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USD 69.44| EUR 77.61 | GBP 87.79 | JPY 0.64

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
21914	45800	**83.99**

Domestic Futures Price (Ex. Warehouse Rajkot), June

Rs./Bale	Rs./Candy	USD Cent/lb
220170	46001	**84.36**

International Futures Price

NY ICE USD Cents/lb (July 2019)	68.08
ZCE Cotton: Yuan/MT (September 2019)	13,510
ZCE Cotton: USD Cents/lb	88.75
Cotlook A Index – Physical	**80.35**

Cotton Guide: The Export sales data were good in the last week's report. For the week ended 23rd May 2019, the US Export sales of upland cotton for 2018/2019 crop year amounted to 288,800 running bales. For the year 2019/2020 the export sales totaled to 136,200 RB (Running Bales). Export Shipments were reported at 41,600 running Bales.

US Upland Sales were mainly to the following countries:

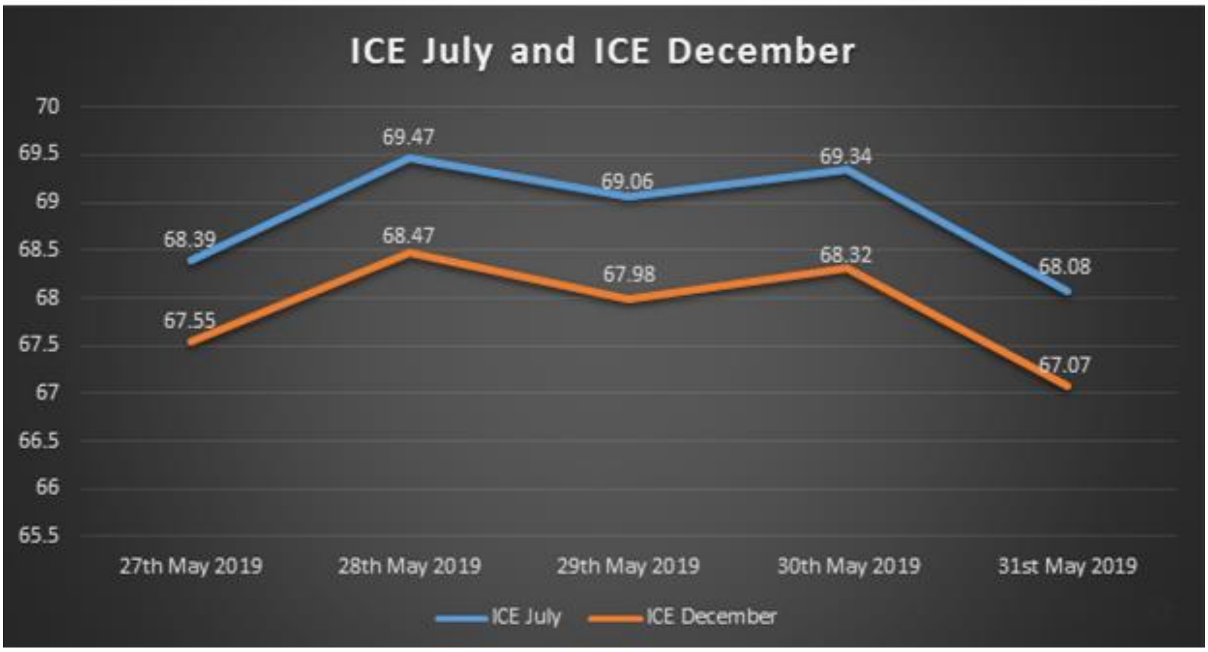
The US China Trade spat has not yet ended yet, but another trade spat between US and Mexico is on the rise where the US President announced that he will add a 5% tariff on all the goods imported by USA from Mexico (effective from 10th June 2019). He says this will continue until the illegal immigration of Mexicans into USA will stop.

Country	Increases
Vietnam	120,700
India	77,700
Turkey	29,000
Pakistan	14,200
Indonesia	9,600

This news has caused the Crude Prices to fall by big numbers as well, which in turn has "Yes" affected Cotton prices to fall both directly and indirectly.

The ICE July futures settled at 68.08 cents/lb with a change of -126 points, the trading range was seen at 69.69 cents/lb with a low figure of 68.00 cents/lb that means the trading range has an extension of 169 points. The ICE July futures started to fall after 10 pm IST on Friday. Currently at 8 am the prices of ICE July is at 67.62 cents/lb. The other contracts also emanated drastic changes ranging from -136 points to -103 points.

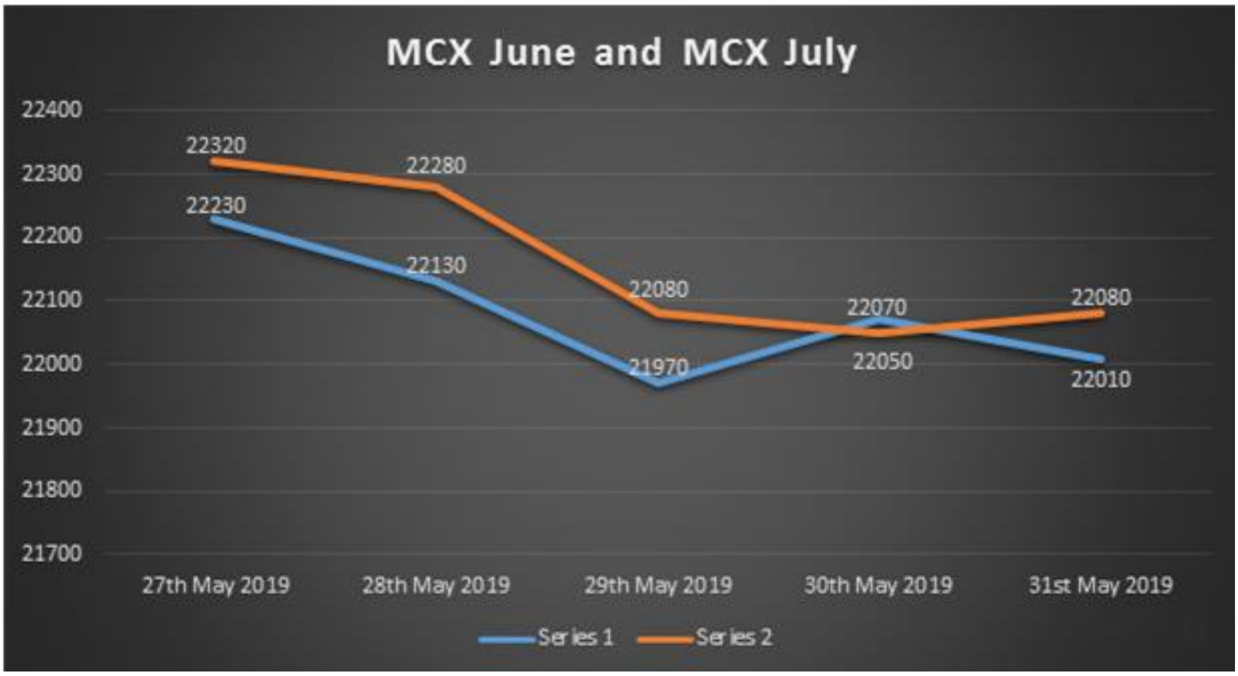
ICE Contracts for the Week were as follows:

