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IBTEX No. 194 of 2019 — October 04, 2019

US 70.91 | EUR 77.82 | GBP 87.52| JPY 0.66

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19904	41600	**74.73**

Domestic Futures Price (Ex. Warehouse Rajkot), October

Rs./Bale	Rs./Candy	USD Cent/lb
19830	41445	**74.45**

International Futures Price

NY ICE USD Cents/lb (December 2019)	61.60
ZCE Cotton: Yuan/MT (January 2020)	12,085
ZCE Cotton: USD Cents/lb	76.68
Cotlook A Index – Physical	**71.95**

Cotton Guide: The US Export sales figures were released last evening. These figures helped to increase the volumes but could not considerably drive the market up. The ICE futures were up again by around quarter cents.

Let’s have a look at what these figures are:

Upland Net Sales –

The Net sales summed up at 177,800 Running Bales (RB) for 2019/2020. The figures were seen to be have shown an increase by 15 percent from the previous week and around 50 percent from the monthly mean.

Country	Increases in Running Bales
Pakistan	**62,900**
Vietnam	24,000
Indonesia	21,500
Turkey	18,200
Bangladesh	11,200

Table 1: Net Sales of 177,800 RB for 2019/2020

Reductions were noted for El Salvador 600 Running Bales.

For the marketing year 2020/2021, net sales of 7,500 Running Bales were reported for:

Country	Increases in Running Bales
Bangladesh	6,600
Indonesia	900

Table 2: Net Sales of 7,500 Running Bales for 2020/2021

Upland Shipments –

Exports of 154,700 Running Bales were seen declined by 12 percent from the previous week and 16 percent from the monthly average.

Country	Shipments in Running Bales
Vietnam	38,700
Mexico	21,800
Bangladesh	18,200
Turkey	11,600
China	**10,700**

Table 3: Upland Shipments

On the other hand, while speaking about US Pima Sales, the amount totalled to 3,800 Running Bales with a decline by around 63 percent from the figures released during the previous week and 51 percent from the mean of the previous month's figures.

Country	Increases in Running Bales
El Salvador	1,600
India	700
Pakistan	400
Bangladesh	400
Thailand	300

Table 4: Pima Sales

While speaking about US Pima Shipments the Exports were at 12,500 Running Bales.

The total volumes at the ICE Futures were seen at 40,394 contracts. The ICE futures showed some volatility post 6 pm. The most active ICE December contract emanated a high figure of 62.91 cents per pound and a low figure of 61.15 cents per pound, and settled at 61.60 cents per pound. While writing this report at 10 am the price of ICE December future is at 62.04 cents per pound, that means we can see a breach of that 60's threshold.

Country	Increases in Running Bales
China	4,400
India	3,100
Bangladesh	1,700
Ethiopia	1,300
Table 5: Pima Shipments	

The other reason why the ICE December futures has beaten the odds and settled higher is the announcement by US President Donald Trump that a Chinese delegation will visit the United States to continue the trade talks next week. This has brought forth a fresh wave of positivity.

The MCX contracts followed the direction of ICE and were seen up by considerable figures. The MCX October contract settled at 19,830 Rs per Bale with a change of +260 Rs. The MCX November contract settled at 19,130 Rs per Bale with a change of +110 Rs whereas the MCX December contract settled at 18,980 Rs per Bale with a change of +40 Rs. The Total lots were seen at a decent figure of 1,322 lots.

There is news of CCI initiating its purchases directly from farmers thus bypassing the arhtiyas. The arhtiyas demand a commission of 2.5%. According to our sources, CCI has deputed its employees at around 40 ginning factories in Punjab to start procurement.

The Cotlook Index A has been adjusted at 71.95 cents per pound with a change of +25 points. The prices of Shankar 6 are unchanged at 41,600 Rs per Candy.

On the fundamental front, we are still of the view that the prices are up with certain factors which are short term. Long term factors are still bearish. However, now the monthly World Agriculture Demand and Supply Report WASDE Report will shed more clarity on the 10th of October.

On the technical front, ICE Cotton Dec future witnessed rise towards the higher end of the trading range of 59.60-61.79 after reversing from the crucial support zone at 59.60. In the daily chart price is trading in an upward sloping channel after its breakout from the downward sloping channel (green area) in the previous month which support its reversal in trend. At present Dec future is trading above the short term daily EMA of (5&9) with support near 61.40. On the upside immediate resistance exists at 63. So for the day price is expected to move in the range of 61.20-63 with sideways bias. Only close above 63, would open the upside range towards 63.65/63.80 levels. In the domestic market MCX Oct future is expected to trade in the range of 19600-20050 with a sideways bias.

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

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INTERNATIONAL NEWS

The challenge of slowing world trade

World trade is slowing, drastically. This, by itself, does not warrant export pessimism in India.

Concerted effort by industry and the government can still accelerate India's exports from their current emaciated pace, by raising our share of the global export market.

In April, WTO thought 2019 would end with global merchandise movement growing 2.6%; on October 1, this number has been slashed to 1.2%. In that time, of course, tensions between the US and China, the world's largest economies, have got worse: what began as posturing from Washington DC, is now a full-blown trade war. America's trade deficit remains high and the latest numbers show employment slacking off and manufacturing shrinking.

The US has restricted oil supplies from Iran, imposing sanctions on any entity that transacts business with Iran. In tandem with Opec's production cuts to keep oil prices from crashing and assorted tensions in the Middle East, including the attack on Saudi Arabia's oil infrastructure blamed on Iran, oil prices are volatile.

