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# IBTEX No. 2 of 2018 January 03, 2018

USD 63.51 | EUR 76.53 | GBP 86.37 | JPY 0.56

## Cotton Market

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

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 19170 | 40100 | **80.57** |

**Domestic Futures Price (Ex. Gin), January**

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 20090 | 42024 | **84.44** |

**International Futures Price**

| | |
|---|---|
| NY ICE USD Cents/lb ( March 2018) | 77.50 |
| ZCE Cotton: Yuan/MT ( Jan 2018) | 14,715 |
| ZCE Cotton: USD Cents/lb | **87.38** |
| **Cotlook A Index – Physical** | **89.6** |

**Cotton & currency guide:** Although the overall trend is bullish market has corrected sharply down on Tuesday. The ICE March future failed to break above 79 cents and corrected down to end the session lower by more than a percentage at 77.77 cents per pound.

The interesting part is the trading volumes were high with the Tuesday's fall amid overbought phase of the market. We are seeing good profit booking in the counter while open interest holds steady. This may further prompt more price correction on today's trading session.

As of this morning ICE cotton for the given contract is seen trading slightly positive ta 77.68 cents up by 0.23% while we believe unless 78 is not cleared again on the higher side the momentum may remain on the weaker side.

However, on the pricing front we see 77 as key support level while 78 as resistance. We might see market moving in the given range and either side break out shall give a fresh direction to market.

With the global pressure the domestic cotton price especially future contracts have corrected down side at the MCX platform. The most active January future ended the session at Rs. 20090 down by Rs. 80 from previous close. The other contracts have also declined. For the day we expect the January contract to trade in the range of Rs. 19900 to Rs. 20150 per bale.

On the physical front, price of shankar-6 have declined over the weekend to trade at Rs. 41000 per candy ex-gin. Price for new crop Punjab J-34 quoted at Rs. 4250 per maund. On the supply front the arrivals were around 179,500 lint equivalent bales.

This figure includes 50,000 registered in Maharashtra, 40,000 in Gujarat, and 38,000 in Andhra Pradesh/Telangana. The Cotton Association of India has placed total arrivals to December 31 at 14.8 million bales, which would represent almost 40 percent of the estimated crop for the season.

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

## NEWS CLIPPINGS

# INTERNATIONAL NEWS

## UK 'looking to join Pacific trade group after Brexit'

Britain could join a Pacific trade group after the UK leaves the European Union, according to reports.

The Government has held informal talks on becoming a member of the Trans-Pacific Partnership (TPP) to stimulate exports following Brexit, the Financial Times claimed.

Britain would be the first member of the trade agreement to not border the Pacific Ocean or the South China Sea.

Liam Fox's Department for International Trade is said to be developing the proposals to join the group which lost its largest member – the United States – when President Donald Trump withdrew from the agreement last year.

The 11 remaining member states include Australia, Mexico, Singapore and Canada.

Trade Minister Greg Hands told the Financial Times there was no geographical restriction on Britain joining trade groups.

"Nothing is excluded in all of this," he said.

"With these kind of plurilateral relationships, there doesn't have to be any geographical restriction."

An International Trade spokeswoman said: "We have set up 14 trade 'working groups' across 21 countries to explore the best ways of progressing our trade and investment relationships across the world.

"It is early days, but as our Trade Policy Minister has pointed out, we are not excluding future talks on plurilateral relationships".

Source: stalbansreview.co.uk- Jan 03, 2018

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# Walmart to buy more Cambodian garments, footwear in 2018

Walmart will raise orders of Cambodian garments and footwear products this year and will also start buying travel goods manufactured in the southeast Asian nation, according to the company.

The announcement follows an escalating diplomatic row between Cambodia and Western nations who have criticised its government's crackdown on opposition and civil society.

In a letter addressed to Cambodia's minister of labour Ith Samheng in December, Walmart said Cambodia is a key element in the corporation's international supply chain and it will help Cambodian manufacturers increase competitiveness, productivity and efficiency, according to a report in a Cambodian newspaper.

Walmart officials visited the country in early November to meet top government officials and visit local factories and expressed satisfaction over the quality of garments, footwear and luggage products bearing the 'Made in Cambodia' label.

The Garment Manufacturers Association in Cambodia (GMAC) has also expressed its satisfaction with the American company's commitments and policy.

Cambodian commerce minister Pan Sorasak recently said European and US buyers have already placed a high number of orders for 2018.

Source: fibre2fashion.com- Jan 02, 2018

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# McKinsey: These 10 Trends Will Drive the Global Fashion Industry in 2018

The new year is in full swing and the fashion industry should be poised to pick up on what's been renewed optimism in retail.

In a joint report on the State of Fashion 2018, McKinsey & Company and Business of Fashion said though "uncertain" and "challenging remain the top to descriptors companies used to describe the state of the sector last year, "optimism" followed right behind in third place.

"The challenges of operating in a fundamentally challenging industry in an unpredictable macroeconomic environment has led fashion players to 'toughen up,'" the report noted. "Industry players are coming to accept unpredictability as the new normal, and fashion executives will respond by focusing their energy on improving what is within their control."

Those energies will likely be focused on 10 key trends that will define the fashion agenda in 2018.

1. **Unpredictability becomes the new norm**

Economic uncertainty, geopolitical turmoil and unpredictability are the current realities of the global fashion industry. Store closures, mall vacancies and the growing dominance of online shopping will continue to encourage fashion companies to stay nimble and adapt to the evolving landscape by focusing on their own resources and consumer services.

What's more, fashion companies are expected to pursue more technology, including AI, to stay agile amid political tensions and economic disturbances, including Brexit, and other international trade challenges that may escalate this year.

While uncertainty was the top word among executives in 2017, roughly 21 percent of executives said "optimism" was the top word they'd use to describe the industry in 2017—pointing to a more positive outlook for the coming months.

## 2. Globalization reboots

Though nationalism reared its head in 2017 with the U.S. largely focusing on turning inward to protect itself rather than looking to grow and expand free trade, globalization won't be going anywhere anytime soon. Shifts in global trade alliances, like the U.S. withdrawing from the Trans-Pacific Partnership (TPP), may have altered trade dynamics, but it hasn't hindered globalization on the whole.

"We are entering a new phase of globalization, driven by digital connectivity and the flow of data, and this will lead to much greater global connectedness, not less," the report noted. "Cross-border bandwidth has risen approximately 80 times since 2005, and over the course of a decade, data flows have raised world GDP by more than 10 percent. Data flows now account for a larger share of the impact on GDP than the global trade in goods."

What's more, according to the report, consumers are estimated to spend $1 trillion on cross-border e-commerce by 2020 and more than 900 million people have international connections on social media—potentially providing fashion tycoons the opportunity to grow their shopper bases and boost revenues on global digital platforms.

## 3. Asia steps up its fashion dominance

Western companies may be facing more competition from Asia this year, as the continent already accounts for 60 percent of the world's e-commerce powerhouses, more than half of global online retail sales and a myriad of technology innovations.

According to the McKinsey Fashion Scope, Asia is expected to account for nearly 40 percent of international apparel and footwear sales by 2018, with the Asian online apparel market expected to reach $1.4 trillion in two years.

While the continent continues to deliver on the needs of its digitally-savvy consumer base, Asian companies may reverse the old global expansion movement of Western companies moving East, and instead, move outbound to other global regions, including the Americas, Africa and Europe.

## 4. Personalization and curation lead consumer efforts

Global fashion companies are shifting their focus on the consumer—and prioritizing personalization in their strategic efforts to ramp up loyalty and sales. According to the report, 41 percent of consumers demand personalization for their shopping experiences, as they continue to value authenticity and sustainability in their wardrobes. Fashion companies are expected to harness the power of data to tailor personal recommendations, engage with social media influencers and tap into the needs of each consumer by facilitating more digital experiences online and in stores.

## 5. Online platforms come first

Convenience, breadth of offering and relevance are the drivers for consumers beginning their purchasing journeys with online platforms. In 2018, McKinsey & Company predicts that global online platforms, like Amazon and Tmall, will experience two to three times more revenue compared to the past three years.

