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IBTEX No. 108 of 2019 June 04, 2019

USD 69.22| EUR 77.89 | GBP 87.71 | JPY 0.64

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
21818	45600	**84.00**

Domestic Futures Price (Ex. Warehouse Rajkot), June

Rs./Bale	Rs./Candy	USD Cent/lb
21960	45896	**84.54**

International Futures Price

NY ICE USD Cents/lb (July 2019)	69.42
ZCE Cotton: Yuan/MT (September 2019)	13,115
ZCE Cotton: USD Cents/lb	86.17
Cotlook A Index – Physical	**79.10**

Cotton Guide: The ICE July futures displayed a trading range of 2.64 cents/lb reason being two factors – First, slump in crude which brought prices of cotton down, second, adverse weather conditions in the cotton growing belt of the US which took the prices to substantial highs.

The ICE July contract settled at 69.42 cents/lb with a massive change of +134 points. The next important contract for cotton ICE December settled at 67.97 cents/lb with a change of +90 points. Total Volumes were massive with a whopping figure of 57,855 contracts. In the past fortnight the total volumes have always been in the late 20's ('000) or early 30's ('000) range. The reason for this massive shift in volumes can be towards the couple of aforementioned factors.

The MCX contracts on the other hand, followed the path of ICE the whole day, but later quickly changed directions with ICE turning positive after 6 pm IST. The MCX contracts followed ICE turning almost negative by 300 Rs but then settled showing less losses. The MCX June contract settled at 21960 Rs/bale with a change of -50 Rs. The MCX July and MCX August contracts settled at 22,070 Rs/bale and 21,990 Rs/Bale with change figures of -10 Rs and -70 Rs Respectively.

Yesterday, China's state council published a white paper mentioning the US being responsible for the trade tensions between the two superpowers. China has already imposed additional tariffs of upto 25% (starting June 1) on the goods imported from the United States.

The cotlook Index A was adjusted at 79.10 cents/lb with a change of -1.25 cents/lb. The average prices of Shankar 6 are 45,600 Rs/Candy. We do not expect the prices of S6 to fall further due to the tight supply conditions in India. Although it may follow the direction of ICE which is uncertain. However we feel the steady consolidated to positive trend for MCX and Domestic spot will continue. For International cotton contracts, the weather conditions in US along with geopolitical tensions will determine the direction. Its import to note that apart from Fundamentals and technical factors, the other macro factors are affecting cotton prices currently. The easing dollar also to some extent has helped push prices up.

With respect to the domestic production figures for 2018/2019, CAI has left the previous figure unchanged at 315 lakh bales. The imports are seen to have shown a substantial increase of 100% y-o-y at 31 lakh bales. The export figures at seen at 46 lakh bales. Consumption was seen at 315 lakh bales with a closing stock of 13 lakh bales. Indian cotton arrivals during the months of October 2018 to May 2019 are estimated at 287.72 lakh bales. Consumption by Indian spinning mills for 8 months i.e. from 1st October 2018 to 31st May 2019 is estimated at 209 lakh bales. Cotton stock held by mills in their godowns on 31st May 2019 is estimated at 32.68 lakh bales. This means the mills are having about 38 to 40 days stock inside mill godowns. CCI, MNCs, Ginners and MCX are estimated to have stock of 39.32 lakh bales as on 31st May 2019 which is about 42.00 lakh running bales. Hence, total stock held by spinning mills and stockiest on 31st May 2019 is estimated at 72 lakh bales of 170 kgs.

On the technical front, prices are trading within an upward sloping channel, also indicating to form a bearish flag, with a close below the channel support. Immediate support for the prices at 68, which is 23.6% Fibonacci level & is below 5 and 9 day DEMA. Momentum indicator RSI at 45 suggesting negative to sideways bias for the coming sessions. For the today's session we expect the prices to trade within a range of 68.2-70. In the Domestic market MCX Cotton June may trade in the range of 21750-22100.

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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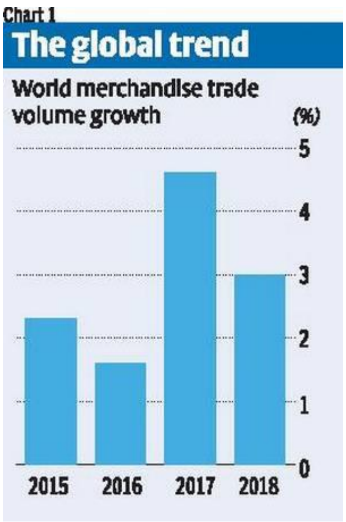
INTERNATIONAL NEWS

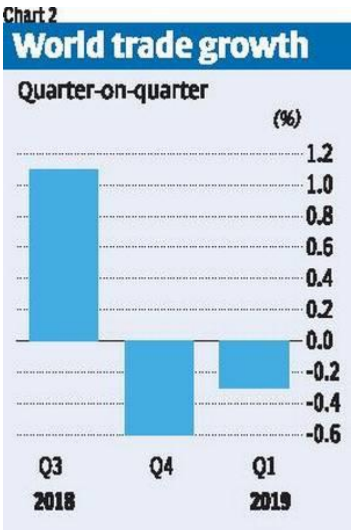
Worrying trends in the global trade scenario

World trade is slowing. While the US triggered trade war with China is part of the explanation, the real driver is a loss of momentum in the world economy



World trade is in deceleration mode. After having recovered smartly from 2.3 and 1.6 per cent in 2015 and 2016 to 4.6 per cent in 2017, the growth in the volume of world merchandise trade slowed to 3.0 per cent in 2018, WTO estimates show (Chart 1).

The deceleration has been greater in recent quarters. Quarter-on-quarter growth rates, as estimated by the Netherlands Centraal Planbureau (CPB) indicate that trade growth fell from 1.1 per cent in the third quarter of 2018 to -0.6 per cent in the fourth quarter and -0.3 per cent in the first quarter of 2019 (Chart 2).



The prognosis is not positive either. The WTO's World Trade Outlook Indicator (WTOI) released in May 2019, for example, stood well below its baseline value of 100 at 96.3, which is its weakest level since 2010. That signals that world trade growth has fallen in the first half of 2019. Moreover, according to the WTO: "The outlook for trade can worsen further if heightened trade tensions are not resolved or if macroeconomic policy fails to adjust to changing circumstances."

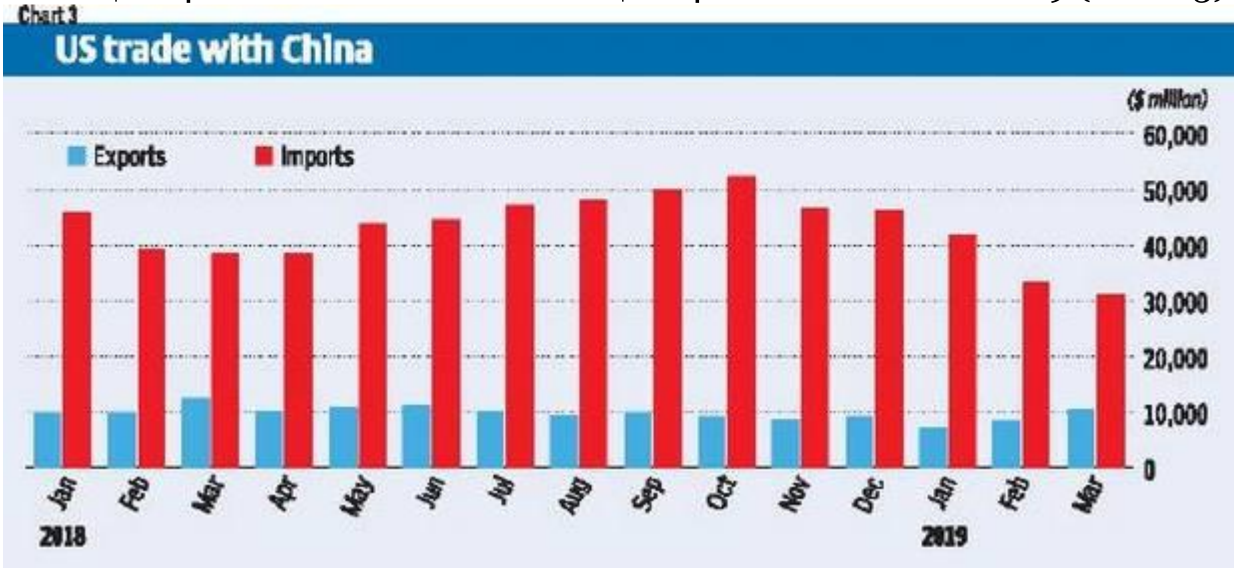
US-China trade war

Given the intensification of the trade and tech war against China unleashed by the US, with several rounds of tit-for-tat imposition or escalation of tariffs and leading into a US effort to paralyse the Chinese telecommunications giant Huawei, this trade slowdown is often attributed to the disruption caused by this stand-off.