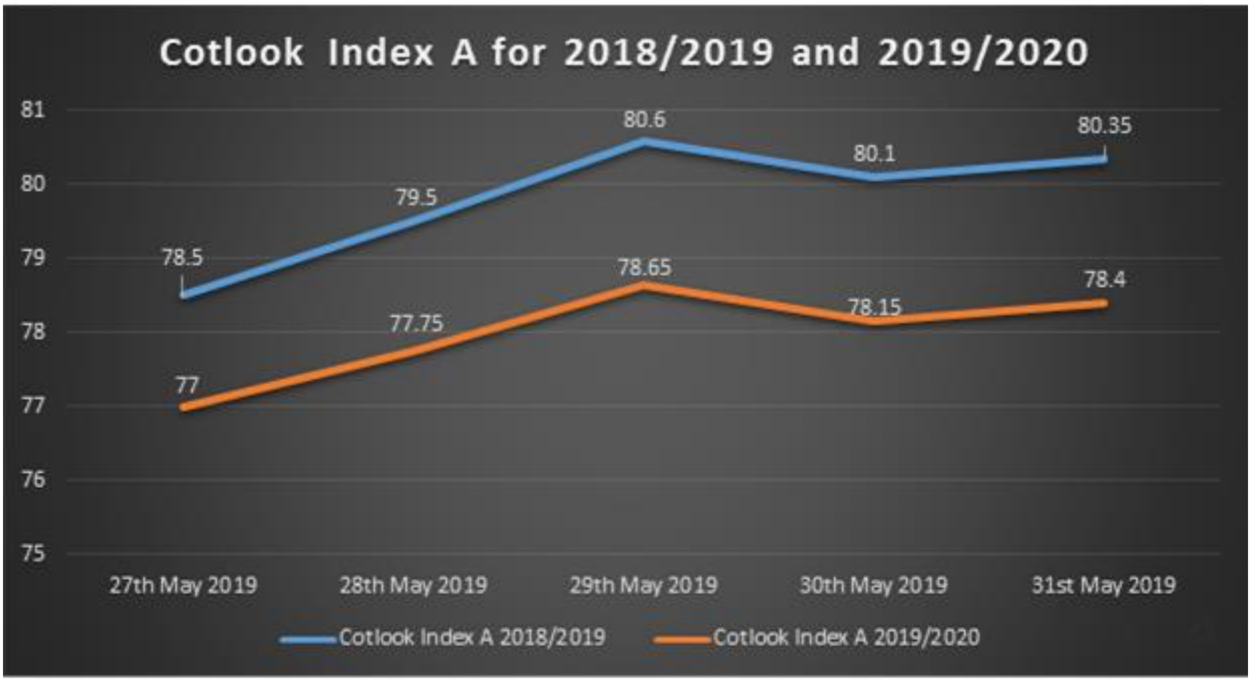


The MCX contracts but did not suffer heavy losses as compared to ICE. The MCX June contract settled at 22,010 Rs/Bale with a change of -60 Rs whereas the MCX July contract settled at 22,080 Rs/Bale with a change of +30 Rs. Volumes were seen to be decent at 5434 lots. The Steady Uptrend at MCX and Domestic Spot continues.

The Cotlook Index A has been adjusted positively at 80.35 cents/lb with a change of +0.25 cents/lb. The Cotlook Index A 2019/2020 has been Adjusted to 78.40 cents/lb with a change of +0.25 cents/lb.

In a single month (May) Cotton price fell over 11+%. However, Grains were not in line, they were up by 5 to 6%. However, equity markets across the globe had no respite, fell over 5 to 6%, US Dollar was extremely volatile.





Let us look at Cotton market from the trading perspective:

1- July and December contract trades at ICE are in invert by around 1 cent per pound. (Backwardation)

2- The trading volumes are slowly reducing from July to December as the former contract's notice period shall begin from 24th of June.

3- The aggregate open interests are around 216K contracts and position of July and December are very competitive around 90+K contracts each.

4- Funds/ Fund houses are rolling their positions from last week which might extend until 6th or 7th June.

5- As per recent CFTC Commitment of Traders' Report players are on the net short.

6- On the domestic front the active contracts are June and July with a trade spread of 280 rupees per bale.

7- The stocks lying in the exchange warehouse is huge and recently made record high with heavy delivery allocation. However, no change in the trading volume and open interests.

Let's have a look at the basis figures for the last week which are still not suitable for exports:

COTLOOK INDICES	Cents/lb
Cotlook Index A 2018/2019	**80.35**
Brazilian	78.50
Memphis/Orleans/Texas	80.00
Ivory Coast BEMA	81.00
Burkina Faso RUDY	81.00
Memphis/Eastern	81.25

Sowing Progress of Cotton-

There are no all-India level official figures have received so far on the season. Historically it is noticed that the data released by mid-June along with the weekly Monsoon progress. We have another 2 weeks to wait. However, cotton which is grown in northern parts of the country like Punjab have almost done with the sowing of cotton. However, the acreage number continues to be disappointing and much below 2014 data when Punjab used to have cotton acreage in 4 lakh Ha. This year it might not exceed 3 to 3.30 lakh Ha, one main reason for delaying is the late harvesting of Wheat crop in the same field.

There are no updates from other states however only news which has come from Telengana state is huge HT Cotton seed for sowing is being sold which is officially not accepted in the state.

From the USA, the USDA is scheduled to issue its planted-acreage report on June 28. Earlier this season, signs were pointing to American cotton production rebounding this year.

However, how accurate the sowing report will come from the USDA will have to be observed. Few challenges that faces: Continuous rise in the Corn price could make farmers to switch from Cotton to Corn. Recent slump of Cotton price over 10% in a month keeping farmers jittery. The much ongoing US -China trade woes could hurt US Cotton export remains a challenge for the US Cotton crop.

