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

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US 71.22| EUR 78.77 | GBP 92.66| JPY 0.65

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
18756	39200	**70.15**

Domestic Futures Price (Ex. Warehouse Rajkot), February

Rs./Bale	Rs./Candy	USD Cent/lb
19520	40797	**73.01**

International Futures Price

NY ICE USD Cents/lb (March 2020)	66.84
ZCE Cotton: Yuan/MT (May 2020)	12,680
ZCE Cotton: USD Cents/lb	81.91
Cotlook A Index – Physical	**76.65**

Cotton Guide- It's another day of decline for the ICE Futures. The market participants are keeping a keen eye on the developments happening in China. There seems to be some progress happening with respect to the vaccination for this deadly Corona Virus, however, it is not yet officially declared by WHO.

The present situation will mainly have negative repercussions on the Phase 1 trade deal between US and China as import and export from China is expected to be hampered. Investors were seen to have removed $420 Billion from Chinese benchmark stock index, thereby selling yuan and dumping commodities due to the epidemic. However, the Chinese government has taken counter measures by injecting $174 billion worth of liquidity into the markets via reverse repo operations on Monday.

While we mention ICE contracts, the ICE March contract settled at 66.84 cents per pound with a change of -66 points. The ICE May and the ICE July contract settled at 67.34 cents per pound and 68.22 cents per pound with a change of -97 points for both contracts. The volumes were once again on the higher end at 66,136 contracts citing strong bearish sentiments.

The MCX contracts on the other hand are following the ICE fundamentals. The MCX February contract settled at 19,180 Rs per Bale with a change of -130 Rs. The MCX March and MCX April Contract settled at 19,440 and 19,680 Rs per bale with a change of -150 Rs and -170 Rs respectively. We need to note that MCX February contract is touched a low in the 18K mark. The volumes were very high yesterday at 3001 lots which again strengthen the market sentiments of being bearish.

The cotlook index A has been updated at 76.65 cents per pound with a change of -150 points. The prices of Shankar 6 are dropping daily. Today Shankar 6 is available at a discount of -300 Rs at 39,200 Rs per Candy as compared to yesterday.

On the fundamental front, we would suggest to piggyback on the prevailing trend until concrete positive news from WHO is officially out. As mentioned yesterday, we expect ICE to even test the 63 levels.

On the technical front, in daily chart, ICE Cotton March broke down from an upward sloping channel along with the support of 61.8% Fibonacci retracement level of the recent up move. Meanwhile price is below the 5 & 9 day EMA at 68.25, 68.89 with a negative crossover which would act as an immediate resistance for the price, along with RSI at 37 suggesting for the negative bias in the market. However, the next support for the price would be 65.90 & 65.50, 76.4% Fibonacci retracement level & long term downward sloping trend line (red line) & the immediate resistance is around 67.50 & 68, which are the lower end of the channel & 50% Fibonacci retracement level. Thus for the day we expect price to hold the range of 66.00-67.50 with a negative bias. In MCX Feb Cotton, we expect the price to trade within the range of 18650-19200 with a sideways to negative bias.

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: Is the Coronavirus Infecting the Cotton Market?

The cotton market is heavily infected with the coronavirus and suffered all week as the nearby March fell below 68 cents.

The near 400-point drop in price since word of the Chinese outbreak is showing signs that more losses are in store for the market. Typically, such market impacts are initially overstated, and the market is reasonably quick to recapture ground.

However, the uncertainty of the severity of the virus outbreak has stifled the Chinese economy and brought major portions of its manufacturing industry to a near halt.

Thus, in the face of an excellent export sales report that included a significant improvement in export shipments, cotton prices continued to slump.

This unexpected event has heavily impacted the world cotton market. World cotton consumption could fall at least 500,000 bales or more below pre-virus estimates, thereby, increasing world carryover and potentially reducing U.S. exports by a similar amount. Likewise, U.S. carryover could balloon to 5.9-6.0 million bales, or a million bales more than just a year ago.

While many do not consider the virus as a world threat, the market disruption is much more pronounced than the recent SARS virus that originated in China. China has extended its New Year holiday another week in most locations, and the holiday may well be extended further in principal textile regions. Additionally, most commodity markets have hit negative territory due to widespread economic slowdown in the Chinese economy.

Chinese mills had just begun to come to the U.S. for limited export buying the week before the virus became public knowledge. The weekly export report for that week showed China purchased 127,500 bales from the U.S. on the week – an event that otherwise would have sent the market up triple digits. Additionally, total export sales exceeded 400,000 bales – 347,100 bales upland; 15,800 bales Pima and 50,200 bales 2020-21 marketing year.

Further, weekly exports had finally climbed to the pace essentially needed to reach the USDA annual export estimate of 16.5 million bales. Upland exports totaled 327,100 bales, while Pima exports reached a marketing year high of 12,900 bales.

The virus has certainly played havoc with marketing plans. The only factor in play now is the demand deterioration the market blindly attempts to trade every day.

Technical support still favors the bull in the long term, but the short-term support has given way to the selling frenzy. The 67.00-68.50 area does offer considerable price support. Yet, as quickly as the market fell into this support area, it is obvious that speculative traders have jumped on the virus bandwagon.

Growers will have better pricing opportunities, assuming that the virus becomes somewhat controlled and the Chinese economy can come back into action. Don't give on a return to the low to mid 70s. The fundamentals are there to support a rally – assuming demand can be resurrected.

Source: cottongrower.com- Feb 03, 2020

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Levi's to open 100 stores in 2020

Levi Strauss is set to open 100 stores in 2020, as the denim giant is seeing strong gains on the international front and in e-commerce. The brand posted a 3 per cent gain in net revenue in the first quarter of the fiscal year. The company expects its net revenue to grow by 6 per cent in fiscal 2020 This estimate incorporates anticipated benefits of a Black Friday week in the first quarter, and a 53rd week, which will fall in the fourth quarter and will include a second Black Friday.

During the fiscal, Levi's adjusted earnings before interest and taxes (EBIT) margin expansion is expected in the range of 30 to 40 basis points, reflecting gross margin expansion partially offset by an increase in adjusted sales, general and advertising (SG&A) expense as a percentage of revenues. Its adjusted diluted earnings per share (EPS) are forecast in the range of $1.18 to $1.22.

Capital expenditures are expected to be approximately $200 million to $210 million, with nearly 100 new company-operated store openings on a gross basis in 2020, in addition to 80 stores from the company's acquisition in South America.