While the role of US economic aggression cannot be denied, there is reason to believe that that cannot be the whole story. The effects of the trade war work in multiple ways, making the magnitude of the net negative effect on the volume of world trade uncertain. The signs of a medium-term loss in the momentum of trade growth perhaps signal one more step down the path to a global recession.

China has been the main loser in the trade war. US imports of Chinese goods have fallen from $52.2 billion in October 2018 to $31.2 billion in March 2019, compared to $38.3 billion a year earlier. The effect on the US has been smaller in absolute terms, with US exports to China having fallen from a lower $12.4 billion in March 2018 to $10.4 billion in March 2019 (Chart 3).

Chart 3



This is partly because China has been circumspect in responding to the provocative measures adopted by the Trump administration, given its own persisting dependence on exports, even as it seeks to rebalance growth away from exports and in favour of the domestic market.

This is, of course, the direct effect of the US attempt to browbeat China on grounds varying from unfair trade policies and practices and coercive appropriation of intellectual property from US firms to adoption of measures that threaten US national security.

That triggers in turn second-order effects, which result partly from adoption of similar measures relative to other countries (true especially of the US with respect to Europe for example), and partly from the fall-out of the growth decleration and consequent fall in imports resulting from the US-China showdown, which would be more significant in China.

Global impact

China, because of its rapid growth and growing demand for raw material and intermediates, and because it has served as a final-stage export platform for global production chains, has been a major source of import demand in the world economy. So any slowdown in China resulting from the US actions is bound to affect world trade adversely.

However, the trade war triggered by US actions also has positive effects on growth both within and outside China. To start with, it would result in a diversion of the export trade to the US and China, away from Chinese and American exporters to suppliers from third countries. To the extent that there is such trade diversion, the total volume of world trade is unaffected.

Further, to the extent that Chinese and US producers, restrained by import competition in the past, benefit from the new protectionism, the growth-reducing effects of the protectionist actions would be neutralised. Taking these factors into consideration, and noting that the effects of the trade war are still working themselves through, the recent slowdown in world trade must be explained by a more generalised slowdown in world demand.

The slowdown in import growth is visible in all locations except the US and Japan, with the deceleration being significant in the Euro area, Other advanced economies, Eastern Europe/CIS and Latin America, and import volumes stagnating in Africa and the Middle East.

Growth of imports in value terms showed up a better picture, largely because the prices of fuels which had fallen by 14.6 per cent in 2016, registered positive increases of 22.2 per cent in 2017 and 27.2 per cent in 2018.

Emerging economies hit

What is noteworthy is that the deceleration in import volume growth has been particularly marked in the emerging economies of Asia and Latin America, pointing to a loss of momentum in the countries that were expected to be new growth poles in the immediate aftermath of the 2007 crisis.

Leading the decelerating trend was China, with imports into China falling 4.8 per cent in the first quarter of 2019, when compared with a year earlier.

What this points to is a more generalised depression of global demand, resulting in a loss of growth momentum. This is not captured adequately in the first quarter GDP numbers that have transformed the pessimism reflected in the April 2019 edition of the IMF's World Economic Outlook into the optimism seen in some of the subsequent assessments of global growth prospects.

The fundamental failure is of the policy adopted by leading OECD countries of reliance on monetary measures to pull the economy out of the recession that set in a decade ago. That failure has led to the backlash against corporate-led globalisation that has taken a peculiar turn in the form of the rise of Trump, the Brexit mess, and the ascent of the far right in Europe and elsewhere. A real global recovery requires different strategies.

Source: thehindubusinessline.com- June 03, 2019

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USA: Air Cargo Carriers Are Caught in Crossfire of Trump-China Trade War

Donald Trump's intensifying trade war with China dented air cargo traffic even before FedEx Corp. got dragged into the brawl, as companies worldwide reconfigure their supply chains in the face of increasing tariffs.

Global cargo demand fell 4.7% in April from a year earlier, according to the International Air Transport Association, equaling a February drop that was the worst in three years, with the biggest declines coming from manufacturing hubs in Asia and Europe.

Freight operators are bracing for more disruption as acrimony mounts between Washington and Beijing, and trade experts warn that declining shipments – worsened by Brexit jitters and simmering tensions in the Middle East – indicate a slowdown in global growth.

"If we see a further deterioration and tariff increases, there will be further damage to world trade," IATA director general Alexandre de Juniac said on a conference call. "It will clearly be a difficult year for world cargo."

The U.S. in May raised tariffs on $200 billion of Chinese exports and blacklisted Huawei Technologies Co. After Trump said duties on Chinese goods “could go up very, very substantially,” China accused the U.S. of seeking an “unequal trade deal” and said it would draw up a list of “unreliable entities” that could be targeted for retaliation.

On Saturday, China said it would probe FedEx, after some Huawei packages were reportedly diverted to the U.S. without authorization.

Evidence of impact from the escalations is piling up. Chinese industrial output, retail sales and investment all slowed in April by more than economists forecast. In the U.S., retail sales unexpectedly declined in April while factory production fell for the third time in four months. In Germany, business confidence tumbled to the lowest level in four years in May.

Goods valued at $6 trillion are exported by aircraft each year, according to IATA, accounting for 35% of the value of world trade. Air freight companies have already seen revenue fall due to declining shipments of high-tech goods such as semiconductor chips and products used in just-in-time manufacturing.

United Parcel Service Inc. says weakness on U.S.-China trade routes lowered revenue in the first quarter. Korean Air Lines Co. attributes a “drastic” drop in cargo to trade fears. Data from German airport operators and Deutsche Lufthansa AG show freight volumes weakening this year, while Pieter Elbers, head of the Dutch arm of Air France-KLM, said Sunday its cargo declines were roughly tracking the industry’s.

“We are seeing a hit,” Lufthansa Chief Executive Officer Carsten Spohr said Monday at IATA’s annual gathering in Seoul. He said the airline was adapting its cargo routes based on the changing trade lanes of its customers.

Decreases in air shipments can herald broader industrial slowdowns, as they did in 2008, according to Robert Mayer, who studies the cargo business at the Centre for Air Transport Management at England’s Cranfield University.

While it’s faster than land or ocean freight, air cargo is also more expensive — and therefore less useful during a recession, according to IATA, while in a recovery companies may pay extra to replenish inventories more quickly.

Advanced Micro Devices Inc., Micron Technology Inc. and Nvidia Corp. have all reported slowing shipments of semiconductors. The declines have been aggravated by Washington's blacklisting of Huawei, a top purchaser of chips. Samsung Electronics Co., the world's largest chipmaker, called out tepid demand for memory chips and displays, two key air-cargo items.

Trump, citing national security concerns, also signed an executive order to restrict U.S. imports of equipment from Huawei and ZTE Corp. Huawei was further blacklisted by the Department of Commerce from doing business with U.S. firms, though later was given 90 days before the ban takes effect. The restrictions would further cut the flow of goods from Asia to the west, airlines say.

"There will be a fallout on cargo as we go through the year," Tim Clark, president of Gulf long-haul airline Emirates, said Sunday in Seoul. "If it worsens and there is a lot of posturing aero-politically, which is possibly a result of the trade war, that could see an effect on trans-Pacific demand and to an extent European-Asian demand."

Even as they grapple with U.S.-China tensions, cargo carriers face a host of other concerns that could spell trouble. Britain's exit from the European Union has pushed some companies to shift or slow production and stockpile goods. Economic turbulence in Turkey and tensions in Iran have cut into regional trade. Asian carriers say failed harvests in the U.S. have reduced air shipments of high-value foods that have become a growing part of their business.

As the tariff war grinds on, companies are revamping operations in ways that threaten to permanently shift trade flows. Shoemaker Crocs Inc. says it's building up inventory at a new distribution center in Ohio after boosting air shipments to meet demand for its plastic clogs in the first quarter. Ralph Lauren said it's shouldering higher inventories to reduce the use of air freight.

