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IBTEX No. 2 of 2020 — January 3, 2020

US 71.68| EUR 80.06 | GBP 94.08| JPY 0.66

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
18852	39400	**70.03**

Domestic Futures Price (Ex. Warehouse Rajkot), January

Rs./Bale	Rs./Candy	USD Cent/lb
19690	41152	**73.14**

International Futures Price

NY ICE USD Cents/lb (March 2020)	69.27
ZCE Cotton: Yuan/MT (May 2020)	14,070
ZCE Cotton: USD Cents/lb	91.64
Cotlook A Index – Physical	**77.85**

Cotton Guide- The Indian basis is almost approaching NULL. This implies good news for the Indian Exporters. There have been good amount of enquiries from China and the Far East for Indian Cotton. Furthermore, Indian Cotton being cheapest has its price advantage.

The Bullishness in International pricing continues with quarter cent gains. The ICE March contract settled at 69.27 cent per pound with a change of +22 points. The ICE May contract settled at 70.45 cents per pound with a change of +27 points. The Volumes were average at 36,606 contracts.

Higher gains were seen for the MCX contracts with triple digit increments. MCX January contract settled at 19,690 Rs per Bale with a change of +120 Rs. MCX February contract settled at 19,940 Rs per Bale with change of +90 Rs. At MCX Volumes were seen at their peak at 1597 lots, which indicates that the sentiments are bullish for this month.

While speaking about the cotlook Index, a decline has been registered by -50 points; now the figure is at 77.85 cents per pound. Shankar 6 prices according to CAI have been kept unchanged at 39,400 Rs per Candy.

Money managed funds are increasing their long positions which is taking the prices upward. According to CFTC report, ICE cotton speculators switched to a net long position of 3,916 contracts.

This evening we will have the US Export sales figures released. We are expecting these figures to be average. However, on the fundamental front, we are bullish for the upcoming fortnight. For MCX too we presume prices will show an increase upto 400 Rs per Bale.

On the Geopolitical front, the trade deal is anticipated to be signed on 15th January 2020.

On the Technical front, in daily chart, ICE Cotton March price paused its rally after testing the 100% Fibonacci extension near 69.56. Meanwhile support holds near 5 day EMA (69.02), followed by 68.61 (9 DEMA). The bias is still on the positive bias as positive crossover of 5 DEMA above 9 DEMA and higher RSI which moves around 67 supports the firmness in strength. Thus for the day we expect price to trade in the range of 69.86-69.05 with a sideways bias. Only a sustained move above 69.56, would rise further towards the 69.90-70.94 zone. In MCX Jan Cotton, we expect the price to trade within the range of 19400-19750 with a sideways bias. Only close above 19750 would initiate fresh buying interest in price.

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

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INTERNATIONAL NEWS

USA: Here's how 2020 could shake out on the financial front for retail and apparel

Mirror, mirror on the wall, what will 2020 bring for us all?

For one, there'll be a bit of economic stability for at least the first half of the new year, and then perhaps some stock market volatility as the second-half focus shifts to the U.S. presidential election, as well as the U.K. following its expected exit in January from the European Union.

More mergers and acquisitions deals also are likely in the first half, and the initial public offerings of Madewell and Old Navy are slated for 2020.

What's more, the retail sector shrink will continue in 2020 as the industry is still overstored. The ratio of stores needed to meet consumer demand likely won't match up for another five years as the downsizing continues.

And after three years of bankruptcies where many retailers ended up in the retail graveyard, expect more to file in 2020, although perhaps not at the same rate as in years past.

Here are some highlights of what to expect in 2020.

The U.S. economy

A still relatively strong U.S. labor market suggests consumer confidence should remain high at the start of 2020.

The Federal Reserve in its December meeting unanimously agreed to keep rates on hold. More importantly, its view of the economy at the time was that little changed since the October meeting when it decided to cut interest rates by one quarter of a percent. The Fed continues to see the labor market as "solid" and consumer spending as "strong."

One concern was business fixed investment and exports, which the Fed considers "weak." Some of that weakness in 2019 has been due to businesses not knowing how to plan for the future as the trade dispute between the U.S. and China raged on. While an overhang of uncertainty continues to exist because the dispute itself remains unresolved, any concerns probably won't kick back into high gear until late 2020 when businesses start planning for 2021. The "Phase One" agreement that President Trump is expected to sign on Jan. 15, provided Beijing signs as well, should help dissipate some of that weakness throughout most of 2020.

Foreign economies

With the U.K. expected to formally leave the EU, the big question will be what kind of long-term agreements British lawmakers will opt to pursue with their former EU partners.

But since the deadline for those agreements isn't until the end of 2020, the "status quo in terms of trade and regulatory alignment appears most certain for 2020," according to a December research report from Jefferies International. The U.K. sectors most expected to benefit in 2020 are utilities, banks, buildings and retail, according to the report from a team of economists and equity analysts led by European economist David Owen. The economists also expect fiscal stimulus to accelerate GDP growth above 1.5 percent in 2020 and to 1.7 percent in 2021.

In other parts of the world, slowing growth and uncertainties have been a global phenomenon, according to Nick Bennenbroek, head of currency strategy at Wells Fargo. Weakness has been concentrated in manufacturing, which has been a consistent theme in the major economies where "the output in all [the majors] are in negative territory," said the currency strategist, who concluded that he's not yet ready to call a contraction in the manufacturing sector, but, he said, "we are close."

"The costs for business is starting to rise a little bit faster than prices," Bennenbroek said, noting that margin pressure will result in a slowdown in profitability. "If this were to continue, [you'll start to see] weaker business expansion and [pressure on the] employment [front]," the strategist explained.

As for currencies, "We won't see much more in terms of a Fed [rate] cut, maybe one. The European Central Bank also could see one more rate cut," he said.

Central banks raise rates to cool down an economy that's heating up. They also rely on rate cuts to spur economic activity when growth slows to avoid a recession.

Mergers, acquisitions and IPO activity

Baird's investment banker Matt Tingler sees the economy as "still good," with the availability of leverage plentiful due to continued access to financing. More importantly, there's been "interest in pitch activity in recent months," he said. That means that as bankers try to put possible deals together, potential buyers–strategic and financial–are at least receptive to what they're pitching.

"Private equity firms have more equity than they've ever had, and the dry powder continues to go up. The strategics are looking for avenues to grow," Tingler explained. "Some like Lululemon are looking for internal paths for growth. Others are looking to acquire to grow as a better option than share buybacks. Acquisitions are a good way to use capital, get new consumers and move into new markets."

The banker expects some disruption in M/A activity as the year moves closer to the presidential election.

"Uncertainty can slow down markets and deal activity. If [investors] are uncertain over whether a Democratic candidate or [incumbent] Republican will get elected, that could [slow down] some deal activity. Right now the investment community believes that Trump will get re-elected," Tingler said.

More and more aggressive trade tariffs on the global front, a rise in interest rates, and declines in consumer confidence are risks that could impact M/A activity, Tingler said.

As for the IPO market, the public markets have started to push back on companies looking to go public, Tingler noted. That's mostly due to the number of recent firms that have struggled post-IPO and still don't have any earnings to report. That kind of thinking might mean investors now deem the IPO market as reserved for firms considered best-in-class, the banker said.

Currently, the Madewell spinoff from J.Crew and Old Navy spinoff from Gap Inc., are slated for a 2020 IPO. Footwear startup Allbirds is one rumored to be eyeing an IPO. And Rent the Runway was another possibility mentioned in 2019.

Store closures and bankruptcies

Retailers will continue to close stores, and could very likely do so for at least another five years.

"It'll take five years to level out due to retailers' leases," said Michael Brown, a partner in the consumer and retail practice at A.T. Kearney. "There are different terms within the leases, renewal terms [that are separate] and retailers will use the time to learn what role stores will play in the future. Right now, more retailers are reactively closing stores when there's no more profit at those doors. They need to be more proactive in looking at the network of stores and resetting the base."

While he expects newer, direct-to-consumer brands to begin opening stores as they scale their business, he doesn't expect them to open doors in the same numbers as their non-DTC counterparts.

"These digitally native brands will open stores as they seek to scale their business. Online is great to incubate, but the brands won't achieve scale unless they have some kind of physical presence. Ninety percent of consumers still go to the store, touch the product and do research," Brown said, noting that Allbirds and men's apparel brand Untuckit are among those opening stores at a rapid pace.