Short Term Outlook-

The market trend for Cotton will be poised to macro factors like- US/ China trade deal development, USD Performance, Mr. Trump's comment over the various duties, performance of Global equity markets and oil volatility. Besides, on the commodity front, the planting progress in the USA and India, other Commodities price direction.

We see Cotton price may remain subdued at least this week while next week onwards it may turn volatile based on the weather development.

On price wise, ICE Cotton needs to break above 70 cents to conform a bullish tone towards 73 for July expiry. Likewise, it has held supports at 66/64 cents per pound.

Indian cotton is hovering below Rs. 46,000 per candy and could remain sideways with a price band of Rs. 45500 to Rs. 46300 per candy.

On the technical Front, prices made a Head and Shoulders formation with a neckline breakdown at 69.50 witnessed a sell off towards 64.50 levels. Prices bounced of the lows near the prior trend line support at 66.50 witnessing a pullback of the prices. However, momentum indicator Stochastics at 32, implying further bearishness for the prices. Immediate resistance for the prices is at 69.50(Neckline Resistance) while the supports are at 66.50/65.80 levels. From the above analysis we conclude & recommend that prices would trade within the range of 66.50-69. Also if the prices sustain below 66.50 it may continue its downtrend. In the domestic market, Cotton (June) would trade within the range of 22100-21400.

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

Trump Set to Impose Escalating Tariffs Up to 25 Percent on Mexican Imports

Another day, another tariff–this time on all imports from Mexico beginning June 10, starting at 5 percent and climbing to 25 percent by Oct. 1.

President Trump said that the new tariffs retaliate against immigration issues at the southern border into the U.S., but the new duty also comes as Mexico has submitted the proposed U.S.-Mexico-Canada Agreement for ratification.

In a morning tweet on Friday, Trump said: “Mexico has taken advantage of the United States for decades. Because of the Dems, our Immigration Laws are BAD. Mexico makes a FORTUNE from the U.S., have for decades, they can easily fix this problem. Time for them to finally do what must be done!”

The current plan after initiation of the 5 percent tariff is for an increase to 10 percent on July 1, 15 percent on Aug. 1, 20 percent on Sept. 1 and 25 percent on Oct. 1. The schedule for the increases is essentially to exert pressure until the Mexican government puts together a plan to stop or curb the number of undocumented immigrants to want to enter the U.S

Hun Quach, vice president of international trade at the Retail Industry Leaders Association, was quick to issue a statement Friday morning denouncing the new tariffs.

“Threatening tariffs on Mexican imports while simultaneously seeking support in Congress for a trade deal aimed at keeping trade barriers low with Mexico is a confusing and counterproductive strategy,” Quach said. He added that it didn’t matter whether the “rhetorical target is Mexico or China, the bill is adding up for American consumers who will pay the price for these tariffs.”

Quach cited a data point from Tariffs Hurt the Heartland, which noted that “Americans have already paid over $25 billion in tariffs as of this month.” While the hike on existing tariffs on Chinese goods will be hard enough for consumers, the new tariffs planned on Mexican goods will exacerbate an already difficult financial situation for many American consumers.

And Rick Helfenbein, president and chief executive officer of the American Apparel & Footwear Association, said, “Because of President Trump’s tax increase, Americans will pay more for everything from jeans to cars to computers to machinery…. The bottom line is that these tariffs are disastrous for the American economy.”

Helfenbein added that the planned Mexican tariffs are “unfathomable, especially as we are working to gain approval of the USMCA in the United States and as the USMCA is about to be introduced in the Mexican legislature. More than 200,000 jobs in our industry, and countless more across the United States, depend on strong linkages with Mexico. Whether imposed at 5 percent or 25 percent, these tariffs put American jobs in jeopardy.”

And Jay Timmons, president and CEO of the National Association of Manufacturers, said, “These proposed tariffs would have devastating consequences on manufacturers in America and on American consumers.” He said that manufacturers have been working hard to secure passage of the USMCA, and the last thing “we want to do is put that landmark deal–and the 2 million manufacturing jobs that depend on North American trade–in jeopardy.”

Timmons emphasized that while the broken immigration system and inaction have led to a “true humanitarian crisis,” the situation should be resolved through a comprehensive, legislative solution.

“We continue to urge the administration and Congress to work together to address this crisis because the problem will not be solved just by blaming other countries,” Timmons continued. “Intertwining difficult trade, tariff and immigration issues creates a Molotov cocktail of policy, and America’s manufacturing workers should not be forced to suffer because of the failure to fix our immigration system.”

Consumers will shortly begin to see higher costs on goods coming in from China. Earlier this month, the Trump administration hiked the tariff rate to 25 percent from 10 percent on $200 billion in Chinese imports. Those goods were expected to reach U.S. ports this week. The Chinese tariffs were due to a trade dispute between U.S. and China, particularly over protections connected with the transfer of intellectual property assets. China’s retaliation with its own tariff hike on $60 billion in American exports is not far behind.

And coming up next month is a public hearing in Washington, D.C., on a proposal to place a 25 percent tariff on $300 billion in Chinese imports not currently taxed, which includes apparel, footwear and some textiles. The new tariff, if it goes into effect, is projected to impact the back-to-school selling season.

According to Chris Krueger, Washington strategist at the Cowen Washington Research Group, “U.S. goods imports from Mexico totaled $346.5 billion in 2018, up 10.3 percent from 2017.”

The tariff situation is likely to have a far-reaching impact for American consumers and companies. Over the past two weeks, several American retailers and brands have reported earnings results, and many have talked about slower sales to the point where they’ve already lowered guidance for their current fiscal years. Early reads on the second quarter for most retailers have indicated a slow start.

Executives at retailers such as Walmart have indicated that the increased tariffs on Chinese imports alone would be passed along via higher costs to consumers, which means higher prices at checkout. And on Thursday, Dollar Tree executives said the chain would probably need to raise prices above $1. Of course, those projections and comments were before anyone knew of the new tariffs on Mexican goods.

On Friday morning, the stock markets were down as investors digested the news on possible tariffs on Mexican goods. Shares of Kontoor Brands Inc., the denim operation that was spun off by VF Corp. last week, saw its shares trade down 7.7 percent to $37.15 percent over tariff concerns. Many of its denim products are manufactured in Mexico.

Source: sourcingjournal.com- May 31, 2019

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Wet Weather, Dry Weather, Worms: U.S. Cotton Can't Catch a Break

The weather this spring has been rough across the U.S. agriculture belt, and cotton farmers may have had some of the worst of it.

Both the top-two producing states in the U.S. are being affected by adverse—but differing—weather conditions. That's left planting across the South behind for this time of the year. What's more, a rally in corn means some farmers may be driven to switch to the grain and limit the acres allotted to cotton.

