The Cotton Textiles Export Promotion Council (TEXPROCIL)
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IBTEX No. 173 of 2019  September 04, 2019

US 72.20 | EUR 79.25 | GBP 87.37 | JPY 0.68

Cotton Market

<table>
<thead>
<tr>
<th>Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm</th>
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</thead>
<tbody>
<tr>
<td>Rs./Bale</td>
</tr>
<tr>
<td>----------</td>
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<tr>
<td>20239</td>
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Domestic Futures Price (Ex. Warehouse Rajkot), October

<table>
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<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
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<tbody>
<tr>
<td>19460</td>
<td>40671</td>
<td>71.75</td>
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</tbody>
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International Futures Price

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<tr>
<th>NY ICE USD Cents/lb (December 2019)</th>
<th>57.86</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZCE Cotton: Yuan/MT (January 2020)</td>
<td>12,465</td>
</tr>
<tr>
<td>ZCE Cotton: USD Cents/lb</td>
<td>78.76</td>
</tr>
<tr>
<td>Cotlook A Index – Physical</td>
<td>70.15</td>
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Cotton Guide: Selling pressure continued to drag the prices to a low of 57.83 cents per pound. The Chinese indicated about their unwillingness to resume trade negotiations which has let to such massive drop in prices.

The Speculators have therefore taken the advantage of this prevailing situation. Furthermore, China has deliberately devalued its currency and has lowered its tariffs for the other nations. This was done with hindsight to provide a boost to their economy.

The prices were quite volatile last evening which saw prices head south [as soon as the US Market opened] coupled with a pullback which later could not sustain as the bears pulled the prices down with great intensity.
The ICE December future thus settled at 57.86 cents per pound with a change of -0.97 cents per pound. Interestingly the volumes were comparatively high at 31,275 contracts. A big red candle for yesterday indicates that the bears are still in control of the overall situation. We need to remember it’s always safer to go along with the primary trend. Here, the primary trend is bearish and is sloping slowly downward. During the Last 5 months charts have been showing red candlesticks.

It will be interesting to watch the market trend in the upcoming few days where the prices are restrained to head further south owing to its oversold conditions and exogenous government measures kicking in. On the other hand, an inevitable flood of supply can further scare off the prices to touch a new all-time record low. Only if we see some extraneous factors, then prices can be jittery to head north [coupled with the liquidation of the net shorts].

The MCX contracts on the other hand displayed their bearishness to all. The most active contract the MCX October contract settled at 19,460 Rs per bale with a change of -160 Rs. This contract still has room to fall towards 19,000 Rs per bale. The MCX November contract settled at 19,200 Rs per bale with a change of -30 Rs. The total volumes were decent at 1290 lots.

The Cotlook Index A remained unchanged at 70.15 cents per lb, whereas the prices of Shankar 6 in India are priced at 42,300 Rs per candy.

On the fundamental front, we can expect prices to head further down. On the other hand the path of Hurricane Dorian in the US must be closely monitored. For India, domestic spot prices are expected to be heading down.

On the technical front, ICE Cotton Dec future has failed to hold above the critical resistance zone of 59.50-60.00 and declined towards the supports near 58.00. Meanwhile price is still trading in the broader downward sloping channel with higher band of the channel resistance near 60. In the daily charts price is trading below the DEMA (5 and 9) at 58.50/58.65, implying weakness in short term trend.

Moreover, RSI is hovering below 40 levels which ruled out further bullish momentum in price. So for the day price is expected to move in the range of 57.50-58.60 with sideways to downside bias. Close below 57.50 would weaken further towards 57.00-56.80 zones.

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

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INTERNATIONAL NEWS

USA: July’s Consumer Spending on Clothing, Footwear Follows ‘Up-and-Down’ Cycle

Consumer spending on clothing and footwear bounced back in July, increasing 0.6 percent to $409.77 million, after falling in June, according to the Bureau of Economic Analysis’ (BEA) Personal Income and Outlays report released Friday.

Reflective of other unsteady economic indicators, personal consumption expenditures (PCE) on clothing and footwear have been in an up-and-down cycle in the first seven months of 2019.

The increase in spending corresponds with the 0.9 percent seasonally adjusted gain in core retail sales that exclude automobile dealers, gasoline stations and restaurants reported in August by the U.S. Census Bureau. That report showed clothing and accessories store sales were up 0.8 percent on a month-over-month basis.

Commenting on that report, Jack Kleinhenz, chief economist at the National Retail Federation, said “July’s strong results are consistent with a confident consumer. Households are in good shape with spending and that should continue as long as the labor market remains healthy.”

However, Kleinhenz noted that the report looks backward at what was happening a month earlier and that “the impact of volatile financial markets and increased trade tensions in recent weeks may put a wind of caution in consumer spending as we move forward in 2019.”