While consumers frequent websites to compare prices and products, global online platforms are expected to expand their fashion brand partnerships and develop additional engagement methods to stay competitive in the digital shopping space. This year, the challenge will no longer be about collaborating with online platforms, but about how fashion brands can use these partnerships to boost their online presences and attract more consumers outside of the brick-and-mortar store environment.

## 6. Mobile gains momentum

Digitally-savvy consumers expect to shop on multiple devices—and increasingly on smartphones—and this year, even more purchasing journeys will be completed on mobile phones. According to McKinsey & Company data, there will be 8-20 times more mobile payment transaction value this year compared to 2015.

With more mobile payment solutions becoming available worldwide, consumers will keep demanding fashion companies deliver convenient smartphone transactions, where they can shop and pay for products easily. More fashion companies are expected to create mobile transaction options, including frictionless checkouts online and self-checkout in physical stores.

### 7. AI takes fashion to the next level

Automated Intelligence is set to disrupt the fashion value chain by streamlining product sourcing, manufacturing and distribution. This year, AI will go beyond machine operations and shape creative processes and consumer interactions. The report revealed that 75 percent of fashion companies plan to ramp up their AI investments in 2018 and 2019, as the technology continues to be an attractive aid in tackling business amid retail's uncertainty. Even though concerns remain over AI's influence on human jobs, experts say AI will instead benefit global fashion jobs—enabling associates to focus on consumers and create more opportunities for employment at high-tech distribution centers worldwide.

### 8. Sustainability shifts to circular economy

More and more fashion companies are taking sustainability beyond their corporate social responsibility (CSR) agendas and making circularity part of every point in their supply chains. From sourcing to product distribution, fashion companies will creatively explore recycling concepts, including fibers made from recycled plastic bottles and clothing takeback programs, to make the global fashion value chain more eco-friendly. Last year, 42 percent of fashion brands shared their supplier information in an effort to be more transparent with consumers—and the report anticipates that this trend will continue.

### 9. Off-price sector remains a double-edged sword

Consumers love bargain hunts and off-price retailers, like TJ Maxx and Saks Off Fifth, will remain popular this year. While challenges, including excess product stock and slow growth remain persistent in retail's uncertainty, the global fashion industry is turning to off-price to boost sales and gain consumers.

According to the report, off-price growth has increased 18 percent in the U.S., 32 percent in the EU and 74 percent in China. Despite the benefits of off-price, the sector possesses several drawbacks—like saturation and sales cannibalization—as more retailers dabble in the category. While the off-price sector gains momentum this year, fashion companies will have to be cautious of their off-price channel categories to avoid the risk of margin erosion.

## 10. Startup state of mind

The global fashion industry is coming up with new ways to stay agile in the face of retail's uncertainty, and to boost innovation, fashion companies are pursuing more of a startup mentality.

Agility, collaboration and versatility are expected to become the new cultural norm among fashion companies in 2018. To stay innovative and competitive, fashion companies will experiment with new types of talent, new ways of working, new partnerships and new investment models.

Source: sourcingjournalonline.com- Jan 02, 2018

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## UK retail performance likely to drop in Q4 2017: Report

UK retailers are likely to witness a decline in their business in Q4 2017, bucking the four-year trend of retail health not down turning between the third and fourth quarters, says a report. However, Q3 2017 brought some respite with improving demand in summer contributing to a better performance for retailers, holding off a third consecutive drop this year.

In recent years, demand amongst consumers during Black Friday sales and Christmas has been the primary driver for maintaining the state of retail health in the final quarter. However, this year may be different, according to the latest finding of the KPMG/Ipsos Retail Think Tank (RTT).

With Christmas shopping usually propping up fourth quarter's performance, the RTT felt that, this year, the increased pressure on cost and margin, coupled with the full impact of currency hedging unwinding and wage deflation, will result in retail health falling back in the fourth quarter.

"The end of the year would see many retailers entrenched in a cycle of deep discounting in an attempt to drive up demand at the expense of margins. Further damage to margins will be felt by the full effect of currency hedging unwinding – with many retailers locked into poorer dollar currency rates for the remainder of the year," RTT said.

Cost continues to be an issue for retailers across all areas of the sector, with substantial investment taking place to both improve internal productivity, and deliver a true multichannel offering to customers. The expense of fulfilment for home deliveries will continue to impact on retailers' costs and squeezed margins. This is predicted to intensify in the fourth quarter, with RTT expecting online sales to make up a higher percentage of total sales throughout Christmas and Black Friday promotional activity.

"After some welcome respite in the third quarter, this coming quarter looks more challenging. The state of retail health is in danger of reaching a tipping point not seen since 2012, when the festive 'shot in the arm' isn't enough to counteract the ongoing issues with rising costs and squeezed margins," Dr Tim Denison, head of retail intelligence, Ipsos Retail Performance, said.

"Many retailers saw an improved performance in the third quarter, with cooler than usual autumnal weather boosting the apparel sector, which has had a difficult year to date. Continued macro-economic uncertainty and potential interest rate rises looming on the horizon could dampen consumers' spending in the run-up to Christmas and therefore, forecasts for the golden quarter are not looking bright. The next few weeks' trading will determine whether or not 2017 is a success or failure for retailers," said Paul Martin, head of retail at KPMG UK

Source: fibre2fashion.com- Jan 02, 2018

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## Pakistan: Poor policy response makes textile industry uncompetitive

There is no denying the fact that Pakistan's textile industry has become regionally uncompetitive, but it is not because of the industry's inefficiency. Actually, businessmen who were efficiently running their businesses might become naïve and forget how to manage businesses post-2013. Consequently, more than 100 textile mills were closed due to various reasons.

Power outages started in 2007/08 and kept on increasing. The power crisis adversely impacted the textile industry as well as the economy as a whole.

Estimates by the World Bank and eminent economists have estimated that electricity load shedding shears GDP by at least 2 percent a year.

Various governments did not give textile industry priority, which should have been a logical policy response if the industry of Pakistan was to be protected. When the textile industry as a response to load shedding started installing their own captive gas-based power generation plants, domestic gas started to get rationed with forced outages.

Despite the shortage, domestic connections were being doled out at the rate of 500,000 per year, constraining gas availability even further.

As a policy response, the present government started importing LNG in 2015. The regasified LNG was only provided to industry in Punjab, which constitutes 70 percent of the total installed industrial production capacity, at unaffordable rates. There is a discrepancy in rates at which gas is provided to provinces.

LNG supplied to industry in Punjab is at Rs1,100/million metric British thermal unit (MMBtu). In contrast, gas is available to industry in Sindh and Khyber Pakhtunkhwa at Rs600/MMBtu.

Textile is a processing industry and outage of electricity or gas even for an hour or two disrupts the whole eight-hour working shift in a factory. Six to eight hours of load shedding a day remained normal for almost a decade in Pakistan.

And, when load shedding was coupled with higher tariffs industrialists started making losses and there was no surplus created to invest in innovation and technology upgradation. When there is a do or die situation, the only fight is for survival. Industrialists tried to survive utilising all their resources and credit lines just to keep their factories running.

Inevitably, investments are only made in good times and when businesses flourish and surpluses are made. Unfortunately, post-2008 were years of severe energy crisis and during the period even keeping the factory running was the best that could have been done.

After 2014, when the government started giving industry priority, it increased the price through electricity surcharges which are fundamentally because of the system's inefficiencies.

Power sector's regulator National Electric Power Regulatory Authority doesn't consider the cost as prudent, yet it still constitutes 35 percent of electricity bill. Cost of doing business, which substantially increased after 2013, is another challenge facing the textile companies. Labor wage floors are much higher in Pakistan than India or even Bangladesh.

In Pakistani rupee terms, minimum wage in India is little above Rs7,000 as compared to Rs11, 000 in Bangladesh, Rs12,500 in Vietnam and Rs15,000 in Pakistan.

Energy price in Pakistan is also much higher than the regional competitors. Indian Punjab has frozen electricity price for industry at Rs5/kilowatt hour for the next five years. In times of crisis, this is how governments support their industries.

In January last year, the Prime Minister's Trade Enhancement Package announced incentives worth Rs180 billion in a bid to boost Pakistan's sagging exports. This package was to be implemented over 18 months and also included duty free imports of cotton.