As for bankruptcies, BDO's David Berliner, partner in the firm's restructuring and turnaround group, expects to see some filings in 2020 given that malls continue to have a hard time generating traffic.

"At some point, the filings are going to slow down," said Berliner, who noted–but didn't disclose–that he's got a few names on his watchlist. Of those names, a few might enter Chapter 11 and emerge, but then will likely re-enter bankruptcy proceedings and end up in liquidation mode.

Berliner also expects to see some mall closures, especially the weaker ones, which once had department stores as its key anchor tenants.

"It's become difficult to keep those malls open," he said. "Malls need to do better at bringing in entertainment and food options."

And while retailers like Dick's Sporting Goods took over some Sports Authority locations when the latter liquidated, similar to Michaels more recently acquiring some locations when its crafts competitor A.C. Moore shut down, Berliner doesn't expect to see that trend continue in 2020.

"I don't see the advantage of that now because retailers today are trying to optimize the right store footprint," he said. "A lot of retailers prefer fewer stores, but it can be expensive to get out from a lease. So they wait for the right opportunity to get out and move to a smaller store when they can. Years ago, it was all about growth and retailers were opening stores. It was what Wall Street wanted. Now it's the opposite–Wall Street wants fewer stores, but more profits with the right [ones]."

Retail and apparel

A pronounced global economic slowdown could raise recession risk for U.S. retailers in 2020, while domestic policy shifts and geopolitical uncertainty could threaten to undermine credit conditions in many regions, according to credit analysts at Moody's Investors Service.

For now, analysts are expecting 2020 to be relatively stable for U.S. retail, with operating income growth above 4 percent that's led by the dollar store sector and the off-price channel. The struggling department store sector will continue to be a drag on overall retail, although retail sales growth for 2020 is expected in the range of 3.5 percent to 4.5 percent.

Moody's credit analysts who track retail don't expect a recession in 2020, but the risks could grow if the political backdrop has an impact on trade policy uncertainty.

"Also, fiscal and monetary policy in advanced economies remains limited to prevent a future downturn," according to a Moody's report, which also noted that if there is a recession, that would result in a consumer pullback that would not bode well for the U.S. retail sector.

Walter Loeb, former retail analyst and now consultant, expects retail sales growth in 2020 at between 3 percent and 3.5 percent, helped by the rollback in tariffs and the Phase One trade agreement. One reason why it's not higher is the concern over global tariffs. That's a reflection of the global trend toward protectionism, which will likely result in more taxes on imported goods.

Already, French lawmakers are instituting a 3 percent digital tax, and Italy's parliament has one planned, too, also 3 percent, for the digital revenue of some technology companies. The Trump administration is currently looking at a proposal for additional tariffs of up to 100 percent on French goods as a result of the tax. And with the Italian government's decision on Dec. 26 to impose its own version of the digital tax, the Trump Administration could eye additional tariffs on Italian goods as well.

As for apparel sales, Gabriella Santaniello, founder of research firm A-Line Partners, expects "fourth-quarter earnings for many retailers will come in shy of expectations," given the anemic 3.4 percent retail sales growth over holiday 2019 and what the heavy discounting might mean for margin compression.

From the shopping pattern she observed over the holiday season, Santaniello said there seems to be a shift in how consumers are buying apparel.

"In the fall there was talk about a certain coat, and then about a changing silhouette that would force [consumers to buy] different tops, but then that [talk] dissipated. Earlier in [2019], we saw the wide leg [pant] that people wanted, but they didn't buy in the same volume like they used to," she said. "What we're seeing is selling that is very item-driven. People are not buying the whole outfit. They're buying a piece, and then waiting to see how it works with what they have. Maybe later they'll go back and buy another piece."

Goldman Sachs is forecasting lackluster growth for the apparel and accessories space, according to analyst Alexandra Walvis, who noted soft demand trends and an ongoing headwind from the shift in consumer spending away from the mall toward the off-mall and online channels. While Walvis is positive on the off-price sector and on active brands like Nike and VF Corp., she's cautious on mall-based department stores and the core apparel brands that are exposed to the channel.

Overall, "we expect a stable but slowing U.S. consumer backdrop in 2020," Walvis said, adding that apparel as a category is expected to underperform.

Source: sourcingjournal.com- Jan 02, 2020

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Xinjiang continues to top China's cotton production

The cotton output of northwest China's Xinjiang Uygur Autonomous Region exceeded 5 million tonnes, accounting for 84.9 percent of the total in China, according to the National Bureau of Statistics.

The planting area of cotton in Xinjiang reached about 2.54 million hectares in 2019, accounting for 76 percent of the country's total, the bureau said.

Xinjiang has ranked first in the country's total cotton output, per unit output and planting area for 25 consecutive years, according to local authorities.

The production in more than 90 percent of cotton fields in northern Xinjiang has been mechanized, and the mechanization rate of cotton harvesting in southern Xinjiang is also increasing year by year, said the Department of Agriculture and Rural Affairs of Xinjiang.

Source: xinhuanet.com - Jan 02, 2020

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Sri Lankan apparel industry keen to set up textile plants

Stakeholders in the Sri Lankan apparel industry are making a concerted effort to create a sustainable domestic fabric supply base. Despite the goods exported to the European Union (EU) being eligible for the generalised system of preferences (GSP+) benefit, the island nation is unable to meet the country of origin rule. The available domestic fabric is only knitted fabric.

The fabric capacity available is fully absorbed by the industry and as a result, a part of the knitted and woven fabric requirement is being imported, Joint Apparel Association Forum (JAAF) general secretary Tuli Cooray said.

The total annual import of fabric goes well beyond $2 billion. Whether GSP+ exists or not, having its own fabric base will ensure a sustainable apparel industry, Cooray was quoted as saying by a Sri Lankan newspaper.

The proposal to set up a textile development park in Eravur has been recognised in the government manifesto. A minimum of three plants will be promoted by JAAF. China is looking for attractive sites for such investments, Cooray said.

If the textile plants are given access to domestic markets, the domestic apparel manufacturers can improve their delivery at a lesser cost, he added.

Source: fibre2fashion.com- Jan 02, 2020

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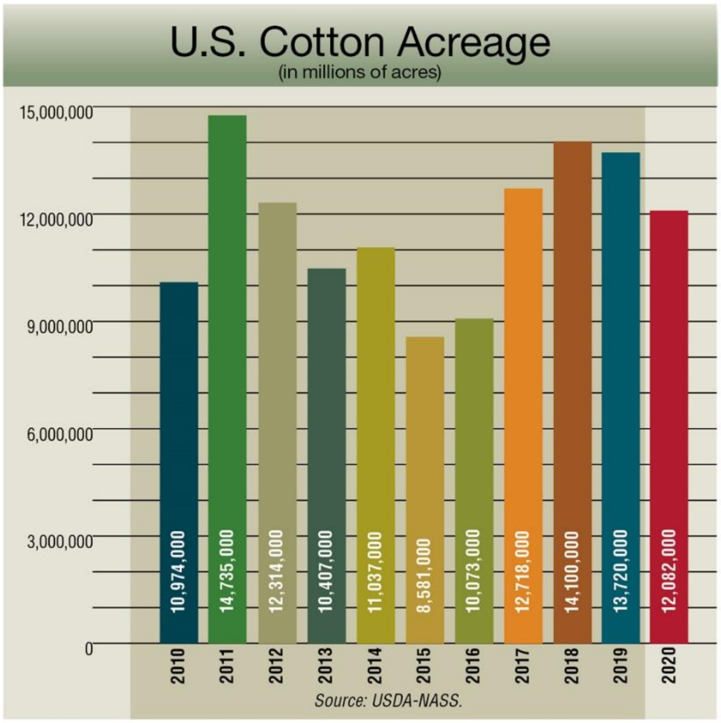
USA: Acreage Survey: Cotton Acres Rein In Slightly for 2020



As many have predicted, cotton acres across the United States will contract in the 2020 growing season – a reflection of a farm economy that is feeling stress from a number of directions. But that drawdown in planted acres may be less pronounced than many have imagined.

American cotton producers will plant 12,082,000 acres of cotton – upland and ELS combined – in 2020 according to results from the annual Cotton Grower Acreage Survey. That number represents a roughly 12% decrease from the 13,720,000 acres they planted in 2019.

Should that projection hold true, it would represent the sixth time in the past decade that American producers have planted more than 12 million cotton acres, a strong indicator of the crop's consistent staying power in the face of shifting market conditions and challenging headwinds.