Central bank efforts in the US, the EU and Japan to counter the slowdown in their economies have further lowered interest rates in these economies and pushed capital out in search of higher returns, making cross-border capital flows an evergrowing factor in determining the value of developing country currencies. The rupee is stronger in real terms than what would help Indian exports get a price advantage.

Boosting exports in a world of slowing world demand, volatile energy prices and upward pressure on the rupee from capital inflows calls for dexterous macroeconomic management and strengthening of Indian industry's competitiveness, damaged by rising protection, among other things. This is where policy gets tested.

Source: economictimes.com - Oct 03, 2019

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Duty free Bangladesh garments flood India

The Indian apparel industry is worried about duty-free imports of readymade garments from Bangladesh. Bangladesh can export more than 60 products including garments to India, without any duty, under the South Asian Free Trade Area (SAFTA) agreement.

These exports have grown 480 per cent in the last five fiscal years. Textile goods produced and sold in India are subject to GST. However, the same products from Bangladesh reach India without any duty and so there is a ten per cent to 15 per cent cost difference between the products.

Many big Indian apparel industry players have set up manufacturing units in Bangladesh and they are also involved in exports to countries that include India.

China, though, poses the biggest threat. China uses Bangladesh's trade advantages to sell its fiber as well as machines. Chinese textile companies provide the fiber and fabrics to units in Bangladesh and get them exported as finished goods to India.

Bangladesh's share in the international readymade garment market is second only to China's. Bangladesh enjoys various trade advantages as it is one of the least developed countries.

Also, it has the advantage of cheap labor and all these factors have put Bangladesh in second place in readymade garment exports.

Source: fashionatingworld.com - Oct 03, 2019

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China's apparel sector weaves rags-to-riches growth story

Although he is the chairman of one of China's most well-known apparel brands, 52-year-old Zhang Jiangping still remembers and relishes the joy of having new clothes in the 1970s.

In the early years of New China, people would struggle to afford enough clothing for warmth. Chinese children born during that period craved the Spring Festival partly because it was one of the rare occasions to get a new set of clothing.

Urban residents spent about 33.1 yuan (about 4.65 U.S. dollars) on clothing on average in 1956, only enough to buy about 38 feet of cotton cloth, less than one foot of woolen and satin cloth and one pair of shoes. Farmers' average spending on clothing only stood at 7.8 yuan in 1954, data from the National Bureau of Statistics (NBS) showed.
Patches were a common on clothes, while colors were rare. "Almost all clothes were in gray, blue and green," Zhang recalled. "We could only buy cloth with ration coupons."

Supply of clothing was boosted after China kicked off reform and opening-up in 1978, so was the taste for fashion. Overseas garment styles and fabric such as jeans were followed by avid Chinese fans.

Zhang began his apparel career by becoming an apprentice at a garment factory in 1984. At the call of the market economy, Zhang later left the factory to dig gold in the fast growing apparel market.

Starting from selling popular clothes at roadside, Zhang's business kept growing bigger amid surging demand for clothes of various patterns and fabric. Inspired by an overseas business trip in 1995, Zhang and his associates registered the brand "PEACEBIRD" to tap the country's emerging casual wear sector.

China's apparel market soared after 1978, becoming one of the world's largest garment producers and exporters. Urban residents spent about 1,808 yuan on average in 2018, surging 53.6 times compared with 1956, while that in rural areas reached 648 yuan, up 82 times over 1954, NBS data showed.

Powered by the country's continuous garment consumption upgrading, Zhang's company has risen to a fast-growing household Chinese apparel brand with more than 4,000 stores across the country and billions in annual revenue.

Besides rising purchase power, Chinese consumers are showing growing appreciation of domestic brands, which now boast innovative designs and creative storytelling of Chinese culture, tradition and history.

Three-quarters of Chinese consumers reported preferring or somewhat preferring local brands of apparel and footwear over foreign brands, a survey from McKinsey & Company showed.

Zhang attributed the preference shift to Chinese people's increasing self-confidence over the country's economic rise and profound history and culture. "Young Chinese are confident and open-minded."

After following suit for decades, Chinese garment brands such as Li-Ning are seeking spotlight on the global fashion stage.

PEACEBIRD made its first high-profile international appearance by attending the New York Fashion Week along with other Chinese peers in 2018. This year, the company attended the event and the Paris Fashion Week within just one month to break cultural boundaries and integrate the latest youth fashion trends to showcase "Chinese Design."

"China does not see its future in the lowest-margin parts of the value chain, acting as the factory to the world. It is moving up the ladder to more valuable production and broadening its focus beyond exporting finished goods to advanced economies," McKinsey & Company and the Business of Fashion magazine said in a joint report.

"I have confidence about that," Zhang said. "Someday our label will not be 'Made in China,' but 'Designed in China.' "

Source: xinhuanet.com- Oct 03, 2019

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Bangladesh: Exports to India remain dismal

Despite sharing a long border, Bangladesh is still a very tiny source for merchandise for India due to a lack of diversification of products and non-tariff barriers.

India's annual merchandise import amounts to $500 billion, in which Bangladesh's share is only 0.2 percent, or a little above $1 billion, even though duty-free facilities have existed since 2011 for all local products save for 25 alcoholic and beverage items.

In fiscal 2018-19, Bangladesh's merchandise shipments to India were $1.24 billion, crossing the $1 billion-mark for the first time, according to data from the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

Garment items dominate Bangladesh's exports to India as its demand among the growing middle-income customers is high. Bangladesh also exports home textile, processed food, cement, furniture, leather and leather goods, but the volume is very small.

Country-wise, India's topmost import destination is China, constituting nearly 14 percent of its imports. India imports machinery, industrial raw materials, textile fabrics and food items from China.