Source: fashionatingworld.com- Feb 03, 2020

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Vietnam didn't see growth in exports to all CPTPP nations

Vietnam has been unable to see growth in exports to all member nations of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), according to the country's ministry of industry and trade. In 2019, export value surged by 28.2 per cent year on year to $3.86 billion to Canada and by 26.8 per cent to $2.84 billion to Mexico.

It rose by 20.5 per cent to $1 billion to Chile and by 40 per cent to $350 million to Peru.

The country witnessed a slight increase of 1.1 per cent in its export value to Singapore and faced export value reduction to some other CPTPP countries like Australia (down 12 per cent to $3.5 billion) and Malaysia (down 3 per cent to $3.3 billion)m according to a report in a Vietnamese newspaper.

Vu Tien Loc, chairman of the Vietnam Chamber of Commerce and Industry (VCCI), said the first impact of the CPTPP for Vietnam was to accelerate reform in institutions, meeting requirements of the global economy and trade.

However, in a VCCI survey of 8,600 local enterprises, up to 70 per cent of those had little knowledge of CPTPP. This survey has also pointed out that 84 per cent of the enterprises lacked information regarding the commitments in the free trade agreement.

Meanwhile, textile, footwear, fisheries and wooden products were considered commodities that would have a lot of opportunities to boost exports thanks to tariff rules in the agreement, but it has not turned out that way.

Le Tien Truong, general director of the Vietnam National Textile and Garment Group (Vinatex), said the textile and garment industry has not taken full advantages from the CPTPP to increase exports because of issues meeting rules of origin in the agreement.

This agreement requires certification on local origin from yarn onward to enjoy preferential tariffs, while the domestic textile and garment industry annually imports about 99 per cent of cotton and 80 per cent of fabric for its production, he said.

According to the Import-Export Department, in 2019, the textile and garment industry spent $13.3 billion on fabric imports, up 4 per cent year on year, $2.4 billion on yarn imports and $2.6 billion on cotton imports.

The industry achieved a total export value of $39 billion in 2019, lower than expected.

Vu Duc Giang, chairman of the Vietnam Textile and Apparel Association (VITAS) admitted importing input materials has made local producers struggle to take advantage of free trade agreements like CPTPP.

Source: fibre2fashion.com- Feb 03, 2020

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Opportunities for Vietnam Based Distributors Handling Russian and EAEU Imports

Vietnam has been the beneficiary of a Free Trade Agreement (FTA) with the Eurasian Economic Union since 2016, as a result of which bilateral trade with Russia has boomed. With three years of experience and investment in increasing trade infrastructure, Vietnamese importers, distributors and retailers considering expanding this trade should be conducting market research activities into the opportunities in this market.

Vietnam is a good choice as a developing trade partner for Russia, it has a large and increasingly prosperous consumer base of 96 million, spending US$0.6 trillion in 2018, and a GDP per capita of about US$2,750. (Russia's per capita GDP is about US$11,500). National GDP growth in 2020 is expected to be about 6.5%.

Consumer confidence is also high. Recent reports here by ourselves and here by Societe Generale point to a booming, domestic economy. Hanoi, Ho Chi Minh City, and Da Nang are all high-value consumer hotspots with consumer values far above the Vietnamese average.

Current Russian trade trends with Vietnam are also on an upward path, as we can see in these statistics courtesy of Trading Economics (figures in millions of US dollars) and grew steadily during the course of 2019. Both the Russian and Vietnamese Governments have stated that bilateral trade should reach US$10 billion in 2020.

Vietnam-Russia-Trade

Key imports from Russia, are petrol, oil, steel, fertilizers, and machinery. Major Vietnamese exports include phone components, electronic devices, computers, apparel, and footwear. Food exports include fruits, vegetables, coffee, cashew nut, and seafood.

The Vietnam-EAEU Free Trade Agreement covers more than 90 percent of all traded goods and has significantly benefited the EAEU's exports of agricultural and industrial products. In turn, it has also increased Vietnamese exports of garments, textile products, farm products, and electrical devices.

An additional 5,535 tariff lines were reduced to zero percent in 2019. These focused-on items are input materials for the textiles, footwear, electronics, plastic, fertilizers, and farming sector. Another 3,270 tariff lines were reduced to zero percent for goods such as milk and dairy products, chemicals, automobiles, and spare parts, steel products, rubber products, and electrical appliances at the end of 2019.

However, the FTA also provides some protective measures.

According to Article 2.1 in the FTA, the EAEU may apply a trigger safeguard measure for Vietnamese goods in case the import volumes during a calendar year exceeds the trigger level as established in Annex 2 of the agreement.

Currently, under this measure, certain products in the textile and garment sector in Vietnam face safeguard duties from the EAEU, which aims to limit the increasing volume of imports to the Union. Since March 14, 2018, duties were imposed on Vietnamese underwear and children's wear products for nine and six months, respectively.

Traders have to ensure that they do not exceed the trigger levels as defined under the agreement; else, they may face most favored nation rates and not the preferential tax rates as prescribed under the free trade agreement.

To reduce trade violations, the Vietnamese government has to ensure that traders are well informed and aware of such measures. In addition, individual governments have to promote the FTA and investments to increase the participation of private firms.

In the last few years, the EAEU has also started to work with other ASEAN member states on trade and investment, and this puts Vietnam in a unique position, as it can act as a supply chain gateway for Russian and other EAEU businesses in the region.

Going forward, to achieve their target of US$10-12 billion bilateral trade by 2020 and US$30 billion by 2030, trade between Vietnam and the EAEU can be expected to grow exponentially.

There are numerous opportunities for foreign distributors and manufacturers to compete in the Vietnamese market. Russian truck manufacturer Gaz has recently established operations in the country.

In terms of Russian exports to Vietnam, it should be noted that there are Quality Control standard differences between Russia and ASEAN nations, and Russian exporters should be aware of these. We covered this in the article Quality Control Challenges For Russian Exporters To ASEAN.

Source: vietnam-briefing.com- Feb 03, 2020

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UK textile manufacturing SMEs adopt new technologies

Three British textile firms are the latest to adopt industrial digital technologies designed to boost growth and productivity. Panaz based in Burnley, Edward Taylor Textiles in Blackburn and Dukinfield-based Tibard are the latest small and medium enterprises (SMEs) that have secured funding through the government's 'Made Smarter' programme.