Commodity prices are chief among the challenges cotton producers continue to face heading into 2020. Global trade disputes have disrupted an otherwise sound period of supply and demand fundamentals. Still, for many, cotton pencils out favorably compared to alternative crop options. As one state Extension specialist put it, "…the cotton gig is probably the best option for most growers."

By region, the numbers break out this way:

- The Southwest region will once again lead the way in production acreage. Growers in Kansas, Oklahoma and Texas will combine to plant 7,094,270 cotton acres in 2020, according to the survey. The bulk of those acres come from the Lone Star State, which will once again rank first in the nation in cotton acreage. Growers there indicated they will plant 6,346,270 acres of cotton next season.
- Producers in Georgia will lead the way in the Southeast, having indicated they will plant 1,177,778 acres in the spring. As a region, the Southeast will plant some 2,499,412 acres of cotton in the 2020 season.
- In the Mid-South, producers have indicated they will plant 2,040,540 acres of cotton in 2020, with Mississippi leading the way in planting some 650,000 acres. Both the region and the Magnolia state will see slight reductions in 2020 plantings.
- California is expected to lead the way in Far West cotton plantings with just over 246,000 acres planted in 2020. Producers in New Mexico and Arizona will add to that total, bringing the Far West's projected cotton plantings to 448,450 acres in 2020.

Penciling Out Better

The Cotton Grower Acreage Survey was conducted in November and December – shortly after most of the 2019 crop was brought in. Many respondents noted that they would be watching the markets closely over the winter months before they made a final cropping decision.

Still, if current market conditions remain stagnant (as they have through much of the previous year) cotton will be competitive with alternative crops, according to survey respondents. But prices could certainly dampen enthusiasm – even though many growers produced an excellent crop with strong yields in 2019.

“We had a good year with no major storm in the fall for much of the state,” said Guy Collins, Extension specialist with North Carolina State University. “Yields were good, and quality was good. But prices will influence growers here. It’ll take higher cotton prices to see an increase in acreage in 2020 compared to our 2019 acreage.

“Anything less than that and our acreage will stay flat or slightly down depending on where cotton prices are in the spring,” Collins said.

That trendline – flat or down from 2019 – is one that respondents echoed across the Southeast, where planted acreage is expected to fall some 13% from a year ago. Of the six states in the Southeast region, only Virginia is projected to increase acreage – a 5% bump, bringing the state’s total to 110,000.

Georgia, where peanuts and a host of other crops can compete with cotton for acreage, respondents projected a decrease of 14% from 2019. Still, the 1,178,000 acres of cotton the state is projected to grow would mean the Peach State is once again second in the nation in cotton acreage, trailing only Texas.

Southwest Sowing

The Lone Star State is on track to plant its lowest cotton acreage total of the last several years with a projection of 6,346,270 acres, though that total is still robust compared to the state’s historical cropping patterns. Elsewhere in the Southwest, cotton acreage could potentially be on the rise.

With a projection of 200,000 acres planted, Kansas represents one of only three states expected to increase acreage in 2020. While Oklahoma’s projected 548,000 acres would represent a significant decrease from 2019, there are some who sense that number could grow by the time the planters roll out into the fields.

"I'm being cautious for the 2020 estimates, but the growth reflects what will be hopefully better planting conditions, particularly in the southwest and panhandle regions, and some sustained interest in the eastern part of the state," says Seth Byrd, Extension cotton specialist with Oklahoma State University. "If markets are favorable (which is anybody's guess what that actually is compared to other commodities), this number could reach 700,000."

Mixed Bag in Mid-South

Echoing the trend established across the country, Mid-South states are expected to contract cotton acreage in 2020. With a projection of 650,000 acres, Mississippi is projected to set the pace for Mid-South states, just as it did in 2019. Elsewhere in the Delta region, prices appear too much to overcome.

In Louisiana, growers can expect a nearly 30% drop in acreage, in part "due to low cotton prices, production costs are a concern, and plant bug pressure in some parts of the state," says Dan Fromme, Extension specialist with Louisiana State University.

But further north in Tennessee, growers are feeling particularly optimistic about cotton heading into 2020. Respondents from the Volunteer State indicated they'd plant 405,882 acres of cotton in 2020, a 9% increase over 2019.

University of Tennessee Extension Cotton Specialist Tyson Raper was a bit more conservative with his estimate, although he understood his growers' enthusiasm.

"Things are quite fluid at the moment, but lower prices have definitely reigned in excitement compared to a year ago. Still, exceptional yields from 2019 and good fiber quality will likely keep us above 300,000 (acres)," Raper says.

Steady in the West

Cotton acres in the Far West region will remain generally where they have been over recent years, with only moderate declines. California will lead the way there, with 246,250 cotton acres, according to respondents. If recent trends hold, most of those acres will be planted to Pima varieties.

In Arizona, growers are preparing to rein in acres compared to 2019, although not by much.

"I do believe that cotton acreage in 2020 will be fairly similar to our 2019 acreage," says Randy Norton, director and Extension agronomist with the University of Arizona. "As I visit with growers across the state, they have almost all indicated that their acreage will be very similar to 2019.

"Alfalfa prices, which is the main competitor for cotton, are not all that great either," he says.

A Fluid Situation

As always, respondents to the Cotton Grower Acreage Survey demonstrated a dynamic understanding of the forces which shape the cotton market.

Commodity prices, naturally, were the most common factor cited as affecting acreage decisions. But whether comparing to peanuts in the Southeast or alfalfa in the Far West, it seems the crop will be at least competitive again in 2020.

Other factors also played a role. Many respondents cited the cost of cotton harvest equipment – and the downstream effects of those costs – as a factor in their cropping decisions. On the positive side, the majority of those asked cited strong yields in 2019 as a reason to be enthusiastic about cotton again in 2020.

Source: cottongrower.com- Jan 01, 2020

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Global: Cotton prices to fall as supply outstrips demand

Cotton prices will remain weak in the 2019/20 and 2020/21 seasons as supplies of cotton outstrip demand and surpluses grow, according to a report in Issue 200 of Textile Outlook International from the global business information company Textiles Intelligence.

In fact, the average price of cotton has been falling since the beginning of 2018/19, and in 2019/20 it is forecast to fall further to only 76 US cents/lb—which would be 11 US cents/lb lower than the average for 2018/19.

One factor affecting the price of cotton is weak demand caused by uncertainty arising from the US China trade war. Until relations between the two countries improve, demand for cotton will remain suppressed and so will the cotton price—unless there are major revisions to crop estimates or there are signs of greater strength in the global economy.

The continued weakness in cotton prices has been reinforced by an increase in the size of the global stockpile which has reversed recent declines. Indeed, surpluses are growing in the main producing nations, and stock levels at the end of the 2019/20 season (July 31, 2020) are expected to be 1.3% higher than they were at the beginning (August 1, 2019).

Admittedly, global consumption of cotton is expected to rise in the 2019/20 season as Chinese demand stabilises. But there is also expected to be a rise in global cotton production during 2019/20 as yields in India rebound and plantings increase in the USA. As a result, global cotton production will exceed demand, stocks will rise and this will put downward pressure on the cotton price.

This pressure on prices will continue into 2020/21 as demand is forecast to remain weak while yields are expected to improve as a consequence of better weather conditions. In fact, the global cotton crop in 2020/21 is forecast to reach its second highest level ever.

Source: knittingindustry.com - Jan 02, 2020

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Cotton dominates Bangladesh fiber imports

Cotton accounts for 93.57 per cent of the fiber imported by Bangladesh in 2018. Around 74.14 per cent of apparel exported in fiscal 2018-19 was made from cotton fibers, up from 68.67 per cent in fiscal 2008-09.

Since demand for cotton garment items is going down, exporters are getting lower prices from buyers.

The preference for polyester, synthetic and viscose fibers arise from their durability and the ease in taking care of clothes made from them.

Manufacturers in Bangladesh have been unable to realise the advantages, since manmade fibers account for just 20 per cent of the country's apparel exports.

They have continued increasing production of yarn and garment products from cotton every year. Of the 430 spinning mills in Bangladesh, only 27 churn out synthetic and acrylic yarn.

Synthetic fibers made up 45 per cent of the apparel traded globally in 2017 and witnessed a compound annual growth rate of five per cent between 2007 and 2017.

