for Myanmar and its garment sector.

As a result of human rights violations in the country, the European Union is mulling the removal of Myanmar’s trade benefits under its Generalized Scheme of Preferences program, which gives it duty free, quota free access to the EU market.

Following a mission this week to assess the human and labor rights situation in Myanmar, the European Commission said it will use its findings to inform next steps on the decision.

“We now expect Myanmar to address the severe shortcomings that have been highlighted during this monitoring mission,” EU Commissioner for Trade Cecilia Malmström said in a statement Wednesday. “If they do not act, Myanmar authorities are putting their country’s tariff-free access to the EU market in danger–a scheme which has proved to be vital for the economic and social development of the country, providing thousands of jobs to workers in sectors such as textiles, agriculture and fisheries.”

According to the Myanmar Times, if the EU removes Myanmar’s GSP trade benefits, garment factories could shutter and as many as 400,000 garment workers could be out of jobs.

Myanmar exported $2.7 billion worth of garment products in 2017, as per data from the Myanmar Garment Manufacturers Association (MGMA), the overwhelming majority of which went to the EU.

“We may fold if the GSP is removed,” Khin Maung Aye, managing director of Lat War garment factory, told the Times.

Source: sourcingjournal.com- Nov 01, 2018

HOME

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Vietnam and Malaysia may gain from trade war

Vietnam and Malaysia are among the Asian countries expected to benefit the most from the US-China trade war. New opportunities will open up for exporters in these countries as American and Chinese importers will look for alternative suppliers.

Vietnam and Malaysia will benefit particularly in low-end manufacturing of information and communications technology products, such as intermediate components and manufacturing of consumer goods like mobile phones and laptops. Malaysia's ICT industry is well-poised to gain from the shift in trade, partly owing to its strong logistics network and a good business environment.

Both Malaysia and Vietnam have a strong road, rail and port infrastructure, which has in turn helped to develop strong local logistics and shipping networks to support merchandise trade. The positive business environment in Malaysia (an existing clear and stable system for corporate law) and Vietnam (strong investment promotion policies via new special economic zones) will make these two countries even more attractive for companies that are considering them as potential locations for investments.

Within Asia, apart from Malaysia and Vietnam, the likes of India, Indonesia and Thailand may also stand to gain. The ongoing tiff has seen the two economic superpowers so far imposing trade tariffs or taxes amounting to around 360 billion dollars on merchandise between them.

Source: fashionatingworld.com- Nov 01, 2018

HOME

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Ghana: Government to single source all textile imports

A textile import management body has been constituted by government to oversee all importation of textiles into the country, Trade and Industry Minister Alan Kyerematen has announced.

“This body would act as a single sourcing agency for all imports of wax prints. All importers would be required to place their orders through this agency,” the Minister explained at a town hall meeting with textile workers.

The vetting of the designs, management of quantities, among others will be the responsibility of the import management body, the Minister said.

He said a Textiles Anti-piracy Taskforce which has been constituted would undertake monitoring exercises on all markets to ensure due diligence is done.

He said the new import regime it does not seek to ban importation. According to him, government is only seeking to sanitize the textile industry to ensure that the Ghanaian industry is protected from fake imports.

“I must emphasize that the Government of Ghana is not against the importation of textile prints into the country due to the fact that our three manufacturing companies…are currently only able to supply forty million yards out of the total annual demand of 120 million yards, which is just about 30%” he said.

The town hall meeting was used to sensitize textile workers on the implementation of the Textile Industry Reforms Programme.

The sector Minister outlined some policies to be implemented by his ministry to enhance the competitiveness of the local Textiles Industry.

He mentioned the introduction of Tax Stamp for locally manufactured and genuinely imported textiles, introduction of a Designated Entry Corridor and revision of Task Force as some of the policies.

Mr. Kyeremanten said the Trade and Industry Ministry has collaborated with the Ghana Revenue Authority and Ministry of Finance to recruit a local IT firm, Grascon, to design and deploy the tax stamp.

He assured the traders of government's support to ensure increase their revenue.

The Trades and Industry minister also said all these policies are aimed at protecting the local textiles market to create jobs for the youth.