The package was, however, reneged upon when duty got imposed just a few months later and after a passage of nearly 12 months the government has only released a total of Rs16.5 billion in financial rebates.

Overvalued currency for the last two years has badly hurt export sector, including textile exports. The policy of pegging rupee to a fixed 100/US dollar made industry uncompetitive internationally as well as domestically as imported products were artificially kept cheaper.

This is evidenced in an immense increase in imports to more than $50 billion, while exports fell to $20 billion. Pakistan's exports grew only 27.3 percent from 2005 to 2016, while Bangladesh, Vietnam and India have posted 276 percent, 445 percent and 165 percent growth in exports, respectively, during the same period.

In Pakistan, indirect taxes increased from about 14 percent of inputs in 2012/13 to 19 percent of inputs in 2017. The taxes when carried forward in the value chain multiply their impact and eventually render exports uncompetitive in international market.

Delay in sales tax refunds to export sector has become a norm. Working capital for the textile sector remains blocked in stuck refunds, custom duty drawback and income tax refunds, squeezing the financial streams and compelling export sector to limit production.

In contrast, progressive policies in China, India, Bangladesh and Vietnam have yielded very substantial results. In Pakistan, inadequate government's response can be gauged from lack of implementation of the current textile policy.

China's Xinjiang Uygur Autonomous Region announced multiple incentives for industry especially textiles in order to take advantage of China-Pakistan Economic Corridor projects.

The Chinese government allowed rent-free factories in industrial parks and Xinjiang's less-developed southern area, interest-free loans, electricity at six cents per kilowatt hour, transportation subsidies and maximum tax rate of 15 percent.

In Pakistan, cotton, which is the basic input to textile, has five percent import duty and four percent sales tax in addition to non-tariff barriers, like quarantine inspection permit and phytosanitary certificates required for cotton import.

Systemic inefficiencies, administrative delays, ever increasing cost of doing business in the country has led to downfall of once most efficient textile industry, which still contributes 60 percent of total exports and almost eight percent to GDP and provided employment to around 15 million people.

Textile industry has $11.9 billion export potential with prudent policies and administrative support. Textile industry can create three million more new jobs. Implementation of prime minister's export-led growth package in letter and spirit, immediate payment of drawback of taxes on realisation of export proceeds, withdrawal of surcharges to bring electricity tariff at par with region at Rs7/kilowatt hour and provision of gas at Rs600/million metric

British thermal unit can help textile industry to regain its momentum. Shahid Sattar is ex-member Planning Commission and Hira Tanweer is research.

Source: thenews.com.pk- Jan 03, 2018

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## Pakistan: Raw cotton exports increase 49.78pc in five months

Raw cotton exports from the country during first five months of current financial year increased by 49.78 percent as compared the corresponding period of last year.

During the period from July-December, 2017-18 about 30,313 metric tons of raw cotton worth US$ 50.195 million exported as compared the exports of 19,546 metric tons valuing US$ 33.513 million of same period last year.

According the data of Pakistan Bureau of Statistics exports of cotton yarn also grew by 0.46 percent as compared as about 213,971 metric tons of cotton yarn worth of US$ 553.391 million exported as compared the exports of 192,301 metric tons valuing US$ 549.853 million of same period last year.

However, in first five months of current financial year exports of cotton cloth decreased by 1.16 percent.

About 760,897 thousand square meters of cotton cloth valuing US$ 887.860 million exported as compared the exports of 886,044 thousand square meters worth US$ 898.265 million of same period last year.

Meanwhile, exports of yarn other then cotton yarn increased by 15.81 percent and during the period under review 4,453 metric tons of yarn valuing US$ 12.810 million exported as against the exports of 3,872 metric tons worth of US$ 11.61 million of same period last year.

It may be recalled that textile group exports from the country during five months of current financial year grew by 7.66 percent and textile products worth US$ 5.510 billion exported as compared the exports of US$ 5.118 million of same period last year.

During the period under review, other textile material exports increased by 16.66 percent as textile material worth of US$ 182.265 million exported as against the exports of 156.232 million of same period of last year.

Source: brecorder.com- Jan 02, 2018

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## Dhaka trade fair gets off to a good start

People started to visit the Dhaka International Trade Fair (DITF) on the second day of the month-long exposition yesterday in a boost to the organisers and the participating companies.

Still, many companies were found busy in setting up their stalls and decorating their stores to display their products and attract crowds.

Amid this scenario, a significant number of visitors came to the fairground at Sher-e-Bangla Nagar yesterday.

The visitors were mostly interested in home appliances and crockeries, with the Italiano pavilion drawing the attention of female crowds. Italiano, a brand of Pran-RFL Group, is showcasing kitchen appliances.

“I went into the pavilion as I am looking for some new variety of plastic products”, said Rubina Islam, a visitor who hails from Tejgaon.

“Italiano has introduced colourful kitchen appliances and offering discounts. Moreover, the price is reasonable,” she said.

Sohel Rahman, a sales executive of a store selling winter cloths and Kashmiri shawls, said people started to gather on the fair premises but they are not into buying mood yet. “They are mostly looking for discounted products.”

A large gathering of the visitors were seen at different stalls selling garment items. Home Textile, a local brand, is offering discounts to allure visitors.

“We have brought in some new collections which will not be available in our showrooms in the next two months,” said Habibur Rahman, a sales executive of the company.

At Home Textile, visitors can get a bed cover at Tk 600 and the average price of the item is between Tk 1,500 and Tk 2,000. The country's biggest international trade fair is aimed at showcasing local products to foreign buyers in order to boost exports. This time companies from home and abroad are displaying their wares in nearly 600 stalls.

The commerce ministry and Bangladesh Export Promotion Bureau, the organisers, allocated about 50 stalls to foreign companies and the rest to local companies.

Scores of companies from 17 foreign countries, including China, the US, India, South Korea, Iran, Turkey, Nepal, Malaysia, Vietnam, Thailand, Iran, Pakistan, Mauritius, Singapore, Sri Lanka and the Maldives, are taking part in the fair, reported Xinhua.

The exhibition showcases a wide range of local and foreign products, including machinery, equipment and materials for agriculture and gardening, carpet, chemical and allied products, cosmetics, dairy products and electronic items, said the news agency quoting an official of the EPB.

The fair is open to visitors from 9:00am to 10:00pm. The entry fee for adults is Tk 30 and Tk 20 for minors.

Source: thedailystar.net- Jan 03, 2018

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## Will there be a Pacific trade war in 2018?

Next year is almost certain to see heightened economic tensions between the U.S. and Asia. Whether or not one describes the situation as a "trade war" is a matter of definition. But at the very least, we are likely to see significant trans-Pacific skirmishes and battles on the trade front in 2018.

President Donald Trump has set the stage for this in three phases. The first was his election campaign, during which he frequently dennounced foreign countries for taking advantage of the U.S. economically and blamed past U.S. administrations for allowing this to happen.

The second was his speech at the Asia-Pacific Economic Cooperation summit in Danang, Vietnam, on Nov. 10, where he declared, "From this day forward, we will compete on a fair and equal basis. We are not going to let the United States be taken advantage of anymore.

I am always going to put America first." Finally, in his unveiling of the new National Security Strategy on Nov. 18, Trump averred, "[The strategy] calls for trade based on the principles of fairness and reciprocity. It calls for firm action against unfair trade practices and intellectual property theft. And it calls for new steps to protect our national security industrial and innovation base."

Trump's withdrawal from the Trans-Pacific Partnership last January, by extricating the U.S. from the 12-nation multilateral framework, has freed the U.S. to pursue a bilateral and, if necessary, a unilateral approach to trading partners in the region. Thus the U.S. can now, unencumbered by the multilateral constraints that the TPP would have imposed, take unilateral action to attack the "unfair trade practices" he decries and to ensure the "fairness and reciprocity" he seeks.

Thirty years ago, Trump's favorite foreign whipping boy was Japan. As early as 1987, he paid nearly $100,000 to place full-page ads in three U.S. newspapers to excoriate Japan for stealing American jobs, exporting but not importing, manipulating its currency, and for being a free rider on defense. But now, China has replaced Japan as his main villain, as evidenced on the campaign trail in May 2016:

"We can't continue to allow China to rape our country and that's what they're doing. It's the greatest theft in the history of the world." And in the National Security Strategy: "We welcome all economic relationships rooted in fairness, reciprocity, and faithful adherence to the rules ... but ... will no longer turn a blind eye to violations, cheating, or economic aggression."

