IBTEX No. 28 of 2020 February 05, 2020

US 71.27| EUR 78.66 | GBP 92.74| JPY 0.65

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
18	39300	**70.26**
Domestic Futures Price (Ex. Warehouse Rajkot), February		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19520	40797	**72.93**

International Futures Price	
NY ICE USD Cents/lb (March 2020)	67.35
ZCE Cotton: Yuan/MT (May 2020)	12,580
ZCE Cotton: USD Cents/lb	81.54
Cotlook A Index – Physical	**76.05**

Cotton Guide- After 13th January 2020, the prices have witnessed a continuous decline- the reason being, demand concerns from the world's largest cotton importer China. This coupled with the prevailing pandemic has jittered the Markets and handicapped internal Chinese demand. The Chinese are more concerned about basic health parameters rather than their work related activities. Cotton demand coming in from the Chinese mills is almost at a standstill. Mills are more concerned over the health of their employees. Also concerned are the exporters whose goods are in transit to China. The word on the street is that some ports would soon shut their doors to accepting new shipments arriving into the country. However, this news still remains unconfirmed.

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On the other hand, the ICE contracts have reacted to all the prevailing international factors. Other importing countries are seen to have booked good amount of cotton based on the current prices.

With the continuous decline seen in ICE futures, yesterday, the prices reversed and the bulls took control driving the prices higher. ICE is again going in tandem to other financial markets. The main reason ICE pushed higher was due the higher figures seen at DOW. The Dow is bouncing back from last week's sharp decline as worries about the coronavirus outbreak are balanced out by Chinese stimulus measures and strong US economic data.

The most active ICE March contract settled at 67.35 cents per pound with a change of +51 points. The ICE May contract and the ICE July contract settled at 68.02 and 68.88 cents per pound with changes of +68 and +66 points respectively. The volumes were again higher at 69,131 contracts. Total open interest decreased by 5,169 contracts to 262,379. March interest decreased by 6,297 contracts to 113,834 while May and July interest increased by 648 and 604 contracts, respectively, to 72,073 and 40,604 [Source Cotlook].

The MCX contracts were again no different to that of ICE registering triple digit gains for the active contracts. The MCX February contract settled at 19,290 Rs per Bale with a change of +110, whereas the MCX March contract settled at 19,510 Rs per Bale with a change of +70 Rs.

The cotlook index A has been updated at 76.05 cents per pound with a change of -60 points. The prices of Shankar 6 have been updated slightly higher at 39,300 Rs per Candy with a change of +100 Rs.

On the fundamental front, we expect prices to see some corrections however; the trend of the next fortnight seems bearish for both ICE and MCX.

On the technical front, in daily chart, ICE Cotton March witnessed a rebound from the support at 67.07(61.8% Fibonacci level of the recent uptrend). Meanwhile price is below the 5 & 9 day EMA at 68.07, 68.49 with a negative crossover which would act as an immediate resistance for the price, along with RSI at 45 suggesting for the negative bias in the market. However, the next support for the price would be 67.07 & 65.92, 76.4% Fibonacci retracement level & long term downward sloping trend line (red line) & the immediate resistance is around 68.49 (9 Day EMA) level. Thus for the day we expect price to hold the range of 66.00-68.50 with sideways bias. In MCX Feb Cotton, we expect the price to trade within the range of 18900-19520 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

USA: Cotton Growers Face Global and Local Problems in 2020

Cotton growers in the U.S. face a number of headwinds in 2020 that go far outside – thousands of miles in fact – of the acres where their crop will grow this season, writes Tom Wood at AgriBusiness Global.

At the top of that list is the now cooling global trade war with China, the largest producer of cotton. The trade war with China in 2018 and 2019: caused a significant drop in cotton prices; increased pressures on cotton demand; and shifted market share in the cotton market away from the U.S. to countries like India, Australia, and Brazil.