Source: ghanaweb.com- Nov 01, 2018

HOME

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Apparel firms should focus on nearshoring, automation

The successful apparel companies in the near future will be those that take the lead to enhance the apparel value chain on two fronts, nearshoring and automation, according to a recent report. Both must be addressed, and in a sustainable way. Apparel brands and retailers in Europe and the US can no longer do business as usual and expect to thrive.

Owing to stagnation in Western markets and to the internet, competition is fiercer than ever, and consumer demand is more difficult to predict. Mass-market apparel brands and retailers are competing with pure-play online start-ups, the most successful of which can replicate new styles and get them to customers within weeks.

Furthermore, apparel companies have lost much of their clout in setting the tone. In most mass-market categories, hottest trends are determined by individual influencers and consumers rather than by the marketing departments of fashion companies, says the 'Is apparel manufacturing coming home?' report by McKinsey & Company.

In light of these factors, speed to market and in-season reactivity are now more critical than ever to an apparel player's success. Indeed, nearly two-thirds of US apparel executives and about 80 per cent of international chief procurement officers say that these two capabilities are top priorities. Most of the established fashion players are burdened with slow commercial processes and legacy supply-chain and sourcing setups—and therefore struggle to keep up with more nimble competitors.

The report adds that about two decades ago, European and US mass-market apparel brands and retailers were rushing to move as much production to Asia as possible to gain a cost advantage.

Since then, the trend has been a unit-cost play, which focuses on adjusting the sourcing footprint and moving from China to even more cost-efficient frontier markets. Apparel players that have successfully done this—while still ensuring high quality, speed, and compliance—have been able to deliver relevant products to consumers at the best prices.

However, the industry now is at a crossroads where speed beats marginal cost advantage and basic compliance is upgraded to an integrated sustainability strategy.

The traditional supply chain setup is now challenged, and as labour costs converge, brands and retailers are starting to rethink their sourcing and production models more broadly. Moves to increased nearshoring and more automated production models have the potential to enable sustainability further and to support the adaptation of a circular economy in the apparel sector.

Consumers are becoming increasingly aware of the environmental impact of the traditional linear apparel production modes, and the public outcry concerning overstock liquidation is becoming louder.

Some 78 per cent of respondents to the survey stated that sustainability is also somewhat or highly likely to be a key purchasing factor for mass-market apparel consumers by 2025.

Mass-market apparel players that embrace automation technologies to become faster and more sustainable will likely be tomorrow's winners.

"Many apparel companies need to make bold yet disciplined and balanced investments in nearshoring, automation, and sustainability—and to do it immediately.

Given these market shifts, it isn't surprising that 79 per cent of respondents in our survey believe that a step change in nearshoring for speed is somewhat or highly likely by 2025, especially as the economics of nearshoring are starting to add up," adds the report.

Even from a mere landed-cost price perspective, nearshoring can be economically viable in certain cases, mostly due to savings in freight and duties. For instance, a US apparel company that moves production of basic jeans from either Bangladesh or China to Mexico can maintain or even slightly increase its margin, even without higher full-price sell-through.

For Europe, unit costs remain significantly lower when sourcing from Bangladesh, but reshoring from China to Turkey is economically viable. Landed-cost prices for denim, for example, can be 3 per cent lower when sourced from Turkey.

Onshoring the production to Germany or the United States, however, will not result in breaking even.

As the mass-market apparel sector is moving to a demand-focused, agile supply model—and as labour costs are rising—automation will play a key role in increasing labour efficiency, throughput, and flexibility. In the future, automation will be crucial to increasing the financial viability of on-demand nearshoring or onshoring models.

Before being able to comprehend fully the prospect of automation for apparel manufacturing and its potential impact on nearshoring or onshoring, companies need to have a granular understanding of the technology landscape.

For certain products, automation not only makes nearshoring more attractive for European and US apparel retailers and brands but also makes onshoring to the United States economically viable, the report notes.

Source: fibre2fashion.com- Nov 01, 2018

HOME

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S. Korea posts 2nd biggest export in October

South Korea posted its second biggest monthly export in October, topping 50 billion U.S. dollars for the sixth consecutive month, a government report showed Thursday.

Export, which accounts for about half of the export-driven economy, advanced 22.7 percent over the year to 54.97 billion dollars in October, according to the Ministry of Trade, Industry and Energy.