The other top import destinations are the US, the UAE, Switzerland, Saudi Arabia, Iraq, South Korea, Hong Kong, Singapore and Indonesia, according to the Directorate General of Foreign Trade (DGFT) of India.

Region-wise, Asia accounts for the highest imports of more than 60 percent while Europe constitutes a little above 16.36 percent.

India's main import items are crude, gold, petroleum products, coal, pearl, precious metals, telecom instruments and organic chemicals.

However, Bangladesh does not have those products. Still, exports from Bangladesh are growing mainly for the duty-free facility for garment shipments.

Bangladesh's garment export to India is on the rise thanks to the presence of global retail giants like H&M, Zara, Mango, Wal-Mart in the neighbouring country. All the retailers source from Bangladesh heavily.

However, Abdul Matlub Ahmad, president of the India Bangladesh Chamber of Commerce and Industry, said some 40 Indian companies have their operations in Bangladesh and they send back the goods produced here to India, especially to the Northeastern states.

"This is one of the major reasons for the high exports to India from Bangladesh," Ahmad said.

The non-tariff barriers (NTB) and anti-dumping duties on jute have had a detrimental impact on Bangladesh's export to India, said Mustafizur Rahman, distinguished fellow of the Centre for Policy Dialogue.

A lack of adequate trade facilitation is the most important NTB for operators on both sides, Rahman said.

Imports from India are mostly raw materials for Bangladesh's export-oriented sectors, particularly the apparel industry.

Notably, 87 percent of Bangladesh's exports to the US are garment items, which are, in part, made of cotton, yarn and fabrics imported from India, according to Rahman.

Thanks to this, Bangladesh has a significant trade surplus with the US: $6.1 billion in 2018.

"But reducing the bilateral trade deficit with India remains a major point of contention in the Bangladeshi policy circle and public opinion."

Bangladesh has not been able to take advantage of India's growing appetite for imports. Indian imports exceeded $400 billion in 2018.

"India is importing many items from the global market but not from Bangladesh. Bangladesh is exporting these same items to the global market but not to India."

Policymakers must remove the barriers to the bilateral trade flows through appropriate policies, Rahman said.

About 50 percent of bilateral trade between Bangladesh and India takes place through land ports. The border points are not crossing points — they are control and checkpoints.

Goods need to be unloaded and reloaded in 'no man's land', leading to delays and cost escalation. In the absence of mutual recognition agreements, goods have to wait for several days until inspection results come from laboratory facilities in distant testing centres.

The costs of transporting goods from Dhaka to Delhi are significantly higher than those from Dhaka to Europe and the US, he said.

"Overall, the bilateral relationship is showing early signs of developing positively over the long term. But there is a long way to go if Dhaka wants to fully reap the potential benefits of deeper Bangladesh–India bilateral ties."

Source: thedailystar.net - Oct 04, 2019

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Put your trust in Bangladesh

Why developing management teams is crucial to success

"Always develop from where you are -- don't chase the dream of a brighter future."

Wise words from Dr Torbjörn Netland, head of chair of production and operations management at the ETH Zurich University, at the recent World Textile Forum, held in Zurich this September.

It is with this sentiment in mind that I was drawn to consider how those of us involved in senior management roles within the Bangladesh RMG sector can best utilize one of the resources that we have in abundance -- namely our willing and capable workforce.

Since its foundation, the RMG sector has enjoyed rapid expansion, reaching an audience of international buyers and contributing to 83% of our nation's GDP, employing about 4 million people, and contributing over $32bn to the economy.

Our garment industry is now the second-largest, globally, and the largest apparel exporter to the EU, but we need to be investigating ways to ensure that the sector remains fit-for-purpose over the years ahead and develop by diversifying into multiple product categories rather than be reliant on the core basic product.

It is undeniable that the global retail industry has changed drastically, placing huge pressure on the entire supply chain to be lean and efficient -- often resulting in our local manufacturers complaining about the purchase price buyers are willing to pay.

Although, we are all culpable for the situation -- if we do not develop products that command a higher retail value, we cannot complain about the prices that buyers are willing to pay.

We are operating in a commodity market and now is the time for the RMG industry to shake off the shackles of the price-sensitive product market, handing that baton to other emerging garment manufacture regions and consider other product areas to explore.

The key to this, is addressing the development of the people working within the RMG industry.

All of us involved in the RMG sector are facing challenging times and it is my belief that companies now need to develop the skill sets of middle management teams in order to ensure the longevity of the industry.

As an industry, we need to be developing our product development prowess locally. For too long we have developed a reliance on the services of a considerable number of expatriates, employed on high salaries in Bangladesh.

The RMG industry needs to develop a structure that enables the appropriate product development to come from within the local companies, supported by all levels of the management team, and not reliant on the services of intermediaries or from customers.

Alongside product development prowess, but no less important is the need to nurture the basic business skills of our management teams.

A concerted, consistent investment in the training and nurturing of the talent that we, as a nation have, will result in higher buyer satisfaction, product innovation, greater exposure to the retail markets and, most importantly, higher prices for production being paid by buyers.

Our local, often disaffected research and development (R&D) talent needs to be developed and companies need to establish an environment where their product development skills, negotiation techniques, market awareness, and customer skills are nurtured, encouraged, and retained for the long term.

Development of these skill sets will only come through training and exposure to customers and the wider market, and it is the responsibility of senior management to ensure that effective training programs are in place for the entire management level of their organization.

The development of management teams will require investment and additional costs to companies, but it will be an investment for the long-term good of the industry.