They are among 62 businesses now investing in a range of industrial digital technologies, including data analytics, artificial intelligence (AI), augmented reality (AR), industrial Internet of Things (IIoT), 3D-printing and robotics, to solve business challenges across a range of manufacturing functions and deliver an additional £52 million in gross value added (GVA) for the North West economy over the next three years, according to a press release.

Three hundred North West SMES have secured support, including specialised advice and £1.6 million in funding, in the first year of the Made Smarter programme. This support includes expert impartial advice and one-to-one support, digital road mapping workshops to help manufacturers take their first steps to transform their business, eight-month leadership and management training programmes offered in partnership with Lancaster University, as well as funded three-month student placements.

By adopting these cutting-edge technologies, businesses benefit from improved productivity and revenue, increased exports and job creation, providing new skills to workforces, enhanced integration with supply chains and reduced environmental impact.

The £20-million pilot programme was launched in November 2018, becoming operational in January 2019, and runs until March 2021. The pilot will inform how best to support SME manufacturers in the adoption of new industrial digital technologies.

The North West pilot is being overseen by the Made Smarter Commission – a partnership between the Department for Business, Energy & Industrial Strategy (BEIS) and industry leaders.

Source: fibre2fashion.com- Feb 03, 2020

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Messe Frankfurt postpones textile shows in China due to coronavirus

Messe Frankfurt has announced it is postponing three fairs in Shanghai in March due to concerns over the novel coronavirus outbreak in China. The three shows include Intertextile Shanghai Home Textiles, Intertextile Shanghai Apparel Fabrics and the Spring Yarn Expo.

These shows were originally planned for March 11-13 at the National Exhibition and Convention Center in Shanghai. It was not clear when they will be rescheduled, but the organizer said it would provide updates as the health situation unfolds.

“Messe Frankfurt has been an active player in the China market for more than 30 years now, so we stand fully behind the government’s efforts to control the outbreak,” said Wendy Wen, senior general manager of Messe Frankfurt (HK) Ltd.

This includes the recent suspension of large-scale trade and economic events in a number of cities, so with this and the wellbeing of all our stakeholders in mind, we have made the decision to reschedule our upcoming textile fairs in Shanghai to a later date. Our teams are making every effort to find suitable alternatives, but we will only make the decision to go ahead with these fairs when it is deemed safe to do so.”

The announcement follows Messe Frankfurt’s announcement that it also plans to postpone other shows including Prolight +Sound Guangzhou; SPS – Industrial Automation Fair Guangzhou; Asiamold in Guangzhou; and Toy & Edu, Baby & Stroller and Licensing China in Shenzhen until later in the year.

As previously announced, the organizers of China International Furniture Fair and CIFM/interzum Guangzhou, also postponed these shows, which were originally planned for March 18-21 and March 28-31 in Guangzhou.

Source: furnituretoday.com- Feb 03, 2020

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US offers agri export credit guarantee to Bangladesh importers

The US government on Sunday launched a programme for extending export credit guarantee to facilitate import of US agricultural products by Bangladeshi businesses. US mission in Dhaka deputy chief JoAnne Wagner launched the programme at a seminar organised by the US Department of Agriculture in Dhaka.

According to USDA officials, the programme offers $5 billion in credit guarantees worldwide each year to support commercial export sales of US agricultural goods to markets, like Bangladesh, that have sufficient financial strength. Eligible commodities for the programme includes cotton, textile fibres, live animals, edible meat, fruits, cereals, oilseeds, sugar, organic chemicals, wood and articles of wood, wool, paper and paperboard.

It is a quadrilateral programme involving an importer in Bangladesh, a local bank in Bangladesh, a local bank in the US and an exporter in the US, under which the US will extend guarantees for payment for purchases of US food and agricultural products by importers in Bangladesh.

The programme has mainly been announced to protect the US exporters from non-payment by foreign banks, enhance borrowing capacity to overcome cash flow constraints by assigning credit guarantees to eligible US financial institutions, and develop and maintain business in new markets.

Participating local bank in Bangladesh can access US dollar financing for up to 12 months from the US banks at potentially lower interest rates to facilitate the trade.

Bangladesh is one of about 130 countries eligible for the credit guarantee programme. USDA officials Maria Dorsett and Elisa Wagner spoke on the occasion. US embassy agriculture attaché Tyler Babcock hoped that many banks in Bangladesh would enrol in the programme.

Source: newagebd.net- Feb 03, 2020

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6 Kenyan counties to grow Bt cotton after cabinet nod

Farmers in six Kenyan counties have been allowed to plant transgenic (Bt) cotton as the country moves to ramp up local raw material supply lines for export processing zone (EPZ) manufacturers, enabling them to do away with imported semi-finished fabrics in export production, according to industrialisation principal secretary Francis Owino.

The trial cultivation of Bt cotton is under way in Busia, Baringo, Tana River, Kirinyaga, Makueni and Meru counties. Once approved by the cabinet, cultivation of the variety will guarantee a steady supply of raw materials to textile manufacturers, Owino was quoted as saying by a Kenyan newspaper while touring New Rivatex recently.

In December, the Kenyan cabinet approved controlled farming of Bt cotton for commercial purposes following field trials conducted over a period of five years.

Source: fibre2fashion.com- Feb 03, 2020

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COTTON USA promotes US cotton at Colombiatex

COTTON USA promoted US cotton's sustainability at its booth at Colombiatex 2020, the largest textile show in Latin America, held in Medellin, Colombia. COTTON USA introduced the attendees to the US Cotton Trust Protocol at a sustainability event held for international brands and retailers. Visitors from 60 countries are reported to have visited the fair.

The event also included a panel of representatives from three companies- Fabricato, CI Jeans and Protela-who spoke about their companies' sustainability focus and practices. The following brands/retailers attended the panel: Zumba, PVH, Tommy Hilfiger, Kyser-Roth Corporation, Disney and Cintas from the US; Chayle Marie Art from Canada; and Werner Eickelmann from Germany.

Fifteen Latin American licensees displayed products in the COTTON USA booth. Another 13 Latin American COTTON USA licensees participated in the fair with their own booths and displays of the COTTON USA mark, including: Textilia, Protela, Color Siete, Pizantex, Fabricato, Toptex and Disex (Colombia); Nuevo Mundo and Creditex (Peru); Tavex and Kaltex (Mexico); Raymond UCO Denim Limited (India); and Jeantex (Venezuela).