It was the second largest reading since the data began to be compiled in 1956. The outbound shipment surpassed 50 billion dollars for six months from May.

The export rebounded last month after shrinking 8.2 percent in September when less business days, caused by the Chuseok holiday, the South Korean version of Thanksgiving Day, led to the export reduction.

Excluding the business day effect, the daily export averaged 2.39 billion dollars in October. It was down 4.0 percent from a year earlier, but it marked the third biggest daily export in history.

Import gained 27.9 percent from a year earlier to 48.42 billion dollars in October, sending the trade surplus to 6.55 billion dollars. The trade balance stayed in the black for 81 months in a row.

Most of the country's key export items posted a double-digit growth in outbound shipment last month.

Semiconductor export rose 22.2 percent to 11.59 billion dollars, exceeding 10 billion dollars for the sixth consecutive month on continued demand for chips used for mobile devices.

General machinery shipment soared 51.7 percent to 4.99 billion dollars, posting the highest monthly figure on solid demand from China, the United States and the European Union (EU).

Petrochemical export touched a record monthly high of 4.49 billion dollars in October amid the higher global crude oil price, surpassing 4 billion dollars for 11 months in a row.

Oil product export grew for 24 months through last month, and automobile shipment turned around in two months on the launch of new models.

Steel export rebounded last month on higher global steel price, and computer shipment rose for 19 straight months.

However, display panel shipments reduced 7.9 percent in October, after sliding 12.1 percent in the previous month amid the falling price of liquid crystal display (LCD) panels.

Export for telecommunication devices, such as smartphone, posted a double-digit decline for the third consecutive month as local companies increased production in overseas factories.

Ship export plunged 55 percent in October, continuing to fall by a double-digit for eight straight months amid the shrinking ship orders caused by the weakened global trade.

By country, export to China, South Korea's biggest trading partner, increased 17.7 percent last month. The figure to the United States, the country's second biggest trading partner, surged 47.6 percent.

Those to the EU and the Association of Southeast Asian Nations (ASEAN) advanced 37.1 percent and 19.2 percent, respectively.

For the first 10 months of this year, the export reached a new high of 505.3 billion dollars, up 6.4 percent compared with the same period of last year.

If this trend lasts, the country's export in 2018 was forecast to surpass 600 billion dollars for the first time, the trade ministry said.

The daily export averaged 2.26 billion dollars in October, marking the biggest-ever daily export in history.

In the January-October period, import amounted to 444.1 billion dollars, sending the trade surplus to 61.2 billion dollars.

Source: xinhuanet.com- Nov 01, 2018

HOME

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Pakistan: Textile industry seeks $5bn credit line from China

The textile industry wants Prime Minister Imran Khan to convince China's leadership in his upcoming tour to set up a special credit line of $5 billion for fresh investments and joint ventures between the manufacturers of the two countries.

In a recent paper by the All Pakistan Textile Mills Association (Aptma) to the textile ministry, the owners said the facility should be extended (by China) under pay-as-you-earn scheme on buying-back basis to encourage both investment in and exports from Pakistan. The recommendation, Aptma-Punjab official Anisul Haq told Dawn on Wednesday, was made for promoting industrial and investment cooperation with China as CPEC enters its next phase.

The paper says the special credit line will help early relocation of the Chinese textile industry to Pakistan and increase our exports there. "There is a big market for Pakistani textile products in China where wet textile processing is being shut down and relocated to other countries," the official said. China's domestic textiles and clothing market is estimated to be $500bn. "Pakistani textile exports form only three per cent of their textile and clothing imports of $268bn, showing we have a huge potential there."

He said Imran Khan's first tour to Beijing and his meetings with China's top leadership could help win this facility for the country's largest exporting industry. Haq added that China should consider setting up garmenting plants here for export to avert Trump tariffs on its American shipments and avail Pakistan's market access to the European Union (EU) under the GSP+ scheme.

Besides, the industry also wants China's assistance in the establishment of technical training institutes for producing skilled labour chain to cover latest technology, automation, work ethics etc. "We also need to boost bilateral exchange of information and latest developments at both government and private sector levels and create one-window facility for prospective Chinese investors at the centre and in the provinces."