"Freight export volumes from China may not recover to their pre-tariff levels," Cowen & Co. analyst Jason Seidl said in a May 8 report. "Many shippers have adjusted their supply chains to source goods from South Asia, South America, Mexico, and Canada or the U.S."

And even if the U.S.-China conflict calms, carriers with a big presence in Europe and Japan fret that Trump would then turn his fire on automakers like Volkswagen AG and Toyota Motor Corp., hitting shipments of lightweight, air-transportable parts. Use of air freight has increased in the industry as cars add digital components, some of which must be flown because they could be damaged if they travel by sea.

"We are concerned that the U.S.-China trade war is going to affect everybody," Akbar Al Baker, CEO of Qatar Airways, said in Seoul. "It's not only going to affect the two countries. Both are such economic powers that whatever they do, it will affect the rest of the economies of the world."

Source: sourcingjournal.com- June 03, 2019

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Maybe Africa Really Will Become the New China

When people tell me that Africa will be the new China, I'm not as incredulous as I used to be. The continent is showing potential, and progress could come from what many consider to be a highly unlikely area: manufacturing.

All across Africa, investors—many of them private entrepreneurs from China—are building factories. Others from India, Sri Lanka, and Bangladesh are joining in, while car companies from Japan, Germany, and South Korea are declaring their intent to put assembly plants in places such as Ethiopia, Tanzania, and Ghana. Meanwhile, overall African growth is looking impressive. The International Monetary Fund forecasts that 6 of the top 10 fastest-growing economies will be African this year:

Manufacturing is only one factor. A recovery in natural resource prices and urbanization (which creates more demand for local services) also play important roles. That said, there may be a lot more manufacturing going on than official statistics suggest, since only a small fraction of African workers tend to be employed in the formal sector.

So despite myriad policy challenges—a fragmented patchwork of governments, fragile nations with artificial boundaries drawn by colonial empires of the past, scattered wars and violence—many African countries might be starting down the well-worn path of manufacturing-driven growth trodden by the developed world. Meanwhile, in South and Southeast Asia, poor countries like Vietnam and Bangladesh are adding factories even more rapidly. Although few expect this process to bring living standards up to the levels of Europe or Japan anytime soon, there's hope that worldwide industrialization will at least alleviate extreme poverty.

Yet many people—including Nobel prize-winning economist Joseph Stiglitz and researchers at the Brookings Institution—believe that Africa and South Asia can't follow the strategy that worked so well for Europe and East Asia. Automation, they claim, will soon render large-scale, labor-intensive manufacturing obsolete. They can point to the recent experience of developed countries, which have seen manufacturing work decline as a percent of total employment in recent years. When productivity improvements outpace demand for manufactured goods—that is, when automation grows faster than production—the share of workers employed in factories must decline.

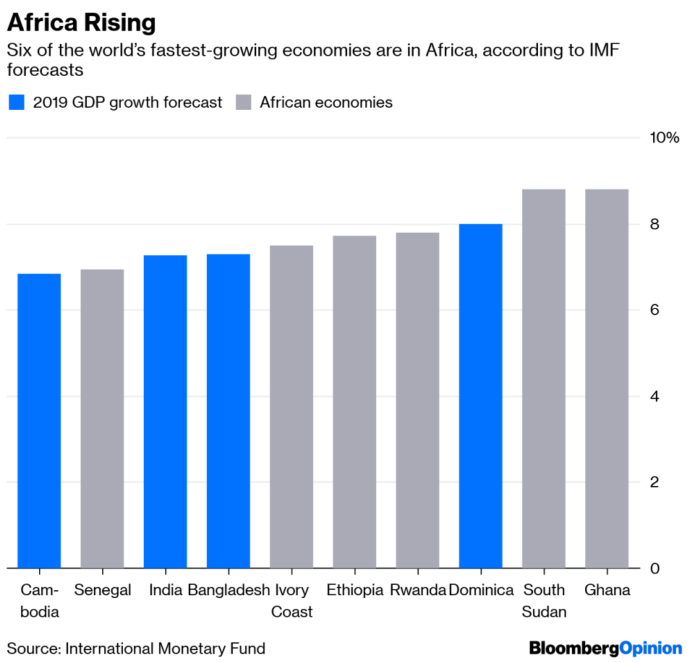
Even China is not immune. A new paper by economists Osea Giuntella and Tianyi Wang finds that regions with industries more amenable to the use of industrial robots have seen employment and wages decline more in recent years. But China is already industrialized; the real danger is to the countries that are still poor.

Stiglitz notes that in sub-Saharan Africa, manufacturing was lower as a percent of gross domestic product in 2000 than in 1977, and has risen only slightly since then. A 2015 paper by Harvard economist Dani Rodrik makes the case that premature deindustrialization is already hitting the developing world, declaring that "countries are running out of industrialization opportunities sooner and at much lower levels of income compared to the experience of early industrializers."

Stiglitz and the Brookings researchers both suggest that African countries look elsewhere for growth. Their suggestions include tourism, agriculture, natural resource exports, and information technology services—basically, everything but manufacturing. Yet most of these suggestions offer little reason for enthusiasm.

Agriculture tends to automate even faster than industry. Natural resource exports are linked to political dysfunction and trap a country at the low end of the value chain. Tourism is fine, but doesn't lead to the kind of learning-driven productivity enhancements that manufacturing is known for.

One shouldn't dismiss manufacturing so quickly. The longer-term decline in African manufacturing probably has more to do with the failure of mid-20th-century industrial policies and central planning than with automation: It happened in the 1970s, 80s, and 90s—when industrial robots were still not widespread, and when China and other Asian countries were rapidly gaining manufacturing jobs. Now that countries like Ethiopia, Tanzania, Vietnam and Bangladesh are industrializing more naturally, through integration into global supply chains rather than government-driven efforts at import substitution, a repeat of 20th century deindustrialization seems unlikely.



And even if manufacturing doesn't provide quite as much employment for poor countries as in the past, factories can still have an outsized impact on overall growth. One reason is an effect called local multipliers. When a city or region exports goods to other regions, the incoming revenue gets spent locally, creating extra demand and jobs nearby. Economist Enrico Moretti, for example, finds that "for each additional job in manufacturing in a given city, 1.6 jobs are created in the nontradable sector in the same city." Thus, even if most of the new employment in Ethiopia, Tanzania, or Bangladesh comes from restaurants, shops, hair salons, and so on, factories are still very useful for generating those service jobs.

So poor countries shouldn't give up on manufacturing. On the contrary, they should double down. They should lure foreign investment with quality infrastructure, improved education, and streamlined regulation, while nurturing domestic entrepreneurs with export assistance. Robots may one day shut the door to traditional industrialization, but there is every reason to think that for now, the opportunity is still there for the taking.

Source: sourcingjournal.com- June 03, 2019

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U.S. retailers to raise prices as tariffs loom

U.S. retailers have voiced concern that the latest round of tariff hikes on Chinese goods and possible future increases of tariffs on more Chinese imports will force them to raise prices.

Warehouse club operator Costco was among the retailers to acknowledge the tariffs' impact on its business operations.

The company's chief financial officer (CFO) Richard Galanti said on a post-earnings call Thursday that the company is looking to accelerate shipments before certain tariffs go into effect, despite the fact that the company has limited ability to do that.

He said the company has reached out to suppliers to look for ways to reduce costs.

"At the end of the day, prices will go up on things," Galanti said, adding that it was not immediately clear how the tariffs would affect prices on imports from China, such as luggage, furniture, bicycles and vacuums.

Half a month ago, Walmart also indicated a possible price hike for the products it sells in order to offset the impact of the additional tariffs Washington has imposed on Chinese goods.

"We have mitigation strategies that have been in place for months. But increased tariffs will increase prices for customers," Walmart CFO Brett Biggs said Thursday when the company reported its quarterly earnings.

Jeff Gennette, chief executive of department store chain Macy's, had similar remarks. He said it would be hard for the company to get to a place "where you don't have a customer impact" if the additional tariffs go into effect.

U.S. retailers depend heavily on China in their supply chains, as China accounted for about 41 percent of all apparel, 72 percent of footwear, and 84 percent of travel goods imported into the United States in 2017, according to a recent letter sent by several retail trade groups to U.S. President Donald Trump's administration.

The letter said duties on U.S. imports of these consumer products from China already represent more than 22 percent of all tariffs the United States collects from all countries on all products.

"To be clear, such duties are paid by U.S. workers, U.S. consumers, and U.S. companies -- not China," said the letter jointly submitted by 17 groups.