The BEA report showed overall PCE was up 0.6 percent, or $93.1 billion, in July. The PCE price index increased 0.2 percent, as personal income rose 0.1 percent, or $23.9 billion. Real PCE, adjusted for inflation, increased 0.4 percent, BEA said.

The $56.9 billion increase in real PCE in July reflected an increase of $36.4 billion in spending for goods and a $23.8 billion increase in spending for services, BEA reported. Within goods, recreational goods and vehicles were the leading contributor to the increase. Within services, the largest contributor to the increase was spending for household electricity and gas.
Disposable personal income (DPI), a key indicator for consumer spending, increased 0.3 percent, or $44.4 billion, in the month. Real DPI was up only 0.1 percent in July, as inflation creeps back into the economy. Macroeconomic Advisers by IHS Markit said it expects core consumer price inflation based on the PCE index to rise to 2.1 percent by 2021. BEA noted that the rise in personal income reflected increases in compensation of employees and government social benefits that were partially offset by a decrease in personal interest income.

Personal outlays increased $96.4 billion in July, as personal saving was $1.27 trillion. The personal saving rate—personal saving as a percentage of disposable personal income, was 7.7 percent.

Source: sourcingjournal.com- Sept 03, 2019

UK Could Lose Exports Worth $16 Billion In Case Of No-Deal Brexit: UN

Through its EU membership, Britain today is part of around 40 trade agreements offering members of the bloc preferential market access in about 70 countries.

Britain could lose at least $16 billion annually on exports to the European Union if it leaves without a deal and possibly billions more on trade beyond the bloc, UN economists said Tuesday.

In a fresh report, the UN Conference on Trade and Development (UNCTAD) found that "a loss of preferences in the EU market consequent to a no-deal Brexit will result in UK export losses of at least $16 billion" (14.6 billion euros), representing seven percent of its overall exports to the bloc.

The economists said "this is a conservative estimate," since it only takes into account the raising of tariffs from the current zero percent that Britain pays on exports within the EU.

"In reality, the losses would be much greater because of non-tariff measures, border controls and disruption of existing UK-EU production networks," they warned.
The UNCTAD economists said Britain's total merchandise exports last year stood at around $450 billion, and that its exports to other EU countries accounted for about half of that amount.

The report was released as British Prime Minister Boris Johnson lost his working majority in parliament ahead of a showdown with rebel MPs over fears he is steering the country towards a no-deal Brexit next month, which could lead to a snap election within weeks.

'Brexit crunch'

"The nearing Brexit deadline, along with increased uncertainty on outcomes, is problematic for UK exporters," UNCTAD said in a statement, urging London to quickly seek policy solutions to provide at least short-term relief to the "Brexit crunch".

The economists said that most of the British losses in the EU market would be concentrated in motor vehicles, which would take a $5-billion hit; meat and other animal products as well as the apparel and textile sector, which are both set to suffer losses of around $2 billion.

At the same time, the report cautioned that British exporters also stand to take a significant hit on trade beyond the EU.

Through its EU membership, Britain today is part of around 40 trade agreements offering members of the bloc preferential market access in about 70 countries.

"In the event of a no-deal Brexit, and in the absence of replacement agreements (rollover deals), the UK would abruptly lose preferential access to these markets and, by default, would have to export under World Trade Organization Most Favoured Nation (MFN) tariffs," the report said.

Most of Britain's exports beyond the EU go to countries that do not currently give preferential treatment to the bloc, including China and the United States.
But about 20 percent of the country's non-EU exports are at risk of facing higher tariffs from countries such as Turkey, South Africa, Canada and Mexico, UNCTAD said, estimating that this could cost the British economy nearly $2 billion in exports.

Source: ndtv.com- Sept 03, 2019

Japan's manufacturing sector remains stuck in a downturn

Key barometers of business health—output and new orders—declined in Japan's manufacturing sector, according to August survey data, compiled by IHS Markit, and released by Jibun Bank Japan. Sluggish demand continued as conditions in domestic and overseas markets remained challenging, while firms trimmed their purchases of inputs amid a subdued outlook.

Employment was the only positive indicator in August, with jobs growth continuing at a historically solid rate.

Meanwhile, the headline Jibun Bank Japan Manufacturing Purchasing Managers’ Index (PMI) – a composite single-figure indicator of manufacturing performance – was little-changed from July, recording 49.3 (49.4 previously). This was consistent with a contraction in the manufacturing economy and was among the strongest declines seen across the past three years.

Continuing the trend which has been apparent since the turn of the year, new business placed with Japanese manufacturers fell in August. The reduction gathered pace since July and was the fastest in five months. Slower demand was attributed to tougher conditions in both domestic and overseas markets.

Panellists also mentioned China as a particular source of weakness, with survey data showing reduced inflows of new export orders, Jibun Bank said. "Challenging conditions also led companies to reduce purchasing activity in August, although supplier delivery times continued to lengthen despite a diminished appetite for inputs."
Japanese manufacturers also looked to keep stock levels lean, with both pre- and post-production inventories being depleted during the latest survey period," the report added.