Source: dawn.com- Nov 01, 2018

HOME

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NATIONAL NEWS

U.S. Revokes Duty-Free Privileges On Import Of At Least 50 Indian Items

The U.S. on Thursday revoked duty-free concessions on import of at least 50 Indian products, mostly from handloom and agriculture sectors, reflecting the Trump administration's tough stand on trade-related issues.

The federal register issued a notification, listing out 90 products which were so far subject to duty-free provisions under the Generalized System of Preferences. Donald Trump issued a presidential proclamation on Tuesday, leading to the removal of these products from the privilege beginning Nov. 1, 2018.

These products "will no longer qualify for duty-free preferences under the GSP programme but may continue to be imported subject to regular Most Favored Nation duty-rates", an official of U.S. Trade Representative told PTI. A review of the products indicates that the presidential proclamation is not country specific, but product specific.

The GSP—the largest and oldest U.S. trade preference programme—is designed to promote economic development by allowing duty-free entry for thousands of products from designated beneficiary countries.

A count of these products indicated that at least 50 of them are from India. In 2017, India's duty-free export to the U.S. under GSP was more than $5.6 billion.

The volume of India's export to the U.S. impacted by the latest move of the Trump administration isn't known yet. But the list of products from which duty-free import provision has been removed reflects that a large number of small- and medium-size businesses could be impacted.

In his presidential proclamation, Trump had said that certain "de minimis" waivers will no longer be granted for any product, regardless of the country source, that exceeds the GSP's competitive need limitation threshold. "I hereby terminate the duty-free treatment for such articles from such beneficiary developing countries."

Products from other countries like Argentina, Brazil, Thailand, Suriname, Pakistan, Turkey, Philippines, Ecuador and Indonesia have also been removed from the GSP list.

Some of the prominent Indian products removed from the duty-free provisions of the GSP include dried pigeon pea seed, areca nuts, turpentine gum, mangoes, sandstone, tin chlorides, barium chlorides, salts and esters of tartaric acid, nesoi and trimethyl phosphite.

Full-grain unsplit or grain split buffalo hide or skin, grain split whole buffalo leather, without hair on, whole buffalo skin leather (not full grain unsplits/grain splits) and full grain unsplit buffalo leather (not whole), have also been removed from the duty-free list.

Dyed and plain weave certified hand-loomed fabrics of cotton, containing 85 percent or more cotton by weight; plain weave certified hand-loomed fabrics of cotton, containing 85 percent or more cotton by weight, hand-loomed carpet and other textile floor coverings, not of pile construction, woven, made up of man-made textile materials have also been removed.

Base metal clad with gold mixed link necklaces and neck chains and keyboard musical instruments, like harmoniums and similar keyboard instruments with free metal reeds are among the other products out of the list.

These products can still be exported to the U.S. from India but they will be subject to regular tariffs.

In April, the U.S. announced eligibility review of India for the GSP. According to the USTR, the total U.S. imports under GSP in 2017 was $21.2 billion, of which India was the biggest beneficiary with $5.6 billion. The programme has now been renewed through Dec. 31, 2020.

Source: bloombergquint.com- Nov 01, 2018

HOME

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GST collection crosses ₹1 lakh crore in Oct

Collection from Goods and Services Tax has crossed ₹1 lakh crore for the second time since the indirect tax regime was introduced in July last year.

GST mop-up had crossed the Rs 1 lakh crore mark for the first time in April.

A Finance Ministry statement, issued on Thursday, said the total gross GST revenue collected in October, was little over ₹1 lakh crore.

Out of which CGST (Central Goods and Services Tax) was ₹16,464 crore while SGST (State Goods and Services) and IGST (integrated Goods and Services Tax) contributed ₹22,826 crore and ₹53,419 crore respectively. Total collection trough cess was ₹8,000 crore.

The revenue collected in October was higher by 6.64 per cent against September's ₹94,442 crore. The States which achieved extraordinary growth in total taxes collected from the State assessees include Kerala (44%), Jharkhand (20%), Rajasthan (14%), Uttarakhand (13%) and Maharashtra (11%).

The GSTR 3B Returns filed for September up to October 31was 67.45 lakh. There are over 1.14 crore assessees, most of which are required to file the returns on monthly basis.