Four US mills also promoted their yarns: Buhler, Frontier, Keer America and Parkdale. The COTTON USA Sourcing Programme hosted a regional industry networking event during the second day of the fair to strengthen relationships and create business opportunities between US mills and representatives from the most important textile companies from the region, including Brazilian companies.

Source: fibre2fashion.com- Feb 03, 2020

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FTA with EAEU, a turning point for Iran's trade

The interim agreement enabling formation of a free trade area between Iran and the EAEU was signed on May 17, 2018 and officially came into force on October 27, 2019.

Iran is a very important market in the region and development of ties with this country is of high significance for the EAEU members (Russia, Belarus, Armenia, Kazakhstan and Kyrgyzstan).

The free trade agreement between Iran and this union has laid the ground for the expansion of trade ties between the two sides.

Iran's signing the agreement with the bloc has increased the country's exports to the EAEU member states significantly, which is a turning point for the Islamic Republic to boost its export under the sanctions time.

According to the official data, Iran's exports to EAEU countries has climbed 216 percent in value and 522 percent in weight during the first nine months of the current Iranian calendar year (March 21-December 21, 2019) from the same period of time in the past year.

As reported, the country has exported 783.2 million tons of commodities worth $454.3 million to Russia, Belarus, Armenia, Kazakhstan and Kyrgyzstan during the mentioned nine-month period.

Iran-EAEU free trade agreement is also an opportunity for Iran to reach its goal of boosting exports to its neighbors, something that the country is seriously pursuing.

The report on Iran-EAEU nine-month trade indicates that among the EAEU members, Iran's highest growth of trade has been with its neighbor Armenia, as the country's export to Armenia rose 169 percent and its imports from the neighbor increased 49 percent during the mentioned period of time.

According to the head of Iran-Armenia Joint Chamber of Commerce and Industry, Iran's agreement with the Eurasian Economic Union has had a significant impact on the country's trade relations with Armenia.

Hervik Yarijanian said last month that the two sides are applying tariff discounts offered based on the agreement and there has been no problem in this regard. According to the official, the volume of trade between the two countries has witnessed an outstanding rise since the agreement became effective in last October.

“Turkey used to dominate the Armenian market, but now the Iranian products are much cheaper than the Turkish ones, which has given Iran a competitive advantage,” Yarijanian noted.

The agreement's fruitful effects are also considerable in Iran's trade with its other neighbor, Russia, and as the head of Iran-Russia Joint Chamber of Commerce, Hadi Tizhoush Taban, is anticipating the value of trade between the two neighbors can hit $2 billion by the end of current Iranian calendar year (March 19, 2020) which will be 17.5 percent higher than the figure of the previous year.

While the FTA has facilitated Iran's trade with EAEU member states, it should be considered that it is a limited agreement valid for three years, so traders should take the most advantage of the current condition.

Although, the interim agreement is planned to come to a fully-functional agreement between the EAEU and Iran, as the minister for trade of the Eurasian Economic Commission has said that the temporary agreement between Iran and EAEU can be turned into a permanent one after three years.

Making the remarks during a seminar on Iran's trade and cooperation with Eurasia held in Tehran on December 1, 2019, Veronika Nikishina also expressed the willingness of the union's member states' businesspeople for trade with Iran and said, "They were interested in trade with Iran even when there was not such a trade agreement on reduction of tariffs, in a way that the exports of Iranian products to these countries rose 27 percent in 2018."

The interim agreement has created a good opportunity for Iran to expand its presence in the regional markets and if the country reaches a permanent agreement with the union, it can grab a foothold in the Eurasia region.

A permanent agreement can open a new chapter not only for Iran's trade status but for its transit role in the region; therefore, while creating necessary infrastructure, the country should recognize the requirements and demands of the Eurasian target markets to meet them.

Source: tehrantimes.com- Feb 03, 2020

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Bangladesh: Export diversification hinges on access to bonded warehouse

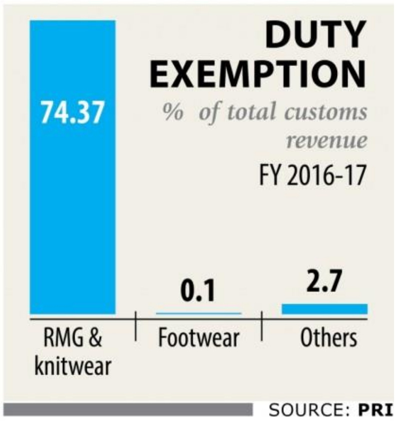
Easing access of non-RMG sectors to bonded warehouse benefit, an opportunity to ensure duty-free import of raw materials of export items, is vital to diversify the country's export basket, said analysts yesterday. The National Board of Revenue (NBR) provides duty-free import benefit to exporters under the bonded warehouse scheme and benefit is mostly enjoyed by apparel exporters.

IMPORTS AND TAX EXEMPTION UNDER BONDED WAREHOUSE

Fiscal Year: 2016-17

SECTOR	IMPORT TK IN CRORE	TOTAL IMPORT TAX EXEMPTED (Tk in crore)
RMG and knitwear	47,795	33,612
Footwear	127	47
Others	2,138	1,221
Total bonded imports	50,060	34,880

SOURCE: PRI



Around 84 per cent of Bangladesh's export basket of $40.5 billion in fiscal year 2018-19 was filled up by ready-made garments while the rest 16 per cent failed to reap the bonded warehouse privilege fully. Lack of readiness of the revenue authority to provide similar treatment to all export sectors, partly because of its inadequate resources to monitor all the bond licence-holders, is blamed for non-RMG sectors' failure to reap full advantage of bond facility.

"Export diversification is linked to existence of bonded warehouse facility as it provides scope to buy raw materials at international prices. This facility needs to be extended to other sectors," said Zaidi Sattar, chairman of the Policy Research Institute of Bangladesh.

He spoke at a session of the two-day SANEM Annual Economists' Conference 2020. South Asian Network for Economic Modeling (SANEM) organised the event for the fifth time at the Spectra Convention Centre in Dhaka, Bangladesh.

Sattar said Bangladesh exported 1,605 items in 2018 and nearly 250 of those were RMG items. Of them, 299 products registered over $1 million in export receipts and the rest—none of which use bonded warehouse facility—recorded below $1 million, he said.

Sattar said high tariff to protect domestic industries has also created an anti-export bias among non-RMG exporters.