Effective management teams would, within a short time, start contributing to all aspects of the business, from R&D to customer relations and sales, as well as, efficiencies throughout the whole production chain.

Combined with this increased investment at the management level, we need to have confidence in the gifted employees we have. Steve Jobs, famously commented: “It doesn't make sense to hire smart people and tell them what to do; we hire smart people so they can tell us what to do.” Something all of us in upper management can bear in mind!

Aside from the development of product management skills and basic business acumen, the RMG sector cannot ignore the need to develop flexibility and efficiencies within our manufacturing procedures.

There has been much discussion about the benefits of the adoption of technology to aid efficiencies within the Bangladesh apparel supply chain and, although some systems offer advantages, we should not lose sight of the fact the “technology potential should not outweigh technology usage,” Dr Torbjörn Netland.

Rather than subservience to economies that can be made through the industrialization of our industry, perhaps we should be investing in the development of the skilled workforces we have already in existence on the factory floor.

The investments made by the Bangladesh RMG industry over the last six years have been substantial.

Whether they are following remediation imposed after the tragic Rana Plaza disaster or to comply with individual customer’s requirements, the industry has little to show in terms of support from brands and retailers who have continued on a path of demanding lower cost prices.

Now may be the time to radically shake up our thinking, and start to invest in our most valuable asset -- our management teams to develop a broader range of product types and break away from the industry’s reliance on commodity basic items.

I see no reason why we cannot break away from the perceived view of Bangladesh as a solely mass production resource and develop a more multi-faceted industry for the long term success of the sector.

Source: dhakatribune.com- Oct 04, 2019

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Pakistan: Cotton arrivals fall 27 percent to 2.9 million bales

Cotton arrivals in ginning factories fell 27 percent to 2.93 million bales till September 30 as pest attacks adversely affected production of the industrial crop, industry's data showed on Thursday.

Pakistan Cotton Ginners Association (PCGA) said cotton arrivals in ginning factories till the same period last year were recorded at 4.02 million bales.

Kabool Khatian, chairman of Sindh Chamber of Agriculture said growers are removing cotton from their fields, as the crop was badly affected by pests that emerged after rainfalls. "Production is feared to decline around 35 percent till the end of the season," he said.

Of total, 2.29 million bales were sold to textile mills and 34,597 bales to exporters, while 636,472 bales remained unsold. This year's fortnightly flow (September 16-30) was recorded at 1.08 million bales as against 1.50 million bales arrived in the ginning factories during the corresponding period last year, PCGA said.

Arrivals from Sindh were recorded at 1.76 million bales, down 19.74 percent, while arrivals from the Punjab dropped 35.87 percent to 1.16 million bales. Highest arrivals from one station were recorded from Sanghar with 919,433 bales followed by Hyderabad with 158,316 bales.

Khatian said prices remained lower in the local market despite decline in cotton arrivals. Cotton seeds were being sold around Rs3,200 per maund. They traded at Rs4,000 per maund for one week.

It takes 2.5 maunds of cotton seeds to produce one maund of lint. "Cost of production has increased and growers will get no profit on cotton this year," he added.

Khatian further said cottonseed is not clean this year due to apathy of a research facility. Per acre yield remained 16 maunds on an average amid unavailability of Bt (genetically modified) cotton, while cost of production rose to nearly Rs40,000 per acre. “Thus, around half of the production was just to cover cost of cultivation,” he added.

Sindh Chamber of Agriculture chairman called for policies to promote cottonseed culture, which takes several years in development. “So far, none of the research institutes including Tandojam, Multan and Faisalabad have developed any variety of cottonseed and the government’s promises regarding improvement of fertility and subsidy have not been fulfilled,” he added. “Pest- resistant seeds could have sustained the bad weather.”

Khatian said inclement weather and corruption in public institutes ruined the growers. “With a decline in cotton production, textile exports would badly be affected, as imported cotton would be costly and local exporters would not be able to compete in the international market.”

Stakeholders are expecting around 11 million bales of cotton this year as against the government estimate of 15 million bales. The country will have to import around four million bales to fill demand and supply gap.

Contracts have already been placed for the import of 1.2 million bales, which would cost around $1.5 billion.

Cotton imports have officially been started from Afghanistan with reopening of Torkham border, which would support the local industry, they added.

Source: thenews.com.pk- Oct 04, 2019

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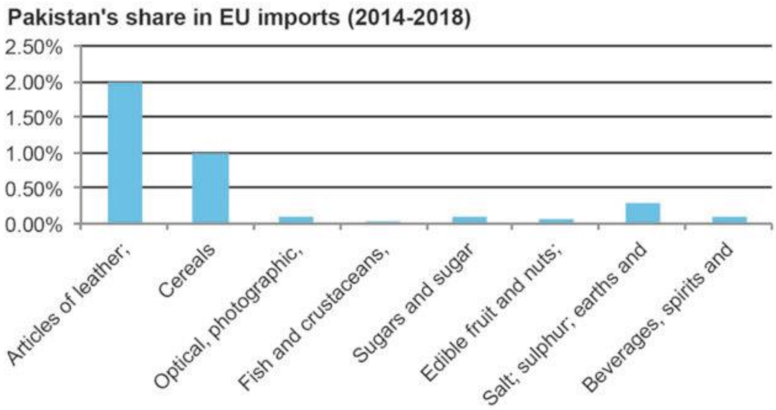
Pakistan: GSP Plus: beyond textiles

Pakistan can beef exports to the EU by 15 times and not just in textiles (read more: “GSP Plus potential: 15x). In fact, textile is only one of the sectors that enjoy GSP Plus concessions to 28 European countries.