Rains have ravaged Missouri, Kansas, Arkansas, Oklahoma and parts of Texas, the No. 1 U.S. cotton producer. Meanwhile, the area considered abnormally dry in Georgia—the second-largest producing state—jumped to 92 percent from 68 percent last week, according to the U.S. Drought Monitor. Through May 26, about 57 percent of the crop has been planted, down from 61 percent a year ago, government data show.

The weather delays mean that even an upcoming benchmark U.S. Department of Agriculture assessment may not be the last word for cotton plantings, according to John R. Robinson, a professor at Texas A&M University. The USDA is scheduled to issue its planted-acreage report on June 28. Earlier this season, signs were pointing to American cotton production rebounding this year.

"Uncertainty of the production question will be extended all summer," Robinson said in an email. "More uncertainty equals more potential price volatility."

While the national planting pace is behind, it's less so than prior weeks. Seeds may have a hard time germinating in dry soil in the Southeast including Georgia, even though planting is ahead of last year in the state.

Rain has prevented growers from getting into fields in states including Oklahoma.

Price Slump

Meanwhile, farmers are also contending with a nearly 10 percent slump in cotton prices during the last month as hopes for increasing exports to China have dimmed due to escalating trade tensions between Beijing and Washington.

“2019 cotton planting weather in the southern Great Plains including the Texas High Plains is much more adverse than normal years,” Jourdan M. Bell, an assistant professor and agronomist for Texas A&M in Amarillo, said in an email. While most growers plan to stick with cotton, a few are seeking alternatives, she said.

The cool, wet spring across Texas, Oklahoma and Kansas has raised the most concern for cotton, said Joel Widenor, director of agricultural services at Commodity Weather Group LLC in Bethesda, Md.

“Usually, cotton doesn’t like cool and wet on the front end of the season,” Widenor said in a telephone interview. Another potential problem for farmers is flooding that has spread across the Mississippi River Delta and its many tributaries through the region, he said.

“They have all this water that they are trying to figure out how to deal with,” he said.

Given all the challenges, farmers may consider switching some acres to corn this year and start thinking about planting less cotton next year if they locked in future prices for the grain, according to Jeff Lander, owner of Lander Ag Services in Suffolk, Virginia. Corn futures in Chicago have rallied 24 percent in the last 2 1/2 weeks.

“If corn continues to stay here, we are probably setting up to lose cotton acres for 2020,” he said.

Source: sourcingjournal.com- May 31, 2019

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China RMG factories may shift to Bangladesh

Some Chinese garment makers want to set up factories under joint venture in Bangladesh as they see the country as a competitive destination to relocate plants amid raging US-China trade war and the rising cost in the world's second largest economy.

Chinese textile and garment industry owners have invested heavily in neighbouring Vietnam and Cambodia in the last two decades, but now they are focusing to shift their factories to Myanmar and Bangladesh.

The reasons for the change in focus include a lack of skilled workforce in Chinese textile and garment industry, rising cost of production, shifting industrial base to industries such as IT and over-investment in Vietnam and Cambodia where labour costs are lower.

"Now they are trying to shift the sunset industries to Myanmar and Bangladesh," said Faisal Samad, vice-president of the Bangladesh Garment Manufacturers and Exporters Association.

The sunset industry refers to an industry that has existed for a long time and that is less successful and making less profit than previously.

Samad met with some entrepreneurs of Hong Kong-based Chinese Manufacturers' Association during their visit to Dhaka from May 22 to May 26.

The entrepreneurs came to Bangladesh to explore investment opportunities.

"Bangladesh is still a competitive place compared to China, Vietnam and Cambodia for setting up industries because of lower cost of production, trade privileges granted in major markets such as the EU and China," he said.

"They are interested to set up factories in fabrics, garment, printing and dyeing," Samad said.

So far, Bangladesh hasn't allowed foreign investment in basic apparels, limiting their presence in high-end and value-added textile and garment items.

A Chinese garment manufacturer, Robert Lok, managing director of Merit Tat International Ltd, said he was looking for potential business partner in Bangladesh to make fresh order for his brand. He was part of the Hong Kong delegation.

“I have seen very young and energetic labour force in Bangladesh in the readymade garment sector. Their skill and the quality of work is really world class,” he told The Daily Star.

He believes that his business will be viable if he manufactures in Bangladesh to export to the US and other countries.

“If I manufacture here, the price will be cheaper than in China,” he said, adding that the Chinese garment industry might be affected by the ongoing trade war.

Lok plans to make fresh order with potential garment manufacturers in Bangladesh before deciding to relocate his factory.

“Of course, I will tie up in joint venture with Bangladeshi partners in the future,” the manufacturer said, adding that some local garment giants have shown interest to team up with him to set up factories.

According to Lok, Merit Tat International has office and owns outlets in New York and Western Europe.

Lok said there is huge population in Bangladesh and it is advantageous for the sector to manage workers.

Moreover, the wage of the workers is lower compared to Vietnam and Cambodia.

Another Hong Kong-based Chinese garment maker Francis Man Piu Cheng said he was impressed with Bangladesh’s garment factories as they have skilled workers and mature management, which will be helpful to relocate his manufacturing plant to Bangladesh.

“I have already made some investment in the garment sector in Cambodia, but there is a lack of mature management there. So, I am thinking of establishing manufacturing plant in Bangladesh with potential partners.”

Cheng, also the chairman of fashion apparel group Wing Tai Asia, talked to three garment manufacturers in Bangladesh and his Bangladeshi counterparts have also shown interest.

He, however, expressed concern about the higher lead time in the garment sector in Bangladesh.

Most garment manufac-turers in China are worried about the ongoing US-China trade war, he said.

Source: thedailystar.net- June 02, 2019

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Egypt protects cotton purity

Cotton Egypt Association (CEA) is naming and shaming manufacturers who fail the accreditation protocol it established three years ago with Bureau Veritas. CEA has an information management partnership with testing and verification body Bureau Veritas.

This is part of a stepped-up effort to actively root out counterfeit from the supply chain. Only products made from 100 per cent trade-marked Egyptian Cotton can carry the trademarked pyramid cotton logo.

Unscrupulous manufacturers mix Egyptian cotton with sub-standard fibers. As well as taking appropriate action, CEA will name and shame those trying to pass off non-genuine goods as Egyptian Cotton.

In addition, CEA will soon activate a worldwide task force of secret shoppers who will purchase products labeled as Egyptian cotton from retailers in-store and online, which will be passed along for testing. CEA continues to conduct facility audits, traceability assessments and retailer surveillance.