In an escalation of trade tensions, Washington on May 10 increased additional tariffs on 200 billion U.S. dollars' worth of Chinese imports from 10 percent to 25 percent, and has threatened to raise tariffs on more Chinese imports.

In response, China raised additional tariffs on a range of U.S. imports on June 1, and has vowed to "fight to the end" to safeguard not only its own rightful interests, but also the norms of international relations and the free trade system.

The latest round of U.S. tariffs on Chinese goods will impose a total annual cost of 831 dollars for a typical U.S. household, according to research posted Thursday on the Federal Reserve Bank of New York's website.

Imposing further tariffs in the escalating trade disputes between the United States and China would lead to widespread closures of soft-line stores and substantial disruption across the industry, according to a report by Swiss investment bank UBS.

The report warned that over 12,000 U.S. stores of apparel and textiles, which have about 40 billion dollars of annual revenue, would be at risk because of the possible new tariffs.

Statistics show that the U.S. retail industry has already lost more than 3,000 stores, or more than 5 percent in the first quarter of 2019.

Source: xinhuanet.com- June 02, 2019

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Benetton to use 100% sustainable cotton by 2025

By 2025, 100 per cent of the cotton used by Benetton Group will be sustainable, either organic or recycled or will be sourced from Better Cotton Initiative (BCI) farmers.

Always committed to reducing the environmental footprint of its activities, Benetton Group, a member of the BCI since 2017, has already started the transformation process.

In 2018, organic cotton – cultivated according to the strict principles of bio-cultivation, free from GMOs and with a reduced environmental impact – represented 4.7 per cent of all the cotton garments produced by the company.

The same year, 23 per cent of the cotton used for Sisley and United Colors of Benetton collections was certified by BCI, the world's largest cotton sustainability programme.

Following the principles of the programme, the company has started to source cotton processed and harvested by farmers trained to reduce the use of fertilizers and pesticides, use water and soil sustainably, and treat their workers equitably.

"Cotton is one of the fibres most loved by consumers, who appreciate its versatility and freshness.

However, its conventional cultivation – with fertilizers, pesticides and chemicals – negatively impacts the environment. Our commitment to BCI broadens the sphere of action beyond environmental protection, to include also both social and economic aspects," Benetton said in a press release.

While the goal is still six years away, the steps already taken in record time show how the Benetton Group is actively committed to reaching 100 per cent sustainable cotton in all its collections by 2025.

Source: fibre2fashion.com - June 03, 2019

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USA: Tariff hike on List 3 temporarily delayed

The Home Fashion Products Association (HFPA) issued an alert on the latest developments in tariffs on imports from China.

Late on Friday, May 31, the US Trade Representative (USGTR) announced it would not boost 10% tariffs on List 3 products to 25% effective June 1, as had been originally planned. The new effective date is June 15. However, the delay only applies to products shipped from China prior to May 10, 2019.

List 3 products include certain types of rugs and carpeting. The delay was enacted because of custom enforcement factors and transit time between China and the US.

“HFPA members that have products affected by this delay should contact their customs broker regarding entries made the last 3 days and early this week, as the Customs electronic ACE system might have automatically charged the additional 15%. That increase should be removed by Customs but it might not happen automatically,” wrote HPFA legal counsel Robert Leo.

He also provided an update on proposed List 4 tariffs, which will impact all home textiles imports from China.

Hearings are set begin on June 17, and the USTR has reserved hearing space for two weeks due to the high volume of companies expected to comment. If the hearings last until June 27, rebuttal comments would be due July 4, or more likely July 5 due to the holiday, according to Leo, who is a partner at Meeks, Sheppard, Leo & Pillsbury.

“Because of the number of total comments expected (likely in the tens of thousands), it should take several weeks for the government to process them all and make decisions.

A reasonable ‘guestimate’ for an effective date would be the week of July 15, however there are a number of factors that could affect that,” he added.

He also warned that the effective date could come earlier.

"Given the past impatience of the Administration in imposing these tariffs, the effective date could be earlier. China just imposed additional tariffs effective June 1 against another $60 billion of US goods.

China is also objecting to the US actions against Huawei, the telecommunications company. There is no sign of either side backing down and there are no additional negotiations scheduled," said Leo. "Unless negotiations resume at some level, there would be no reason for the US to delay the effective date."

Source: hometextilestoday.com - June 03, 2019

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Gap reduces China sourcing

Gap has reduced its manufacturing exposure to China from 25 to 21 per cent over the past three years. The company has been moving sourcing out of China for the last several years and will continue to do this responsibly going forward. Less than five per cent of its sales come from China.

The trade war threatens to increase costs for consumers and temper growth in its third largest market, mainland China. The supply chain agreements emanating from China are a sore spot. Specifically for China, the company is working diligently to mitigate the potential problem for consumers by incrementally moving away from reliance on the region.

Including only apparel, its penetration is approximately 16 per cent, which is significantly lower than the relevant portions of the industry. That level is lower than that of peers like Abercrombie & Fitch, one quarter of whose goods are manufactured in China.

Gap, based in San Francisco, has been battered by a big miss on earnings and serious declines in same store sales across its key brands. Inventories in the first quarter were up over ten per cent as sales slowed and the potential for tariffs to temper consumer demand could worsen.

Source: fashionatingworld.com - June 03, 2019

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Pakistan: Game of exports

Pakistan's exports to China stand at $1.7 billion and imports at $15 billion. The gap between these exports and imports has decreased in the last few months, but understandably, the import-export gap is still gargantuan.

US imports from China amount to $540 billion, while Chinese imports from the US amount to $120 billion. The import-export gap for Pakistan to China is double the US-China gap. Yet the USA is worried; on May 14, it doubled customs duties on $200 billion worth of Chinese products. This did not go unreciprocated, and Beijing increased tariffs on $60 billion worth of American imports. With Pakistan it is different.

US, China and Germany are major destinations for Pakistani exports. Exporting to India depends on how Narendra Modi government wants to steer trade relations. Pakistan's efforts should be geared towards Japan, Korea and Canada as potentially expanding exports markets. Pakistan's request to Japan for reciprocal duty-free access on 20 selected items has fallen on deaf ears.

Trading with Iran would be a choice with heavy economic repercussions for Pakistan due to US sanctions. That route needs to be taken with utmost care. Similarly, exporting to Turkey, despite the ever-friendly relations, will be a tough task since Turkey is an exports competitor at the international level. The last success for Pakistan in the exports arena was getting the GSP Plus status with the European Union. Pakistani exports to the EU greatly increased following the agreement EU. Overall, Pakistan's strategy on exports seems to lack vision.

With half the import-export gap with China compared to Pakistan, the US is aiming for sanctions against Chinese exports. Pakistan is excited, meanwhile, to increase the imports since they come under the garb of investment.

During the recent visit of the Chinese vice president to Pakistan, one of the four projects unveiled include the launching of the Huawei Technical Support Centre in Pakistan. Washington, on the other hand, has curbed the expansion of Huawei by requiring US-based firms to seek government approval for trading with the Chinese company.

Despite allegations that this decision was taken due to concerns that the new 5G technology by Huawei may be used for spying and could breach American national security, critics still claim that this is just an excuse to impose non-tariff barriers on Chinese companies in the cold trade war between the two leading economies of the world.

Not only has Pakistan welcomed Huawei, many Chinese technology companies are already operating in Pakistan. Finding their cushion as an essential part of the CPEC, these companies will only increase the import-export gap between China and Pakistan.

While China exports technology to Pakistan, and as export of technology increases all over the world with more than 50 percent of all exports being technological exports, Pakistan takes a backseat. It allows Chinese companies to overtake the technology market in Pakistan. The technology sector in Pakistan is full of potential. Other countries are trying to increase their exports through adoption of new technological breakthroughs, but we rely on Chinese technology that comes under the garb of investment vis-à-vis the CPEC.

This shoot-oneself-in-the-foot policy has led to the trade imbalance and the current account deficit for which we have to beg for grants and loans from China, Saudi Arabia and the IMF. Even in South Asia, Pakistani exports are way behind India and Bangladesh. The position is the same with regard to exports from Asia, with even Vietnam beating us at the exports game.

Pakistani exports are centred on a few countries, with large markets in Latin America, Africa and North Asia not being explored seriously. One of the major reasons for trading partners being wary of Pakistan is its judicial system, inefficient contract enforcement, lengthy delays in judicial decisions owing to huge caseloads and a long appeal system. We have to put our house in order.