"Japanese goods producers continued to signal difficult conditions during August, reflecting the broader regional tone within the APAC manufacturing economy. The headline index was among the lowest seen across the past three years," Joe Hayes, economist at IHS Markit, said.

"Meanwhile, the escalation of tensions with Korea merely adds extra downside risk to an already fragile environment. August data showed a ninth straight month-on-month fall in export sales, while the domestic market was similarly weak.

As such, firms were wary towards the manufacturing sector outlook, cautious of the role the consumption tax hike will play, in addition to the drop-off of Olympic Games-related demand ahead of Tokyo 2020.

"With external and domestic headwinds aplenty, it is difficult to envisage any near-term improvements in Japan's manufacturing sector," Hayes added.

Source: fibre2fashion.com– Sept 04, 2019

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**Vietnam, Malaysia agree to take bilateral trade to $15 bn**

Vietnam and Malaysia last week agreed to promote import and export of their products, which include textiles and garments, petroleum products, chemicals and chemical products, machinery, equipment and parts, agricultural produce and palm oil, so that bilateral trade crosses $15 billion by 2020, according to a joint statement issued by both sides in Hanoi.

Vietnamese Prime Minister Nguyễn Xuân Phúc met Malaysian Prime Minister Mahathir Mohamad in Hanoi on August 27 during the latter’s visit to the country from August 26 to 28.

Both sides agreed that their investment agencies should enhance cooperation by organising investment promotion activities to help investors explore the investment opportunities in both countries.
Areas of high potential include textiles, oil and gas, information technology, smart manufacturing, artificial intelligence, Industry 4.0, wastewater treatment, logistics and smart agriculture.

Source: fibre2fashion.com- Sept 04, 2019

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**Suppliers being pressured for lower prices: Better Buying**

Suppliers in the lowest cost locations are being pressured for even lower prices, according to Better Buying Index Report 2019. Better Buying's first ever geographic analysis reveals struggles faced by suppliers around the world, with 38 per cent of Bangladesh suppliers reporting their buyers hold them to last year's prices, despite inflation and rising wages.

Better Buying's report, the third such report, is designed to empower sustainable business between buyers and suppliers within the apparel, footwear and household textile industries and to improve purchasing practices in supply chains globally. The most recent findings highlight the longstanding sourcing strategies used across geographical locations and the varied ways that suppliers are pressured.

The report shows that locations with the lowest production costs, such as South-East Asia and Bangladesh, experience the highest pressure from their customers to lower prices. Moreover, results demonstrate that the longer retailers / brands and suppliers are in a business relationship together, the more suppliers experience pressure on cost negotiations.

On the other hand, geographical locations with reputations for concerning workplace conditions are incentivised for compliant production (63 per cent in Bangladesh), while locations such as the United States are hardly given any incentives for being compliant with buyer codes of conduct (19 per cent).

"Better Buying believes that retailers / brands and their suppliers need to come together in new, truly strategic partnerships that draw on each partner’s core competencies and strengths to create supply chains designed to meet volatile market demands. These supply chains will also need to contribute positively to the environment and people making our products," the global initiative said.
“These practices and their associated challenges are the result of decades of cooperative business relationships between buyers and their suppliers. Nevertheless, it needs to change toward more balanced relationships with all suppliers. Better Buying supports retailers / brands and their suppliers in making this transition, bringing insights from both parties into strategising for improvements. By providing expanded transparency between supply chain partners and facilitating dynamic, solutions-oriented feedback, we change processes that deliver meaningful social, environmental, and business impacts,” said Marsha Dickson, president and co-founder, Better Buying.

The Better Buying Purchasing Practices Index includes 802 verified ratings from 715 suppliers across 52 countries, and measures the performance of 71 retailers and brands. This is a sharp increase from the last index in 2018, which saw participation from 319 suppliers across 38 countries and included 67 retailers and brands. Buyer performance is measured against seven key categories of purchasing practices: planning and forecasting, design and development, cost and cost negotiation, sourcing and order placement, payment and terms, management of the purchasing process, and win-win sustainable partnership.

Source: fibre2fashion.com- Sept 04, 2019

Indonesia to invest in US cotton with trade mission

Indonesia will invest in US cotton after being a part of the 2019 Cotton USA special trade mission. Eighteen cotton buyers from Indonesian textile mills and two leaders of the Indonesian textile association attended the mission. The group visited six stops in the cotton belt to learn about the seven segments of the US cotton industry and met cotton leaders.