Once the North American Free Trade Agreement (NAFTA) renegotiations with Canada and Mexico and the United States-Korea Free Trade Agreement (KORUS) renegotiations with South Korea are concluded, the top U.S. priority on trade is likely to be China. The list of U.S. grievances is long -- trade deficits, tariffs, nontariff barriers, currency manipulation, forced technology transfers, theft of intellectual property rights, dumping, cyberattacks, subsidies to state-owned enterprises, etc. If negotiations fail to address these problems, the Trump administration may resort to unilateral measures including the imposition of tariffs on Chinese exports to the U.S. Three aspects of Trump's trade policy deserve particular attention as differing significantly from that of his predecessors.

**On to China**

First, there is a fixation on the size of bilateral trade deficits as a source, rather than as a symptom, of trade problems. Although most economists would dismiss the notion that bilateral trade deficits themselves indicate inequities and problems in a trading relationship, Trump and his advisers continue to adhere to this notion. China, with $347 billion, accounts for 40% of the U.S. trade deficit, and Japan, with $69 billion, is next.

Second, there is a clear preference for bilateral, rather than multilateral, negotiations and agreements. This may derive from the fact that so many of Trump's political appointees are by background business executives, who usually negotiate deals company-by-company, rather than lawyers or academics, who are more prone to appreciate the benefits of multiparty negotiations. And from an instinctive business perspective, negotiating one-on-one may be seen to yield better results for a well-endowed party such as the U.S., whereas a multiparty negotiation could result in smaller parties "ganging up" on the larger party, causing the U.S. to lose its negotiating leverage.

Finally, unlike most recent U.S. administrations, which in their trade policy have focused on opening foreign markets, Trump and many of his associates have a history of favoring trade-restrictive solutions. For instance, U.S. Trade Representative Robert Lighthizer proudly proclaims that when he was deputy U.S. Trade Representative in the 1980s, the U.S. protected its companies and workers by limiting Japanese exports to the U.S. of steel, automobiles, motorcycles, consumer electronics, and semiconductors. The appeal of such trade-restrictive solutions may surface in 2018, especially as a way to reduce trade imbalances with China, Japan, and South Korea.

The extent to which the U.S. takes an aggressive posture on trade with China, Japan and South Korea will be affected by several factors, including political and security developments in Asia. For instance, on April 16, Trump tweeted, "Why would I call China a currency manipulator when they are working with us on the North Korean problem?" This implies that once the issue is resolved, or it becomes clear that China is unwilling or unable to produce the desired results, Trump would feel no reason not to call China a currency manipulator --and perhaps take action.

Source: asia.nikkei.com- Jan 03, 2018

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## Indonesian Textile Exports Up on Rising Competitiveness

Indonesian exports of textile and textile products have already reached the value of USD $12.4 billion in 2017, exceeding the Indonesian Textile Association (API)'s target of USD $11.8 billion. The final (full-year) 2017 figure is expected to be higher as the last couple of weeks of 2017 are not included in the USD $12.4 billion. Robust textile demand from Southeast Asia and the Middle East was a decisive factor why the target was achieved.

Ade Sudrajat, Chairman of API, announced the latest data. He added that Indonesia's textile exports rose around five percent on a year-on-year (y/y) basis in 2017. This is a great performance because (1) the country's textile exports had been rather stagnant in the 2012-2016 period, and (2) global textile demand actually declined this year.

According to data from API, Indonesian textile exports to the United States and Japan fell 2 percent (y/y), each, in 2017. Meanwhile, demand from the European Union fell 3 percent (y/y). These declines were offset by rising textile demand in Southeast Asia and the Middle East.

Another important factor is that, generally, Indonesia's competitiveness has improved in the textile industry, hence it can offer its textile products at more attractive prices on the world market. Several years ago various textile factories were moved from West Java and Banten to Central Java because minimum wages rose too steeply in West Java and Banten. Central Java, on the other hand, still offers a relatively cheap production environment.

Meanwhile, the stable economy of Indonesia has attracted more investment in Indonesia's textile sector. According to data from Indonesia's Investment Coordinating Board (BKPM), a total of IDR 10.24 trillion (approx. USD $759 million) was invested in Indonesia's textile industry in the January-September 2017 period, much higher than the IDR 7.54 trillion that was invested in the same period one year earlier.

Although demand from the United States fell, the world's top economy remains the biggest market for Indonesian textiles. About 36 percent of Indonesian textile shipments go to the US. On second place comes the Middle East (23 percent), followed by the European Union (13 percent).

A concern for Indonesia's textile industry is that competition from Vietnam is rising. Problematically, and unlike Vietnam, Indonesia does not have a free trade agreement with the European Union. Therefore, Indonesian textile exports to Europe are subject to import duties in the range of 5-20 percent, while Vietnam can export its textile products to this region without import duties. This makes Vietnam's products more competitive and attractive for EU buyers.

Thus, Sudrajat urges the government to focus on bilateral talks with the EU in order to improve the competitiveness of Indonesian textile products further. Indonesian Industry Minister Airlangga Hartarto said the government is currently trying to arrange zero import duties for textile shipments to the US and Australia, while it is also studying the plan to seek a free trade agreement with the EU.

Source: indonesia-investments.com- Jan 02, 2018

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## Sourcing Costs Climb: Wage Increases Set to Affect 2018

Labor rates are rising and sourcing may get pricier.

2017 saw a continuance of workers, unions—and even some companies—pushing for living wage pay, and though many countries didn't quite make it to that threshold, quite a few key sourcing countries will see wage hikes in 2018.

Here's a look at what's risen and what's rising. Click on each colored country in the map above to find out what the wage hikes will be or what the current wages are in the countries without impending pay increases.

**Mauritius**

The latest sourcing country to see its wage rates rise is Mauritius, where garment workers will take home 9,000 Mauritian rupees ($264.60) a month starting in January—that's a 125 percent increase over the 4,000 the average textile sector worker was earning, according to the IndustriALL Global Union. Officially, the minimum wage will be 8,140 Mauritian rupees ($239.32), but various compensation payments from the government should see take-home closer to 9,000 rupees for a 45-hour work week.

**Mexico**

Mexico is making moves to improve conditions for its low-wage workers, starting with a general minimum wage increase to 88.36 pesos ($4.73) per day, from the current 80.04 pesos ($4.28). The increase—which is above the country's current inflation rate of around 6.4%—took effect on Dec. 1.

**Bangladesh**

The Bangladesh Garment Manufacturers and Exporters Association wants to establish more reasonable wage standards for the country's ready-made garment sector—and any potential shifts could come with a wage hike, too. The BGMEA has asked the government to form a wage board for workers in order to review existing rates, establish a monthly minimum wage, and potentially create a framework for more regular increases. Workers' wages in Bangladesh haven't increased from the current 5,300 taka ($63) rate that took effect in 2013. The BGMEA is urging that the current wage be doubled in line with the rise in cost of living since 2013, which would bring the wage rate in the country to 10,600 taka, or $126 a month at current exchange rates.

**Cambodia**

Sourcing costs in Cambodia are continuing to climb and 2018 will bring with it a higher than expected 11 percent uptick in labor costs, taking monthly pay rates to $170 from $153.

The Cambodian prime minister passed a benefits package in August that includes a wage increase for workers, plus free healthcare and free access to public transport—which manufacturers will have to foot the bill for. Naturally, the increase has factory owners concerned for how they'll pay what, collectively, may amount to another $10 million a month for worker wages and $3.5 million more a month for health care.

This increase follows a 9.2% jump that took effect at the start of 2017, which followed a 9.4% hike the year before.

Separately, the Cambodian government is working out a draft Law on Minimum Wage, which critics have said could protect the government from pressure to implement further wage hikes, and the proposed incremental rate that will grow gradually could make it more difficult for workers to ever reach a living wage. The International Labour Organization has since called for dialogue on the proposed wage law to clarify certain provisions it agreed could have the effect of restricting freedom of expression and the debate on minimum wages.