Since Pakistan became a beneficiary in 2014, its exports to the EU have averaged 32 percent, against 25 percent in the period prior to signing the scheme. However, the potential is much greater.



Current exports to European Union (EU) under the GSP plus status have been heavily concentrated in apparel and textiles products while other areas have not received the same attention. Textile products account for more than 70 percent of the total exports to EU. A study by the Pakistan Business Council in 2013 identified 74 items at 6 digits HS Code that appear to have a high potential for imports by EU from Pakistan after the GSP plus status. Some of the more prominent product categories that benefit from tariff exemption under GSP plus include leather, cereals, surgical goods and edible fruits to name a few.

Pakistan's share in EU imports

HS code	Description	Average (2014-2018)
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles ...	2.00%
10	Cereals	1.00%
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	0.08%
3	Fish and crustaceans, molluscs and other aquatic invertebrates	0.01%
17	Sugars and sugar confectionery	0.11%
8	Edible fruit and nuts; peel of citrus fruit or melons	0.07%
25	Salt; sulphur; earths and stone; plastering materials, lime and cement	0.30%
22	Beverages, spirits and vinegar	0.10%

Source: ITC trade map

A closer look into leather and related products (HS code: 42) reveals a rather struggling picture. These products prior to GSP plus status were subject to 6 percent tariffs which were eliminated after the granting. Yet the sector managed to record a decline in leather goods exports. In fact, the interesting thing here is that EU’s import demand for these goods actually improved during this period. It is just not importing from Pakistan (see table).

Change in value percentage from 2013-18

HS code	Description	Pakistan Exports to EU	EU imports from world	Pakistan Exports to World
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles ...	-14%	25%	-11%
10	Cereals	99%	-4%	7%
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	9%	2%	2%
3	Fish and crustaceans, molluscs and other aquatic invertebrates	519%	21%	29%
17	Sugars and sugar confectionery	-63%	-25%	-21%
8	Edible fruit and nuts; peel of citrus fruit or melons	-45%	17%	-1%
25	Salt; sulphur; earths and stone; plastering materials, lime and cement	6%	1%	-38%
22	Beverages, spirits and vinegar	-2%	6%	25%

Source: ITC trade Map

Pakistan lost its share in EU's leather market from 66 percent to 61 percent during FY14-18.Regional competition from China and India during the same period despite the disadvantage on tariff managed to perform better than Pakistan. From 2013-18, China saw a 1 percent increase in leather exports to EU and India recorded a 10 percent decline during the same period.

Pakistan in comparison lost 14 percent value on its leather exports to EU during this period. This fall in share despite concessionary market share requires more scrutiny. It has been clear for a while that exports will not grow merely by attaining market access to trading partners, nor will just concessionary treatment help.

It is important to look at the range of products under the GSP plus that have potential but (remain unrealized). To start with, aside from oft mentioned doing business indicators and broad based competitiveness indicators, firm-level challenges need to be studied. This is an area rife with opportunities for think tanks and researchers to explore.

Source: brecorder.com- Oct 03, 2019

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NATIONAL NEWS

US-India trade deal can happen quickly: Wilbur Ross

US Secretary of Commerce Wilbur Ross has said that with the Narendra Modi government back in power, a US-India bilateral trade deal can happen very quickly as the two countries know each other's issues well.

"Pre-elections there were undoubtedly some constraints on India to deal with some matters. Now that the elections have come and gone, and PM Modi has a clear and strong position in Parliament, it should be a lot easier to take clear decisive action," Ross said at the India Economic Forum organised by the World Economic Forum in partnership with CII on Thursday.

On the failure of US President Donald Trump and PM Modi to reach an agreement on trade during the Indian PM's recent visit to the US, Ross said that neither government said there would be a trade deal in five minutes, and the talks of a trade deal being signed then were mere speculation.

Points of conflict

The US has been seeking certain trade concessions from India to bridge the existing trade deficit between the countries. It wants India to take a number of facilitating steps such as remove price caps on medical devices, reduce tariffs on mobiles, motorbikes and some agriculture products, and allow dairy exports.

India, on the other hand, wants the US to restore the Generalised System of Preferences (GSP) scheme for Indian exporters, which was withdrawn earlier this year. India also wants the US toroll-back penal import duties imposed on its aluminium and steel, which were imposed last year on security grounds.

Commerce and Industry Minister Piyush Goyal said that relationship between the US and India were better than ever before. "The leaders get along very well personally, and also understand each other. They understand what is good for the people of the country and the world as a whole," he said.

The US was India's largest export destination accounting for 16 per cent of India's exports in 2018-19. It was followed by United Arab Emirates (UAE), China and Hong Kong.

Source: thehindubusinessline.com- Oct 03, 2019

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Heavy monsoon damaging towns, but will give India's cotton production big boost

Cotton output in India, the world's biggest producer, is set to surge after the heaviest monsoon rain in a quarter century, adding to global supply at a time when prices are near their weakest in more than three years.

The crop may reach at least 36.5 million bales of 170 kilograms each (375 pounds) in the year that started 1 October, said Vinay N. Kotak, director at brokers Kotak Commodity Services in Mumbai. That's more than 15 per cent higher than output a year earlier, according to estimates from the Cotton Association of India.

More supply from the South Asian producer will weigh on world prices, hurting farmer incomes and benefiting textile manufacturers. Rising shipments from the country will intensify competition among global exporters as they struggle to grab a bigger share of the Chinese market.

"The distribution of rain has been good and that will improve yields," said Kotak, who has about 30 years experience in the industry. Damage from excess rain in some areas will be offset by higher yields, he said in a phone interview.