The mission educated the group on the many advantages of US cotton and developed business relationships between the foreign trade and US cotton industry to help increase business opportunities. After the event, the participants said they expect to purchase an addition 194,000 bales of US cotton in the next year because of their participation, according to Cotton USA.
The mission began in New York where the group met with ICE Futures, followed by a stop in Raleigh, where it visited Cotton Incorporated and toured their research labs. Afterwards, the group travelled west, stopping in Memphis to visit a USDA classing office and to meet with the National Cotton Council (NCC) and representatives of the local growing region. Later, the mission travelled to South Texas, visiting a farm and gin and seeing some of the first cotton being harvested in the US. The group then travelled to Lubbock and finished its tour in California where it met with representatives of the local growing regions as well as Supima.

Source: fibre2fashion.com- Sept 03, 2019

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**Vietnam hopes for higher exports to the EU post FTA**

The free trade agreement with Europe is expected to help Vietnam increase its apparel exports. By signing a FTA deal with the European Union, Vietnam has become the first developing country in Asia to receive tariff reductions on 99 per cent goods from the 28-member bloc. Almost 11 per cent of Vietnamese apparel exports to the EU will get complete duty waiver at the time of enforcement of this agreement.

The European Union is Vietnam’s second largest export market after the United States, with the main exports being garment and footwear products.

Vietnam is the sixth largest readymade garment exporting nation to EU, having four per cent of the total market. After the ratification of the agreement, Vietnam won’t have to pay the 12 per cent duty anymore on garment exports to the EU.

However, Vietnam’s exporters have to comply with regulations if they have to increase their market share in the EU – and that includes meeting rules of origin as well as focusing on environmental safety and information transparency related to labor and the production environment. For the first six months of 2019, Vietnam’s textile and apparel industry grew by 8.6 per cent.

Source: fashionatingworld.com- Sept 03, 2019
Pakistan: Cotton production recorded at 1.35 million bales

Pakistan produced 1.35 million of cotton bales till September 1, 2019 with production from the Punjab having sharply declined due to rains and water influx from India.

No data of cotton arrivals was collected by this time last year. Of total, 375,813 bales arrived from the Punjab and 979,897 bales from Sindh, according to the first fortnightly report released by the Pakistan Cotton Ginners Association (PCGA) on Tuesday.

Highest arrivals were recorded from Sanghar (659,332 bales), followed by Mirpurkhas (98,454 bales) and Hyderabad (96,309 bales). Naseem Usman, chairman of Karachi Cotton Brokers Association said rain affected the quality of cotton crop in the Punjab, “but no reports of pest attack were received”. “However, some crop was affected in the riverbed in the Punjab due to release of water in Sutlej River by India,” he added. “Around 0.6 to 0.7 million bales are grown in the Punjab’s riverbed.”

Usman said the private sector was expecting 12 million to 12.5 million bales during the current season. Cotton is usually sown from April to June and harvested from August to December. “But, the estimate didn’t factor in rain effects.”

The federal committee on agriculture fixed cotton production target at 15 million bales for the ongoing season, which appears ambitious considering the last year’s output of 12 million bales, below the target of 14.37 million bales. The association’s report showed that 1.15 million bales were sold to textile mills and 24,302 bales to exporters. Around 290 factories have started operations.

Usman said trade activity in the local market remains disturbed due to rain in the cotton growing areas of Sindh. Extreme heat and rains have affected cotton crop in Umerkot and Sanghar districts. Rain has also affected the crop in Mirpurkhas and Hyderabad districts as well. Besides, buyers and ginners suspended purchase of cotton due to rain in these areas.

Rain results in developing pest in cotton crop, which affects its production. The effect would be more visible in the coming days as rain is forecast to continue.
Punjab’s cotton was receiving better rates in the market of around Rs8,300 per maund (37.324 kg) while lint in Sindh was fetching around Rs3,800 per maund. The cotton trader said September usually becomes a dangerous month for the growers because of monsoon. “Even if there is a little rain, it is enough to develop pest in the crop.”

Usman said cotton trade has also been affected as the Federal Board of Revenue imposed 10 percent sales tax on cotton that would be collected at the ginner level while withholding tax was increased to 4.5 percent from one percent.

Mehmood Ahmed, chairman of PCGA informed the FBR Chairman Shabbar Zaidi and other high-ups of the issues, “but no official announcement has been issued in favour of the industry”.

The Federal Committee on Agriculture hoped that sufficient water availability in reservoirs and fertiliser would lead to bumper crop this year. The committee fixed cotton production target from an area of 2.895 million hectares in summer 2019/20. “For the year 2019/20, the water availability in canals head will remain 108.67MAF (million acres feet) as against last year which was 88.04 MAF,” the food ministry said a statement following the committee’s meeting.

Source: thenews.com.pk- Sept 04, 2019
NATIONAL NEWS

Spinning sector needs urgent policy support: TEXPROCIL

Stating that declining exports of cotton textiles, particularly yarn and fabric, is a matter of deep concern, The Cotton Textiles Export Promotion Council (Texprocil) has said that spinning and weaving sectors need urgent policy support. Extension of ROSCTL to cotton yarn and fabric, and 3 per cent Interest Equalisation to cotton yarn would be helpful.