## India

India appears to be mulling doubling its minimum wage, which local stakeholders say could cripple the sector.

The country's Union Cabinet approved a new Wage Code Bill in July, which would ensure a national minimum wage by integrating four labor related laws, taking workers' current monthly wages from 9,000 rupees ($140.59) to 18,000 rupees ($281.19).

The staggering potential increase, according to India's Apparel Export Promotion Council (AEPC), has already impacted the booking of export orders and given foreign buyers pause. The cost of wages in India's garment sector already hovers around 30 percent of freight on board, which is higher than in other sourcing countries.

"The apparel industry is already passing through a challenging phase due to slowdown of the world economy," AEPC chairman Ashok G Rajani told The Economic Times.

"In the present stressful and challenging times, any additional burden on account of doubling the minimum wages from the present about Rs 9,000 per month to Rs 18,000 will make garment manufacturing unviable and unsustainable in the future."

## Myanmar

Factory workers in Myanmar have been protesting as they seek a 55 percent increase in wages, carrying their daily pay from the current 3,600 kyat ($2.65) to 5,600 kyat ($4.12). That means monthly wages, based on an 8-hour work day, six days a week, would jump from roughly $67 to about $99.

The country's Minimum Wages Act of 2013 stipulates that the minimum wage must be reviewed within two years of its last change, which in this case was in 2015, so workers are becoming riled up as they feel the government is overdue in reviewing their pay. The National Minimum Wages Committee had promised to come up with a proposed minimum wage by the end of 2017, though workers have already threatened ongoing labor disputes should nothing come of that promise.

## El Salvador

El Salvador's Minimum Wage Council approved the country's largest ever minimum wage increase last December, and it took effect last January.

In one go, the country raised the minimum wage for apparel sector workers by roughly 29 percent, bringing their monthly wages to $295.20 from $210.90. Minimum wages for the country's lowest paid workers rose 102 percent.

Manufacturers in the country were given little advance warning about the increase, and some felt the move would hit the country's competitiveness just as it was gaining more traction as a go-to for sourcing in Central America, but so far buyers' eyes are still on El Salvador for growth.

## Lesotho

Though nothing has been agreed to yet, workers in Lesotho have been demonstrating in demand for higher wages.

Currently, wages in the southern African nation are less than $100 a month, on average, and workers represented by the Independent Democratic Union of Lesotho are seeking a 21 percent boost in their wages from the $106 they're making each month now, which would take their pay to $128.26.

Workers are also seeking full pay while on maternity leave (90 percent of workers in the country's textile sector are women), improved health and safety conditions, workers' rights and better labor dispute resolution. The government in Lesotho hasn't responded to the workers' demands, but they've said they won't give up.

**Kenya**

In May, Kenya increased the minimum wage for its workers by 18 percent. Workers had been seeking a 22 percent wage boost, but the settled on 18 percent brought their monthly wages to 12,926 Kenyan shillings ($125.31) from 10,955 shillings ($106.20).

Inflation in the country has rose as much as 11 percent in 2017, so the wage increase likely only slightly moved the needle for workers.

**Turkey**

Turkey's minimum wage went up nearly 8 percent in last January, taking monthly pay from 1,647 liras ($478) to 1,777.50 liras ($516).

That rate was only effective through Dec. 31, 2017, so another similar hike may be forthcoming, though the country has not yet said as much.

**Vietnam**

Next year, wages in Vietnam will rise 6.5%.

The new wages, which will take effect from January 2018, will see monthly minimum wages increase from a range of $113 to $165 (depending on the region) reaching to a range of $121 to $175. This increase follows a 7.3% hike that took effect at the start of 2017.

Though it will be the smallest wage hike the country has seen, labor unions are concerned the increase still won't amount to a living wage for workers and other stakeholders fear the higher labor costs will deter foreign investors who have already shifted their sights slightly from Vietnam in light of the Trans-Pacific Partnership's collapse at least where the United States is concerned.

Experts have said the move to raise minimum wages may be a risky one on the Vietnamese government's part and could weigh on the country's competitiveness while neighboring nations have lower minimum wages, like Laos with $110 a month and an even lower $80 per month in Myanmar.

**Taiwan**

Last September, Taiwan's Ministry of Labor announced a minimum wage increase that took effect last January.

Wages for workers went up to 21,008 New Taiwan dollars ($696.90) from 20,008 NT ($663.73), a 5 percent increase. Prior to this hike, Taiwan's minimum wage went up on July 1, 2015, so another raise could be forthcoming within the year.

Source: sourcingjournalonline.com- Jan 02, 2018

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# NATIONAL NEWS

## Indian govt eases rectification norms for GST returns

The ministry of finance has simplified the regulations to rectify the error made by the businesses during the filing of returns – GSTR-3B. Several representations were received by the government seeking clarifications on various aspects of return filing such as return filing dates, amendment of errors in submitting/filing of GSTR-3B and other queries.

Now, the relaxation will allow the businesses to rectify the mistakes made during the calculation of GST liability which came into effect from July 1.

The Central Board of Excise and Customs (CBEC) in a recent communication to field officers has said "as return in Form GSTR-3B does not contain provisions for reporting of differential figures for past month(s), the said figures may be reported on net basis along with the values for current month itself in appropriate tables..."

Further, there can be no negative entries in the Form GSTR-3B while making adjustment in the output tax liability or input tax credit. "The amount remaining for adjustment, if any, may be adjusted in the return(s) in Form GSTR3B of subsequent month(s) and, in cases where such adjustment is not feasible, refund may be claimed," the CBEC said.

There is a facility to edit the information in Form GSTR-3B which can be used only before offsetting the liability. The rectification cannot be made after offsetting the liability.

In the previous circular released by CBEC on September 1, 2017, it was clarified that errors committed while filing Form GSTR – 3B may be rectified while filing Form GSTR-1 and Form GSTR-2 of the same month.

Source: fibre2fashion.com- Jan 02, 2018

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# CAI retains 2017-18 cotton estimate at 375 lakh bales

In its December 2017 estimate of the cotton crop for the 2017-18 season beginning October 1, 2017, the Cotton Association of India (CAI) has maintained the forecast at 375 lakh bales, i.e. at the same level as in the previous estimate. The projected Balance Sheet drawn by the CAI estimates total cotton supply for the season at 425 lakh bales of 170 kg each.

The total cotton supply projected at 425 lakh bales includes the opening stock of 30 lakh bales at the beginning of the season and an estimated 20 lakh bales of imports for 2017-18 crop year.

The domestic consumption is estimated to be 320 lakh bales while CAI estimates exports for the season to be 55 lakh bales.

Upto end December 2017, CAI estimates cotton arrivals at 147.75 lakh bales as compared to arrival of 108 lakh bales upto December 31, 2016.

“Around 39 per cent of the total crop estimated for the year has already arrived in the market., and looking at the pace of arrivals this year, CAI is of the view that the projected crop of 375 lakh bales for 2017-18 crop year is very much achievable,” CAI president Atul S Ganatra said in a press release.

CAI’s estimate of 375 lakh bales of cotton crop is slightly lower than Cotton Advisory Board’s recent forecast of 377 lakh bales for the 2017-18 crop year.

Central zone comprising the main cotton growing state of Gujarat is expected to contribute 213 lakh bales, while south zone and north zone are likely to contribute 100 lakh bales and 57 lakh bales, respectively, according to CAI.

Source: fibre2fashion.com- Jan 02, 2018

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# New Vistas for India-China Economic and Trade Partnership

The 19th National Congress of the Communist Party of China concluded in October. In the meeting, Comrade Xi Jinping, General Secretary of the CPC Central Committee and President of the People's Republic of China (PRC), reviewed the achievements of the past 5 years and charted a new course for China's future political, economic, cultural and social development.

Moreover, President Xi's report pointed out the right direction for developing China-India economic and trade relationship. In the future, following the principles of the 19th National Congress of the Communist Party of China, we will use three "keys" to unlock the potential of the inseparable, balanced and mutually beneficial China India economic and trade cooperation in the "new era".