The process, which has been endorsed by several academic and professional bodies, includes extracting DNA from cotton fibers, yarns, woven, knitted, fabric or finished apparel to identify the percentage of genuine Egyptian cotton in a product.

Egyptian cotton is recognized as the most recognized luxury cotton brand in the USA and globally. People who are able to name a cotton brand cited Egyptian Cotton.

Source: fashionatingworld.com - June 01, 2019

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South Korea and Philippines Agree to Conclude FTA by Nov.

South Korea and the Philippines are working on a free trade agreement (FTA). The two countries established their diplomatic relations 70 years ago.

South Korean Trade Minister Yoo Myung-hee met with Filipino Trade Secretary Ramon Lopez in Manila on April 17 and issued a joint statement on the issue. The two sides are planning to conclude the agreement during the South Korea-ASEAN summit in November this year.

"The Philippines is our fifth-largest trade partner in the ASEAN region and its trade surplus has been stable for long," the Ministry of Trade, Industry and Energy of South Korea explained, adding, "The FTA will be an important opportunity for more bilateral trade and investment."

At present, South Korea is working on FTAs with Indonesia and Malaysia as well. Once the FTA with the Philippines is concluded, South Korea will be in free trade relations with each of its five largest trade partners in the ASEAN region.

The five countries are Vietnam, Indonesia, Singapore, Malaysia and the Philippines. Last year, the bilateral trade volumes between South Korea and the five countries were US$68.3 billion, US$20 billion, US$19.8 billion, US$19.2 billion and US$15.6 billion, respectively.

South Korea's FTAs with Vietnam and Singapore took effect in 2015 and 2006, respectively. Its negotiations with Indonesia resumed this year. South Korea and Malaysia are about to initiate joint research for their FTA.

Source: businesskorea.co.kr - June 01, 2019

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Pakistan: Govt refuses to continue zero-rated status of five exporting industries

The deadlock between the government and textile exporters over a key budget proposal to abolish zero-rated status of five exporting industries from the next fiscal persisted on Saturday as the former rejected the business community's demand for continuation of the facility on the grounds that it was being "misused to evade payment of taxes on their domestic sales".

A three-hour meeting between the government's economic management team, led by Prime Minister's Adviser on Finance Dr Abdul Hafeez Sheikh, and the businesspeople from Punjab on the budget proposal, according to the participants, ended without any hope of closing the massive gap between the two sides. However, some participants Dawn spoke with said the adviser and his team had suggested to the textile exporters to formulate a practicable mechanism to facilitate quicker refund of the taxes (to be collected by the Federal Board of Revenue after the abolition of their zero-rating) as an effort to find middle ground.

The exporters from Punjab fear that the abolition of the zero-rating facility for the five industries — textiles, leather, surgical instruments, carpets and sports goods — would lead to accumulation of refunds with the FBR, causing liquidity problems for them, and entail withdrawal of subsidy given earlier this year on electricity and gas rates to make (zero-rated) exports from the province competitive in international markets.

The government has fixed the gas price at $6.5 per mmbtu for the exporters from Punjab. Similarly, the electricity rate has been decreased to $0.075 per unit. The energy prices have been decreased to support the exports from the province to enable them to compete in international markets. The exporters say they just want continuation of the zero-rating status and reduced energy prices to boost exports.

Federal Revenue Minister Hammad Azhar was said to have claimed that the government could realise just Rs12 billion on domestic sales of the textile and clothing products worth Rs1.5 trillion (or almost $10bn) during the financial year 2017-18. The economic team also pointed out that the government could not increase its revenues by Rs1.5tr next fiscal without collecting full tax on local sales.

The textile industry leaders countered the minister by saying the industry's domestic sales were just 30 per cent (or $5bn) of its total output worth $18.5bn as the remainder was exported. They suggested that the government find some other mechanism to collect full tax on domestic sales of export-oriented industries, instead of creating liquidity problems for exporters of these goods.

It was also pointed out by the industry representatives that the abolition of zero-rating would lead to postponement of investment plans for capacity expansion in value-added downstream industry, wipe out small and medium exporters and lead to factory closures.

The textile exports account for 58pc of the total exports from the country despite closure of 30pc of textile mills in Punjab.

Adviser to the PM on Trade and Industry Abdul Razzak Dawood supported the industry, saying the withdrawal of zero-rating facility would create serious liquidity crunch for the exporters and make it impossible to increase exports. The adviser was supported by the Punjab Governor Chaudhry Mohammad Sarwar and provincial Finance Minister Makhdum Hashim Jawan Bakht.

The adviser promised to clear part of stuck-up tax and other refunds of exporters amounting to Rs139bn this month. He also assured the industry that the current import tariffs on raw materials would not be increased despite a suggestion from the International Monetary Fund, but refused to remove or reduce additional customs duty or regulatory duty on their imports.

He urged the businessmen to take advantage of the government's tax amnesty scheme, saying it was last chance for them to legalise their assets.

Source: dawn.com - June 02, 2019

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NATIONAL NEWS

Textiles continue to gasp for growth with sliding production, low exports

Barring few months, apparel exports are continuously declining since October 2017

The new government would have to rethink its policy on turning around India's second-largest job provider, as the textile sector continues to gasp for growth. Three years after key regulatory and labour changes were put in place, India's textile and apparel exports have declined from $38.60 billion in 2014 to $37.12 billion in 2018 while imports have increased from $5.85 billion to $ 7.31.

Particularly hit has been the apparel sector, where the time taken by the industry to adjust to the Goods and Services Tax regime, downward revision of export incentives, and a credit squeeze faced by small and medium scale enterprises, has pushed production downwards.

Trade troubles

Estimated at $16.2 billion in FY19, India's apparel exports fell by 1.2 per cent from FY18, which in turn was 4 per cent lower than the previous year. Even the share of apparel exports in the country's total textile exports has fallen sharply from 51 per cent in FY17 to 45 per cent in FY19.

Even the share of apparel exports in the country's total textile exports has fallen sharply from 51 per cent in FY17 to 45 per cent in FY19. Industry experts attribute the fall to the ever tightening pressure on the exports markets by higher shipments from low-cost competitors like Bangladesh and Vietnam.

However, the recent slowdown in global demand has also increased competition in the markets which has coincided with taxation changes in India. Barring few months, apparel exports are continuously declining since October 2017, mainly due to stiff competition, slowdown and discontinuation of certain export incentives.

Analysts say there was a 6-7 per cent impact on costs, which hurt profitability of garment makers too. “A substantial drop in the import duty was observed after implementation of the GST which has encouraged cheaper imports.