Before the trade deal was made, Jody Campiche, vice president of economics and policy analysis for the National Cotton Council told Farm Journal's AGPROP in December: "The current trade dispute with China and the resulting retaliatory tariffs on U.S. cotton and cotton yarn are increasingly harming the U.S. cotton industry and long-term market share in China.

The immediate impact has been a decline in market share of China's cotton imports from 45% for the 2016 and 2017 crops, down to 18% for the 2018 crop, while Brazil's market share increased from 7% in 2017 to 23% in 2018. This lost market share has reduced overall export sales and shipments, further depressing U.S. cotton prices."

Additionally, according to Textile Outlook International (Issue 200) – from the global business information company Textiles Intelligence – cotton prices will remain weak in the 2019-20 and 2020-21 seasons as cotton demand decreases and surpluses grow.

The report said that the average price of cotton has fallen in the 2019-2020 growing season to $0.76/lb. – a drop of $0.11/lb. from the previous growing season.

Source: cottongrower.com- Feb 04, 2020

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China Sourcing, Shipments Face 'Severe Disruptions' Amid Coronavirus Epidemic

The coronavirus outbreak has emerged from an epicenter of manufacturing in China, and the crippling effect of the quickly spreading virus has a death grip on the supply chain's inputs and raw materials.

Wuhan, in China's Hubei province where the infection was first reported, is a major industrial and transport hub in the center of the country, where there are at least 11 apparel factories, as well as thread and textile factories, printing and dyeing facilities, and footwear manufacturers. Auto parts are Wuhan's leading output, followed by electronics parts.

According to a new DHL report, the region "has triggered full or partial lockdowns in 13 Chinese cities that have severely restricted key land, air and maritime transport routes from across the country." The lockdowns have prevented non-emergency vehicles from entering or leaving Wuhan, and pick-up and delivery services (for goods other than medical supplies) in other cities in and around Hubei province have been significantly curbed—if not cut off altogether. Flight cancellations to and from China continue to pile up by the day.

As such, raw material movement is in jeopardy.

On Tuesday, Hyundai said it will suspend production lines at its car factories in South Korea due to disruptions in the supply of components coming from China—and that's a saga that could prove similar for apparel manufacturers, too. So far, Hyundai is the first major manufacturer to halt operations outside of China (it had already paused production in facilities in the country, and Toyota, Tesla and Ford have done similarly).

"Severe disruptions to inbound and outbound air cargo shipments, trucking and rail cargo services, as well as heavy port congestion for vessels along the Yangtze River near Wuhan will likely persist as the coronavirus crisis unfolds," DHL said in its Resilience360 special report. "The regional lockdown has already severely impeded logistics operations that rely on access to highways to carry goods into and out of the region…"

What's more, the lockdowns reportedly remain in effect, even after what was supposed to be the adjusted end to the Chinese New Year break, which would have been on Sunday.

"Companies and factories in several major cities and provinces—including Beijing, Zhejiang, Jiangsu, Guangdong and Shanghai—have been ordered to halt their operations until at least February 9," DHL noted.

Cargo that had already arrived in Wuhan, or that's stuck in transit points like Hong Kong and Shanghai, could be held in place until the situation surrounding the outbreak improves, which may not be soon at all.

On Tuesday morning, World Health Organization (WHO) director-general Tedros Adhanom Ghebreyesus said there have been 20,471 confirmed cases of coronavirus infection in China and 425 deaths. Just the day before, there had been 17,238 confirmed cases and 361 deaths. Outside of China, there are now 176 cases in 24 countries "and one death, in the Philippines," Ghebreyesus wrote in a Twitter post Tuesday. Following that tweet, however, Hong Kong confirmed its first death attributed to the virus, and citizens in the territory are now fighting for a full-fledged shutdown of all borders with mainland China.

"Of course, the risk of it becoming more widespread globally remains high. Now is the moment for all countries to be preparing themselves," Ghebreyesus said.