When you play the game of exports, you win or you become poorer. There is no middle ground.

Source: dailytimes.com.pk - June 03, 2019

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Bangladesh: Import of knitted fabrics on the rise

Local spinners tread a tightrope

Import of knitted fabrics is spiralling thanks to the growing tendency of the Western retailers to demand the use of fabric from a particular country or vendor to manufacture apparel in Bangladesh.

In 2018, knitted fabrics worth Tk 9,590.41 crore were imported, up 27.69 percent year-on-year, according to data from Bangladesh Textile Mills Association (BTMA).

In the first four months to April 2019, imports were Tk 3,629 crore.

In 2017, the knitted fabrics import grew 49.16 percent year-on-year to Tk 7,510.62 crore, according to the BTMA data.

In 2017, Bangladesh brought in 140,142 tonnes of knitted fabrics, up from 107,903 tonnes in the previous year.

Local spinners can supply nearly 90 percent of the required yarn and fabrics for knitwear.

In case of woven fabrics, the local weavers can supply below 40 percent of the requirement because of which the woven garment industry remained dependent on foreign fabrics.

"International buyers are progressively nominating yarn and fabrics of any particular country as they place orders," said Monsoor Ahmed, secretary to the BTMA, the platform of spinners, weavers and dyeing industries.

For instance, some Western retailers recently suggested using knitted fabrics from India as the apparel products would be sold in the neighbouring country, where foreign brands have set up shop.

"It is setting a dangerous precedent," said A Matin Chowdhury, managing director of Malek Spinning Mills, a leading spinner.

This trend has led to stockpiling of yarn and knitted fabrics.

Local spinners are in big trouble due to rising import of knit fabrics, jeopardising the $8 billion invested in the primary textile sector over the years to get the industry up to speed, he added.

"We are losing competitiveness due to buyers' nomination of fabrics. Stockpiling of unsold yarn and knit fabrics has been growing every month due to such decision by the buyers," Chowdhury said.

The buyers have been doing so in the name of cost and quality control of garment items, he said.

Meanwhile, last week the Indian Texpreneurs Federation (ITF) appealed to domestic and international brands operating in India to focus on sourcing from within and increase engagement levels with apparel clusters in the country, according to Fibre2Fashion.

The appeal comes in the wake of a 53 percent jump in imports of garment products from Bangladesh.

The increase in import has cost approximately Rs 7,500 crore in garment business in India, according to ITF.

"It would have created an additional 6,000 jobs in the spinning sector, 500 jobs in the processing sector, 100,000 jobs in the garmenting sector and another 40,000 jobs in the printing and embroidery sector of textile value chain," ITF convenor Prabhu Dhamodharan told Fibre2Fashion.

Source: thedailystar.net - June 04, 2019

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Bangladesh: When opportunity knocks

Is Bangladesh ready to capitalize on global developments working in its favour?

It would appear the stars are aligning for our RMG industry, as shifting trends in global politics create economic opportunities which are simply too strong to ignore. These changes all centre around the US -- a massively important trading partner to Bangladesh.

The US is already Bangladesh's single largest trading partner. Bangladesh exports to the US registered a 6.42% rise to $5.60 billion in 2018, according to Otexa data, with apparel products alone fetching $5.40bn.

Recent developments between the US and some of its other trading partners potentially are opening up opportunities for Bangladesh to increase that figure.

First, President Trump has threatened to impose across-the-board 5% tariffs on Mexico if it doesn't crack down on the flow of migrants into the US. This would impact nearly $360bn in Mexican exports to the US and such tariffs would significantly impact Mexico's competitiveness.

In regard to the apparel sector, we are all aware that margins are tight, therefore, an effective 5% increase on the cost of apparel imports is very sizeable. Importers might, if such an increase in tariffs comes to pass, look to source elsewhere.

There are further developments. The US has also recently terminated its General System of Preferences (GSP) agreement with Turkey and India because they no longer comply with the statutory eligibility criteria.

India's termination from GSP was made due to a failure to provide the US with assurances that it will provide equitable and reasonable access to its markets in numerous sectors.

Turkey's termination followed a finding that it is sufficiently economically developed and should no longer benefit from preferential market access to the US.

Under GSP arrangements, products can enter a country duty-free. Again, in an industry of fine margins, the introduction of duties onto Indian and Turkish apparel imports will likely impart apparel exports from both those countries to the US.

These developments are all part of an increasingly hard-line, protectionist stance which is being taken by the US. The US spent many decades allowing its domestic manufacturing base to be outsourced to poorer nations as it, instead, opted to focus on higher value service industries. Present Trump has decided, however, that his predecessors went too far in this approach, and now wants to bring some domestic manufacturing back to the US.

There are other issues to consider, the most pertinent of which is China. In a recent announcement, the Trump administration proposed tariffs on products from countries which are found to have undervalued currencies. In fact, the move was seen by many as a clear measure against Vietnam -- another major apparel exporter -- which many claim has devalued its currency to grow its export base.

Currency manipulation is as old as the hills. By devaluing its currency -- effectively by printing more money -- a country can make its products proportionately more competitive in foreign markets (although a side effect of this is, in many cases, domestic inflation).

As well as being aimed at Vietnam, Trump also has China in mind with this move. China has regularly been accused of currency manipulation in recent years.

Indeed, only at the recent Copenhagen Fashion Summit, one speaker made the claim that China had been allowed into the WTO without “addressing its artificially deflated currency” -- hence the sizeable growth in its textile and apparel exports in the past two decades, to the detriment of domestic manufacturing in other countries.

The upshot of all of this is that there are, potentially, opportunities for Bangladesh. Note that word: Potentially. It is one thing having these opportunities and quite another to be ready to capitalize on them.

A factor here is that, in the case of China for instance, the apparel products being exported to the US are in many cases different to those being exported from Bangladesh. They are of a higher value in some cases, and there is the question of whether Bangladesh would be ready to take up the slack left by China -- and, indeed, by Turkey and any other country which President Trump sees fit to target.

The message in all of this is that opportunity knocks right now for Bangladesh. But to take advantage of this opportunity, it needs to upgrade. For sure, it can continue to provide the staple apparel items for which it has become globally renowned and, if Trump does impose tariffs on some of our competitors, these will become comparatively more competitive.

But Bangladesh also needs to innovate and evolve, if it wants to truly capitalize on the shifting tectonic plates of international trade. That means investment in people and technology, in better management and smarter, more sophisticated products.

Decisions in these areas need to come from the top. Our government and policy-makers need to be on the ball right now, and ready to strike while the iron is hot.

Source: dhakatribune.com - June 04, 2019

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Bangladesh to reap benefits from US ending GSP for India

Trade analysts and economists think that the impact of the scrapped preferential trade facilities will be temporary

Bangladesh may see increased exports to US markets as the Donald Trump administration terminates preferential trade facilities for India, a close competitor of the country.

On May 31, the US government announced its decision to end preferential tariffs for $5.6 billion of Indian exports from June 5 after determining that it has not assured the US that it will provide "equitable and reasonable access to its markets.

Bangladesh already has registered double digit growth in the US market due to the US-China trade war, which opened up opportunities for Bangladeshi exporters.

According to Export Promotion Bureau (EPB) data, during July-April period of the current fiscal year Bangladesh exports to the US market rose by 16.17% to $5.71 billion, which was $4.92 billion in the same period a year ago.

India is the third largest exporters of textile apparel goods to the US marker after Indonesia with an export of $7.67 billion as of 2018, while Bangladesh is the fourth largest exporter of apparel and textile goods worth $5.60 billion.

“There were about 2,000 products including textile goods from India, which enjoyed duty-free market access to USA under Generalized System of Preference (GSP). Since the preferential trade facilities are gone, Bangladesh apparel sector may gain,” Bangladesh Garment Manufacturers and Exporters Association (BGMEA) President Rubana Huq has told Dhaka Tribune.

"But the Indian side thinks that they are losing less than $200 million dollar worth of apparel opportunity. So we will have to wait and see," she says.

Trade analysts and economists think that the impact of the scrapped preferential trade facilities will be temporary.

“In any trade tariff conflicts, there remains uncertainty among the business people. As a result, in placing work orders they shift a portion of orders to remain safe though the item is not included in the tariff list,” Centre for Policy Dialogue (CPD) Khondaker Golam Moazzem tells Dhaka Tribune.

So, there will be positive impact on Bangladesh exports to US market but it may be temporary, says Moazzem, adding that the US is cutting trade facilities to renegotiate the trade benefits bilaterally.