The Government has settled ₹17,490 crore to CGST and ₹15,107 crore to SGST from IGST as regular settlement. Further, ₹30,000 crore has been settled from the balance IGST available with the Centre on provisional basis in the ratio of 50:50 between the Centre and States.

The total revenue earned by the Central and State Governments after regular and provisional settlement in October is ₹48,954 crore for CGST and ₹52,934 crore for the SGST.

Source: thehindubusinessline.com- Nov 01, 2018

HOME

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Manufacturing PMI jumps to 53.1 on strong order inflows

Ongoing improvements in demand, coupled with technological advancements and favourable market conditions, prompted a stronger upswing in production

The country's factory production accelerated in October as companies scaled up production and employment levels amid strong rise in business order flows, according a survey released on Thursday.

Nikkei India Manufacturing Purchasing Managers' Index (PMI) rose to 53.1 in October from 52.2 in September. This is the 15th month of continuous expansion. The survey is conducted among purchasing executives across over 400 companies.

These companies are divided into 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper and Transport. Index over 50 shows expansion, while below 50 means contraction. The index is prepared by IHS Markit and released along with a detailed report. This index is widely quoted to explain the latest industrial situation.

The report mentioned that the ongoing improvements in demand, coupled with technological advancements and favourable market conditions, prompted a stronger upswing in production. The rate of output growth was the second-highest registered in the year-to-date, with accelerations evident in consumer, intermediate and investment goods sectors.

New orders increased solidly during October, which panelists attributed to successful advertising efforts, strengthening underlying demand and competitive price setting. The rise was the fastest since June. While the growth of total new orders gathered pace, the upturn in export sales cooled at the start of the fourth quarter.

Pollyanna De Lima, Principal Economist at IHS Markit, said that the manufacturing sector continued to make up for the lost ground in August, with a robust and accelerated rise in new orders boosting production growth in October.

Consumer, intermediate and investment goods output increased at stronger rates. A combination of domestic and foreign orders fuelled the upturn in overall activity, although export orders displayed the slowest expansion since July whilst total new work orders rose at the sharpest pace since mid-year.

“The trend for employment was particularly encouraging, with job creation at a ten-month high. Firms sought to increase their competitive edge, with marketing activity and investment in research and development, which meant business sentiment remained positive. However, goods producers see challenges and uncertainties ahead, which in turn translated into the weakest degree of optimism seen in 20 months,” she said.

The report further added that October data showed a fifth successive monthly rise in quantity of purchases.

The expansion was broadly similar to the moderate pace noted in September. Anecdotal evidence suggested that the ongoing growth of new work underpinned the increase in buying levels.

At the same time, vendor performance was broadly unchanged amid reports of higher prices for chemicals, energy and metals, average cost burdens increased further.

The rate of inflation was marked and broadly in line with its long-run average. It also said that some manufacturers passed on part of the additional cost burden to their clients by hiking their charges.

That said, the rate of selling price inflation was mild in the context of historical survey data. Trends for stocks differed, with a fall in the holdings of finished goods contrasting with accumulation of input inventories.

The former was associated with the immediate dispatch of products to clients, while the latter was linked to the purchasing of additional materials amid higher demand.

Source: thehindubusinessline.com- Nov 01, 2018

HOME

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In U.S.-India Trade, Trump Sees Only Harley-Davidson

When it comes to trade, it often seems that India and the United States are playing a perplexing game of multidimensional chess.

On Friday, for example, India will decide whether to impose or again delay tariffs on American almonds, apples, walnuts and processed metal products in retaliation for the Trump administration's decision in March to impose tariffs on steel and aluminum imports.

Next week, President Trump and his advisers will have to decide whether to penalize India for failing to abide by his Sunday deadline for all countries to stop importing oil from Iran.

"The sanctions threat and the tariffs are in many ways linked," said Sreeram Chaulia, dean of the school of international affairs at O. P. Jindal Global University outside New Delhi.

Yet Mr. Trump has voiced little interest in such policy questions or the rounds of negotiations that have kept the two countries from an all-out trade war. Instead, he has been publicly riveted by one small pawn in the game: India's tariffs on a few hundred high-end Harley-Davidson motorcycles sold here each year.