Bangladesh has a five per cent share of the pie whereas Vietnam, its closest competitor in the apparel trade, has a share of ten per cent. In contrast, cotton accounts for around 35 per cent of the trade. Its CAGR is a negative 0.5 per cent.

Source: fashionatingworld.com - Jan 02, 2020

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Bangladesh RMG firms want 5% tolerance in yarn count at ports

Bangladesh's apparel exporters recently demanded 5 per cent tolerance in yarn count during the release of the item imported for export-oriented readymade garment (RMG) units and easing temporary bond transfer between factories in export processing zones (EPZs) and those outside. They also demanded tax waiver or reduction for importing racks for bonded warehouses.

Bangladesh Garment Manufacturers and Exporters Association president Rubana Huq, Bangladesh Knitwear Manufacturers and Exporters Association's acting president Mohammad Hatem and Bangladesh Textile Mills Association president Mohammad Ali Khokon and others met National Board of Revenue chairman Mosharraf Hossain Bhuiyan recently to discuss the issue, according to Bangladesh media reports.

Exporters said that they had faced penalty and harassment during the release of imported yarn and fabric if minor deviation was found in count and composition of the items.

Exporters demanded 5 per cent tolerance for cotton yarn count and 10 per cent for viscos during the examination by customs, saying minor deviation in yarn count and composition might occur due to weather and suppliers' faults.

They said approval for inter-bond transfer was required for the exporters to do sub-contract business with the EPZ factories. Getting approval for inter-bond transfer from customs bond commissionerate is a lengthy process, but exporters get limited time to export the products to the buyers, they said.

Exporters demanded empowering the BGMEA to issue approval for inter-bond transfer between the factories in EPZs and outside EPZs to protect the interest of readymade garment sector.

The present duty structure is high for the import of racking system and it would not be viable for the exporters to import the system with paying 58.60 per cent duty, they said.

Apparel makers demanded tax waiver or reduced tax rate on import of racking system, saying that the sector could gain more export orders by introducing the system as rack-supported warehouses help preserve maximum products within the shortest spaces separately and locate them easily.

Source: fibre2fashion.com - Jan 02, 2020

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EU Commission chief concerned over Brexit deadline

European Commission President Ursula von der Leyen is concerned over the ability to roll out Brexit in the timeline sought by Prime Minister Boris Johnson. Stating that it is not only a question of negotiating an agreement, she was apprehensive whether all negotiations are possible in such a short time. “I am very worried about the short time available,” she said.

She raised her concerns over the length of the timeline in an interview to French newspaper Les Echos.

Following a landslide general election victory by Johnson’s Conservative party on December 12, the United Kingdom is due to leave the European Union (EU) on January 31.

After its exit from the EU, a transitional period will exist until the end of 2020 to allow time for negotiation on future trade links. Negotiations are due to begin in February.

Voicing her concerns, she also raised the possibility of a mid-year review of the transition period with the potential for an extension if one were required, according to British media reports.

Under the EU-UK withdrawal agreement, there is room for the United Kingdom to seek an extension on the transition period of up to two years. Prime Minister Boris Johnson, however, is adamant that there will be no extension.

The Withdrawal Bill is currently working its way through a number of stages in the UK parliament.

Source: fibre2fashion.com - Jan 02, 2020

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Pakistan exporters hope to benefit from US-China tiff

Pakistani exporters are hoping to gain a major share in the world's textile market, amid an ongoing trade war between the US and China, as they gear up for the Heimtextil 2020.

The world's largest trade exhibition of home and contract textile Heimtextil 2020 will be held from January 7-10 in Frankfurt. It is the first trade fair of the year for the textile sector and is perceived as a trend barometer.

This year, 231 companies of Pakistan will showcase their products in the exhibition. The Trade Development Authority of Pakistan (TDAP) has set up a traditional Pakistani pavilion for small and medium-sized export companies, where 56 Pakistani firms will display their products.

Exporters are in high spirits and are hoping to receive new orders as they are targeting the market space created by the trade conflict between the US and China. On the other hand, most companies are hoping to take advantage of the so far untapped tariff concessions under the GSP Plus programme for the EU market.

Messe Frankfurt Country Head for Pakistan, Bangladesh and Sri Lanka Umer Salahuddin said, "Pakistan is the fourth largest international exhibitor at Heimtextil. The number of Pakistani exhibitors has grown over the past few years, which has resulted in growth of Pakistan's home textile exports."

He added that most of the Pakistani companies were participating in this year's exhibition with new products. "Pakistani companies have made great strides in keeping with the theme of the exhibition and emerging trends in their respective markets," Umer remarked.

A Pakistani export firm, which regularly attends the exhibition, is hopeful that it will be able to attract new buyers to its hospitality and health care-related textile products.

According to Nadeem Kayani, Director of the JK Group of Companies, which has participated in the exhibition for 19 years, US buyers are looking for alternatives to Chinese products in the wake of the ongoing trade spat.

“US buyers have already begun to expand their links with Pakistan for its home textile products,” Kayani said, adding that the US, the UK, Spain, Italy and Portugal were the major markets for its products.

“We have high hopes that we can woo new US buyers in Heimtextil as there is a strong possibility of increased participation by American purchasers.”

Commenting on the hurdles, Kayani said the decline in the value of the rupee had led to an increase in the input cost of businesses. On the other hand, the rise in gas tariffs is also pushing up the cost of production.

“Export industries are also facing shortage of capital due to the withdrawal of zero-rated facility for the five major export-oriented industries.”

Meanwhile, opportunities are growing for Pakistan due to the changing global trade environment and benefits can be reaped by resolving the problems facing the industries.

Another Pakistani exhibitor, Lakhany Silk Mills CEO Hanif Lakhani, said, “European buyers prefer quality products at good prices. European buyers will, therefore, be the focus of our attention.”

He said “Pakistan has not yet made full use of the GSP Plus facility; many home textile tariff lines have not been used yet. Our company is participating with new products, especially kitchen wares, that can attract European buyers due to their better quality and we can also get benefit from the tariff concessions.

“We have been participating in the Heimtextil exhibition since 2001. This exhibition is a good platform to meet existing buyers and chase new customers.”

Lakhani said, “The depreciation of the rupee is beneficial for Pakistani exporters. Although input costs have increased, wages are at the same level, this is not the case with competing countries of Pakistan.

"Pakistan's export firms can benefit from the depreciation of the rupee. The government has made it easy for the exporters to get sales tax refunds, which is a helpful step in increasing exports."

Heimtextil plays an important role in promoting exports of home textile products from Pakistan.

This year marks the 50th edition of Heimtextil, which is the largest gathering of exporters, buyers, technology companies, researchers and designers from all over the world. Pakistan first participated in the trade fair in 1975.

Source: tribune.com.pk- Jan 03, 2020

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Bangladesh: A 'happening year' for RMG

The Readymade Garments (RMG) sector has come to news with some mixed signals. A report in the Financial Express on the first day of the year told a lot about the sector's ups and downs in recent times. While, the first part of 2019 has been good, the later part of the year saw some downturns in export earnings.

The US, EU and Canada have remained the main destinations for our products, while other countries like China and Vietnam have diversified in all aspects. Our products have been cotton-based mostly, calculated at being nearly three-fourths the total yield. Five items like trousers, t-shirts, sweaters, shirts and jackets constitute nearly three-fourths of Bangladesh's total RMG exports. All these signal the need for diversification. For instance, China has made "techwear", items that are made of special fabric and are water-resistant, helps breathability and increases comfort.

A Centre for Policy Dialogue (CPD) study found more or less the same thing, pointing to the pre-dominance of cotton-based products. It also brought up the issues surrounding the garments sector throughout the whole year in 2019. Its labour cost is still the lowest among the competing countries. In human capital index, Bangladesh once occupied the third position among the big four in garments sector, even surpassing India.

However, there is an adverse side to all these. A combination of competing countries has been fighting Bangladesh not on export issues, but trying to undermine it citing its record on labour rights and related matters. The country must guard against it and focus upon its truths on the international forum. It must also work at home to improve things so that it gets a clean chit from the outside world. Our record since the Rana Plaza disaster has been mixed.

The international consortium of Accord was here for a couple of years, looking after the related issues of workers' rights and working environment. Then there was the Alliance, which folded up a year ago.

A lot indeed remains to be done. Among the four big garments producers, Bangladesh lies behind the remaining three of China, India and Vietnam in timeliness of shipments. Vietnam's progress is eye-catching. It even has surpassed China in matters of human capital index. So there are issues that have to be solved at the Bangladesh end.