First, build key relationships- to become trading partners based on equality and mutual benefit. As mentioned in the report of the 19th CPC National Congress, China remains firm in its commitment to building community with a shared future for mankind and forging new form of international relations featuring mutual respect, fairness, justice, and win-win cooperation. This is the principles China adheres to in attaining peaceful development and participating global governance. China and India are good neighbors, friends and trading partners.

Since 2014, after President Xi visited India, the two leaders have met more than 10 times on various occasions, reached important consensus and charted the right direction for China-India economic and trade cooperation. In the BRICS Xiamen Summit this September, President Xi stressed the importance of "the dragon and elephant dancing together" and avoiding conflicts. Prime Minister Modi also emphasized that with good bilateral relationship, 1 plus 1 could equal 11. To achieve this, we should further our practical cooperation, utilize intergovernmental and inter-corporate cooperation mechanisms to improve our economic strength and competitiveness.

With the economic and trade mechanisms like JEG, SED and China-India Financial Dialogue playing more important roles, our strategic synergy will be enhanced, trade and investment will be facilitated, bilateral trade will be more balanced and massive project cooperation will be more active. All these will lead to a spectacular future for our economic development. Meanwhile, we should also strengthen our cooperation and coordination in WTO, RCEP and other multilateral mechanisms to promote globalization and protect the overall interests of developing countries and foster more inclusive, equal and mutually beneficial economic and trade relations.

Second, focus on key issues- to build a more balanced trade structure. It is stressed in the 19th CPC National Congress that China would pursue open, innovative, and inclusive development that benefits all, that China would not close its door to the world but would only become more open. For a long time, the imbalanced trade between China and India has been a stubborn obstacle holding back our economic and trade relations. I'm very happy to see that with joint efforts from both sides, our trade volume may exceed 80 billion dollars this year, reaching a 5 year high. More importantly, China's import from India has increased more than 20% while export to India remains nearly the same.

In 2018, China will host the first China International Import Exposition. This is the first large scale import themed exposition and an innovation in international trade development. We welcome the Indian businesses to showcase Indian products in the event along with goods from all over the world. We believe this will open new channels for Indian goods entering Chinese families. We will work on expanding our cross-border trade, import more agricultural products from India, and promote build-to-order business models. We hope to finish FTA to enhance the level and scale of our trade, increase our import from India, opening our market wider and achieve more balanced trade with India.

Third, develop key areas-to build a mutually beneficial investment system. As emphasized in the 19th CPC National Congress report, China would give equal importance to "bringing in" and "going global," following the principle of achieving shared growth through discussion and collaboration; and be more open and cooperative to enhance innovation capacity. With these efforts, we hope to break new grounds in opening China further through links running eastward and westward, across land and over sea.

China has always made out-bound investments with the belief of creating mutual benefits. As statistics show, from 2012 to 2016, Chinese corporations have paid more than 13.7 million USD in taxes, created over 1 million jobs, and made contributions to host nations and the world economy.

In recent years, many economic and trade agreements in industrial park and cooperation on production capacity have been signed between China and India, establishing great platforms for investment cooperation. A group of famous Chinese corporations like Alibaba, Fosun, SAIC Motor, China Fortune Land Development have come to invest in India. These corporations not only provided funding and technical support for "Make in India “and "Start-up India", reduced trade deficit between the two countries, but also provided jobs and tax revenue for their host states.

They are highly recognized by the state governments. On November 16th, I attended the Haier's Industrial Park(Pune)Inaugural Ceremony. During the event, I had an in-depth discussion with Shri Devendra Fadnavis, Chief Minister of Maharashtra. He praised the progress Haier has made in Maharashtra and called it a great epitome of foreign enterprises participating "Make in India".

This year, in World Bank's ease of doing business index, India's ranking jumped from 130th to 100th, making one of the biggest improvements among all the countries. This will further encourage Chinese corporations to invest more in India Riding on this trend, we should work harder to optimize investment environment, push forward the revision of bilateral agreements like investment protection agreement and agreement for the avoidance of double taxation.

This will create a better investment environment for corporations, regulate Chinese corporation's investment in India and realize the social responsibilities of the corporations. Moreover, we should encourage Indian corporations to invest in China in areas with comparative advantages, like Pharmacy and IT. In this way, we can create a friendly, complementary and mutually beneficial two-way investment system.

As a ancient Chinese poem goes, thousand sails pass by the shipwreck, ten thousand saplings shoot up beyond the withered tree--new things come to the fore while old things perish. As H.E. Ambassador Luo Zhaohui said time and time again, China-India relations cannot afford to wander, stall or go backwards. We need to move in the right direction and implement the consensus our leaders reached in Xiamen Summit. We should focus on cooperation instead of differences, solve problems to create a more healthy bilateral relationship.

I believe, with the guidance of our leaders and the guiding principles of the 19th National Congress of the Communist Party of China, China and India economic and trade cooperation will bring real benefits to our governments, business communities and ordinary people. It will become the bedrock and thruster of our bilateral relationship. With the development of this relationship, the day when "China and India speak in one voice, and the world listens" will come soon.

Source: economictimes.com- Jan 02, 2018

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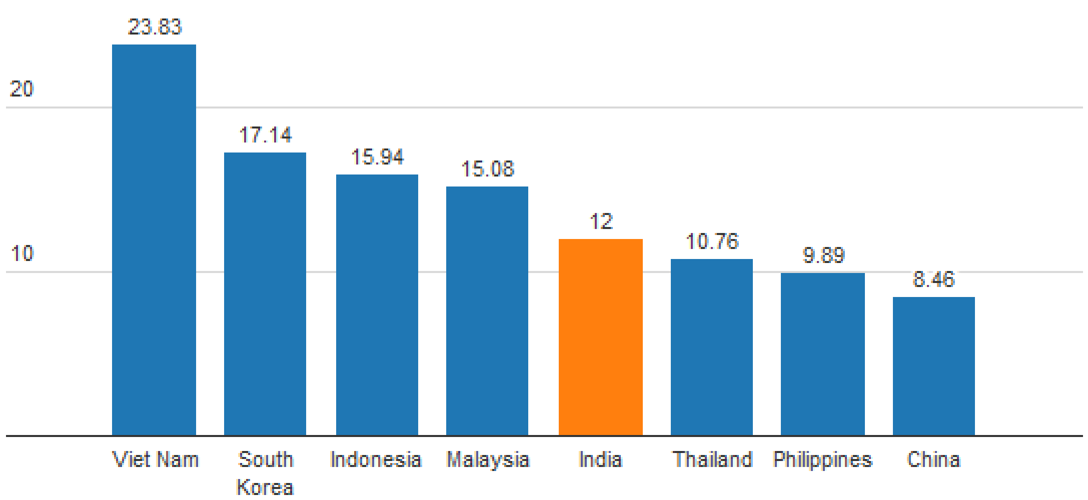
## What India's export performance tells us about job creation in the economy

The past few months have witnessed a spirited recovery in global trade, with some estimates suggesting that the recovery will gather momentum in 2018. Despite this buoyancy in global trade, India's export performance has been quite modest, especially when compared to other major Asian economies.

As the chart below shows, several Asian economies have reported faster export growth than India.

India's export performance appears modest when compared to other major Asian economies

Merchandise exports (% YoY, April-Nov 2017)




*Data for Thailand, Philippines and Malaysia refers to April-Oct 2017 period*

Source: Bloomberg, WTO Short-term trade statistics • Get the data • Created with Datawrapper

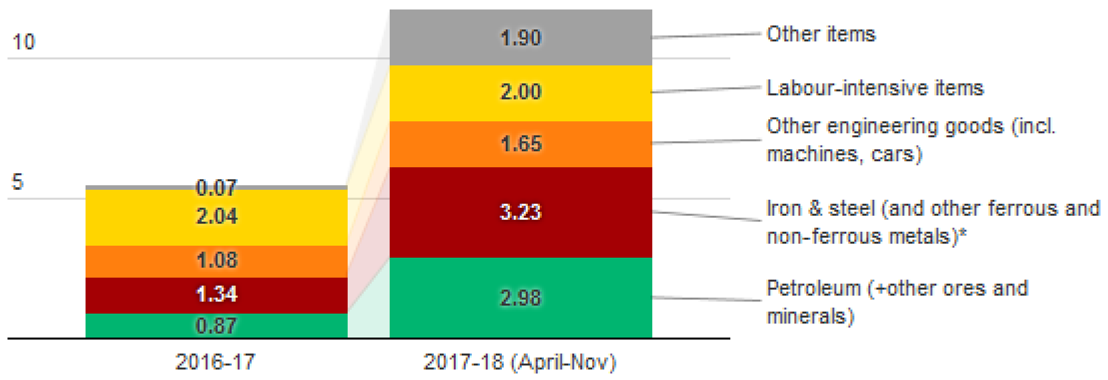
India's exports grew at an average pace of 12% in the April-November 2017 period from a year earlier, slower than those of Vietnam and Indonesia, which grew at 24% and 16%, respectively.