For imports from Bangladesh, there is a full exemption of basic customs duty and hence Chinese fabric is easily coming to India duty-free through Bangladesh in the form of garments,” said Sanjay Jain, chairman, Confederation of Indian Textile Industries.

The Central Board of Indirect Taxes and Customs (CBIC) had slashed duty drawback rates on cotton, man-made and blended garments. “The new drawback rates are effective December 19. The policy support for the industry after GST has significantly declined by around 5.5 per cent,” the Apparel Export Promotion Council (AEPC) informed the Finance Ministry in a letter.

Jobs rise slowly

And despite the ministry nor industry bodies having requisite data, it is widely accepted that the promised 10 million jobs haven't been created, three years after the imaginatively designed Rs 6,000-crore mega-package for textiles was rolled out.

The bulk of the planned capital outlay, about Rs 5,500 crore, was earmarked for an additional 5 per cent duty drawback for garments, that is, a refund of duties on imported inputs used to make export goods.

The more radical element was the increased government funding for provident funds of new employees. Those earning less than Rs 15,000 per month would be given additional government funding for the first three years on the job.

Against the earlier 8.33 per cent, the employer’s contribution was raised to 12 per cent with the government providing an additional 3.67 per cent. The total bill for this was Rs 1,170 crore.

"We are set to create a database of total jobs in the sector, but data collection remains an issue since the majority of the sector remains concentrated in small and micro units,” a senior official at the Handloom Commissioners office said. But textile is the most labour-intensive industry in the country and almost 65 per cent of total transactions were in physical form pre-demonetisation, he added.

This has also negated the chances of better salaries for workers and better opportunities for women, two prime focus of the government.

Hiring at firms has picked up since September last year but this is yet to make up for the massive demonetisation-induced lay-offs in most sub-sectors, said an AEPC official.

Source: business-standard.com- June 01, 2019

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India says US decision to withdraw GSP unfortunate

The GSP scheme for India is to be withdrawn from June 5

Reacting to the US decision of withdrawing the Generalised System of Preferences (GSP) scheme for India that allowed duty free export of over 3,000 products from the country, the Commerce & Industry Ministry has said that it was "unfortunate" that the resolution offered by New Delhi on the matter was not acceptable to Washington.

"We have significant development imperatives and concerns and our people also aspire for better standards of living.

This will remain the guiding factor in the government's approach," the Commerce Ministry stated in its response to the GSP withdrawal indicating that it was not possible for the country to ignore the interest of its people while working on trade deals.

The GSP scheme for India is to be withdrawn from June 5. "I have determined that India has not assured the US that it will provide equitable and reasonable access to its markets.

Accordingly, it is appropriate to terminate India's designation as a beneficiary developing country effective June 5, 2019," Trump said in a proclamation on Friday.

The US had announced its plans to terminate India's and Turkey's designations as 'beneficiary developing countries' for the GSP scheme, which is a unilateral and non-reciprocal benefited extended by the US to a number of developing countries, in March 2019. India was the largest beneficiary of the GSP programme in 2017 with duty free status being given to $5.7 billion worth of imports into the US.

While the benefit was withdrawn for Turkey last month, Washington decided to wait till the general elections were over in India before removing the country from the list of beneficiaries. What is surprising though is that the US did not give any time to the new government to take decisions favourable to the US.

The Donald Trump regime, which has been miffed with India for running a trade surplus with the country, had made a number of demands including softening of price caps on medical equipment, removal of certain mandatory certifications for dairy product exports, removal of import duties on cellular phones and roll-back of certain changes made in the e-commerce policy that imposed several restrictions on foreign players for sourcing goods from vendors.

"India as part of our bilateral trade discussions had offered resolution on significant US requests in an effort to find a mutually acceptable way forward. It is unfortunate that this did not find acceptance by the US," the Commerce Ministry response stated.

On a positive note, the Commerce Ministry said that India will continue to build on its strong ties with the US, both economic and people-to-people.

"We are confident that the two nations will continue to work together intensively for further growing these ties in a mutually beneficial manner," it said.

Source: thehindubusinessline.com- June 01, 2019

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Centre looking at ways to support sectors hurt by US' withdrawal of duty-free exports

Central and State tax rebates among proposals

The Commerce Ministry is looking at extending support to the sectors affected most by the US decision to withdraw a special status scheme for India that allowed duty-free exports of more than 3,000 items from the country.

"The loss suffered by India due to the withdrawal of the Generalised System of Preferences (GSP) scheme will not be huge, but there are specific sectors which will take a hit. These sectors need some hand-holding," a government official told BusinessLine.

Imitation jewellery, leather articles (other than footwear), pharmaceuticals & surgical instruments, chemical & plastics, and agriculture are among sectors that are likely to be worst affected by the withdrawal, according to the Federation of Indian Export Organisations (FIEO).

FIEO has proposed that the sectors worst hit by the GSP withdrawal be extended benefits under the Rebate of State & Central Tax Levies Scheme (RoSCTL) to provide some compensation.

"After assuming charge, Commerce and Industry Minister Piyush Goyal has been holding marathon meetings with officials on crucial issues over the weekend. He is also expected to discuss ways in which the export sector could be assisted following the withdrawal of the GSP scheme," the official said.

US President Donald Trump signed a proclamation on May 31 stating that the GSP scheme will be withdrawn for India from June 5. The move is in retaliation to the US government's belief that India is not providing equitable market access to American products.

While GSP withdrawal affects $6.35 billion worth of exports from India, exporters stand to lose net benefits worth $260 million annually.

Late response: Congress

Reacting to the development, Congress spokesperson Randeep Singh Surjewala said that the decision to withdraw the scheme was notified to India on March 4, but the government did nothing to pre-empt it.

"The most serious implication would be for sectors like agriculture, auto parts, and pharmaceuticals, which are already facing a serious crisis. In future, we could see many more industries including the services industry, which has more than $28 billion of exports to the US, being affected significantly," said an official release of the Congress.

In its official reaction to the move, the Commerce Ministry said it was "unfortunate" that the resolution offered by New Delhi on the matter was not acceptable to Washington.

"We have significant development imperatives and concerns and our people also aspire for better standards of living. This will remain the guiding factor in the government's approach," the Commerce Ministry stated, indicating that it is not possible for the country to ignore the interest of its people while working on trade deals.

US demands

The Trump regime, which has been miffed with India for running a trade surplus with the country, had made a number of demands including softening of price caps on medical equipment, removal of certain mandatory certifications for dairy product exports, removal of import duties on cellular phones and roll-back of certain changes made in the e-commerce policy that imposed several restrictions on foreign players sourcing goods from vendors.