Bangladesh has to think of diversifying its goods and concentrating on connecting the buyers who are currently sourcing from the Indian manufacturers to reap the full benefits, suggests the economist.

He also notes that Bangladeshi importers from India can benefit from the cut of trade facilities as there will be scope for price negotiation.

Beyond the apparel sector, there is opportunity to grow in the leather and footwear exports, which have already seen sharp rise due to US-China tariff war.

"Since India is a close competitor of Bangladesh in leather goods and footwear, it will bring benefits for us," Md Saiful Islam, managing director of PICARD Bangladesh Limited, an export-oriented leather products manufacturer, tells Dhaka Tribune.

Besides, he says, Bangladesh has increased capacity and trade diplomacy is doing better in branding Bangladesh, which is a positive indicator in grabbing more market share in the US market.

Source: dhakatribune.com - June 02, 2019

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Pakistan: Sluggish trading on cotton market

Lacklustre conditions prevailed on the cotton market on Monday owing to short supply of quality lint and poor presence of spinners in the trading ring ahead of Eidul Fitr.

General lethargy being witnessed in commodity markets due to overall slowdown in economic activity is also impacting cotton trade. Besides, the issue of withdrawal of zero-rating for five export sectors has caused jitters in the textile industry.

The latest cotton production figures indicate that only 10.7 million bales have been produced during 2018-19 cotton season. According to market sources around 350,000 unsold cotton bales are currently lying with ginners.

On the global front cotton markets also remained easy as trade war between China and US turns ugly with each passing day. Consequently, New York cotton closed lower in the range of US68-69 cents per lb.

Indian cotton closed firm due to short crop and higher demand. India estimated to produce around 30.65m bales but actually production is not more than 30.15m bales. Chinese cotton closed mixed.

The Karachi Cotton Association (KCA) spot rates were firm at overnight level at Rs8,800 per maund.

Trading on ready counter was listless where only one deal of 1,000 bales from station Sadiqabad was done at Rs8,950.

Source: dawn.com- June 04, 2019

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NATIONAL NEWS

CAI retains its cotton crop estimates at 315 lakh bales for 2018-19

So far over 9 lakh bales of import shipments have arrived in India

Cotton Association of India (CAI) on Monday released its latest cotton crop estimate for the month of May retaining the crop size at 315 lakh bales (each of 170 kg), lowest in over a decade and significantly down from the previous year's output estimate of 365 lakh bales.

The total cotton supply estimated by the CAI during the period from October 2018 to May 2019 is 325 lakh bales including the arrival of 288 lakh bales and imports of 9 lakh bales upto May 31, 2019. The opening stock at the beginning of the season as on October 1, 2018 was estimated at 28 lakh bales.

Considering the crop size of 315 lakh bales there is likely be a sharp demand-supply gap for the millers. As a result, India's cotton imports are likely to more than double to about 31 lakh bales for the season, up from about 15 lakh bales in the last season.

The domestic consumption for the entire crop year upto September 30, 2019 is estimated at 315 lakh bales, and CAI estimates cotton exports to be around 46 lakh bales, down by about 23 lakh bales as compared to previous year's estimate of 69 lakh bales.

Total supply including carry-over stock, imports and total crop during the season is estimated at 374 lakh bales, against which total consumption by mills and exporters is estimated at 361 lakh bales leaving the likely carry over stock for the season at 13 lakh bales.

The reduction in the output is attributed to the extreme water shortage conditions in the growing regions Central and South India. The output in Central Zone comprising Gujarat, Maharashtra and Madhya Pradesh is estimated to drop from 209.5 lakh bales last year to about 180 lakh bales in 2018-19.

Cotton crop in South Zone including Telangana, Andhra Pradesh, Karnataka and Tamil Nadu is also likely to drop from 94.5 lakh bales last year to about 72 lakh bales in 2018-19.

However, North Zone which comprises of Punjab, Haryana and Rajasthan is estimated to have higher crop at 59 lakh bales, up from 56 lakh bales estimated last year.

The CAI's Crop Committee met on May 30, 2019 to assess the crop size. It noted that the consumption by Indian spinning mills for 8 months starting from October 1, 2018 to May 31, 2019 is estimated at 209 lakh bales.

Cotton stock held by mills in their godowns as on May 31, 2019 is estimated at 32.68 lakh bales. "This means the mills are having about 38 to 40 days stock inside mill godowns. CCI, MNCs, Ginners and MCX are estimated to have stock of 39.32 lakh bales as on May 31, 2019 which is about 42 lakh running bales," said Atul Ganatra, President, CAI after the Crop Committee meet.

Source: thehindubusinessline.com- June 03, 2019

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GST Council likely to tweak textiles rates in line with global markets

At present, there are three rates - 5%, 12% and 18% - for various items under the textile sector

The Goods and Services Tax (GST) Council, which is likely to meet for the first time after elections in the first half of this month, is likely to take up rationalisation of rates in the textile sector in line with the global markets.

“Removal of anomalies in tax rates in the sector is one of several issues that needs immediate attention,” said a government source.

Differential rates of textile items are causing hardships, especially on refund to exporters, he said. The government is concerned about the issue, he said.

At present, there are three rates — 5, 12 and 18 per cent — for various items under the textile sector. While other countries, such as Thailand (10 per cent), China (16 per cent), and Indonesia (7 per cent) have a single rate regi-me. This makes them more lucrative and competitive.

Besides, custom duties for textile items make the situation worse for exporters. Ideally, there should be rationalisation in customs duty and GST rates, the source said.

Though any such cha-nge in customs duty requires proper discussion and need to keep World Trade Organisation (WTO) norms in mind, he added. The council will also consider reducing the rate of cement to 18 per cent from 28 per cent. However, this needs a consensus as it will hit the exchequer by Rs 13,000 crore.

Source: business-standard.com- June 04, 2019

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Why interest sops for exports can't work

Interest subvention for exporters, besides not picking up, goes against WTO norms. A solution is to extend it to all MSMEs

Recently, the government changed the Interest Equalisation Scheme (IES) which is available to some exporters. The broad objective of the IES is to provide exporters with a cheap source of rupee credit both for pre-shipment and post-shipment activities.

In India, nominal and real rates of interest are relatively on the higher side compared to some of the other countries. This makes cost of capital expensive and it may affect competitiveness of exporters.

The government uses the IES as an export incentive, whereby eligible exporters get interest subvention on their export credit. It is expected that cheaper working capital will enable these exporters to become more competitive.

The original IES, which was launched in 2015, provided incentive to all manufacturer-exporters who were MSMEs and all manufacturer-exporters under 416 specific tariff lines at 4-digit HS code.

These 416 products were largely labour intensive manufactured goods and chosen with a broader goal to promote export-led job growth in manufacturing.

However, the IES-2015 did not become very popular among exporters in India. While launching the scheme, the government estimated the financial implication of the scheme to be ₹2,500-2,700 crore per year. However, from a Rajya Sabha question dated July 18, 2018, it appears that only ₹4,829 crore was spent in the first three-and-a-half years of its implementation (2015-16 to July 2018).

This implies only about 55 per cent utilisation of the scheme by the exporters.

There can be several reasons why the IES was underutilised even when funds were available. Generally, low export growth and slowdown in global demand may have led to low demand for export credit during this period. Also, the implementation of the IES, to a large extent, coincided with the imposition of demonetisation and GST.

As highlighted in a paper by the RBI, these twin shocks may have disrupted the MSME supply chain and had a negative impact on exports from MSMEs. Apart from these, lack of awareness among exporters and banks about this facility may have resulted in low utilisation. Also, high interest rate in India could have discouraged the exporters.

It is possible that, even with an interest subvention of 3 per cent, the rate of interest plus the assortment of processing fees charged by banks for export credit may still have been high, discouraging Indian exporters from borrowing from the domestic banking sector.

Major changes

To make the scheme more popular, the government introduced some major changes in the IES. In November 2018, a change in policy increased interest subvention from 3 per cent to 5 per cent for exporters from the MSME sector.

However, non-MSME large exporters, who export the 416 eligible products, will continue to receive interest subvention at 3 per cent. Subsequently, in January 2019, another change in policy was introduced.

This amendment now allows merchant exporters of these 416 products to take advantage of the interest equalisation scheme at 3 per cent. It is notable that previously only producer-exporters were eligible for the IES.