The President of the Bangladesh Garments Manufacturers' and Exporters' Association (BGMEA) Dr Rubana Huq summed up the sector by saying that 2019 was a `happening year' for the sector. The BGMEA president mentioned both positive and not-so-positive indicators. The formation of the 'RMG Sustainability Council' (RSC) is a positive development.

Indeed sustainability is the core issue. While established houses have expanded, many factories folded up to October 2019, making a job-loss of nearly 30,000. At the same time new units have been established that could create 50,000 jobs. Taking everything into consideration, 2019 appears to be an `in and out kind' of year. The government must step in to help the sector with infusion of more facilities. The BGMEA's demand for single-digit lending rate deserves immediate implementation.

Top management of the important banks have already agreed to it. So there should not be any delay. A sector that caters to hundreds of thousands of jobs, employs the largest number of women and earns so much hard currency may occupy the centre stage; yet a thrust on export diversification should be the key element of the overall strategy going forward.

Source: thefinancialexpress.com.bd- Jan 02, 2020

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Pakistan: Slow trading on cotton market

Buyers on Thursday focused heavily on quality cotton and readily paid premium for the commodity. However, there has been a marked decline in trading activity after reports that the government is going to end duty on lint import from January 15.

The Karachi Cotton Association kept its spot rate unchanged at Rs8,900.

Cotton experts noted that sellers are avoiding entering into deals as they are being offered less prices for the commodity.

There was a sudden increase in prices — by up to Rs500 — during last week but recent announcement by the government to end tax on imports has led to rates being slashed, they added.

Currently the prices of cotton are between Rs8,000-9,300. Phutti (seed cotton) prices in various cities of Punjab are between Rs3,900-4,450.

The following deals were reported to have changed hands on ready counter: 200 bales, station Mirpur Mathelo, at Rs9,000; 200 bales, Fort Abbas, at Rs9200; 2000 bales, Rahim Yar Khan, at Rs9000; 400 bales, Khanewal, at Rs9,9000; 600 bales, Faqirwali, at Rs8;450; 600 bales, Haroonabad, at Rs8;300; and 700 bales, Sadiqabad, at Rs9,050.

Source: dawn.com - Jan 03, 2020

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Afghanistan cotton production increases by 21 pct: gov't

Cotton production in Afghanistan has increased by 21 percent this harvest season compared to the previous one, the country's Ministry of Agriculture Irrigation and Livestock said Thursday.

"The latest statistics of Ministry of Agriculture Irrigation and Livestock from 17 of 34 provinces showed that cotton or so-called 'white gold' production increased 21 percent, reaching 73,119 metric tons this year," the ministry said in a statement.

The increase was due to timely rain fall and increased investment in the crop and strengthened regulation of agricultural inputs in the mountainous country, the statement added.

"The main reasons for the increase of cotton in Afghanistan are timely rainfall, better weather, increase of cultivation areas, and the efforts of the Ministry of Agriculture, Irrigation, and Livestock such as providing training for farmers, distribution of quality cotton seeds, and creation of 206 demonstrative cotton farms for farmers in 14 provinces," the statement said.

About 49,317 hectares of land were used to cultivate cotton in 2019, while the number was 39,496 hectares in 2018, according to the statement.

The overall agricultural production, the backbone of the national economy, dramatically declined over the past couple of years due to drought as well as persistent fighting and instability in rural areas.

The Afghan government has taken measures to invest in agricultural sector to further create job opportunities for people and to boost economy in the land-locked central Asian state.

Source: dawn.com - Jan 03, 2020

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NATIONAL NEWS

Getting real about trade talks, post RCEP

The fact is that FTAs haven't worked for India. We need to be more competitive and efficient to be part of global value chains

It is rare for international trade to grab media headlines in India. Prime Minister Modi's bold decision of rejecting the Regional Comprehensive Economic Partnership Agreement (RCEP) has proved to be an exception. The past two months have seen a spate of articles, either supporting or opposing India's decision to stay out of the final agreement. Some of the opinions and perspectives articulated in these articles have implications for India's approach to future trade negotiations, going beyond the immediate context of RCEP. It is, therefore, relevant to examine a few of these views.

Some experts have lamented that by staying out of RCEP, India has missed an opportunity of triggering domestic reforms. Second, a few commentators have chided others for not having faith in Indian entrepreneurs to face import competition under the tariff-free regime of RCEP. The success of the Indian economy in the post-1991 era has been provided as evidence for this view.

Third, a couple of economists and commentators are critical of the Department of Commerce for being protectionist and not triggering trade liberalisation. As a remedy, they have suggested creating a new institutional framework for engaging in international trade negotiations.

Fourth, by not joining the RCEP bandwagon, it has been contended that India has missed the bus for plugging into global value chains. Finally, some experts have opined that India's decision on RCEP hits consumer interest. Scratch the surface and these seemingly plausible assertions appear shaky.

Did India's past free trade agreements, particularly with ASEAN, Japan and Korea, stimulate any domestic reform? There is little evidence of it. And for the better. For reforms to be effective, beneficial and successful, the country must have the option to choose the sector, pace and depth of reform. FTAs can hardly be the vehicle for ushering sustainable economic reforms in the country.

How successful were Indian producers in facing import competition after 1991 reforms? Let us recall that as part of these reforms, simple average customs tariff was reduced from 81 per cent in 1990 to 57 per cent in 1992. Tariffs were thereafter reduced gradually, to around 10 per cent over a span of two decades. Thus, Indian domestic producers were largely shielded from import competition. One sector that had to confront import competition at zero duty — IT hardware — floundered badly. Thus, using high economic growth in the post-1991 phase to argue for resilience of Indian entrepreneurs to face import competition under zero tariff FTA regime, may not be appropriate.

Protectionist stance?

Has the Department of Commerce been traditionally protectionist in trade negotiations? India's position in trade negotiations, be it at the GATT/WTO, or in the FTA context, is necessarily a reflection of the domestic interests and vulnerabilities, particularly at the time of the negotiation.

The Department of Commerce cannot autonomously pursue an agenda of trade liberalisation, unmindful of economic situation, advice from other ministries, and the regulatory regime in the country.

To illustrate, while India has emerged as a major exporter of IT services over the past decade, it was opposed to negotiations on services during the Uruguay Round of GATT negotiations. The logic was simple. During the 1980s and early 1990s, government was the main supplier of most services in India, with minimal presence of private players.

Further, it would have been a rare economist who had the wisdom or foresight in 1991 to predict the sharp upswing in fortunes of India IT services exports. Given those realities, it was not unreasonable for India and many other developing countries to oppose services negotiations at GATT. Pursuing trade liberalisation as an end in itself cannot be a substitute for hard-headed trade negotiations based on realities of the day.

Any alternate institutional structure in India for negotiating international trade agreements would have to grapple with the same problems that have prevented the Department of Commerce from taking aggressive positions in the past — protecting our sensitivities in manufacturing and agriculture sectors.

There may be little to gain from creating new institutions to handle trade negotiations. A better approach would be to strengthen existing institutional arrangements, particularly holding regular inter-ministerial and stakeholder meetings, with formally recorded minutes, to resolve conflicting interests.

What constrains Indian firms from getting linked into global value chains? The answer is not far to seek. With a few exceptions, most Indian firms in the manufacturing sector are not price competitive compared to firms in China, Vietnam and a few other developing countries. Even if Indian firms are able to source their inputs at internationally competitive prices, they would still face a cost disadvantage of at least 10-15 per cent on account of infrastructural deficiencies.

Global value chains

With lead firms on the lookout for the cheapest supplier, most Indian firms stand little chance of becoming attractive partners in global value chains until infrastructural deficiencies are fixed and logistics costs decline. Easy provision of land, water and sewerage; time-bound regulatory clearances; and support with common services in industrial areas, could be some areas for concrete domestic action, for reducing costs and facilitating integration into GVCs. Contrary to what some experts claim, India's membership of RCEP, or for that matter of other FTAs, cannot be the magic wand for embedding Indian firms in GVCs.

A final question — does reduction in customs duties automatically translate into lower price for consumers? Most economists would respond in the affirmative. However, preliminary research at the Centre for WTO Studies appears to suggest that ASEAN exporters increased the price of exports to India after implementation of the India-ASEAN FTA.

This was observed in many years in more than 50 per cent of exports in the category of raw material and intermediates on which India has granted tariff concessions under the FTA. This pricing behaviour would have reduced the gains for downstream Indian consumers. As this calls into question one of the fundamental assumptions regarding gains from FTAs, deeper research is required on it.