For companies in those countries, though, preparing for what's ahead may prove to be challenging.

With enough of the estimated 400 million residents who travel back home from their work bases for Chinese New Year likely to have returned to Wuhan and surrounding cities ahead of the coronavirus epidemic, the dropoff in returning factory workers could be outsized compared to previous Lunar New Year holidays.

More important, companies will have to consider whether workers returning from key contaminated areas should return at all, and mull options for quarantining returned workers to curtail the infection's spread.

"As a result, facilities may operate with lower productivity due to labor shortage for an extended period of time or remain shut altogether should employees become infected," DHL said. "As more infections are recorded outside of China, this may also start to affect operations in Europe, North America and elsewhere."

Delays will hit the supply chain, however, before factories even get to factor in the drop in productivity.

"Should China's authorities struggle to contain the spread of the coronavirus beyond the Lunar New Year period, this could have a major impact on industrial production and the availability of supply coming out of China," DHL said.

Source: sourcingjournal.com- Feb 04, 2020

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Levi's Wants to 'Premiumize' the US Market—Here's What That Means

With 2019 in the books, it's safe to say the past year was a historic one for Levi Strauss & Co. as it returned to the public equity markets with a spring IPO.

In the aftermath of the public offering, the venerable denim apparel company's president and CEO Chip Bergh said Levi's "maintained focus on what we could control in a challenging environment and executed against our objectives."

Strategic initiatives

The company has continued efforts to diversify its business by expanding its direct-to-consumer presence and its international offering, which, Bergh told analysts on a conference call discussing fourth-quarter and fiscal-year results, has been "the backbone of our success.

"Collaborations continue to generate brand heat, as well as drive traffic in sales, and looking forward to 2020, you can expect to see the Levi's brand come to life with many more exciting, unexpected and innovative

collaborations in the pipeline," he said. "We continue to evolve the Levi's consumer experience to create deeper connections with our fans."

In 2019, Levi's unveiled several creative collaborations with the likes of Star Wars, Hello Kitty and Stranger Things. It also worked with Nike to launch an exclusive collection of footwear and partnered with Google to create an improved version the Smart Trucker that allows consumers to control their phone from the comfort of their jacket.

"In 2019, these collaborations delivered over 12 billion impressions globally, equating to roughly $100 million in immediate value," Bergh said.

Next-gen retail

On the retail front, with 100 new stores planned in 2020, the company opened six "next-gen" stores across Europe and Asia in 2019 that amplify the Levi's brand through redesigned storefronts, tailor shops, updated fitting rooms and more.

"As we exited the year, we launched our largest ever popup in Miami, 45,000 square feet, which…has been a hotspot this week in the run up to the Super Bowl," Bergh said. "The popup showcases the best of our brand and the future of retail, [with] Levi's premium products, our largest and most innovative tailor shop, interacting one of the kind experiences, technical innovations and collaborations with well-known artists such as Shepard Fairey and Cey Adams."

Product development

Focusing on product, Bergh said men's bottoms grew low single digits for Levi's, while Dockers men's bottoms declined. The company's Top 10 global wholesale customers collectively grew 2 percent "despite a disrupted U.S. channel" and its Top 5 mature markets also grew 2 percent, within which the international markets were collectively up 10 percent and the U.S. was down 1 percent for the year, he added.

"We have several initiatives in place to strengthen performance in the U.S. market," Bergh said. "We have the opportunity to expand distribution at wholesale and in direct-to-consumer, and to 'premiumize' the marketplace on the back of the strength of our brand by offering a broader assortment of

our better and best products across both men's and women's in order to offset some of the macro trends we are seeing in wholesale.

"Initiatives in the U.S wholesale channel include gaining share within the largest department store retailers,," he continued, "through elevated product presentations and broadening our portfolio, incremental penetration in the premium retailers and selectively adding distribution and enlarging our footprint in existing specialty and regional retailers."