It is argued by the government that MSMEs export a significant amount of products through merchant exporters; they play an important role in finding overseas markets and getting export orders. Extending these benefits to the merchant exporters should facilitate higher exports from the MSME sector.

While it is perfectly fine for a government to create an exporter-friendly interest rate structure, the recent changes in the IES have not been able to address a major shortcoming of the scheme. In its present form, the IES will be categorised as an export subsidy in the WTO.

According to the WTO Subsidies and Countervailing Measures (SCM) agreement, any measure by a national government, which is either a financial contribution or revenue foregone and is contingent upon export performance, is considered an export subsidy.

Export subsidies are prohibited by the WTO and if a country is found to be providing them, it must remove them at the earliest. The IES is contingent upon exports and hence would be treated as prohibited subsidy in the WTO. The WTO has a rapid (three-month) dispute settlement mechanism for complaints regarding prohibited subsidies.

This problem was not there in 2015 when the IES was introduced. Till 2017, India was under a special status for poor countries in the WTO which allowed exemption from the prohibition on export subsidies. However, India graduated from that exemption in 2017.

Therefore, according to the WTO rules, IES will be treated as a prohibited subsidy. In the present global trade scenario where countries are combative and protectionist, it is expected that they will challenge these measures and Indian exporters are unlikely to get away with these. Therefore, export contingent incentive measures may not be a prudent policy.

Extend the reach

A possible solution can be to make interest subvention available to the entire MSME sector. The government can make it contingent on non-trade measures like production, value addition and job creation. There are two advantages of this. First, this way the interest subvention scheme will not be an export-contingent subsidy; hence it will not be treated as a prohibited subsidy in the WTO.

And, second, this will extend lower cost of capital for the firms in the MSME sector who are producing for the domestic market. Given the sluggish global demand and tensions related to potential trade-wars, facilitating the entire MSME sector may make more sense than focussing only on exporters from the MSME sector. Non-MSME labour-intensive firms may also be given some incentives for job creation.

The policymakers must redesign the IES to make it more effective under the present global trade regime. A more horizontal and cross cutting interest subvention scheme may take care of the relatively high rate of interest prevailing in the Indian economy now and help in employment generation.

Source: thehindubusinessline.com- June 03, 2019

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In a boost to textile sector, GST Council may rationalise levy

The Goods & Services Tax Council may consider rationalising levy on textile items, a move that is expected to help the sector to be more competitive in the global market.

“The Government is deeply concerned about the present status of the textile sector. Considering the labour-intensive nature of the sector, concrete steps are required.

Removing tax anomaly could be one such steps,” a senior government official told BusinessLine. As of now, barring raw silk, khadi yarn and some other items, there are three rates — 5, 12 and 18 per cent — for various textile items. Though there is a refund mechanism for the exporters, it takes time and affects the exporters’ efficiency.

In countries such as China, Indonesia, and Thailand there is a single rate. It is 16 per cent in China, 10 per cent in Indonesia and 7 per cent in Thailand, making them more competitive.

There also issues with Customs duty. India has more than 300 tariff lines for textiles items making things more complex for the global buyers. “For example, Bangladesh imports yarn, fabric etc from China as it is cost effective and then produces readymade garment for the export market in a big way,” the official said.

He also said that it would be better if both rationalisation exercises are taken in Customs duty along with GST. However, according to the official, any work on trade tariff must be done very cautiously as it will be watched very carefully by global trade partners and there could be allegations of WTO norms violation.

Source: thehindubusinessline.com- June 03, 2019

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ComMin holds meet with stakeholders on Jun 6 to discuss ways to boost exports

Representatives of central and state governments, industry and exporters will meet on June 6 to discuss ways to boost exports amidst growing protectionism globally, an official said.

Members of the Council for Trade Development and Promotion and the Board of Trade will be meeting to deliberate upon all issues related to the country's trade, the official said.

Meanwhile, Minister of State for Commerce and Industry Som Parkash said the meeting will be headed by Commerce and Industry Minister Piyush Goyal and discuss various issues related to the industry. He was speaking with reporters at Phagwara in Punjab.

The Board of Trade (BoT), a 70-member top advisory body on external trade, would also seek views of all stakeholders on the forthcoming foreign trade policy (FTP).

It advises the government on policy measures related to the foreign trade policy in order to boost the country's trade. It last met in February.

On the other hand, the council provides a platform to state governments and UTs for articulating their perspective on trade policy to help them develop and pursue export strategies in line with the national foreign trade policy.

It was constituted in July 2015 to promote India's overseas shipments. The meeting assumes significance as states play a proactive role in promoting outbound shipments.

The commerce ministry has advised all the states to formulate their export policies and appoint export commissioners.

Since 2011-12, India's exports have been hovering at around USD 300 billion a year. During 2018-19, the country's exports touched USD 331 billion as against USD 303 billion in 2017-18.

Promoting exports helps a country create jobs, boost manufacturing and earn more foreign exchange.

After taking charge of the ministry on May 31, Goyal held meetings with the officials of the department of commerce and industry on Saturday and Sunday.

Junior ministers Hardeep Singh Puri and Som Prakash also attended the meetings.

Source: business-standard.com- June 03, 2019

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Manufacturing shows strongest growth in 3 months, PMI rises to 52.7

Consumer goods led the upturn in May, with the rates of expansion surpassing the intermediate and capital goods categories.

Indicating a recovery in the industrial sector, the Purchasing Managers' Index (PMI) for manufacturing sector expanded in May and rose to 52.7 as against 51.8 in April. This shows strongest improvement in the health of the manufacturing sector during last three months.

This index is prepared on the basis of a survey which is conducted among purchasing executives in over 400 companies.

These companies are divided into 8 broad categories: basic metals, chemicals and plastics, electrical and optical, food and drink, mechanical engineering, textiles clothing, timber and paper, and transport.

An index over 50 shows expansion, while an index below 50 means contraction.

Slowdown worries

The index is prepared by IHS Markit and released along with a detailed report. This index is widely quoted to explain the latest industrial situation and is known as the Nikkei India Manufacturing PMI.

The turnaround has happened when there is an apprehension of economic slowdown with annual growth (for fiscal year 2018-19) and the quarterly growth (January-March, 2019) numbers were at a five year low.

These numbers are also indicate that the RBI's Monetary Policy Committee (MPC) might cut the policy rate further when it will announce its resolution on June 6.

Revival in growth

Commenting on the latest movement in the index, Pollyanna De Lima, Principal Economist at IHS Markit, said that a revival in new order growth promoted a faster upturn in manufacturing production, as Indian firms sought to replenish inventories utilised in May to fulfil strengthening demand.

To assist with higher output needs and benefit from relatively muted cost inflation, companies stepped up hiring and input purchasing.

Goods producers were also able to charge competitive prices due to negligible increases in their cost burdens, meaning not only higher sales in the domestic market, but also greater overseas demand.

"The results show welcoming accelerations in expansion rates across a number of key metrics. When we look at the survey's over 14-year history, the sector is growing at a below-trend rate. Shortening the horizon to the last two years, May's increases in output, total order books and exports all outperformed," she said.

According to the report, consumer goods led the upturn in May, with the rates of expansion in output, total sales, new export orders and employment, surpassing those seen in the intermediate and capital goods categories. The latter returned to growth territory, following a deterioration in business conditions in April.

Sales growth

Aggregate manufacturing output increased at the quickest pace in three months, with survey participants linking growth to new client wins, robust sales and improved technology. Strengthening demand and successful marketing reportedly underpinned sales growth in May.

The latest rise in factory orders was the nineteenth in as many months and quicker than that seen in April.

External sales continued to contribute to total order flows, with exports expanding at the joint-quickest pace in six months.

Indian manufacturers were confident of a rise in output in the year ahead, with sentiment improving from April.

Expectations of pro-business public policies, marketing initiatives, projects in the pipeline and favourable economic conditions were among the reasons boosting optimism.

Source: thehindubusinessline.com- June 03, 2019

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Metals, chemicals: Sectors that stand to benefit from US - China trade war

The unanticipated trade tensions that cropped up between two major economies in the world-the US and China- have since spooked the global markets

Global shares lost ground during the early morning trade on Monday reacting sharply to China's decision to tariff hike on $60 billion worth of US imports, which came into effect on Saturday, June 1.

While China's Shanghai composite index was trading 17.23 points or 0.59 per cent lower, Japan's Nikkei slipped 239 points, hovering close to its lowest levels in four months.