The debate around RCEP has unleashed many views on different dimensions of international trade negotiations. Instead of accepting the claims at face value, a detailed and critical examination is called for. This would provide inputs for India adopting a more robust approach to international trade negotiations in future.

Source: thehindubusinessline.com - Jan 02, 2020

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Indian textile industry to take economy to new height; know about 'technical textile'

Dating back to the nineteenth century, the Indian textile sector is one of the oldest in the Indian economy. The sector is highly diversified, catering to a wide range of segments ranging from traditional handloom products to cotton, wool and silk products and has products that vary across natural & man-made fiber, yarn and apparel. Technical textiles too are set to play a crucial role in transforming the sector, given their wide applications across multiple end-use industries such as automobile, construction, infrastructure, healthcare, aviation, defence, etc.

Additionally, the textile industry is closely linked and dependent on the agriculture industry in order to source raw materials such as cotton. This is a sustainable bet wherein the entire industry is based on the byproduct of agriculture which helps the ecosystem as a whole, the producer and the end-consumer. Hence, the growth and all-round development of the textile industry is one of the crucial parameters that contribute to the growth of India's economy.

As per a recent report by India Brand Equity Foundation, India's overall textile exports during FY 2017-18 stood at USD 39.2 billion and is expected to increase to USD 82.00 billion by 2021 (up to Jan 19). Apparel manufacturers are now diversifying exports into countries like Japan, Israel, South Africa, and Hong Kong. Textile exports have witnessed a bearish trend for two years in a row and factors that led the growth curve downward include time taken to align to the new goods and services tax (GST) regime, the downward revision of export incentives, and the credit squeeze particularly faced by small and medium enterprises.

Having said that, India is set to touch the USD 185 billion figure by the year 2024-2025 as per the Vision Strategy Action Plan for Indian Textile Sector. Below mentioned are three important factors that will help keep the sector in an upward trajectory.

Positive outlook for the sector at hand

The Indian textile industry principally relies on cotton as its key ingredient as it forms the building block of the entire ecosystem. As per India Brand Equity Foundation, the production of raw cotton in India is estimated to have reached USD 36.1 million bales in FY19, which plays a crucial role in the textile industry to flourish. Moreover, the availability of large varieties of cotton fiber along with the fast-growing synthetic fiber industry has helped the industry build a strong foundation for itself.

The textile industry in India has large and diversified segments that in-turn enable businesses and end-consumers to choose from a wide array of products. This, along with the availability of highly skilled manpower, provides a suitable platform for the textile industry to have an upper hand as compared to its counterparts.

Moreover, there is a huge potential in the domestic and international markets that will help the industry sail amidst any possible headwinds in the coming decade. Additionally, curating sustainable solutions in close conjunction with end-consumers is a trend that has been observed and will continue to be a major focus in the near future too.

The slowdown in the Chinese economy has rendered the cost of textile production in China high, and hence Chinese textile manufacturers have lost competitive advantages of the lower cost of production in the last few months.

This has offered an opportunity for the Indian textile sector to grab the market share of China in the developed world, especially in the European Union and the United States. This is the right time for brands to increase their market share in the Indian belt thereby being in line with the government's Make in India initiative.

Government support for the sector

The new draft of the National Textile Policy aims to create new jobs by way of increased investments by foreign companies. Moreover, it also aims to generate employment for 35 million people across the country. Key focus areas of this policy include technological upgrades, enhancement of productivity, product diversification and financing arrangements.

It also focuses on establishing a modern apparel garment manufacturing center in every north-eastern state for which the government has invested an amount of USD 3.27 million. All of these initiatives by the government will play an instrumental role in taking the sector to newer heights, thereby helping the economy grow in several other ways.

Realizing the importance of promoting the technical textile sector in India, the Ministry of Textiles has been actively working towards the development of technical textiles in India.

To provide a separate identity and status to this sector, 207 HS Codes have been notified as technical textile products. In addition, the government is planning to encourage research and innovation in the segment by encouraging investments.

Growth of technical textiles in the country

Technical textiles are the fastest growing and the most promising areas that fall under the larger textile industry. As per India Brand Equity Foundation, the sector has demonstrated encouraging growth trends in India with a CAGR of 8% for the last few years wherein it has reached a size of $13 billion. This is the most promising time for the sector in India as the government is deeply engaged to devise policies that would boost it.

The future of the textile industry in India has a positive outlook and is mirrored by increasingly strong consumption rates in the domestic market as well as the growing demand for exports.

Moreover, the industry has earned a unique place in the economy due to its strong future outlook, numerous employment opportunities it has generated and the strong export numbers it has generated.

Balancing compliance

This is a critical time for the textile value chain in India. Customers are feeling the impact of shifting fiber trends, changing consumer preferences, higher operating costs and the requirement of meeting different environmental standards. Also, the companies in India are now turning towards innovative dyeing methods and processes that facilitate greater water saving, as the government aims to cut industrial water use by 50% in the next five years.

Source: financialexpress.com - Jan 02, 2020

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FDI rises 15% during Apr-Sept to $26 bn

Foreign direct investment into India grew 15 per cent to $26 billion during the first half of the current financial year, according to government data. Inflow of foreign direct investment (FDI) during April-September of 2018-19 stood at $22.66 billion.

Sectors, which attracted maximum foreign inflows during April-September 2019-20, include services ($4.45 billion), computer software and hardware ($4 billion), telecommunications ($4.28 billion), automobile ($2.13 billion) and trading ($2.14 billion), the commerce and industry ministry data showed.

Singapore continued to be the largest source of FDI in India during the first half of the financial year with $8 billion investments. It was followed by Mauritius ($6.36 billion), the US ($2.15 billion), the Netherlands ($2.32 billion), and Japan ($1.78 billion).

Recently, the government relaxed foreign investment norms in sectors such as brand retail trading, coal mining and contract manufacturing.

Source: thehindubusinessline.com - Jan 01, 2020

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Textile hub Tirupur in a stitch as world brands cut down export orders

Tirupur, the garment hub that makes exports worth Rs 26,000 crore annually, had a forgettable year in 2019. At least four world famous brands that sourced their products from the Tamil Nadu city either filed for bankruptcy in the US and Europe as demand slowed down due to competition from online channels and costs going up.

MotherCare, the baby and maternity clothes retailer that annually sourced garments worth Rs 100 crore from a single exporter in Tirupur, filed for bankruptcy in the UK and will close all its 79 shops in that country. It was the latest world-famous brand to pull down Tirupur's fortunes.

Media reports quoting Coresight Research said that as of November 1, nearly 9,000 textile retail stores were closed in major markets across the US and Europe. The closures were 55 per cent higher than last year's.

As many as 10 major brands, including Forever 21, Payless and Barney's, filed for bankruptcy between January and October, estimated CB Insights, which tracks private company financing and angel investments.

Textile Magazine, in its latest issue, counted JCPenney, GAP, Sears and Victoria's Secret among major companies that have downsized. It said Zalando, the European e-commerce brand, is winding up sourcing from India after closing its private-label segment zLabels.

The company once sourced garments worth nearly Euro 20 million annually from India—mainly from Bengaluru and Tirupur—but has decided to end that.

Mothercare had slumped to £36.9m loss in the financial year ending March 2019, struggling amid a period of turmoil for high street retailers. It followed the likes of Bonmarche, Jack Wills and Karen Millen, which have gone bust in recent months, according to UK's Daily Mail tabloid.

One of the key reasons for these brands to shutdown is changing consumer trends and competition from e-commerce players.

R Raj Kumar, managing director of BEST Corporation Ltd that supplies garments to various brands, said his company used to get around Rs 100 crore worth of business from MotherCare alone but orders reduced by 50 per cent after UK brands scaled down.

Kumar, who believes that that the brand will come to its glory dates after the current consolidation phase will get over. Till the time, he decided to look for new customers and new geography.

To be cost competitive, his company already set up a facility at Ethiopia, which enjoys duty free status from major markets, and exploring other countries.

Another exporter recalled his association with an American brand, which filed for Chapter 11 bankruptcy protection in the US recently. He said some big retailers have opted for Chapter 11 because they wanted to get out of leasing contracts.

Most of these retailers have set up shops in locations which are taken for lease for long years. In the current market conditions they can't afford to pay such a hefty rent and can't cancel the lease, which will call for heavy compensation. Chapter 11 gives cushion for retailers to come out from this problem for the retailers.