Source: thehindubusinessline.com- June 02, 2019

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Exporters seek incentives to compensate for GSP withdrawal by the US

Congress says US announced its intention in March 2019, but government did nothing to pre-empt it

Exporters have urged the government to extend incentives for items that will be affected most by the withdrawal of the Generalised System of Preferences (GSP) scheme by the US such as leather, pharmaceuticals, agriculture and chemicals.

The effect of the withdrawal of the scheme, at the macro level, is likely to be minimal as net benefit to exporters under the scheme was just $260 million annually, but the export competitiveness of some products, benefiting the most from the scheme, was expected to get hit.

“In respect of products getting GSP benefits of 3 per cent or more, exporters may find it difficult to absorb the loss. Imitation jewellery, leather articles (other than footwear), pharmaceuticals & surgical, chemical & plastics and agriculture are some items to be worst affected by the withdrawal,” according to Ganesh Kumar Gupta, President, Fieo.

US President Donald Trump signed a proclamation on Friday stating that the GSP scheme, which offered duty-free access to over 3,000 items exported from India, will be withdrawn for the country from June 5. The decision was taken due to the US government’s belief that India was not providing equitable market access to American products.

Reacting to the development, Congress party spokesperson Randeep Singh Surjewala said that the decision to withdraw the scheme was notified to India on March 4, 2019, but the government did nothing to pre-empt it. “The most serious implication would be for sectors like agriculture, auto parts, and pharmaceuticals, which are already facing serious crisis.

In future, we could see many more industries including services industry, which has more than $ 28 billion of exports to the US, being affected significantly,” an official release of the Congress party stated.

Fieo proposed that the government could extend benefits under the Rebate of State & Central Tax Levies Scheme (RoSCTL) scheme on products affected by GSP withdrawal.

Source: thehindubusinessline.com- June 01, 2019

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GST collection crosses ₹ 1 lakh crore-mark for third consecutive month in May

Even after slowdown in industrial activity, the Government managed to collect more than ₹1 lakh crore plus in May. This is third consecutive month of ₹1 lakh crore plus mobilization. However, collection in May was lower than all-time high of April.

According to Finance Ministry data, total gross GST revenue collected in the month of May, 2019 is ₹ 1,00,289 crore of which CGST (Central Goods & Services Tax) is ₹ 17,811 crore, SGST (State Goods & Services Tax) is ₹ 24,462 crore, IGST (Integrated Goods & Services Tax) is ₹ 49,891 crore (including ₹ 24,875 crore collected on imports). Collection from cess was ₹ 8,125 crore (including ₹ 953 crore collected on imports).

The revenue in May, 2018 was ₹ 94,016 crore and the revenue during May, 2019 is a growth of 6.67 per cent over the revenue in the same month last year. The revenue in May, 2019 is 2.21 per cent higher than the monthly average of GST revenue in FY 2018-19 (Rs 98,114 crore).

The growth in revenue collection has come at a time when industrial production has slowed down. Growth rate in Core sector (comprising of eight industrial sectors, steel, coal, electricity, cement, Refinery production, crude oil, natural gas and fertiliser) dropped to 2.6 per cent in April.

These eight sectors together comprise of over 40 per cent in Index of Industrial Production (IIP), which reflects performance of overall industry. April figure for IIP to be released on June 12 while it turned negative in March.

There are 72.45 lakhs assesses filed GSTR 3B (form for return) for the month of April up to May 31.

The government has settled ₹18,098 crore to CGST and ₹ 14,438 crore to SGST from IGST as regular settlement. The total revenue earned by Central Government and the State Governments after regular settlement in the month of May, 2019 is ₹ 35,909 crore for CGST and ₹ 38,900 crore for the SGST.

The revenue in May, 2018 was ₹ 94,016 crore and the revenue during May, 2019 is a growth of 6.67 per cent over the revenue in the same month last year. The revenue in May 2019 is 2.21 per cent higher than the monthly average of GST revenue in FY 2018-19 (₹ 98,114 crore).

An amount of ₹ 18,934 crore has been released to the states as GST compensation for the months of February-March, 2019.

Source: thehindubusinessline.com- June 01, 2019

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Hire-and-fire policy proposed for textiles

Currently any firm employing more than 100 can only lay off workers after taking govt permission

A hire-and-fire policy on labour is required in textiles to realise its full export potential, an expert panel has suggested.

The commerce ministry panel has also proposed a review of the trade pact with Bangladesh that allows duty free access of items from the neighbouring country, which limits the operations of Indian textiles players.

The industry needs to adjust its operations to the rise and fall of demand and to scale down or scale up operations as the situation warrants, necessitating a freedom to retrench or hire labour.

“Modify labour laws (such as the Industrial Disputes Act, 1947) to remove limitation on firm size and allow manufacturing firms to grow,” according to the high-level panel, headed by economist Surjit S. Bhalla.

The textile industry, which is the second highest job generator after agriculture, directly employing about 45 million people, has been demanding the removal of rigid labour laws that hurt its operations.

The bone of contention has been the law prescribing that any firm employing 100 or more workers has to seek permission from the labour department before any layoff or retrenchment.

“This is a reform which is necessary from the point of view of industrial flexibility as well as employment. Economic cycles are going to be the norm and industry expects to have some degree of flexibility here, according to Madan Sabnavis, chief economist at Care Ratings. “Therefore, it would be necessary to look into this issue and come up with a solution in a time-bound manner,” he said.

Rating agency Crisil said “land and labour reforms are tough nuts to crack, but must be done. The government should begin the process of creating census by taking on board all states and stakeholders”.

The Bhalla report said free-trade pacts such as the South Asia Free Trade Agreement have led to intense competition from countries such as Bangladesh, which have zero-duty access to India. The expert group recommended that the government should take a re-look at such pacts and try to work out a solution.

Source: telegraphindia.com- June 03, 2019

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India expects US govt to restore benefits under GSP

The US terminated preferential tariffs to Indian exports after determining that it has not committed to provide “equitable and reasonable access to its markets” for the US.

The US pulling the plug on duty concessions on $5.6 billion of Indian exports may not mean the end of benefits under the Generalized System of Preferences (GSP), officials said, citing instances when the benefits were reinstated.

"This is not the end of GSP (benefits), possibly because the US has restored the benefits in the past to other countries after withdrawing them," said an official aware of the details.

"There have been instances where they have restored the GSP. They withdrew the benefits from Argentina but subsequently restored them."

Argentina, Liberia and Myanmar are the few countries that has the benefits reinstated after they made "sufficient progress" to become eligible for them.