"We have a system of perpetual protection when choice comes for producing for domestic market. Non-garment gets high incentive to produce for the domestic market," he said. Sattar said non-garments must have access to bonded warehouse benefits for export diversification.

Non-RMG exports ranged between $5 billion to $7 billion a year during fiscal year 2013-17, said Nusrat Nahid Babi, private sector specialist of World Bank Group.

Effective bonded warehouse benefits could have boosted non-RMG exports by approximately $1.5 billion a year, she said. She said Bangladesh's source of cost competitiveness is low-cost labour but raw materials and intermediate goods are subject to tariffs. "To be competitive, Bangladeshi exporters need to be guaranteed imported inputs at world prices.

That is, imports must be available at duty-free prices, upfront," she said, adding that bonded warehouse benefits ensure duty-free imports, creating a level playing field on the global market. "Then labour cost advantage can be exploited fully. As long as tariffs exist and remain high, bonded warehouse benefit is a must for export success," said Babi.

She said though existing statutory regulatory order extends bonded warehouse facility to non-RMG, grant of licence is selective because they are not 100 per cent export-oriented. Mindset is an issue, she said. Manual administrative and supervision process is another challenge, she added. Answer lies in modernisation and full automation of bonded warehouse management, she said.

Bonded warehouse benefits helped apparel sector grow, said Asif Ibrahim, vice chairman of Newage Group. Policy should be consistent to every sector, not biased to one sector, he said, also suggesting rationalisation of tariff structure. There is no discrimination in policy regarding bonded warehouse privilege between RMG and non-RMG sectors, said Abu Nur Rashed Ahmed, additional commissioner of the Customs Bond Commissionerate, Dhaka.

"We provide equal access as per rule. It is not that we have not given licences to any sector. They have to apply," he said. A list of products having competitive advantage should be prepared and bonded warehouse benefits can be provided to those sectors, said Abul Kasem Khan, managing director of AK Khan Telecom Ltd.

Citing small and medium exporters, he suggested establishment of common bonded warehouses to increase shipment. Leakage of bonded warehouse is a matter of concern for the revenue authority and the finance ministry officials, said Masrur Reaz, senior economist and programme manager of the World Bank Group in Dhaka.

"This can be reduced to a large extent through tech upgrade in bonded warehouse system."

A change in mindset be the beginning of a new journey, he said.

Source: thedailystar.net- Feb 04, 2020

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Pakistan: Poor quality of seed causing decline in cotton production

Prime Minister's Agriculture Working Group head Neil Foster has said that seed quality is not good in the country, which is causing decline in the cotton production.

Talking to The News after a meeting of the PMAWG at the Central Cotton Research Institute on Monday, he said that seed quality was very poor and it was not properly germinated. The field visits revealed that the cotton seed was mixture of varieties, which needed to be improved for desired production. Prime Minister Imran Khan had constituted a three-member team, headed by international cotton expert Neil Foster along with ex-secretary agriculture Arif Nadeem and LUMS assistant professor Muhammad Ehsan Rana, he told.

Neil Foster, who is an international cotton expert and entomologist, said that the PMAWG held its meeting at the CCRI and consulted scientists and experts on cotton and reviewed the standards of research and lacunas in high production. Neil Foster said that overnight change was not possible because problems in agriculture sector were grave. He said that major threats were pink bollworm, whitefly and some other pests. He said that the second major challenge facing by cotton crop was related to the poor quality of cotton seed. The seed germination process was not properly optimised and cottonseed available in the market found mixture.

Neil Foster was of the view that Pakistan had rich potential of production and the country could properly achieve production level of 20 million bales. He underlined the need of taking necessary measures to remove these irritants, putting a regulatory mechanism in place and legal framework for seed production and dissemination.

Meanwhile, talking to The News, PMAWG member Arif Nadeem said that Prime Minister Imran Khan had constituted the working group to enhance per acre yield and providing relief to farmers. The prime objective of forming working group to enhance productivity and befitting growers, he said. He said that the government was working to release funds for the PCCCC.

Earlier, the Prime Minister's Agriculture Working Group underlined the need of adopting a long term agriculture policy.

The meeting held at Central Cotton Research Institute on Monday threw light on the challenges being faced by cash crop cotton and the measures to increase per acre yield. Speaking on eth occasion, PMAWG chief Neil Foster said that the present situation needs adopting measures on urgent basis to prevent from cotton crop problems. CRI Director Dr Zahid Mehmood said that the CCRI was running programmes successfully according to climatic conditions. He said that the CCRI was playing a key role in cotton research and overall production in the country.

He elaborated the research programme and research findings on cotton curl leave virus. The resistance against virus was developed from forest cotton, he told. He briefed the meeting about cotton production technology and the CCRI research on different diseases. The PMAWG delegation visited laboratories at the CCRI. The delegation appreciated 35mm long staple length cotton and said this it was the basic requirement of textile sector.

Source: thenews.com.pk- Feb 04, 2020

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NATIONAL NEWS

Budget 2020: Decision to review 'rules of origin' clause likely to check rising textile imports from Bangladesh

The Union Budget decision to review 'rules of origin' of the clause under the Customs Act to check misuse of FTA route and strengthening provisions relating to safeguard duty; may check rising flow of textile (readymade garments) imports from Bangladesh.

India offers Bangladesh duty-free, quota-free import advantage under SAARC FTA or SAFTA, entered in 2011.

Textiles played a crucial role in pushing Bangladeshi exports to India from $672 million in 2016-17 to $1.04 billion during April-November period of 2018-19. During April-November this fiscal, total imports from Bangladesh stood at $781 million (annualized $1.17 billion)

Bangladesh is world's second-largest exporter of readymade garments (RMG). However, its exports to India got a significant boost following the implementation of GST – which subsumed 12 per cent countervailing duty (CVD) - in July 2017.

Countries like Sri Lanka, Vietnam also enjoyed the benefits of the introduction of GST. But, Bangladesh made the most of it.

During the first eight months of 2019-20, India imported $801 million worth of textile items under HS codes 61 and 62. Of India's total garments import one-third (34 per cent) came from Bangladesh. The share is as high as 44 per cent in imports under HS-Code 62 (articles of apparel and clothing not knitted or crocheted).

What particularly drew the attention of the Indian textile industry was the absence of the minimum value addition criteria in SAFTA. Confederation of Indian Textile Industry (CITI) was apprehensive that the loophole might be used for diversion of Chinese man-made fibre-based garments through Bangladesh.