Benchmark cotton futures in New York have slumped 20 per cent in the past year on ample supplies after China slapped retaliatory tariffs on U.S. imports as part of their ongoing trade war. Textile exporters in the Asian country are also facing a decline in overseas demand because of American import tariffs.

India has just enjoyed its best monsoon in 25 years. In Gujarat, the top producing state, rainfall was more than 40 per cent higher than the long-term average from June to September, while in Maharashtra, the second-largest, rain was 30 per cent above normal. Planted area also increased to

12.77 million hectares from 12.1 million a year earlier, farm ministry data show as of 27 Sept.

The country's cotton exports may climb to 5 million bales this year from 4.4 million bales in 2018-19, Kotak said. Sales to China could advance to as much as 1.5 million bales from 1.2 million a year earlier, he said. India is facing increased competition in almost all markets and the government should provide some incentives to make exports attractive, he added.

Traders have so far contracted to ship about 100,000 bales from the new crop, compared with 500,000 bales to 600,000 bales a year earlier, he said.

Source: theprint.in- Oct 03, 2019

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Favourable conditions exist to achieve $5 trillion economy target: DPIIT Secretary

Says recent policy measures announced by the Government would further help to bring investments

DPIIT Secretary Guruprasad Mohapatra said that with a strong policy driven government at the Centre, favourable conditions exist in India to achieve the target of $5 trillion economy by 2024.

"It is entirely possible in India. All right conditions exist with a strong policy driven government both at the Centre and states," Mohapatra said while speaking at the the inaugural session of the India Economic Summit here.

"I am sure, this captainship of the industry by the government will steer India to achieve the milestone. The Government has worked towards ease of doing business over the past five years," he added.

"In ease of doing business, we have achieved much success..right now we are at 77th position. Expect it to get better in the next rankings," Mohapatra said.

He also said the country has a strong startup ecosystem and the recent policy measures announced by the government would further help to bring investments.

“With strong string of policy measures announced recently by the government, I am sure India will definitely achieve $5 trillion economy very soon,” he added.

He said that deliberations at the WEF would further give government ideas in order to get moving forward.

Source: thehindubusinessline.com- Oct 03, 2019

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UNIQLO comes to India with its signature jackets and significant investments

UNIQLO founder and chairman Tadashi Yanai — Japan’s wealthiest man — who runs one of the world’s largest apparel retail company Fast Retailing Group said the company has made significant investments in India ahead of the brand’s maiden store launch in the country on Friday.

Yanai, 70, who was in New Delhi for the store launch declined to share investment numbers for Indian market but added that importing apparel, and putting together stores here comes at a cost.

“I’m not at liberty of disclosing any of the numbers," Yania said when asked about the company’s investments into India’s nearly $800-billion retail market. “But you have a commitment and it means huge amount of investment is behind it.

It is not only about having a store but all about creating garments and transporting garments and listening to customers. Each one of these acts are very costly so it always involves a huge amount of investment," Yanai told Mint in an interview on Thursday. He added that the country’s 1.3 billion population makes India an “extremely important" market for the company, which is currently competing with Inditex and H&M to sell more garments globally.

The store, spread over three floors, located at Delhi’s Ambience Mall sells the brands’ signature light down jackets, basic t-shirts for men and women, formal wear, and apparel for kids.

UNIQLO is set to open two more stores as part of the brand’s multi-store launch strategy here. Both the upcoming stores will be located in the Delhi-NCR area.

But shoppers in other markets will have to wait, as UNIQLO wants to get a firm footing in its maiden market here, and gauge shoppers' response before expanding to cities.

“At the moment we are single-handedly focusing on Delhi," Yanai said. “We would like to do a very good job in Delhi first. If our business is successful in Delhi, I’m sure other cities in India may come to us to open stores," said Yanai who opened the first UNIQLO store in the city of Hiroshima in 1984 said. UNIQLO today has over 1,300 stores the world over, and is a key player in Japan’s apparel market. Its minimalist styles, defined cuts, and designer associations along with its use of high-tech fibre in some of its clothing draws shoppers across the world.

Fast Retailing is the world’s third-largest apparel retailer after H&M and Inditex (that owns Zara).

In India, UNIQLO now join the likes of Swedish apparel brand H&M, and Spain’s Zara that are increasingly chasing aspirational urban shoppers in India’s top cities who are spending more on looking and dressing better. However, its entry in the market is a bit belated compared to other brands who have already established their presence here. Yanai, however said the company is drawn to the Indian market for the long-term. “We wanted to listen to customers in India and based upon that we want to offer products."

Recently, Finance Minister Nirmala Sitharaman further relaxed India’s sourcing norms for single-brand retailers making it easier for brand’s such as UNIQLO to sell goods here. This means that Fast Retailing Group, which owns seven other fashion labels, such as GU, Theory, etc could launch more brands here. “When it comes to India and China whenever we see a good opportunity for any of our brands we are willing to bring them. As long as we witness the opportunity," Yanai said.

In July, the company also announced opening of a India specific website, as part of its pre-launch activation, although the website does not let users shop, for now.

Yanai, who is also on the board of directors of Japanese conglomerate Softbank. said that online sales in India will not start in the “immediate but in the near future".

“We are interested in launching online. But as I said, we need to first educate ourselves about the local Indian market therefore we are not interested in launching a website (immediately) without getting to know the market," he added.

The company’s latest store in India has put over its entire range on sale, with t-shirts for men starting ₹490; formal men’s shirts were are priced between ₹1,990 to ₹2,490. Its iconic ultra light down vest jackets start at ₹3,490 and go up to ₹4,990.