Levi's is also expanding its digital business across pure-play and wholesale dot-com and its own e-commerce site, while growing its presence with mass-channel partners, like Target.

"We believe these initiatives will support our aspiration to manage the U.S. wholesale business to flattish over time," Bergh said. "In our U.S. direct-to-consumer channel, we will open more mainline doors leveraging the successful model we deployed internationally–smaller footprint, more profitable, more capital-efficient stores in better locations."

The company's total women's business grew 14 percent in 2019, approaching $1.8 billion, with four consecutive years of double-digit growth, the CEO noted.

"We are driving trends and leading the category and innovation, demonstrated by the rapid growth of our women's fashion fits, including high-rise styles like the ribcage and looser-fitting bottoms like our new balloon jean, which are really resonating with the consumer," Bergh said. "We also have recently expanded our accessories line and ventured into new categories in women's, including body wear."

The total tops business grew 14 percent in 2019, driven by the success of a wide spectrum of tops, including T-shirts, fleece, outerwear and trucker jackets. Emerging markets of India, Russia and Brazil all posted strong double-digit growth, and though modest at 2 percent, mainland China is back to growth," Bergh said.

China remains a growth priority but Bergh noted how the coronavirus has thrown a wrench into Levi's plan for the region.

"Our plan is to accelerate growth in mainland China in 2020, and December was a very strong month," Bergh said. "And then the virus had a significant impact to our business in January.

It is really unfortunate how the outbreak of the recent virus has been impacting people's lives, especially during the Chinese New Year. We are taking this seriously and responsibly with our top priority being our people and our business partners. As a result, we temporarily closed roughly 50 percent of our fleet and have stopped all employee travel in and out of China."

Source: sourcingjournal.com- Feb 04, 2020

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Turkey among alternative markets for textile buyers amid China's coronavirus crisis

The rapid spreading of the new coronavirus that emerged in China has halted production in the country, as many are no longer able to leave their houses to work across several provinces due to city lockdowns. This has pushed businesses to find alternative manufacturing markets, including Turkey.

Brand and chain stores are expected to be some of the businesses to switch from the world's dominant producer if the fear of the spreading deadly virus continues to affect the economy.

Istanbul Ready-Made Clothes and Textile Exporters Union Chairman Mustafa Gültepe told Turkish daily Sabah that even if the spreading of the virus is prevented, its effect on production would last at least three more months, adding that the clothing brands who have manufacturers in China have already contacted Turkish manufacturers for information on the quality of the garments.

International textile buyers see Turkey as a preferable and profitable market due to its quality and fast production at affordable prices.

"Expectations for an increase in demand is high. April and May orders will see a significant increase," Gültepe said.

The virus, which emerged in central Hubei province at the end of 2019, has spread to over two dozen countries since first being identified in December, prompting the World Health Organization (WHO) to declare a global emergency. More than 180 cases of the new type of coronavirus have been confirmed beyond mainland China.

Also speaking on the issue, Turkey's Clothing Industrialists Association Chairman Cevdet Karahasanoğlu said the increase in demand from international businesses would help the Turkish textile and garment sector work at full capacity.

China is currently the world's biggest textile exporters, employing over 4.6 million people, according to data from China's National Bureau of Statistics. Textile exports from China reached 37.6% of the world's total in 2018, reporting a 3.5% increase from the previous year.

Source: dailysabah.com- Feb 04, 2020

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Cambodia garment exports up 13 per cent

Cambodia's exports of garment, textile and footwear products in the first nine months of last year were up 13.18 per cent. However, the country may lose its Everything But Arms (EBA) benefits for exports to the EU. If that happens the EU will initially impose 20 per cent tariffs on garments imported from Cambodia and 30 per cent on footwear.