Three times this year when Mr. Trump brought up the American trade relationship with India, he complained about the import duties — currently 50 percent — that India levies on Harleys and other foreign-made motorcycles.

"You send a motorcycle into India, there's a 100 percent tariff," Mr. Trump said at a news conference in early October, misstating the rate. "Who's going to buy it? It costs you so much. Now, they have already reduced that substantially, but it's still too high."

Mr. Trump's single-minded focus on Harleys has mystified trade experts in both countries.

"Harley-Davidson is not going to erase the trade deficit," Mr. Chaulia said. In the context of the $126.2 billion in overall trade between the two countries, Harleys are not even a rounding error. Passenger jets, oil and gas, gemstones, and foods like almonds and chickpeas are far more important products.

Most of the 3,000 Harleys sold in India last year did not incur any tariffs. That's because they were cheaper, low-powered models made in a factory outside New Delhi. Even many of the fancier bikes sold here were assembled from kits of imported parts, which are taxed at 15 percent, not 50 percent.

Harley-Davidson's biggest problem in India is a lack of demand.

Harleys are bulky and heat up a rider's legs, making them a poor fit for the country's traffic-choked roads and sweltering climate. And they are expensive. With an average annual income of $1,700, people here overwhelmingly favor small, cheap bikes, some of which cost less than $1,000. Harley's iconic big cruisers cost more than most cars, with its top model exceeding $87,000 in Mumbai after all taxes and licensing fees.

Darryl Mathias, operations manager for the Mumbai dealership, Seven Islands Harley-Davidson, said sales had dropped about 50 percent in the past two years. He blamed rising gasoline prices and the Indian government's efforts to crack down on cash transactions more than the tariffs.

"People don't want to show their wealth," he said.

American officials say the president initially seized on the Harley tariffs after the Milwaukee company's chief executive, Matthew Levatich, complained to him about them. When Mr. Trump raised the issue with Prime Minister Narendra Modi this year, India dropped the tariffs from 75 percent to 50 percent.

Harley-Davidson executives declined interview requests. In a statement, the company said it "supports President Trump's efforts to lower tariffs and make American manufacturers more competitive."

Indian and American government officials also declined to elaborate about the trade relationship, citing active negotiations and the pending decisions on tariffs and sanctions.

For most officials in the two countries, the trade relationship is much more complicated than just motorcycles.

The United States and India have been arguing over trade since the Obama administration, when they tangled over American exports of eggs and solar panels to India as well as India's weak protections for foreign intellectual property such as drug formulas.

Trade hawks in the Trump administration such as Robert E. Lighthizer, the United States trade representative, have made the $27.3 billion trade deficit in goods and services with India a key issue. American dairy farmers, for example, complain that they do not have fair access to India's markets because of high tariffs and India's requirement that all milk comes from cows that have not been fed the internal organs of other animals. That milk certification is important to Hindus, many of whom are vegetarians, but many American farmers cannot meet it.

Silicon Valley companies including Google and Facebook are also pressing the United States government to help them dilute or fend off India's proposed data protection laws, which would limit the use of data collected about Indians and limit the transfer of data outside the country.

"We need to have reciprocal trade," Gilbert B. Kaplan, the American under secretary of commerce for international trade, said at a conference hosted by the U.S.-India Business Council here in September. This year, India irked American companies by increasing tariffs on products ranging from shoes to mobile phones to help balance its budget and stem a fall in the value of the rupee.

Separately, the country announced that it would raise tariffs on 29 categories of American goods, including nuts, apples and finished metal products, in response to Mr. Trump's steel and aluminum tariffs.

The items targeted influential industries such as almond growers, who last year shipped $651 million of the nuts to India, their largest market. But India deferred the start of the tariffs from June to September and then to Nov. 2. The government may well delay the tariffs again, Mr. Chaulia said, to assess the outcome of Tuesday's midterm elections in the United States and what effect that would have on the American negotiating position.

India, for its part, wants the United States to reduce tariffs on its exports of clothing and textiles, for which it pays higher duties than neighboring countries like Bangladesh and Pakistan. The Modi administration is also adamant about maintaining its hefty subsidies for homegrown agricultural products to court Indian farmers, who are a key voting bloc.