On pricing, Yanai added that high import duties imposed in India have impacted the brand’s pricing here. “Our pricing will be influenced by import duty but in general rather than import duty there is no other element to higher prices as compared to other global markets. Shoppers here can be price conscious but if we offer quality we should be confident," he said.

Yanai also said the group plans to increase its sourcing from India, which is still a small quantum of what it sources from China, and other Asian markets. it already works with partner factories in Bengaluru.

For the year ended 31 August, 2018, Fast Retailing Group posted global sales of approximately 2.13 trillion yen or $19.17 billion. The company has around 2,200 stores in 24 markets including Japan.

Source: livemint.com- Oct 03, 2019

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Textile industry in State hangs by a thread

Hostile market conditions, govt. 'apathy' put many mills on the edge

The textile industry in the State is facing the worst crisis in years. Weighed down by high input cost of raw cotton, drastic drop in yarn export to China, huge power bills, non-availability of working capital limits, the industry is further crippled by delay in payment of arrears of industrial incentives amounting to nearly ₹1,125 crore.

Weekly holiday

"The textile industry is passing through an unprecedented crisis and most of the units are continuously failing to serve the repayment of their term loan instalments or interest to banks, and the accounts are slipping into NPAs on a regular basis. The spinning mills have already declared a weekly holiday on Monday beginning July this year," Lanka Raghurami Reddy, president of AP Spinning Mills Association, told The Hindu on Monday.

There are about 120 spinning mills in the State having a total number of 35 lakh spindles. With an investment of ₹10,500 crore, the textile industry is one of the main sources of employment. The production this year has touched 6,87,884 metric tonnes fetching revenues worth ₹7,842 crore through exports. The domestic sale of yarn alone has touched 2,75,164 metric tonnes per annum.

The reasons for the drastic downturn in the industry are many. Fuelled by steep increase of minimum support price of cotton kappas from ₹4,400 to ₹5,500, the price of raw cotton has shot up to ₹49,000 per candy from ₹38,000.

Adding to the woes of the industry, the State government is yet to clear arrears of industrial incentives to the tune of ₹1,125 crore, which is necessary to keep the credit worthiness of the company intact to get financial assistance from banks.

The arrears include incentive claims for 2017-2018 worth around ₹290 crore and around ₹ 279 crore for 2018-19 totalling ₹ 569 crore. The delay in payment of sanctioned incentives in the last four years has forced many mills to down their shutters.

Source: thehindu.com- Oct 04, 2019

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Apparel sales may remain subdued this festive season amid economic slowdown

Apparel sales are likely to remain subdued this festive season amid the economic slowdown. Apparel manufacturers and retailers had witnessed a sharp decline in sales until August.

NO COMFORT

- Apparel sales remained subdued till August
- Consumer sentiment improved in Sept on stockists' demand ahead of festival season
- Companies offer discounts of up to 60% on offline and online sales, and cross-promotion of trending products such as mobiles and deodorants
- Discount offers said to have helped improve apparel sales in terms of volumes

While consumer demand this Navratri, which started late in September, has rebounded, the average ticket size is small, which will likely to keep sales subdued this festive season ending Diwali.

"However, some brands have reported positive signs in their sales and are likely to match their overall revenue for the festive season last year, or witness a marginal growth," said Rahul Mehta, president, Clothing Manufacturers Association of India (CMAI).

Apparel retailers have been offering heavy discounts of up to 60 per cent to improve their sales. Future Group, for example, is running discount offers of up to 60 per cent on apparels through third-party online sales, including Amazon India, and also offline via its own retail chains such as Big Bazaar and fbb.

People in the know said discount offers have helped improve apparel sales in terms of volumes. The impact on the revenue, however, is yet to be ascertained.

"We are promoting our products through cross-selling of fashion accessories this festive season to improve our sales. We offer branded denim at various price points. Also, we offer apparels for all classes of consumers and they are cost-effective.

While sales are tough this festive season, we are hopeful of achieving high single-digit growth due to various interesting trade tricks that we have adopted to boost our sales," said Vikas P Jain, director, Kewal Kiran Clothing (KKCL), the manufacturer and wholesaler of branded denims such as Killer, Lawman, Integrity, and Additions.

KKCL, which sells apparels through owned stores and franchises, have identified offers like free deodorants and a chance to win mobile phones for crossing a threshold of the purchase value, Jain said, without divulging details.

With the slowdown in auto sales and other parameters indicating a slowdown in the rural economy, apparel sales are set to be impacted. Besides, Navratri and Diwali festivals are early this year.

"Consumer sentiment is skewed in favour of lower ticket size this year as the festive season comes ahead of maturity of kharif crops. Since farmers bank mostly on the harvesting of early kharif crops to receive some cash flow, which is delayed this year due to the late onset of monsoon rainfall and its uneven distribution, the agriculture-based purchase may be aggressive," said a senior executive of one of India's largest apparel retail stores.

However, "we are hopeful of a recovery in apparel sales in the remaining period of this festival season," Mehta added.

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

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#Economic Slowdown: Tirupur Garment Industry Gasps for Survival

The knitwear capital of the country, which employs over 10 lakh workers, most of whom are migrants, is seeing en masse exodus after severe job losses and closure of industries.

The garment industry in Tirupur district of Tamil Nadu is gasping hard to survive the economic crisis resulting in heavy job losses and reduction in manufacturing. Tirupur city, known as the knitwear capital of India or baniyan city, is slowly losing its export base in the international market and the domestic market. The struggle is getting worse owing the lack of support and attention from the government of India and Tamil Nadu.

Migrant labour and workers from other parts of Tamil Nadu are returning to their hometowns due to lack of jobs.