It is estimated Cambodia will incur $500 million loss in exports from the withdrawal of EBA. Cambodia is confident of overcoming this loss. A rise in exports to the US and a boom in non-garment sectors are expected to generate many jobs and help absorb the impact of a potential withdrawal. So losing around 35,000 jobs is seen as no big deal since other industries can make up for the losses.

The possible withdrawal of the EBA scheme by the EU would reduce many companies' profits but would not hurt the garment industry as a whole. Though tariffs imposed by the EU would remove some of Cambodia's attractiveness for investors, garment and footwear will have new destination

markets aside from the EU, like the US and Asean countries. So losing EBA does not mean that Cambodia will lose investors altogether.

Source: fashionatingworld.com- Feb 04, 2020

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Bangladesh: Exports see downtrend in July-Jan

Merchandise shipments fell by 5.21 per cent during the first seven months of current fiscal year (FY20), as export earnings continue to witness downtrend in recent months.

Total export earnings from July to January reached $22.19 billion against $24.17 billion fetched during the same period of last fiscal (FY19).

The income also fell short of the target by 13 per cent set for the period, according to the latest data of the state-run Export Promotion Bureau (EPB).

The single-month export earnings in January 2020, however, edged up by 1.70 per cent to $3.61 billion.

Clothing sector is the country's top foreign-currency earner accounting for more than 84 per cent of total overseas sales.

Exporters and officials have attributed the continual drop in export receipts of apparel items to both internal and external factors.

Overall export earnings from the garment items, both knitwear and woven, fell by 5.71 per cent during the July-January period of FY20.

The apparel sector fetched nearly $19.06 billion during the period in review against $20.21 billion during the same period of FY19.

Earnings from woven garments fell by 6.29 per cent to $9.44 billion in the first seven months of this fiscal, the EPB figure showed.

Proceeds from knitwear exports during the period also fell by 5.13 per cent to nearly $9.62 billion.

Woven and knitwear brought in $10.07 billion and $10.14 billion, respectively, in July-January period of last fiscal.

Earnings from other key sectors also fell during the first seven months of current fiscal, compared to the same period of previous fiscal.

The EPB data showed earnings from home textiles stood at $442.67 million, down 9.7 per cent, from $490.2 million.

Earnings from home textiles also fell short of the target by 14.19 per cent.

According to the EPB data, earnings from leather and leather goods export fell by 10.78 per cent to $558.9 million from $626.42 million.

Jute and jute goods exports during the period, however, climbed by 20.82 per cent to $602.49 million from $498.66 million.

Agro-products like vegetables, fruits and spice exports stood at $603.91 million, registering a 4.19 per cent growth.

Pharmaceuticals exports grew by 8.11 per cent to $85.70 million.

Frozen and live fish exports hauled $337.33 million in the first seven months of this fiscal, registering a 6.58 per cent negative growth.

Exports of engineering products fell by 2.28 per cent to $194.82 million from $199.36 million.

The country fetched $40.53 billion from goods exports during the last fiscal, of which some $34.13 billion came from textiles and clothing alone, the data shows.

Source: thefinancialexpress.com.bd- Feb 04, 2020

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Pak-Indonesia trade increasing, need more exploration: Indonesian CG

Consul General of Indonesia here, Totok Prianamto said the relations between Indonesia and Pakistan in different sectors were becoming stronger with the passage of time and bilateral trade was also increasing year-on-year.

The top import items from Pakistan include rice, chemical, raw cotton, wheat, paper, fruits, garments, leather, plastic materials, cotton yarn, cloth, other textile products, sports and surgical goods, he said while talking a group of journalists on Tuesday at a local hotel.

The Indonesian envoy said since diplomatic relations established in 1951, these were so strong that the people of both brotherly Muslim countries supported and helped each other over the period in different ways and situations. Now, these need to be transformed into mutually rewarding partnership. Indonesia is the most populous Muslim country in the world.

Emphasizing the role of media, he said “in today’s world, media is playing a strong role in diplomacy whether it is a public diplomacy or state diplomacy. It has transformed diplomacy from being closed to open.”