Cotton textile exports continued their downward spiral declining by 24.5 per cent during April-July 2019. The provisional data for the first three weeks of August 2019 also shows that the 25 per cent decline in exports is continuing month on month basis.

"A commodity-wise analysis of the data shows that while garment and made-up exports have shown a positive growth, exports of cotton yarn / fabrics are showing a declining trend. A sharp and precipitous decline especially of cotton yarn during the last four months by about 35 per cent has led to a crisis situation in the spinning industry," Texprocil chairman Dr. KV Srinivasan said in a statement.

In fact, the monthly exports of cotton yarn are at a 5-year low of 59-60 million kg. Exports to major markets like China have declined by 50 per cent, while that to Bangladesh and South Korea have dropped by 38 per cent and 45 per cent, respectively.

"Garments and made-ups exports are recording positive growth mainly on account of the extension of the ROSCTL which rebates all types of Central and state taxes. This measure has not only ensured that taxes are not exported by the garment and made-up sector but also enabled them to regain competitiveness," Srinivasan said.

He appealed to the government to also cover the exports of cotton yarn and fabrics in the ROSCTL schemes and refund the Central and state taxes. "These taxes are in the range of 6-7 per cent of the value and will go a long way in mitigating the serious situation in the spinning and weaving sector," he added.
Many of the competing countries are gaining access in various export markets like China, South Korea, and Turkey mainly on account of the preferential access given to them by the importing countries leading to further erosion of India’s market share. While Vietnam’s cotton yarn exports to China increased by 17 per cent during April-July 2019, India’s share declined by 16 per cent during the same period.

In view of the sharp decline in exports, the spinning and weaving sector is in a very critical situation as many production units are shutting down and are in need of urgent policy support, Srinivasan said and requested the Government to also extend the 3 per cent Interest Equalisation scheme to cotton yarn. "These measures will help the cotton yarn sector and the spinning industry at large to minimise their losses and regain their competitiveness."

Source: fibre2fashion.com - Sept 02, 2019

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**Single-brand retail: Relaxing FDI norms is fine, but the shackles remain**

*The Centre should stop micromanaging the retail sector through curbs on legitimate competitive practices*

The government’s proposed norms to relax conditions for foreign direct investment in single-brand retail, though coming a bit late in the day, are nevertheless welcome reforms. Of particular importance is the Centre’s plan to relax the mandatory 30 per cent local sourcing norm, cited as one of the major stumbling blocks for the likes of Apple to enter India’s retail market. Against the present system of considering local sourcing targets on a year-on-year basis, the new rules call for calculating the 30 per cent as a five-year average to begin with.

After the first five years, the local norm is meant to apply on an annual basis. This change will provide foreign retailers some transition time, allowing them to adjust to local conditions and make financial adjustments. Single-brand retailers were mandated to source 30 per cent locally every year if their FDI crossed 51 per cent, even though 100 per cent FDI is allowed in the sector.
The new norms also say that a foreign retailer’s export purchases from India would also be counted towards the mandatory 30 per cent. Companies can source goods from India for global use directly or via group entities in India or abroad, or indirectly through a third party. The rudderless sector will get a boost now, since the window for local outsourcing has opened up a bit.

If the proposed norms are operationalised, most single-brand retail companies can start online retailing before setting up a physical store in the country, something that was not allowed earlier. While it may still be difficult for players like Apple to set up shop in India (its contract manufacturer, Foxconn, sources very little from here), several other players, like furniture-maker Ikea and cellphone brands, could benefit from the new norms and start online stores.

Ikea, which has established its presence here, has said it would increase sourcing from India. The new norms could help bring more FDI into the sector and boost local manufacturing as well as exports. India’s integration with global value chains will improve, benefiting MSMEs that have struggled for market access.

However, reforms in single-brand retail are still an unfinished affair. The Centre should stop micromanaging the retail sector through curbs on legitimate competitive practices.

It should review its restrictions on marketing practices in e-commerce — marketplace entities won’t be able to buy more than 25 per cent from a single vendor or sell the goods of the companies in which the marketplace entity holds a stake — which target so-called foreign e-tailers, at a time when distinctions between foreign and domestic companies have become increasingly hard to make.

After all, the opening up of the retail space so far has not driven kirana stores to the wall, as was predicted by sceptics. To set terms for foreign investors is all very well, but not at the expense of throttling innovation.

Source: thehindubusinessline.com – Sept 03, 2019
Alarm at falling cotton price

Traders apprehensive of compulsion to buy at MSP

The sharp fall in price of cotton bale in the national market and the declining exports of cotton yarn is an ominous sign for the huge cotton trade and the processing industry in erstwhile undivided Adilabad district.

The trend is expected to have a direct and negative impact on the price of raw cotton when the market opens for trading around Dasara festival and going by past experience, it will result in discontent among farmers, at least for a few days after commencement of trading.