Indices on the Wall Street plummeted over a per cent after the tariff decision came into effect. The Dow Jones fell 355 points during the overnight trade on Friday to close at 24,815 while the S&P500 lost 37 points to end at 2,752 levels. The Nasdaq too lost 114 points to end the session at 7,453 levels.

China's retaliatory move was in response to United States' decision to hike import tariffs on $200 billion worth of Chinese goods.

Last week, while the US President hiked import tariffs on all imports from Mexico, he also ended India's tariff-free access to the US market under the Generalised System of Preferences (GSP) scheme.

The unanticipated trade tensions that cropped up between two major economies in the world—the US and China— and spilled over other countires thereafter have since spooked the global capital markets.

Between May 5 and May 15, since the day Trump tweeted about his views on China till exit poll outcomes in India, the benchmark S&P BSE Sensex and the broader Nifty50 had lost 4 per cent with the indices seeing their worst ever selling streak of nine consecutive days.

However, between May 5 and May 30, the S&P BSE Sensex gained 3.1 per cent, while the Nifty50 moved up 3 per cent ignoring global cues. The rally was on account expectation of the National Democratic Alliance (NDA) securing a second consecutive term post the general elections that ended on May 19.

BENEFIT INDIA?

While a possible trade war has been averted for the time being, discussions on how India might benefit from this situation have already begun. Analysts suggest that India might not be able to “fill the gap" created by China as the country doesn’t have the required capacity.

“India isn’t a big trade partner to the US to be able to reap benefit from this trade war. Our exports have grown only recently and we don’t have traditional advantage as an exporting country,” says AK Prabhakar, head of research at IDBI Capital.

According to a report by UBS, the US imports of tariff goods from China comprised nearly 47 per cent of China's goods' export basket and 39 per cent of India's goods’ exports basket, as of 2017.

“In this situation, India as a country won’t have much of an impact. Firstly, we are a consumption driven economy, and secondly, after the first trade war concerns surfaced last year, our indices-including Bank Nifty- touched all-time high,” says Gaurang Shah, head of research at Geojit BNP Paribas. Thus, India has already discounted a trade war.

“In the long term, however, if there is a slowdown in China, it will definitely benefit India as an emerging nation in terms of investment and foreign direct investment (FDIs),” he says.

INVESTMENT STRATEGY

The top beneficiaries, according to analysts, would be the overlapping sectors between Indian export basket and items included in hiked tariff. These, they say, include industrials, chemicals, clothing/footwear, plastics, machinery and electrical/electronic products.

According to Shah of Geojit, the chemical sector, especially agro-chemicals and specialty chemicals, would benefit in the long-run.

For Prabhakar, chemicals and soda companies including Vinati, Tata Chemicals and Gujarat Alkelies could be profitable bets. "On the other hand, electronics could be an area of worry due to dumping of such goods in India. Anti-dumping should be in place for phone, laptop," he suggests.

According to Shah, electronics could only be affected indirectly as there aren't many Indian players established in the country. That said, analysts believe, sectors such as steel, rubber, aluminium and plastics might need protection may need protection from unreasonable dumping by China.

Analysts are also placing bets on auto-ancillary, metals, information technology (IT) – likely sanctions on Huawei, hospitality and agriculture-related stocks. The indirect spill-overs, some analysts say, could also benefit allied sectors, such as consumption and financials.

"Textiles could have benefitted but Africa, Bangladesh and other Asian countries are at better position than India," Prabhakar adds.

Source: business-standard.com - June 03, 2019

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SLCP operations launched in Tirupur

The Apparel Export Promotion Council (AEPC), in association with the Social and Labour Convergence Program (SLCP), today organised a workshop to announce the launch of SLCP operations in Tirupur.

A Sakthivel, Vice-Chairman, AEPC, said in his inaugural address that there were many certifications and audits in the market currently. Exporters spend huge sums and time for all such certifications. SLCP is an initiative that is aimed at eliminating audit fatigue by replacing current proprietary tools with a standard-neutral Converged Assessment Framework.

“Brands, retailers, buyers and industry stakeholders across the globe have signed up for the programme as it is expected to eliminate multiple social audits,” said Sakthivel.

Sharon Hesp, Senior Manager, SLCP, said that one SLCP-verified assessment could replace all current audits.

The SLCP-verified assessment fulfills the data needs from all Brands and Standards. So far, 200 brands, manufacturers and other stakeholders have signed up for the programme.

The process starts with a self-assessment which is verified by a Verifier Body, after which the data can be shared with Brands, Standards and others. SLCP does not include certification or a Corrective Action Plan.

The Cotton Textiles Export Promotion Council (Texprocil) has proposed to organised the SLCP launch in Mumbai on June 5.

Source: thehindubusinessline.com- June 05, 2019

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Removal of GSP unlikely to affect garments exporters

About 0.5 % of India's apparel exports to the United States will not continue to enjoy the benefits as the United States has removed GSP (Generalised System of Preferences) for Indian exports.

According to Sanjay K. Jain, chairman of Confederation of Indian Textile Industry, the only main item to be affected is woven silk garments for women. The Confederation is following up the issue with the Central Government. "The impact of removal of US GSP on India's apparel exports to the United States will be marginal. However, we continue to take up the issue with the Commerce Ministry," he said.

As many as 15 varieties of readymade garments were covered under the GSP. The tariff on these varies from 0.86 % to 14.60 % and India was getting duty free access. These 15 products contribute to 0.46 % of India's apparel exports and the women silk dress constituted more than 50 % of it.

The Confederation will appeal to the Ministry to take steps to maintain status quo, he said.

Source: thehindu.com- June 02, 2019

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Australia's Cotton On enters India through Myntra, plans offline stores

Cotton On Group was established in 1991 and is present in 19 countries including New Zealand, South Africa and Singapore

Cotton On, Australia's largest fashion retailer, has made its entry into the Indian market through online shopping platform Myntra. The brand plans to compete with the likes of H&M and Forever 21 in India, by opening its flagship store — either in Delhi or Mumbai — in the third or fourth quarter of 2020.

AVS Global Network, a retailer of global fashion brands that focuses on retail through digital platforms, is responsible for launching Cotton On in the country.

AVS Global Network has managed to secure an exclusive contract with online retail platforms Flipkart, Myntra and Jabong to sell Cotton On products in India for the next year and a half.

“About 77 per cent of online fashion brand consumers use either Flipkart, Myntra or Jabong to shop, as they have a high brand-recall value. This is why we thought it would be wise to introduce Cotton On to India through these platforms.” said Sumanto Das, co-founder of AVS.

Cotton On Group was established in 1991 and is present in 19 countries including New Zealand, South Africa and Singapore, with about 1,500 stores across the globe.

The Australian giant has eight brands in its kitty, namely — Cotton On, Cotton Kids, Cotton on Body, Factorie, Ruby, Typo, Supre and Lost. Each one of them caters to a different market segment.

For instance, while Cotton On has garments for both men and women, Ruby is the group’s footwear and accessories brand.

Similarly, Typo specialises in selling quirky gifting items, which have recently become quite popular.

As of now, only products from brands Cotton On and Ruby are available for sale.

Within the next 12 months, Factorie, the group’s streetwear fashion brand, along with Typo, will be introduced to the Indian market.

Cotton On is testing the Indian waters by selling its products online before investing in stores.

Das believes this strategy is better for a rapidly-growing community of online shoppers. “India, China and other South-East Asian countries are increasingly buying apparel online, compared to other Western markets,” adds Das.

The group has been on an expansion spree for the past four to five years, especially in the US, where it operates about 121 stores and is currently vying for the support of the Indian market to help achieve its goals.

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

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Trident adding more than 1 million spindles to spinning

Bed linen production hit new high in Q4

The Trident Group is amping up its already sizeable spinning operation in India.

The manufacturer, which already has the largest spinning installation at single campus in India, will add more than 1.6 million spindles and 3,600 rotors to manufacture 100% of the cotton yarn at its plant in Budni - expanding on the more than 5.4 million spindles and 6,464 rotors already in operation. The new capacity is expected to come on line in 2021.

During its fiscal year-end conference call last month, Trident said the company set a new record for dispatch volumes in its yarn and bed linen segments. In the fourth quarter, the yarn operation was running at 99% capacity and bed linen at 74%.

Year-over-year, Q4 bed linen volume grew 39.4%, while the long-standing bath linen operation's volume grew 6.6%. Captive consumption of yarn stood at 42.4%.

Source: hometextilestoday.com- June 03, 2019

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