In addition to continuing oil purchases from Iran, Mr. Modi signed a deal with Russia's president, Vladimir V. Putin, on Oct. 5 to buy Russian S-400 antiaircraft missile systems. The $5.2 billion purchase violates American trade sanctions against Russia and will eventually trigger penalties for India unless Mr. Trump approves a waiver.

Officials in the State and Defense Departments are urging Mr. Trump to give India some leeway on both issues as part of an effort to forge a closer military and diplomatic partnership against China in the region. India has already reduced its reliance on Iranian oil, they argue, and the American defense contractors Lockheed Martin and Boeing are hoping to land a military jet order from India that could be worth $15 billion.

Trade experts predict that neither country will be quick to antagonize the other.

"Under no circumstance would the Indian government give up its close relationship with the U.S. government," said Biswajit Dhar, a professor of economics at Jawaharlal Nehru University in New Delhi who has represented the Indian government on trade issues and formerly served on the board of the Export-Import Bank of India.

Mr. Chaulia said India was also clear about its economic commitment to Iran. India has invested heavily there, including hundreds of millions of dollars in the seaport of Chabahar in southeastern Iran. The Trump administration wants a regime change in Iran — and India does not, he said.

Eliminating the Harley tariffs is a way to ease the trade drama and please the American president, Mr. Chaulia said. "All Trump needs is to declare a win," he said. "He doesn't care about the nitty-gritty."

Source: nytimes.com- Nov 01, 2018

HOME

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Ikea to create 10,000 jobs in Maharashtra over next 3 years

Swedish furniture giant Ikea is planning to hire 10,000, both direct and indirect, in Maharashtra over the next two to three years, a senior company executive has said.

The company opened its first store in Hyderabad in August this year and the Navi Mumbai will be the second store in the country.

"Next year, we are opening the Navi Mumbai store, for which we are planning to recruit 5,000 directly and an equal number will be hired indirectly over the two to three years," Ikea India's people and culture manager Anna-Carin Mansson told PTI here.

This will include directly hiring 1,000 by mid-next year and 1,500 indirectly for services, including assembly among others, she said adding as per the Ikea policy, 50 per cent of this recruitment will be of women at all levels.

"We believe in equality and providing a balanced, safe and secure work environment for all employees. We are also open for recruiting from the lesbian, gay, bisexual and trans (LGBT) communities," she added.

The world's largest furniture chain is looking to hire people in ecommerce, sales, logistics, digital and Human Resource's and mostly they hire locals, she said.

"With our employee friendly policies, we are expecting to keep the attrition levels very low. We believe in value- based recruitment, where the core values of an individual is considered and not what is said in the CV. We provide equal opportunities to all our co-workers, help them grow and enable them to follow their passion," she added.

Ikea has several employee friendly policies, such as day care facilities, parental leave policy, transport policy, competence development, mentoring, pension plan among others.

"Maharashtra is an important market for us. We have been sourcing from the state for many decades and now we are ready to enter the market in 2019 with our full offer to be able to serve all the customers," Ikea India market manager for Maharashtra Per Hornell said.

Ikea opened its first store in the country in Hyderabad in August, where it employs 1,000 people.

The company is the first major single brand retailer to get FDI approval and plans to open several stores and multiple touch points across the main cities over the next 10 years .

Ikea has four land sites in Telangana, Maharashtra, Karnataka and Delhi/NCR, and continues to look for more in other major cities.

Ikea operates 423 Ikea stores in 50 countries with a sales volume of 38.3 billion euros.

Source: dnaindia.com- Nov 01, 2018

HOME

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Micro, Small, and Medium Enterprises in India – An Explainer

India's Micro, Small, and Medium Enterprises (MSMEs) base is the largest in the world after China

The sector provides a wide range of services and is engaged in the manufacturing of over 6,000 products – ranging from traditional to hi-tech items.

Given the government of India's latest 'Make in India' push, along with a significant jump in the FDI flows, the Indian MSMEs sector is poised for rapid growth and integration with major global value chains.

As per the official estimates, there are about 63.05 million micro industries, 0.33 million small, and about 5,000 medium enterprises in the country.

The state of Uttar Pradesh has the largest number of estimated MSMEs with a share of 14.20 percent of the total MSMEs in the country. West Bengal comes as close second with a share of 14 percent, followed by Tamil Nadu and Maharashtra at eight percent.