While India's double-digit growth in exports marks an improvement over fiscal 2017 when exports grew at slightly above 5%, there are several worrying signs in the export data.

The disaggregated exports data show that the rebound in India's exports growth in the current fiscal year has been very uneven. Exports of two commodity-based sectors—petroleum products and iron and steel (and other metals)—have accounted for more than half of the export growth in the current fiscal year.

## Petroleum, ores, minerals and metals have been the biggest contributors to exports growth this year

Percentage point contribution to exports growth (India) (columns add up to %YoY exports growth)




**Classified as "engineering goods" in official statistics; 'labour-intensive' items refer to textiles, electronic goods, gems & jewellery, leather and agri*

Source: Centre for Monitoring Indian Economy (CMIE) and Mint calculations • Get the data • Created with Datawrapper

The most worrying part about India's export performance is the growing divergence between labour-intensive sectors and other sectors. As the chart below shows, the aggregate export growth in labour-intensive sectors—textiles, electronic goods, gems and jewellery, leather, and agricultural products—has remained anaemic even as overall exports growth has picked up pace in recent months.

The chart suggests that a key engine of job creation in the Indian economy has been malfunctioning.

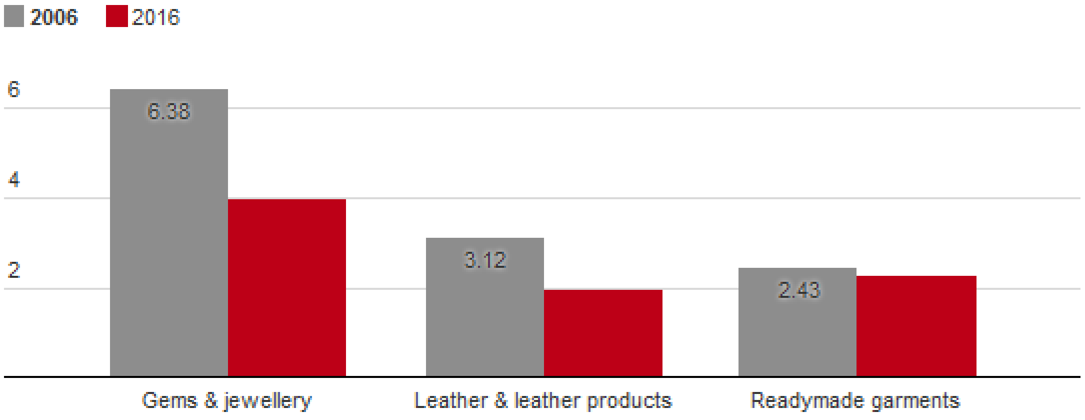
The sluggish growth in labour-intensive exports comes at a time when global trade has picked up pace, and when currency levels have been relatively stable. This suggests that domestic developments such as the ham-handed implementation of the goods and services tax (GST) are to blame, wrote economists Dharmakirti Joshi, Adhish Verma, and Pankhuri Tandon of CRISIL in a recent note on exports.

The economists argued that the implementation of GST and the associated glitches have hit the small and medium-scale enterprises the hardest, derailing growth in sectors such as textiles, gems and jewellery, and leather—where such enterprises dominate the supply chain.

But they also pointed out that while the clumsy implementation of the GST may have exacerbated the woes of these sectors in recent months, these sectors have been losing competitiveness over a much longer stretch of time.

## Labour-intensive sectors have been losing their competitive edge

Revealed comparative advantage (India)




*Revealed comparative advantage in a sector is the ratio of (1) India's share in world exports of the particular sector to (2) India's share in total world exports*

Source: CRISIL • Get the data • Created with Datawrapper

What this suggests is that the real fix in reviving India's export engine will lie in structural solutions involving ease of access to basic infrastructure such as roads, ports, and power as well as simplification of business regulations and labour laws. While a simpler GST structure would definitely help exporters, especially smaller enterprises, this needs to be followed up with more broad-ranging reforms.

The Narendra Modi government's ability to deliver on its promise of job creation before it faces general elections in 2019 will hinge crucially on how far it is able to facilitate a recovery in key labour-intensive industries.

Source: livemint.com- Jan 02, 2018

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## Centre, states, industry to discuss export situation on January 8

The Centre, state governments and industry representatives will meet on January 8 to discuss ways to boost the country's exports, a commerce ministry official said. The third meeting of the 'Council for Trade Development and Promotion' will be chaired by Commerce and Industry Minister Suresh Prabhu.

The council was constituted to promote India's overseas shipments. In its previous meeting in January last year, issues deliberated upon included improving export competitiveness and creating an environment conducive for promoting exports. They had also discussed about quality and standards of products. The council acts as a platform to develop partnership with states with an aim to boost international trade.

The members of the council are trade/commerce ministers of states and Union Territories, besides 14 secretaries of the central government including commerce, revenue, shipping, civil aviation, agriculture, food processing and economic affairs, among others. The council also provides a platform to state governments and UTs for articulating their perspective on trade policy to help them develop and pursue export strategies in line with national foreign trade policy.

Federation of Indian Export Organisations (FIEO) President Ganesh Kumar Gupta said they would raise the issues of GST refund and enhancing export-related infrastructure in states. "Small and medium exporters are facing several issues related to Goods and Services Tax (GST), that needs to be resolved. We would also seek greater support to improve infrastructure to increase competitiveness of our products in global markets," Gupta said. Another exporter Sharad Kumar Saraf, Chairman, Technocraft India, too stated that more support needs to be extended to boost outbound shipments.

On December 5 last year, the government extended incentives to sectors such as leather and agriculture with an aim to boost outward shipments that were disrupted by implementation of GST.

Reversing the decline seen in October last year, the country's total merchandise exports grew 30.55 per cent to USD 26.19 billion in November 2017. Cumulatively, the exports during April-November 2017-18 increased 12.01 per cent to USD 196.48 billion.

Source: financialexpress.com- Jan 01, 2018

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## Indian textiles, garment industry facing challenging times

The next year also may turn out to be a challenging time for India's textile and garment industry, as exporters are still bleeding following the impact of GST and exports are probably going to miss the USD 45 billion target for 2017-18.

Garment exporters have been repeatedly asking that the duty reimbursement should be retained at the pre-GST drawback rate of 7.5 per cent, following falling exports of the country's apparel — recording a fall of 39 per cent in value terms in October.

On the flip side of the coin, India's cotton production is forecast to reach 37.7 million bales in the year beginning October 1, up from 34.5 million bales produced in 2016/17.

As per data from the Textile Ministry, the production of import substitute bivoltine silk in the country is forecast to touch around 6,200 million tonnes (MT) in 2017-18 as against 5,266 MT a year ago, registering an increase of 19 per cent,

2017 turned out to be a mixed blessing for the textile segment. While initiatives were implemented for power loom units and weavers, the much-awaited new National Textiles Policy is yet to see the dawn of the day.

Recently, a Scheme for Capacity Building in Textile Sector to enhance skill development and job creation was launched with an outlay of Rs 1,300 crore.

10 lakh people are expected to be skilled and certified in various segments of textile sector through the scheme, out of which 1 lakh will be in traditional sectors. The year also witnessed the first mega international trade event for the textile sector, which was inaugurated by Prime Minister Narendra Modi, in Gandhinagar, Gujarat, on 30 June.

The event recorded participation from over 100 countries and a total of 65 MoUs with an estimated value of over Rs 11,000 crore were signed during the expo. India Handmade Bazaar, an online portal to provide direct market access to artisans and weavers, was launched in January.