With India-Pakistan relations at its lowest ebb, amending SAFTA may not be possible at this juncture, Sanjay Jain Managing Director of TT Ltd felt India might consider imposing safeguard duty as per Budget provisions.

Source: thehindubusinessline.com- Feb 03, 2020

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Exporters want appointment of nodal officer for faster GST refunds

Irked over the slow speed of processing of GST refunds, city exporters are demanding appointing of a nodal officer in the central GST and customs departments for faster processing of the same.

According to businessmen, a huge amount of GST refunds of theirs get stuck every month on their export consignments due to which they have to face various problems.

Giving more information, Harish Dua, president of Knitwear and Apparel Exporters Organisation, said, "The problem of delay in GST refunds of exporters is taking a very serious turn now.

For the last one year the refunds are being processed very slowly and it sometimes takes months to settle the entire refund pertaining to a particular period. The worst part is that this is happening even after completion of all formalities by us and proper filing of our returns."

"From this year we are hearing that the Union ministers and officials are making false claims that the refunds are being processed at a very fast pace and all genuine claims are being settled on time by the central GST department but the story is the other way round.

Sometimes, the GST department officials claim that our documents are not complete, sometimes they claim that they have not received necessary clearance from the customs department.

This is a never-ending harassment and at the end of the day it's the businessmen who suffer badly and incur huge losses due to their hard-earned money getting blocked. This problem of delay in processing of GST refunds cannot be solved until there is an appointment of a nodal officer for exporters who can coordinate with both GST and customs department for processing of GST refunds."

According to Harish Kairpal, cashier of Knitwear Club, Ludhiana, "GST refunds of exporters from lakhs to several crores are getting stuck with the taxation departments and people do not have money to carry on with their business.

When GST was to be launched the central government had made several tall claims that this taxation system is going to improve doing of business but the reality is the other way round and exporters are turning out to be biggest victims.

Huge amounts of our GST remains pending with the departments for months, which is taking a toll on the exporters. The central government should take a serious view of this problem and get it resolved at the earliest by appointing a nodal officer for GST refund issues of exporters."

According to Subash Bajaj, an engineering component exporter from the city, "The GST refunds problem is the biggest problem of the exporters' fraternity and until this issue is tackled seriously, the exports from India will keep falling as businessmen are getting fed up with the system and many of them are considering quitting this business as one's capital gets stuck with these departments.

Therefore, appointment of a nodal officer, who could coordinate between both GST and customs department for refunds of exporters, should be considered by the central government."

Source: timesofindia.com- Feb 04, 2020

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Customs department may quiz importers on FTA claims

Indian customs authorities will now be able to question the valuation of imports under free trade agreements (FTA) for up to five years with the country proposing a significant shift in the domestic framework of rules of origin to tackle largescale imports.

The rules of origin are criteria to determine the source country of a product, based on which they either get tariff concessions or are subjected to duties.

“Retrospective verification of costing data, value-addition compliance and certificate of origin can be conducted by the customs authorities over a period of five years from the date of import, unless there is a specific time limit prescribed in the FTA... Customs officers will be empowered to check for violations in claims by importers,” said an official aware of the details. “They can enquire and question the claims made in the last five-year period.”

Further, a certificate of origin submitted by an importer will no longer be the threshold for availing concessional benefits.

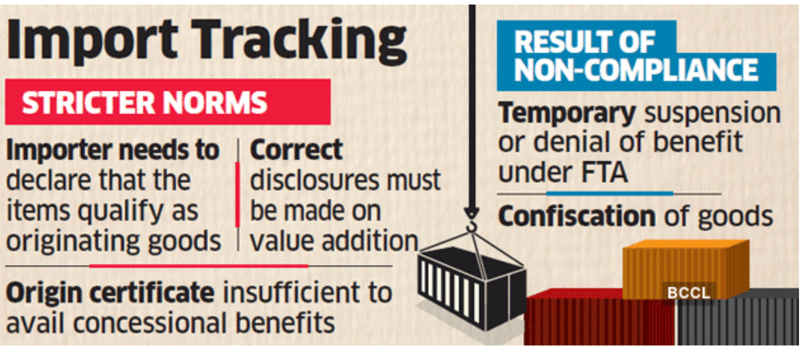
Customs authorities can ask importers to substantiate and satisfy scrutiny undertaken on the question of origin.

The February 1 budget proposed to amend the customs law by introducing stringent provisions related to rules or origin to strengthen the hands of customs officers to check abuse of FTA provisions.

There have been several cases of abuse of rules or origin provisions over the past few years. The Directorate of Revenue Intelligence (DRI) had also come across the use of fake documents purporting to show that the goods came from a country with which India has a trade pact.

However, industry executives said it could lead to harassment of importers, given the five-year period. The government has been trying to curb imports through tighter origin norms in trade pacts.

A new chapter in the Customs Act on administration of rules of origin under trade agreements gives the government the power to suspend or refuse preferential tariff treatment in case of incomplete information or verification and noncompliance, respectively. A number of these provisions were only enumerated via notifications.



"Unless otherwise specified in the trade agreement, any request for verification shall be sent within a period of five years from the date of claim of preferential rate of duty by an importer," according to the proposed change in the finance bill.

The government has been trying to curb imports through tighter origin norms in trade pacts. India's trade deficit was $118.1 billion in the April-December period, down from $148.2 billion in the year earlier.

As per the chapter, importers now have to declare that the items qualify as originating goods, or meet rules of origin norms. They must possess sufficient information about their origin criteria and regional value content.

It also states that a submission of a certificate of origin "shall not absolve the importer of the responsibility to exercise reasonable care".

GIVING MORE TEETH

Former Central Board of Indirect Taxes and Customs (CBIC) chairman Najib Shah said, "The proposed changes in the Customs Act with the introduction of Sec 25 DA should strengthen the hands of the Customs Authorities and ensure misuse is curbed."

Importers will need to respond satisfactorily to questions over the source of goods.

"Going forward, trade needs to show more diligence vis-a-vis compliance with rules of origin as mere submission of certificate of origin may not suffice and there is likelihood of closer scrutiny by customs," said Rahul Shukla, executive director, PwC.

In certain instances, certificates of origin may be deemed inapplicable.

"Interestingly, similar validation process is prescribed in rules of origin notified for FTAs," said Shukla. "Hence, how the proposed amendment is operationalised vis-a-vis existing regulations notified under a bilateral or multilateral agreement will be interesting to see."