The sensitivity of the matter can be gauged from the fact that nearly 3.5 lakh cotton farmers contribute their produce to make undivided Adilabad a top trading centre in the country. The cumulative production capacity in erstwhile Adilabad is between 16 lakh and 18 lakh bales and the turnover is about ₹ 5,000 crore during the six month season starting October.

CCI may go slow

The anticipated downward trend of open market rate will force the Cotton Corporation of India to launch its minimum support price operations right from the start of the trading season. “The CCI, however, is expected to be slow in its operations as it is already saddled with about 8 lakh bales from last season, thanks to the dipping price,” an industry source pointed out.

“Trading is likely to be affected by the usual high moisture content issue at the start of this season too according to indications.

The administrations in all four districts should start creating awareness among farmers to bring dry cotton to the markets in order to avoid the produce being denied its proper price as,” cautioned B. Goverdhan Reddy, a farmer leader from Telangana Rashtra Samithi party.

The government has increased the minimum support price of long staple cotton from ₹ 5,450 per quintal last year to ₹ 5,500 per quintal which may be a welcome development for farmers but traders and industrialists say it can spell doom for them.
Current downtrend

“The production cost of one candy of cotton bale (candy=2 bales of 178 kg each) comes up to ₹ 47,500 while its price in December is ₹40,500,” Rajiv Mittal, a cotton trader and processor compared the costs to drive home the point that traders will lose heavily if they purchase cotton at MSP given the current downtrend.

“To benefit farmers, the governments can give them bonus money as direct benefit transfer instead of insisting on private traders or the CCI go by MSP,” a trader suggested.

Source: thehindu.com – Sept 03, 2019

'Big' free trade agreement coming soon with India, says Boris Johnson

Boris Johnson met PM Narendra Modi on the sidelines of G7 summit in Biarritz, France, last month

British Prime Minister Boris Johnson on Tuesday said that a "big" free trade agreement (FTA) was among the key issues he discussed with Prime Minister Narendra Modi during their meeting on the sidelines of the G7 summit in Biarritz, France, last month.

In response to a question on India-UK relations raised by Indian-origin Conservative Party MP Shailesh Vara in the House of Commons on the summit outcomes at the end of parliamentary summer recess, Johnson said he had an extremely good conversation with Prime Minister Modi.

"We agreed to strengthen our cooperation, not just on the security side where clearly the UK and India stand shoulder to shoulder in the fight against terror but also in military cooperation in the Asia-Pacific region where we share many interests," Johnson said.

"This (the discussions) also included on free trade, in doing a big free trade agreement with India, he said.
Apparel major Arvind Fashions looks for a more diversified portfolio

Having established itself as a marquee player in the men's wear category, branded apparel and retailing major Arvind Fashions is looking for a more diversified portfolio.

From a 80:20 ratio in its men's wear versus other segments portfolio three years ago, the newly demerged entity has already seen this shift to 65:35, on the back of 40-50 per cent growth in its children's wear and innerwear business. Its women's wear category has also seen decent growth.

Now, backed by strong brands like US Polo, Calvin Klein, Tommy Hilfiger and GAP, it is expecting the product portfolio to shift to 50:50 between men's wear and other segments, says J Suresh, managing director and chief executive.

Among the other segments, the Arvind Group firm is banking on strong growth in children's wear and inner wear, on the back of growing online sales and distribution expansion.

In innerwear, for instance, compared to market leaders with 60,000 channels, Arvind Fashions is currently at 12,000.

“We have a very strong brand in US Polo Association, which we are leveraging to grow even inner wear and kids’ wear. If we take inner wear, then we have very strong brands there like Calvin Klein and US Polo; in kids’ wear, brands like GAP, US Polo and Tommy Hilfiger.

Nobody can match us with this portfolio of brands in these categories. Strength of the brand and promotion strategies, along with distribution expansion across channels, is helping these categories grow,” says Suresh.

It foresees at least a fivefold potential rise in distribution. In children’s wear, it says it is becoming a dominant player in department stores or multi-branded stores, with around 2,000 such.
India and Iran can conclude a preferential trade agreement (PTA) by this year end as very limited formalities are to be completed, ambassador of Iran to India Ali Chegeni said recently. He, however, said the proposed Bilateral Investment Protection Agreement (BIPA) will take a little longer as details on this front need some more approvals and endorsement.

On the Double Taxation Avoidance Agreement (DTAA), Chegeni pointed out that this agreement has the approval of Indian Government whereas approval of Iranian side on this front is awaited.

The ambassador was addressing an interactive session on business opportunities in Iran under aegis of the PHD Chamber of Commerce and Industry (PHDCCI) in New Delhi.

In the last few years, over 26 memoranda of understanding (MoUs) have been signed between India and Iran to promote trade and economic ties, a PHDCCI press release quoted him as saying.

The bilateral trade between the two during fiscal 2017-18 reached $17.5 billion, which might go up to $35 billion in the next few years before hitting $ 50 billion with progressive and conclusive trade talks and agreements between both sides at the highest level, he added.