In November, the Textiles Ministry notified post-GST rates under the scheme for Remission of State Levies (RoSL) on exports of readymade garments and made-ups. For garments, the rates range from around 1.25 per cent and 1.70 per cent and for made-ups, they range between 1.40 per cent and 2.20 per cent effective from October.

The Government also enhanced the rates under Merchandise Exports from India Scheme (MEIS) on readymade garments and made-ups from 2 per cent to 4 per cent. The rates will be applicable between November 1, 2017 and June 30, 2018.

As India faces heavy competition from countries like Vietnam and Bangladesh, amongst other factors, the need of the hour is a holistic solution that encompasses all segments of the textiles industry. This, say industry experts will enhance the country's exports which have remained stagnant for the past four fiscals.

Source: fashionunited.in- Jan 02, 2018

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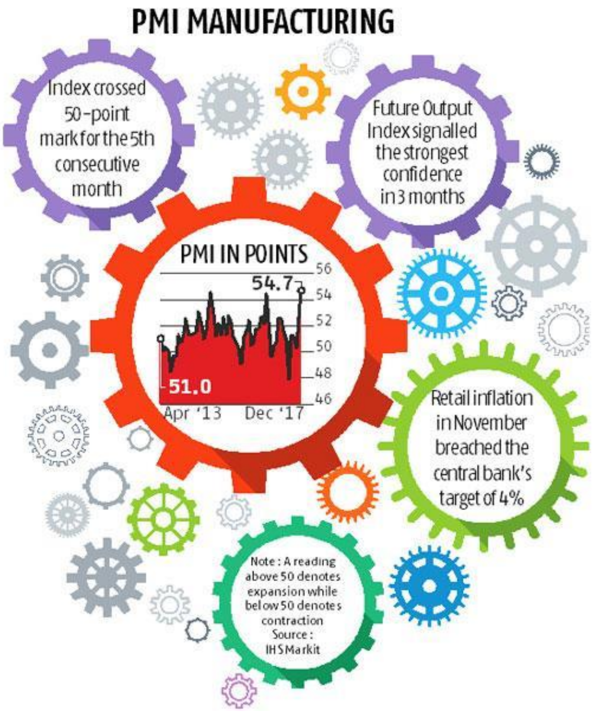
# India's Manufacturing PMI hits 5-year high in December

India's factory activity expanded at the fastest pace in five years in December, a private sector survey showed on Tuesday, buoyed by a rise in output and new orders, which allowed firms to raise prices.

Tuesday's data firms up views that business in Asia's third-largest economy continues to recover but also highlights risks that rising price pressures will keep the Reserve Bank of India (RBI) from slashing interest rates further.




The Nikkei Manufacturing Purchasing Managers' Index, compiled by IHS Markit, rose to 54.7 in December from November's 52.6, marking its fifth straight month above the 50 level that separates expansion from contraction.

"India's goods-producing economy advanced on its recovery path, with operating conditions improving at the strongest pace since December 2012," said Aashna Dodhia, an economist at IHS Markit.

"Strong business performance was underpinned by the fastest expansions in output and new orders since December 2012 and October 2016, respectively. Anecdotal evidence pointed to stronger market demand from home and international markets."

The country's manufacturing sector witnessed higher payroll figures in December while the rate of job creation rose to its highest since August 2012.

The latest survey showed the new orders sub-index, a proxy for domestic demand, also rose to 56.8 in December, the highest since October 2016.

Foreign demand also expanded at its quickest pace since June.

"Challenges remain as the economy adjusts to recent shocks, but the overall upturn was robust compared to the trend observed for the survey history. This outlook was shared by the manufacturing community as sentiment picked-up to the strongest in three months amid expected improvements in market conditions over the next 12 months," Dodhia added.

At the same time, stronger demand allowed firms to raise prices at the fastest pace in 10 months to make up for rising input costs, suggesting overall inflation could remain above the central bank's medium-term target of 4.0 percent in the coming month.

India's retail inflation in November breached the central bank's medium-term target of 4 percent, which could put pressure on it to raise policy rates in the coming months.

Minutes from the RBI's December meeting show bank members are becoming increasingly concerned about inflation.

Source: business-standard.com - Jan 03, 2018

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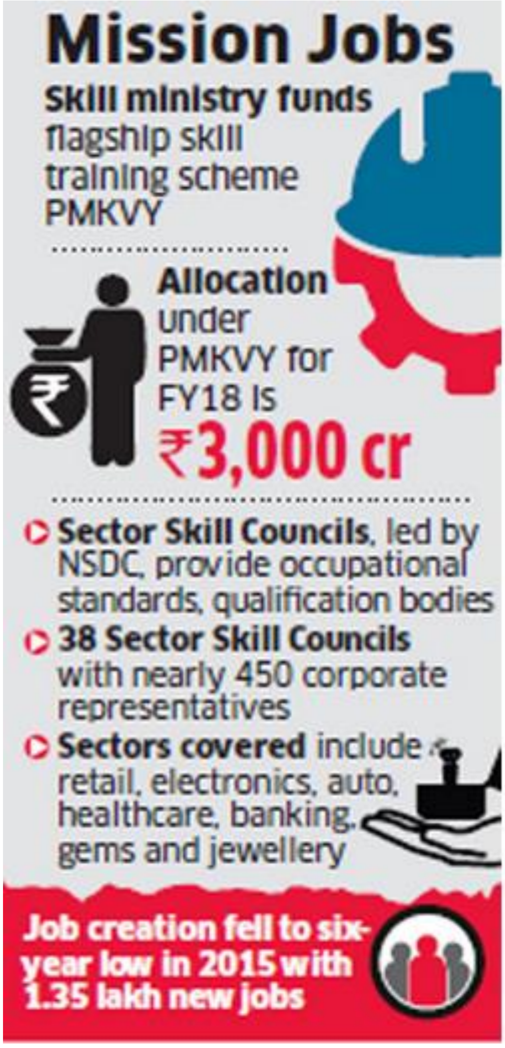
## Skill councils told to ensure jobs by industry

The government has asked industry to provide jobs to personnel trained in their respective sector skill councils, warning that future fund allocation to the council will be withheld and unutilised money will be taken back if there is no increase in hiring.

The push comes ahead of general elections scheduled in 2019, where the slow pace of job creation could be a big issue.

The Ministry of Skill Development & Entrepreneurship, which funds the sector skill councils through the National Skill Development Corporation, has told them to ensure that their industry partners provide jobs to people who have been trained and that these numbers must be reflected on the smart portal created for the purpose, a person familiar with the matter told ET.




The skill development ministry funds the centrally sponsored Pradhan Mantri Kaushal Vikas Yojana, which is the flagship scheme for skill training.

The allocation for FY18 was about Rs 3,000 crore compared with Rs 1,000 crore allotted in FY16.

Explaining the rationale behind the move, a senior government official told ET that the industry running a particular sector skill council is responsible for setting standards, training and giving certificates to trained individuals.

"If they can't absorb their own trained people, who will do the task of providing jobs?" the official asked.

The skill councils have reluctantly agreed to take on board the government's concern.

"The hasty move has compelled the industry driven sector skill councils to take on the challenge even when providing jobs is not the mandate of the councils," officials from half-a-dozen sector skill councils told ET on condition of anonymity.

"There is a huge mismatch between demand and supply in the job roles as a result of which industry is finding it difficult to absorb most of the trained people."

The pace of job creation in India fell to a six-year low in 2015 at 1.35 lakh compared with 4.21 lakh new jobs in 2014 and 4.19 lakh in 2013, according to a quarterly survey of industries conducted by the labour bureau under the Ministry of Labour and Employment, even after the launch of the Skill India Mission.

The survey tracks jobs creation in select sectors. Another stud y - the Fifth Annual Employment-Unemployment Survey - of households conducted by the labour bureau showed the unemployment rate rising to a five-year high of 5% in 2015-16 compared with 4.9% in 2013-14 and 4.7% in 2012-13.

Sector skill councils are autonomous industry-led bodies that create occupational standards and qualification bodies, develop competency frameworks, conduct train-the-trainer programmes, conduct skill gap studies and assess and certify trainees.

Source: economictimes.com - Jan 03, 2018

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