PROTECTIONIST MOVE

The move is protectionist, said some industry representatives.

"The government has given absolute power to customs officers and, with the power to question retrospectively, it has created more scope for harassment," said an expert.

"The utilisation of FTAs is anyway low and such harassment will further discourage people from using the preferential routes," said a Delhi-based exporter.

A total of 11.9 million preferential certificates of origin were issued between FY06 and FY19 amounting to total trade of $307.04 billion.

Source: economictimes.com- Feb 04, 2020

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National Technical Textiles Mission to position India as global leader

For the textile and apparel sector, Finance Minister Nirmala Sitharaman has proposed National Technical Textile Mission in the Budget with an outlay of Rs 1,480 crore over four years to cut down imports. The proposed move can position India as a global leader in technical textiles such as development of rainwear, sportswear, retarded apparel and fire-resistant garments. There is also a tremendous potential for technical textiles in defence and agriculture sectors.

Technical textiles are the fastest growing and the most promising areas that fall under the larger textile industry. According to the industry, the sector has demonstrated encouraging growth trends in India with a compounded annual growth rate (CAGR) of 8% for the past few years wherein it has reached a size of $13 billion. This is the most promising time for the sector as the government is currently engaged in devising policies for boosting it further.

“India imports a significant quantity of technical textiles worth $16 billion every year. To reverse this trend and to position India as a global leader in technical textiles, a National Technical Textiles Mission is proposed," Sitharaman said in her Budget speech.

“Outdoor explorers need good quality, comfortable wear which can best be offered with technical fabrics that we currently source from the best of the suppliers. These fabrics include innovative features like being breathable, light-weight, UV-resistant, wicking, organic and recycleable fabric. With this announcement, we are hopeful of being able to source such raw materials domestically at much competitive prices,” said Harkirat Singh, managing director, Aero Club (makers and retailers of Woodland & WOODS brand of clothes and shoes).

“The project, once executed, will further strengthen our Make-in-India mission through domestic sourcing without compromising on the quality of the rough and tough yet comfortable product line offered by Woodland,” he said.

The Finance Minister also announced the abolition of anti-dumping duty on purified terephthalic acid (PTA) — a key raw material for synthetic textiles. PTA is a critical input for textile fibres and yarns, she said, adding “Its easy availability at competitive prices is desirable to unlock the immense potential in textile sector which is a significant employment generator. Therefore, in the larger public interest, anti-dumping duty on PTA is being abolished."

The removal of the anti-dumping duty on PTA would make import of PTA cheaper for the man-made fabric industry.

Source: tribuneindia.com- Feb 03, 2020

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Fitch predicts India''s FY21 GDP growth at 5.6 pc

Fitch Ratings on Monday said India is expected to clock a GDP growth of 5.6 per cent in the next financial year, lower than the projection made by the government''s Economic Survey, as Budget 2020 has not "materially altered" its view on the country''s growth outlook.

The Economic Survey, released a day before Finance Minister Nirmala Sitharaman presented Union Budget for 2020-21 on February 1, had projected a GDP growth of 6-6.5 per cent, up from 5 per cent estimate for 2019-20.

"The fiscal slippage announced in the government''s new FY21 budget is modest relative to its previous targets, and is consistent with our expectations when we affirmed India''s "BBB-" rating with a stable outlook last December, given slowing growth momentum," said Thomas Rookmaaker, Director and Primary Sovereign Analyst for India, Fitch Ratings.

Sitharaman''s Budget missed deficit target for the third year in a row, pushing shortfall to 3.8 per cent of GDP in the current fiscal as compared to 3.3 per cent previously planned. The fiscal deficit target for the coming fiscal year starting April 1, has been fixed at 3.5 per cent.

"The new budget targets imply some further postponement of fiscal consolidation, in line with the government''s ambivalent approach to consolidation of the past few years when deficit outturns have typically exceeded budget targets," Fitch said projecting general government debt to remain close to 70 per cent of GDP through FY22.

India''s high public debt relative to peers is a rating weakness, it said.

"The budget does not materially alter our view on India''s economic growth outlook, which we forecast to pick up to 5.6 per cent in FY21 from 4.6 per cent in FY20," it said.

The report further noted that Budget contains some measures which may support GDP growth in the medium-term, including reduced individual income tax rates, some easing of restrictions on foreign portfolio inflows, continued focus on public infrastructure spending, and schemes of which the details remain to be announced to encourage manufacturing in the electronics and textiles sectors.

The rating agency said the assumptions in the budget, including nominal growth of 10 per cent and a rise in revenues by 9.2 per cent were "broadly credible" although there were risks to the downside.

"In particular, reductions in the corporate tax rate, as previously announced, and new cuts in income tax rates are likely, in our view, to cause tax revenues to fall in the short run, before any potential medium-term benefits materialise; the divestment target appears optimistic, at over three times the estimated realisation in FY20," it said.

The government had in September last year cut the corporate tax rate to 22 per cent from current 30 per cent and in the budget for 2020-21 announced reduction in personal income tax rates for those who were willing to give away present exemptions and rebates.

Indian economic growth plunged to 11-year low in the July-September quarter when it clocked 4.5 per cent expansion.

"Greater fiscal transparency around off-budget financing is welcome, as the new budget now explicitly recognises borrowing from the National Small Savings Fund of 0.8 per cent of GDP in both FY20 and FY21, e g to finance food subsidies, although this is not incorporated in the headline figure (which would be 4.6 per cent of GDP in FY20 instead of 3.8 per cent)," Fitch said.

Source: outlookindia.com - Feb 03, 2020

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Exporters also allowed to pay handling charges directly to terminals bypassing lines

New rule to kick in from Feb 5; will bring in transparency and improve 'ease of doing business'

The Centre has allowed exporters also to pay terminal handling charges (THC) directly to the terminals, bypassing the shipping lines, to cut logistics costs and promote ease of doing business.

To start with, Jawaharlal Nehru Custom House, which serves Jawaharlal Nehru Port Trust (JNPT), India's biggest container gateway, issued a public notice to implement the new rule with effect from February 5.

Prior to this, the Government had allowed importers with authorised economic operator (AEO) status and those availing themselves of direct port delivery (DPD) facility for containerised cargo to pay THC directly to the terminal operators instead of going through the shipping lines.

The plan is expected to be rolled out in other ports as well.