"What we are seeing is a temporary phase, most of these brands will come back in a franchisee model or through a different route. We are confident of getting back the orders.

Our only challenge is to be cost competitive, for which we need Government's support," said the exporter on condition of anonymity.

Source: business-standard.com - Jan 02, 2020

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How major commodities will fare in 2020

Market conditions are expected to improve, thanks to the US-China trade truce and better supplies

In 2019, commodity markets were buffeted by a host of uncertainties and risks, including the US-China trade dispute, competitive monetary policy easing by various central bankers, a fairly resilient US dollar, a leashed crude oil market, largely benign weather, and looming growth concerns.

Rising from the year's lows, some commodities like crude oil (Brent $67 a barrel), gold ($1,512 a troy ounce) and crude palm oil ($770 a tonne) ended 2019 on a positive note. Industrial metals have had mixed fortune.

It is in this background that one must see where major commodities — crude oil, gold, palm oil, cotton, and base metals like copper and nickel — are headed in 2020.

Cotton: The market has been at the receiving end of the US-China trade war since 2018. After the intended phase one deal, hopes of further de-escalation have revived the commodity. In 2020, if the trade tension further subsides, cotton is sure to get a boost as output in major origins fall. However, demand conditions too are likely to be quite subdued. China's inventory policy is the key to unravel the cotton market outlook. On current reckoning, prices will stay range-bound. For 2019-20, India's harvest is less than anticipated and quality compromised. Domestic prices are likely to rise in Q1 after harvest pressure eases and the US' planting intentions become clear.

Crude oil: Global growth is expected to show an uptick in performance in 2020, as the effects of monetary policy easing begin to kick in. Together with the possibility of a US- China trade truce, growth prospects should help boost energy consumption modestly.

Supply will remain plentiful, especially in H1. The US will continue to pump out shale oil at record levels and stay as an exporter. The OPEC+ will continue to maintain their agreed production levels, possibly extending the agreement till the end of 2020. Hence, the supply-demand fundamentals should be fairly balanced. The role of speculative capital needs to be watched.

Under the circumstances, Brent will be able to defend the $60 a barrel floor fairly well. But the market will continue to face volatility. In H1, Brent may trade between $60-65, notwithstanding that the recent geopolitical conflict actually pushed Brent above $68 a barrel. The market will correct when tensions de-escalate.

Gold: Gold enjoyed a stellar performance in 2019, having risen from the low of $1,270/oz to the highest level of $1,550/oz during 2019, and ending the year at around $1,512/oz in the wake of some geopolitical developments. The US Federal Reserve's rate cut, the ongoing US-China trade war and global growth concerns propped the metal up as a safe haven during the year. At the same time, enervated physical demand in two of the world's largest consuming markets – China and India – capped the metal's upside.

In 2020, gold is likely to benefit from a slew of supportive factors including geopolitical risks, an accommodative monetary policy and a slightly weaker dollar. These should boost the precious metal. But subdued demand conditions are likely to persist through 2020. There is little to suggest any marked uptick in demand as high prices result in demand compression.

Both China and India are going through a severe economic slowdown. Weaker local currencies are pushing up domestic prices. Gold will have to brave these challenges. As always, the gold market will stay volatile. Most likely, the precious metal will trade between a low of $1,450-1,550 an ounce in 2020.

Base metals: After a year of subdued performance in 2019 in the aftermath of US-China trade war and growth concerns, base metals such as copper, nickel, zinc and aluminium should brace for improved market conditions in 2020. 'Phase one' of the US-China trade deal has already sent out some positive signals. Global growth is forecast to pick up in 2020.

Copper is likely to return to surplus in 2020. Demand growth will be modest. The metal should trade around $6,000 a tonne with +/- 5 per cent movement.

The aluminium market will continue to be well supplied. Expect the metal to stay below $,800/tonne, and trade on an average at $1750/tonne.

Nickel will be a supply side story. The market will be in deficit; and any mine supply restrictions in Indonesia can worsen the situation. The metal should trade around $15,000/tonne. Zinc in 2020 will swing into surplus after four years of deficit. Demand for galvanised steel is expected to be muted for the construction market as well as automotive industry..

Palm Oil: Prices have rallied above Malaysian ringgit 3,000 a tonne (over $720/tonne) in the last two months thanks to a combination of higher demand from China, Indonesia's ambitious biodiesel programme and slowing supply growth. Prices will remain firm until March 2020.

In Q2, one can expect a sharp correction (12-15 per cent) in the palm oil market as the peak production season starts, and palm oil is possibly replaced by soyabean in the US-China trade deal. Indonesia's blending programme must be watched closely.

Source: thehindubusinessline.com- Jan 02, 2020

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MSME body seeks review of export supporting bodies' role

The Federation of Indian Micro and Small & Medium Enterprises (FISME) has asked the government to "thoroughly" review the role of institutions meant to support exports such as Exim Bank and Export Promotion Councils (EPC).

In its recommendation note for the upcoming Union Budget, the industry body for MSMEs said that the export support establishments including EPCs and boards have "abjectly failed in having a nuanced understanding of these emerging barriers and need complete overhaul".

"The role of export support institutions/EPCs/Exim Bank needs to be thoroughly reviewed in consultation with the beneficiary group to really help exporters in changed economic realities," it said.

The budget recommendation also noted that merchandise exports is directly linked to being competitive in manufacturing, regarding quality and price matrix, adding that the role of the government's business entities has critical bearing on manufacturing and export capabilities.

Exporters also need active support of public institutions in surmounting the non-tariff walls, especially of 'standards' and 'testings', the FISME said.

According to to the federation, a minimum of 50 per cent of market development funds should be earmarked for MSMEs as half of exports are from this segment.

It also suggested that delay in refund of Goods and Services Tax (GST) to exporters should be strictly monitored through live dashboards and all public sector enterprises should be mandated to gear up for exports and develop their supply base or ancillaries comprising of MSMEs in India by building their capabilities to boost exports.

On multilateral trade agreements, the organisation said that although they are "ideal", the movement regarding the deals is "all but dead". It, however, mentioned that staying out of emerging large Free Trade Agreements (FTA) such as Regional Comprehensive Economic Partnership (RCEP), is not a wise decision.

"India's integration with world trade is deep now and we need to leverage FTAs to benefit from participation in GVCs. If we don't leverage them right, we shall end up importing almost everything and that too at higher cost. While being open to FTAs, FISME stresses that there has to be parity between 'external liberalization' through FTAs and internal reforms'."

It also suggested that industrial inputs such as steel, copper, aluminium, polymer and plastic raw materials should attract lower duties and should be part of early harvest during period of implementation and an agenda of corresponding internal liberalisation needs to be discussed, agreed upon and implemented in a time bound manner as FTAs are implemented.

Source: economictimes.com- Jan 02, 2020

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India can explore USD 82 billion export potential in 20 products in China: Report

India can explore an annual USD 82-billion export potential in twenty products, including electrical equipment and ferro alloys, in the world's second largest economy China, according to a report. Indian exporters have a competitive advantage as far as these twenty goods are concerned.

Currently, India meets only 3.3 per cent or USD 2.7 billion of the total annual import demands of USD 82 billion for these 20 products in China.

India's exports of these 20 products are worth around USD 15 billion to the world, which is 4.5 per cent of the country's annual outward shipments.

These goods constituted about 17 per cent of India's exports to China in 2018, according to the report by MVIRDC World Trade Centre Mumbai.

India can substantially reduce its trade deficit with China, which stood at USD 53.56 billion in 2018-19, by enhancing its market share for these products in that country, the report added.

Electrical equipment, tobacco, iron and steel, ferro alloys, parts of aircraft, engines and other auto-components, benzene, frozen boneless bovine meat are some of the product segment out of the 20 in the list.

"In order to realise this untapped export potential, India and China must exchange trade delegation with members from these identified sectors. We must also create awareness on this opportunity among India's micro, small and medium enterprises producing these identified products," MVIRDC World Trade Centre Mumbai Senior Director Rupa Naik said.

Increasing India's market share for these products in China will add further momentum to the growing exports of India in this country, she added.

India's overall exports to China grew 5.39 per cent to USD 11.57 billion in April-November 2019, even as our total exports to the world declined 2 per cent during this period.

The country's overall trade deficit with China declined 5 per cent to USD 35.3 billion in the first eight months of the current financial year, compared to USD 37.3 billion in the year-ago period, the report added.