How do you qualify as an MSME in India?

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, governs the coverage and investment ceiling of MSMEs in India.

According to the Act, there are two categories of MSMEs in the country – manufacturing and services.

- For the manufacturing sector, the definition of an MSME is based on a company's capital investment in plant and machinery. The threshold limits are:

- Micro: when investment does not exceed Rs 2.5 million (US$34,040);
- Small: when investment is more than Rs 2.5 million (US$34,040) but does not exceed Rs 50 million (US$680,875); and
- Medium: when investment is more than Rs 50 million (US$680,875) but does not exceed Rs 100 million (US$1.3 million).

For the services sector, the definition of an MSME is based on a company's investments in equipment. The threshold limits are:

- Micro: When investment does not exceed Rs 1 million (US$13,617);
- Small: When investment is more than Rs 1 million (US$13,617) but limited to Rs 20 million (US$272,350); and
- Medium: When investment is more than Rs 20 million (US$272,350) but less than Rs 50 million (US$680,875).

Earlier this year, the union cabinet of India approved the changes in the classification of MSMEs. According to the revisions, both the manufacturing and services sectors will be classified based on the amount of annual turnover instead of the investment limits, as given below.

The new classification of MSMEs, however, is yet to be enforced by amendment.

- Micro: a unit where the annual turnover does not exceed Rs 50 million (US$680,875);
- Small: a unit where the annual turnover is more than Rs 50 million (US$680,875) but does not exceed Rs 750 million (US$10.1 million); and

- Medium: a unit where the annual turnover is more than Rs 750 million (US$10.1 million); rupees but does not exceed Rs 2.5 billion (US$33.8 million).

What are the opportunity areas for MSMEs in India?

Telecommunications

- Domestic manufacturing of low-cost mobile phones, handsets, and devices;
- Manufacturing of telecom networking equipment, including routers and switches;
- Manufacture of base transceiver station equipment;
- Mobile customer data analytics – services oriented toward analytical solutions; and
- Development of value-added services

Healthcare

- Manufacturing of low-cost medical devices, and medical accessories such as surgical gloves, scrubs, and syringes;
- Low-cost surgical procedures to reduce the cost of healthcare;
- Medical tourism; and
- Diagnostic labs.

Electronics

- Domestic manufacturing of low-cost consumer electronics, consumer durables;
- Nano-electronics and microelectronics;
- Electronic Systems Design and Manufacturing including semiconductor design, electronic components design and hi-tech manufacturing under India's 'National Electronics Mission; and
- Strategic electronics, as the government is keen on encouraging the domestic manufacturing of products needed by the security forces.

Other areas that offer opportunities for MSMEs include information technology, pharmaceutical, chemical, automotive, gems and jewelry, textile, and food and agriculture.

What are the benefits available?

The federal government of India has initiated various schemes and measures to allow MSMEs easier access to funds, to modernize the sector, and make it more competitive in the global market. These include schemes ensuring the quality of products, especially those meant for exports, technology up-gradation, incubation, credit-linked capital subsidy, and UID linked schemes which facilitate ease of receiving a subsidy.

Some of the other concessions available to the MSMEs are listed below:

- Collateral free loans from banks;
- 50 percent subsidy on patent registration;
- 1 percent exemption on the interest rate on overdraft;
- Concession on power utility bills;
- Eligible for industrial promotion subsidy;
- Protection against delayed payments; and
- Reimbursement of ISO certification charges.

How to register as an MSME in India?

To encourage MSME registration in India, the ministry of MSME has notified a simple one-page registration form called 'Udyog Aadhaar Memorandum'. The entrepreneurs in the MSME sector can file the form online, and instantly get a unique Udyog Aadhaar Number (UAN). The information sought includes personal Aadhar number, industry name, address of the business, bank account details, and other general information. Applicants can provide this information on a self-certification basis and do not need any supporting documents.

Businesses must note that they must deregister their MSME if:

The investment limit increases more than the limit prescribed under the Act; or If the registered enterprise starts manufacturing any new item or items that require an industrial license or another kind of statutory license.

Source: india-briefing.com- Nov 01, 2018

HOME

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