Barter trade between both sides should also be encouraged under a different trade mechanism, at least to promote and intensify trade ties on commodities in agriculture and pharmaceuticals, he proposed.
Textiles Secy promises to resolve Tirupur knitwear issues

Tirupur Exporters’ Association (TEA) on Tuesday claimed that the Union Textiles Secretary has promised to address various issues being faced by knitwear industry and help for the growth of Tirupur knitwear export units.

The assurance came after a meeting with Secretary Ravi Kapoor in Delhi on Monday to discuss the implementation modalities, course design, scope and breadth of the upskilling component under Samarth Scheme and focus on improving the overall productivity following best practices, TEA president, Raja M Shanmugham said in a statement here.

After discussions, TEA appealed for reimbursement of various schemes, including rebate on state levies, amended technology upgradation funds and pending claims and subsidies to meet the financial requirements of exporting units, he said.

TEA also sought removal of exporting units from risky exporters category and help them continue to receive drawback and IGST claims. Kapoor promised to take up and address the issues, he said.

Source: covaipost.com - Sept 03, 2019

Putting the skids under border trade

In February 2019, in the wake of the Pulwama attack, India decided to withdraw the Most Favoured Nation (MFN) status to Pakistan; subsequently, it imposed 200% customs duty on all Pakistani goods coming into India. After the Balakot airstrikes, again in February, India and Pakistan closed their airspace, with Pakistan keeping the ban in place for nearly five months.

In April, India suspended trade across the Line of Control in Jammu and Kashmir citing misuse of the trade route by Pakistan-based elements. And more recently, post the Jammu and Kashmir Reorganisation Bill, Pakistan cut off diplomatic and economic ties with India — expelling the Indian envoy, partially shutting airspace and suspending bilateral trade.
Plunging trade

Escalating tensions between the two neighbours naturally led to the announcement of retaliatory unilateral decisions, one after the other. Like in the past, the impact has trickled down to trade relations between both the countries; this time it is much more severe.

In 2018-19, bilateral trade between India and Pakistan was valued at $2.5 billion — India’s exports to Pakistan accounted for $2.06 billion and India’s imports from Pakistan were at $495 million. India’s decision vis-à-vis withdrawal of MFN status and imposition of 200% duty has hurt Pakistan’s exports to India, falling from an average of $45 million per month in 2018 to $2.5 million per month in the last four months.

Western border trade

The quantum of loss that has been incurred by traders in both India and Pakistan has varied according to the nature of trade and the trade route. For example, through the Wagah-Attari land route, bilateral trade was heavily in favour of Pakistan; in the last two years, India’s imports from Pakistan accounted for 82% of the total trade through the land route. After February, most of this business has been badly affected with only a handful of items including rock salt, continuing to be imported.

Unlike national economies, border economies owe their existence to cross-border economic opportunities. These economies generally experience a sudden boom-bust cycle on account of political changes, trade bans, price and exchange rate and tax fluctuations. As seen elsewhere in South Asia such as via the inception of India-Bangladesh border haats, the costs and benefits are mutual to the border economies on both sides; much more in cases such as Amritsar where major economic activity is largely dependent on border trade with Pakistan.

Amritsar is land-locked, is not a metropolis and traditionally has no significant industry. Hence, any decision on India-Pakistan trade has a direct impact on the local economy and the people of Amritsar. Since February, according to estimates on ground, 5,000 families have been directly affected in Amritsar because of breadwinner dependence on bilateral trade.
Traders and their staff members, customs house agents (CHAs), freight forwarders, labour force, truck operators, dhaba owners, fuel stations, and other service providers are closing shop and going out of business. Of the nearly ₹25-30 crore that was being added to the local economy of Amritsar every month, the estimate now is that three-quarters has been lost in the last six months.

Many a time, upsetting the trade apple cart can have more repercussions than intended. For example, gypsum, imported from Pakistan, was being used in India as well as in Nepal for the cement plants there. To avoid empty backhauling on the return journey, trucks carrying these consignments brought back specific products such as yarn from mills in Uttar Pradesh to Punjab. In the absence of gypsum trade, the freight rate of trucks from Uttar Pradesh to Punjab, as per the ground reports, has increased from ₹3 to ₹7 per kg, with a single trip absorbing the cost of the entire journey. Earlier, prices of tradeable goods which were kept under check owing to the balancing out mechanisms of international trade, are experiencing fluctuations now because of the trade disruptions.

Pakistan takes a hit too

There is gloom on the Pakistani side too. With Pakistan deciding to completely suspend bilateral trade, exports of cotton from India to Pakistan are expected to be affected the most, eventually hurting Pakistan’s textiles; the lawn industry which will now have to source pricier cotton from alternative markets in the United States, Australia, Egypt or Central Asia; or there is a high possibility that Indian cotton, along with other products, will be routed through third countries such as the United Arab Emirates and Singapore, thereby increasing the share of indirect trade which is estimated to be more than double the direct trade between India and Pakistan.