Source: economictimes.com- Jan 02, 2020

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India looks to leverage Chabahar port to boost trade with Central Asia

Project's curbs-free status will continue, US assures India

Diplomats from India, Iran and Afghanistan took stock of the activities at the Chabahar Port in South-Eastern Iran one year after its inauguration in a recent meeting and discussed ways to further enhance connectivity and use the port to expand the India's trade links with Central Asian countries.

"The Chabahar Port commenced operations almost a year ago in December 2018. Since then, we have had as many as 4,500 containers moving from India through Chabahar. Almost half a million tonne of cargo has transitted since the port was inaugurated," said Raveesh Kumar, spokesperson, Ministry of External Affairs.

"What we are further discussing with Iran now is how we can further improve connectivity and how we can take it forward," said Kumar. "We are exploring how we can use this connectivity to expand our trade links with Central Asia. This was an important part of the External Affairs Minister's meeting (with his Iranian counterpart)," he added.

External Affairs Minister S Jaishankar met Iran's Iranian Foreign Minister Javad Zarif, for a meeting of the 19th India-Iran joint commission on December 22.

Both countries reviewed the "entire gamut" of bilateral cooperation and agreed on accelerating our Chabahar project, Jaishankar had tweeted after the meeting. Jaishankar had visited Washington where senior officials confirmed that the US would continue its exemption to India to develop the Chabahar port in Iran, although the sanctions against trade in oil continued.

Kumar added that Australian Prime Minister Scott Morrison had been invited to attend the Raisina Hill Dialogue scheduled in New Delhi on January 14-16.

Foreign Ministers from about ten countries such as Russia, the EU, and Iran had also expressed their interest in attending the meet.

Source: thehindubusinessline.com- Jan 02, 2020

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SIMA says textile exports decline in 2019

Southern India Mills' Association (SIMA) says, 2019 was a challenging year for the Indian textile and clothing industry, especially the spinning sector, due to steep fall in cotton yarn exports. Majority of the textile mills had to cut down production and face an unprecedented crisis.

Export of cotton yarn declined by 37 per cent between April and October this year compared to the corresponding period last year. Exports of cotton fabrics and made ups also reduced by 2 per cent while those of manmade yarn, fabric and made ups, and ready-made garments declined by 5 and 3 per cent respectively. The industry is concerned as imports of fabrics and MMF ready-made garments have increased during the same period.

J James, President of Tamil Nadu Association of Cottage and Tiny Enterprises says, year 2019 was one of the worst for the micro units as every bigger factory that gives job orders to these units insist that the unit should have GST registration. These micro units continue to demand total exemption from GST.

Source: fashionatingworld.com- Jan 02, 2020

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Rise in new orders boosts manufacturing PMI to 7-month high in December

A sudden boost in new orders helped the beleaguered manufacturing sector surge ahead in December even as business optimism fell to a three-year low, with firms remaining spooked by weak market conditions, said a monthly global survey released on Thursday.

The widely tracked Nikkei India manufacturing Purchase Managers' Index (PMI) rose to 52.7, a seven-month high, from November's 51.2.

In PMI parlance, a print above 50 means expansion, while a score below that denotes contraction. The rebound in growth comes after October's two-year low PMI performance at 50.6.

However, official data shows that contraction remained entrenched in the manufacturing sector till November. India's overall industrial production fell 3.8 per cent in October, after contracting 4.3 per cent in September, lowest in eight years.

On the other hand, the output of eight core sectors of the economy fell for a third straight month in November, contracting by 1.5 per cent. Output had crashed by a record 5.8 per cent and 5.2 per cent over the preceding two months as a broad-based decline gripped most sectors.

But for December, PMI painted a favorable picture with factories pumping up production to a 10-month high. This was attributed to new orders rising at their fastest pace since July, companies ramping up production and resumed hiring efforts.

At the sub-sector level, growth was led by consumer goods, though intermediate goods also made a stronger contribution to the headline figure. But, the crucial capital goods segment remained in contraction, the survey pointed out.

Companies that signalled growth commented on the securing of new work, the successful launch of new products and improved technology. New work increased solidly, with the pace of expansion picking up to the fastest since July. Where growth was noted, firms reported marketing successes, new product drives and better demand conditions.

However, new export orders contributed a small part of rising sales. In 2019, manufacturers had fallen back to demand from overseas to rescue them at times of lax domestic demand. Foreign orders expanded for the twenty-sixth month in a row, albeit modestly, the survey said.

As a result of rising fortunes, more firms reported they have stepped up hiring efforts at the strongest pace since February. Despite this, outstanding business rose further. In November, the survey had noted massive layoffs by firms.

Firms also increased input buying at the year-end, following contractions in each of the prior four months. The rise was only marginal, however, and failed to have an impact on vendor performance.

Although stocks of purchases continued to decline, the contraction lost strength. In fact, the pace of depletion was only fractional. On the other hand, holdings of finished products decreased sharply in December.

Amid reports of higher prices paid for chemicals, food, metals, paper, plastics and textiles, average cost burdens increased further. Moreover, the overall rate of inflation reached a 13-month high. In order to protect margins, goods producers lifted their fee again in December. The rate of charge inflation was solid and the quickest in close to three years.

Business sentiment had strengthened in November, with panel members expecting advertising efforts and product diversification to support output growth in the year ahead. That said, the Future Output Index was well below its average, as a number of firms were concerned about the state of the economy.

Despite the improvement in operating conditions during December, companies were cautious regarding the year-ahead outlook. “However, a note of caution is evident from the survey’s measure of business confidence.

The degree of optimism signalled at the end of 2019 was the weakest in just under three years, reflecting concerns over market conditions, which could restrict job creation and investment in the early part of 2020,” said Pollyanna de Lima, principal economist at IHS Markit.

But on an average, the survey pointed out, production is expected to expand in the coming 12 months.

Source: business-standard.com - Jan 02, 2020

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Make In India– The Modi Era

Make in India has been a major national programme of the Narendra Modi led government, designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best in class manufacturing infrastructure and industrial corridors in the country. The primary objective of this initiative is to attract investments from across the globe.

The focus of Make in India programme has been on 25 sectors. These include automobiles, aviation, chemicals, IT & BPM, pharmaceuticals, construction, defence manufacturing, electrical machinery, food processing, textiles and garments, ports, leather, media and entertainment, wellness, mining, tourism and hospitality, railways, automobile components, renewable energy, biotechnology, space, thermal power, roads and highways, and electronics systems.

Make in India's outstanding success can be gauged from the fact that after the launch, India received investment commitments worth Rs. 16.40 lakh crore and investment inquiries worth Rs. 1.5 lakh crore between September 2014 to February 2016.

As a result, India emerged as the top destination globally in 2015-16, for Foreign Direct Investment (FDI), surpassing the USA and China, with a record of $60.1 billion in FDI. Another $60 billion in 2016-17, and $61.96 billion in 2017-18, meant that FDI, as a percentage of GDP under the 4.5 odd years of the Modi dispensation always averaged at a very healthy 1.6-2 percent of GDP approximately.

Netting in FDI of $250 billion in 5.5 years of its tenure, the Modi government has clearly been a favourite with long term offshore investors and entities and that was never a small ask to start with, in the first place, given the poor legacy of policy paralysis, that the Modi government inherited from its predecessor, an incompetent and corrupt, the Congress-led UPA coalition.

Coming back to Make in India again, according to the data published by the Department of Industrial Policy & Promotion (DIPP), in December 2016, industrial activity rose by 29 per cent, primarily in states like Madhya Pradesh and Maharashtra, as part of the Make In India initiative. International brands like Huawei, Tristone Flowtech, LeEco, Zopo Mobile, Panasonic, and Havells, among others, have invested in India between 2015 and 2017.

Other global electronics companies like the UK-based Dyson Ltd., and the Japanese Akai, either entered or plan to enter the Indian market, including Italian bike-maker Binelli. Samsung, Xiaomi, Foxconn, Monsanto, Microsoft, Qualcomm, Oracle, Gionee, Sony Ericcson, LG, and HTC, have all increased their commitments to India after the Modi dispensation came to power in May 2014. Again, in May 2018, retail giant Walmart acquired a 77 percent stake in e-commerce major Flipkart, for a good $16 billion, with Amazon outlining plans to invest $5 billion in India in the next few years.

Click here for more details

Source: dnaindia.com - Jan 02, 2020

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