The US terminated preferential tariffs to Indian exports on Friday after determining that it has not committed to provide "equitable and reasonable access to its markets" for the US.

Continuation of GSP was a key element of India-US negotiations on a trade package, which fell through in March when Washington announced its decision to end the benefits.

India has termed the US decision unfortunate and vowed to protect national interest even as it continues to build on its strong ties and resolve "ongoing issues." It once again extended a deadline to impose retaliatory tariffs on 29 goods originating in the US, this time to June 16.

However, India is yet to decide whether to seek restoration of the GSP duty concessions. "We have to see. We know their expectations and there are areas where our national interests need to be balanced, not compromised," the official said.

Another official said the US' concerns over price caps on medical devices need to be balanced with affordable healthcare for the Indian people.

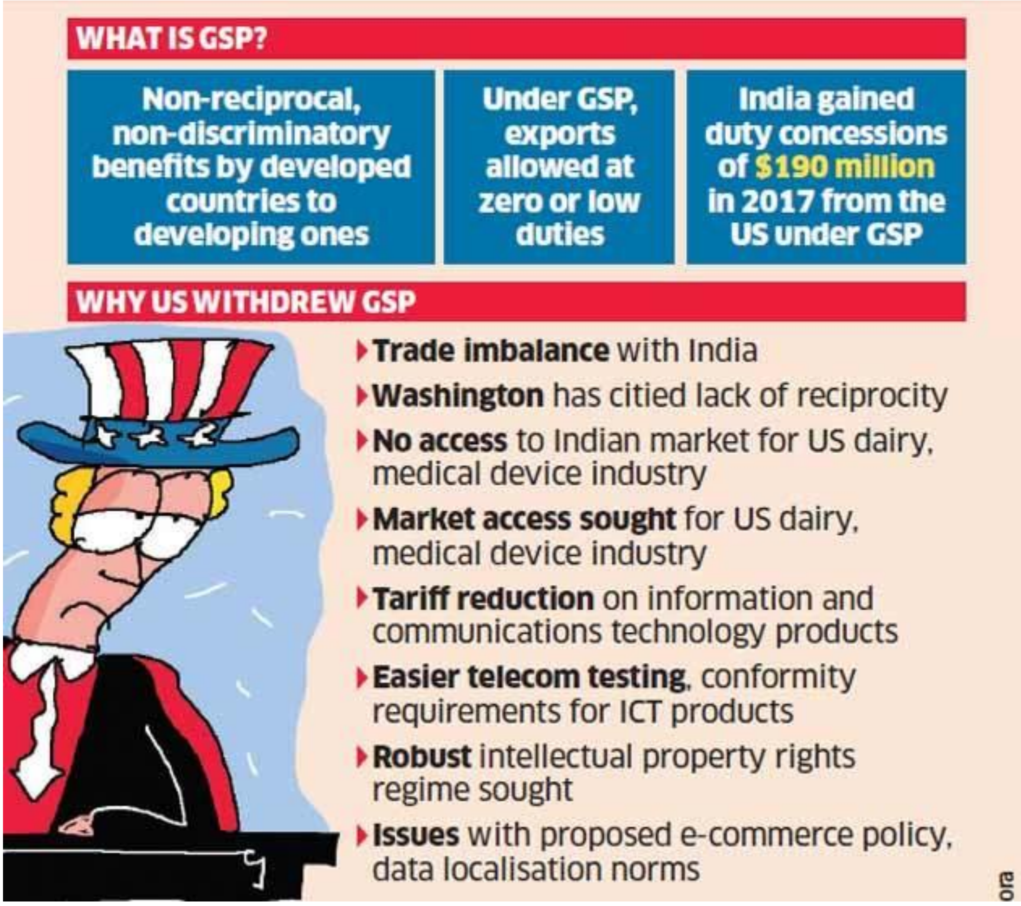
Though the two sides have been interacting regularly through telephones and video conferencing, the possibility of a meeting would be decided after internal consultations.

"Restoration looks uncertain at the moment, but India should be careful as it would have to meet strict compliance norms to be able to get GSP benefits again," said a New Delhi-based expert on trade issues.

BENEFIT RESTORATION

As per US norms, a beneficiary country must meet 15 discretionary and mandatory eligibility criteria established by Congress to qualify for GSP. These include providing the US with equitable and reasonable market access, combating child labour, respecting internationally recognised worker rights and providing adequate and effective intellectual property rights protection.

However, reinstatement of GSP benefits is conditional.

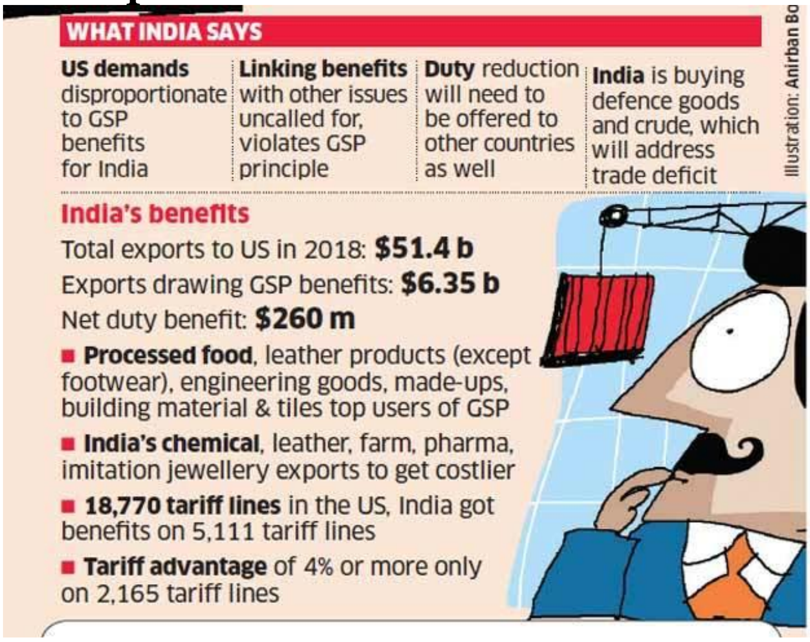


Argentina's GSP benefits were restored in January last year after the resolution of certain arbitral disputes with US companies, new commitments to improve market access for US agricultural products and improved protection and enforcement of intellectual property rights.

In the case of Myanmar, the US suspended GSP benefits in 1989 due to worker rights concerns.

After the Asian country requested reinstatement in 2013, the preferential trade status was brought back in 2016 following a review of its compliance with the eligibility criteria, including steps it was taking on internationally recognised worker rights.

The repercussions



Source: economictimes.com- June 02, 2019

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