WORKERS LEAVING THE CITY EN-MASSE

The garment industry provides jobs for several lakhs of workers. The exact number is not available, since most of them are migrants from other states and other places of Tamil Nadu. Since the exact number is not known even to the state government, which does not have a concrete policy on migrant labour, the exact number of job losses is also hard to be predicted exactly. But, as per the statement by the workers and trade union leaders, more than 50% of these 10 lakhs jobs have been lost.

Sampath, the general secretary of the Baniyan and General Workers Union of the Centre of Indian Trade Unions (CITU), while speaking with NewsClick, said, “The bi-weekly express from Ernakulam junction to Patna is flooded with thousands of workers leaving the town due to loss of jobs. I went to the station this Sunday to witness this pathetic state of workers who are finding it hard to survive in a city that gave jobs to lakhs of workers”.

BACK TO SAHEBPUR KAMAL

Vinod, a resident of Sahebpur Kamal in Begusarai district of Bihar, is one among the workers who have left Tirupur. He was working in the banian city for the past nine years and says he has never witnessed such a situation.

Speaking with NewsClick, Vinod said, “I was working there for the past nine years and for the last three years, I employed around 70 people for contract works. Now that there are no jobs, and I, along with many others are returning home. Only 10 people are staying back in Tirupur to complete the works we have committed to finish”.

Highlighting the future insecurity that the workers face, Vinod said: “We were forced to spend money from our savings for our daily needs since there has been no regular work for the past six months or so. We could not deplete our savings anymore and hence we decided to go back to our hometown. Now our families are upset and fear that we may not get back our jobs”.

SITUATION WORSE THAN EXPECTED

The economic slowdown has focussed more on the automobile industry, while the garment industry has not received the deserved attention. The government is also inclined to announce tax relaxations for big industries and is unmindful of the huge number of small and medium industries in the textile manufacturing sector.

"The garment industry's struggle started with the announcement of demonetisation three years ago. Many of the transactions were done in cash, since a lot of job works are involved in manufacturing a finished good. When the industry was recovering from that crisis, the Narendra Modi government announced the implementation of the Goods and Services Tax (GST). The small and medium companies were severely affected by the complex process of tax filing and hence the business was also affected," added Sampath.

IMPORT POLICIES CRUSH LOCAL INDUSTRIES

Competition faced by exporters from countries like Bangladesh, Cambodia and Indonesia is also hitting the industries of Tirupur. Imports from these countries, particularly from Bangladesh, are crippling the industry. As per the report of Confederation of Textile Industry (CITI), garment exports from Bangladesh increased by 56% after the implementation of GST in India during July-November 2017.

The president of Tirupur Exporters and Manufacturers Association (TEAMA), Muthurethinam, told NewsClick that, "There is a reduction of about 60% in exports and 80% in domestic sales. About 85% of the industries in Tirupur are small and medium ones, which have been the most affected due to government policies. The Union government's policy of exempting tax for garment import from Bangladesh is also playing a role in crushing the industry. The companies that procure the garments are happy to purchase cheap goods from Bangladesh resulting in fewer orders for local companies."

Elaborating on the sorry plight of small and medium units, especially due to declining exports, Muthurethinam said: "The Indian market is one of the biggest in the world with huge manpower and machineries available. But, unfortunately, the local manufacturers are finding it hard to sell their products. On the other side, the relaxation for exports has been withdrawn by the Union government. If this continues, it will be hard for the small and medium industries to survive, paving way for the big corporates to dominate the market".

SALES DOWN IN FESTIVAL SEASON

The festival season in the state starts in October with Pooja celebrations, followed by Diwali and Christmas and extends up to Pongal in January. But the markets are yet to see any rise in demand for garments. At this time every year, Tirupur usually hums with activity with massive manufacturing for the season, which is so far not visible.

As in indication, Muthurethinam points out that, "Roadside sellers are one of the biggest purchasers, but we have not seen anyone coming to purchase goods so far. One of the biggest markets of the state in Erode is also facing a severe problem with no sales taking place there too."

The worst hit by the economic slump are workers, mostly those on contract.

"The government is not considering the plight of several lakhs of garment workers in the district, but we are hearing of several tax, relaxations for the corporates, announced by the finance minister. But, how will these announcements increase the purchasing power of the common man?" asks Sampath.

'TO LET' BOARDS IN MANUFACTURING COMPANIES

It is unfortunate that companies that once gave jobs to whoever knocked the doors, have started pasting 'to let' bills on walls. Doing business in Tirupur has become a challenging task for the small and medium companies in the face of government apathy. The city, which once contributed 90% to knitted garments for exports, is searching for a market to sell its product.

Many of the representations made to the state and Union governments to save the industry from further collapse have not been heeded. The highly unorganised and migrant nature of workers, coupled with the pro-government attitude of few influential exporters and manufacturers, have muzzled the voice of the industry.

Source: newsclick.in- Oct 03, 2019

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Modernise textile mills: Union

Members of the Kovai Jilla Mill Workers Association, at a meeting held in the city recently, requested authorities to take steps to modernise the National Textile Corporation (NTC) Mills and make them profitable.

The members also demanded the arrear bonus amount for the years 2015 and 2016 for NTC mill workers. "Categories of workers other than apprentices and permanent workers must be abolished from the model standing committee rules. Those who have worked for 480 days in two years must be made permanent," a representative said.

"Action should be taken against those mills that appoint workers under schemes such as Sumangali scheme and treat them as bonded labourers. Migrant workers, who come to work in mills here, should be registered in appropriate forums and should be given legal protection."

Source: timesofindia.com- Oct 04, 2019

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