Hence, while the overall economies of the two countries may very well manage to stay afloat despite the suspension of economic ties, it is the local economies that will suffer the most and are already perishing. In this connection, there has been a loss in business, rise in prices, lack of alternative sources of livelihood, as well as an expected increase in bank defaults. There are also individual cases, for example a CHA in Amritsar, who has no means to pay the equated monthly instalment for his home loan, highlighting the hardship of locals dependent on border economies.
In the spirit of nationalism, the trade fraternity on both sides, by and large, has stood by their respective governments. But locals in border economies on both sides have mouths to feed, which calls for a solution. What are the alternative sources of livelihood that can be generated to keep border economies afloat? Is there a sword hanging over the future of other bilateral arrangements such as the transit of goods from Afghanistan through Pakistan into India?

While it’s about damage containment for now, one can only hope that the appetite for trade engagement still remains.

Source: thehindu.com- Sept 04, 2019

MODI, PUTIN TO SIGN 25 PACTS AT UPCOMING INDIA-RUSSIA ANNUAL SUMMIT

Prime Minister Narendra Modi will be attending the 5th Eastern Economic Forum in Vladivostok, Russia, as the chief guest between September 4-6. He will also hold the 20th India-Russia annual summit with Russian President Vladimir Putin. While expanding existing civil nuclear cooperation will be a key focus area during the visit, the buzz is that a new impetus will be given to military-technical cooperation and increasing annual bilateral trade to $30 billion by 2025.

Both sides will sign as many as 25 pacts across sectors such as defence, trade, investments, industrial cooperation, energy and connectivity corridors at the summit, The Economic Times reported. The proposed agreements will also cover education and culture which would increase the intake of Indian students in top Russian educational institutes.

Delhi and Moscow may also conclude a pact that will employ Indians at projects in the resource-rich Far East. The fact that the summit is being organised in Vladivostok, the hub of Far East Russia, is being viewed as testimony to the region’s importance for both countries as part of their respective Indo-Pacific and Asia-Pacific strategies. Before the summit, the two leaders will reportedly visit Zvezda shipbuilding complex - the ships built there in future may be used to deliver Russian oil and LNG to India.
"We expect that this highly anticipated meeting between President Putin and Prime Minister Modi will take the special and privileged partnership between the two countries to new heights," Russian Ambassador Nikolay Kudashev said recently, adding that Russia is eager to successfully implement huge infrastructure projects such as Vladivostok-Chennai sea route transport corridor, Northern sea route as well as other initiatives.

On Wednesday, Russian President Vladimir Putin will host Modi for a one-on-one dinner during which the two leaders will explore steps to effectively coordinate on global issues. The two leaders enjoy strong personal rapport. At the Shanghai Cooperation Organisation Summit in June, Putin recognised Modi’s contribution in strengthening bilateral relations. He said that Russia awarded its highest state honour 'Order of St Andrew the Apostle' to Modi for his initiatives in developing the bilateral relationship. In April 2018, when Modi visited Sochi for the informal summit, Putin, in a rare gesture, accompanied the PM to the airport before his departure.

Source: businesstoday.in- Sept 04, 2019

‘Festivals will spur fashion sales’

Segment slowed as mall space doubled though consumption did not: Lifestyle

The impact of the slowdown has not been felt in the fashion segment, according to Vasanth Kumar, MD, Lifestyle International Pvt. Ltd.

He was confident that sales will be back on track, from the slight slowdown the segment has been experiencing currently, during the festive season.

Mr. Kumar said the slippage in growth rate — from double digit to single digit over the last two years — was mainly due to the expansion of mall space over the last four years.

“While mall space has doubled, consumption has not,” he said, indicating the intensity of competition among retailers.
Growth had also been hit due to the failure of some malls to come up within projected timelines, he said. Lifestyle International offers international brands as well as private labels in many categories, including apparel, footwear, handbags, fashion accessories and beauty.

The company, which began its India operations through a standalone store in Chennai 20 years ago, now has 78 outlets. It is present in 44 cities and is also an omni-channel player, allowing customers to use both online e-stores and physical stores simultaneously to make a purchase.

“This is to provide seamless shopping,” Mr. Kumar said, adding that pure online commerce comprises 10% of sales with the rest coming from physical stores. “Fashion consumption” is mainly through this format, according to Mr. Kumar.

The Landmark Group’s retail presence in India is through three other verticals — Home Centre for furniture and home décor fabrics, Max for value apparel (priced at an average of ₹600) and EasyBuy with prices averaging at ₹250.

Mr. Kumar said operations remain profitable. He said it takes about ₹20 crore (capital expenditure and working capital) to set up a Lifestyle Store. Product sourcing was from India, he added.

Source: thehindu.com- Sept 04, 2019