Terminal Handling Charges (THC) are levied by port terminals on the shipping lines which, in turn, recover them from the exporters and importers.

Like in the case of imports, exporters have represented to the Customs Department that the lines were collecting THC, which are at variance with what the shipping lines were collecting, to pay the port terminals, resulting in lack of transparency in these charges.

"In order to bring transparency and to augment the 'ease of doing business' and to reduce the logistics costs, it has been decided that the exporters having AEO status may be permitted to pay THC directly to the terminal operators instead of paying through the lines," Sanjay Mahendru, Commissioner of Customs, Nhava Sheva -II, wrote in a January 28 public notice.
Protesting against the move

Authorised economic operators are engaged in international trade and approved by the Customs as compliant with supply-chain security standards prescribed by the World Customs Organisation.

The Container Shipping Lines Association (CSLA) India, a lobby group for global container carriers operating from/to India — that includes Maersk Line, MSC and CMA CGM — has protested against Government's move to change the mode of paying THC.

Shipping lines have also rejected allegations that they were collecting "excessive charges as THC", arguing that the charges recovered by shipping lines are "transparent" and are "put up on their websites in India for all to check".

Hurdles for customers

"The THC is a free market cost that should be left to the customers to decide upon," Sunil Vaswani, Executive Director, CSLA (India) said.

"Through a fair process of acquiring quotes from different shipping lines, customers can reserve their rights to reject higher costs and choose the best suited ones as per the services they get," Vaswani stated. Changing the mechanism for collecting THC will disrupt the way business is carried out in a free market, without factoring in the risks and investments involved, he added.

The earlier practice ensured that the shipping lines were the single point of contact for customers instead of coordinating and engaging with multiple representatives from terminals, Customs, transporters and yards, who do not have a contractual relationship with customers.

"By moving the THC from being collected by shipping lines to port terminals, the customers will face major difficulties owing to the complexities of dealing with various intermediaries which are not their contractual partners. Their workload on documentation processes will increase tremendously leading to additional interfaces and the reconciliation processes with terminals will lead to an impact on operational efficiency, ultimately resulting in additional logistic costs," CSLA said.

Liability issues will also arise due to the missing contractual relationship between the customer and the terminal, CSLA added.

Source: thehindubusinessline.com - Feb 03, 2020

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Anti-dumping duty sought on MEG: Textile cos' body opposes move

A group of textile companies on Monday approached the Directorate General of Trade Remedies (DGTR) against a move by Reliance Industries Ltd and India Glycols Ltd seeking imposition of anti-dumping duties on a raw material used to make polyester.

In a letter to DGTR Director General BS Bhalla, an association representing companies like Indo Rama Synthetics India, Filatex India, Garden Silk Mills and Bombay Dyeing had argued that imposing such a duty on the material — mono ethylene glycol (MEG) — would lead to a "significant" loss to India's textile units.

"... there exists a huge demand supply gap in India because of which imports are essential to meet the requirements of our members," stated the PTA Users Association (PTAUA) in the letter dated February 3, a copy of which The Indian Express has viewed.

"The imposition of anti-dumping duty would increase the cost of textiles and as you are aware, the ability of textile units to increase the prices commensurate with the increase in costs is very limited," it said, adding that, under these circumstances, levying anti-dumping duty on MEG would not be in public interest.

"While the levy may help the petitioner company in a limited way, it will cause irreparable damage to our members," said PTAUA.

The association, which represents 21 end users claiming to account for two million metric tonnes per year of MEG consumption, also submitted that India's current MEG production capacity fell short of the demand of the product by around 36 per cent.

India imported around $532 million worth of ethylene glycol from countries in 2018-19, and around $320.18 million between April and November 2019, according to data from the Commerce Ministry. Kuwait, Saudi Arabia, Singapore and United Arab Emirates were the top exporters of this product to India last fiscal.

Last year, Reliance Industries — in a petition supported by India Glycols — had alleged that there was dumping of MEG from the abovementioned countries as well as Oman.

"The petitioners have claimed that domestic industry has suffered material injury by way of adverse price effects as evidenced by price undercutting and price depression leading to accumulation of inventories, deterioration in profits, decline in return on capital employed and cash profits," stated the DGTR's December 9 initiation notification on the matter.

"The petitioners have claimed that the material injury has been caused due to the dumped imports from the subject countries," it stated, adding that the authority considered that there is "sufficient" prima facie evidence of material injury to justify initiation of an anti-dumping investigation.

Source: indianexpress.com - Feb 03, 2020

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Manufacturing PMI posts strong gains in January despite setbacks

Some bright patches are beginning to show up in the economy after all. The Nikkei India Manufacturing Purchasing Managers' Index (PMI), compiled by IHS Markit, rose from 52.7 in December to 55.3 in January, the highest in nearly eight years. While the pace of improvement is a surprise, companies attribute the rise to the underlying pent-up demand. A PMI above 50 indicates expansion.

The consumer goods sub-sector again shines bright, while intermediate goods maintained its growth pace. Capital goods are back in an expansion mode, suggesting a potential renewal in investments in the economy.

The PMI indicators also support the upturn in new business from external markets. Fresh export orders have risen the fastest since November 2018, with manufacturers notching higher sales to Asia, Europe and North America.

Further, input costs are softening, and this could help improve margins. PMI data shows support came in the softer rises in input costs and output charges. While some companies reported higher prices for metals, textiles and food, others noted lower charges for copper, packaging materials and rubber.

Following the pickup in demand, Indian goods producers increased production in January. The PMI data shows that the rise was the strongest in over seven-and-a-half years, with the rate of expansion much higher than its long-term average. Firms have started to use inventory to cover obligations, resulting in a decline in finished goods inventory.

Commenting on the latest survey results, Pollyanna de Lima, principal economist at IHS Markit, said: “The PMI results show that a notable rebound in demand boosted growth in sales, input buying, production and employment as firms focused on rebuilding inventories and expanding capacities, anticipating further increases in new business."

So far, hiring is also gaining momentum, which further bolsters economic expansion. Firms increased employment at the quickest rate in nearly seven-and-a-half years, the chief reasons cited being new business growth and projects in the pipeline.

So, what next for the domestic economy? The Index of Industrial Production for November also showed expansion of 1.8% year-on-year. While all this spells good news, the virtual shutdown in China following the coronavirus outbreak will weigh on sentiment.

Source: livemint.com – Feb 03, 2020

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