Print and electronic media were the fastest growing tools of modern diplomacy, he added.

The Indonesian Consul General said being an official representative of Indonesia for Sindh province, one of the tasks given to him was to nurture and further strengthen the brotherly relations between Indonesia and Pakistan, particularly that of economic, trade and investments, and people-to-people contacts including with media that would benefit both countries.

He said Sindh, especially Karachi, was a very important post for Indonesia especially for trade and investment sectors. As Karachi was the largest city with two sea-ports, it was the main entry point of Indonesia’s products to Pakistan’s market.

Totok Prianamto said the people of Karachi especially the business community was actively engaged in contacts and meetings with their Indonesian counterparts to boost the bilateral trade and economic

cooperation in Sindh along with establishing strong people-to-people contacts.

Many trade associations, chambers, and businesspeople from Pakistan participated in various exhibitions and trade shows in Indonesia, he added. In this regard, he said, the media through coverage of various activities organized by both Indonesia and Pakistan would greatly assist in strengthening the relations between the two brotherly countries.

He requested Pakistan media friends to continue extending valuable support and contribution to the Consulate General of Indonesia in Karachi in promoting bilateral ties between Indonesia and Pakistan.

The Indonesian Consul General concluded that with the support of media, the people of both the brotherly countries would have vast opportunities to explore new avenues to the benefit of both the nations.

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

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Italian Textile Machinery: Orders index decline for 2019

The orders index for textile machinery drawn up by Association of Italian Textile Machinery Manufacturers (ACIMIT), for the period from October to December 2019, showed an 8 per cent drop compared to same period for 2018. Orders compiled by Italian machinery manufacturers were in negative figures both abroad and on domestic markets in Italy.

An 8 per cent slide was recorded abroad, with the absolute value of the index standing at 89.4 points. On the other hand, the drop in order collection on the domestic market stood at 7 per cent, compared to the fourth quarter 2018. The absolute value of the index stood at 138.1 points.

After a difficult year, the Italian textile machinery sector is looking to 2020 with some degree of concern. "For the current year, there are many unknown factors, both at an economic and political level, that do not appear in the short term to point to a recovery in demand for textile machinery in major markets; China, Turkey and India. Our machinery manufacturers need to be ready to seize opportunities that originate from the request for sustainability

and digitalisation of production processes," said ACIMIT president Alessandro Zucchi in a press release.

Source: fibre2fashion.com - Feb 04, 2020

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How severe is stagflation in India?

What are the ramifications for Bangladesh?

According to Investopedia, stagflation is a condition of slow economic growth or stagnation and higher unemployment, accompanied by inflation. It can also be defined as inflation and a decline in GDP.

The economy of India stands as the world's sixth and Asia's third largest. Outperforming China, it was called the fastest growing economy on the planet for the upcoming decade according to Business Insider.

But, the other of side of the coin tells a different story. Three years ago, it was enjoying about 9% growth. Now the rate has dropped to just half of that. At the end of 2018, it was still the world's fastest-growing economy. But since then, China has taken the title back.

A country's economic health is predominantly determined by its GDP and growth rates. Any decrease in GDP for two consecutive quarters ie six months is termed as a recession. Indeed, output has been declining for five consecutive quarters. Unfortunately, within just one and half a years, it experienced a negative growth of 3.5%, slumping from 8% to 4.5% in Q1 of 2018-19 (April-June) -- the slowest in six years. The previous record was 4.3% in the last quarter of 2012-13.

Retail inflation was lifted to 5.54% in November compared to 4.62% in October. Unemployment rate in October climbed to 8.5%, breaking the last three years' record. The situation even worsened when September's infrastructure output shrank by 5.2%. As fewer outputs yielded a smaller profit, manufacturers cut down demand for production which resulted in higher joblessness.

As contraction of GDP is associated with a price hike and higher unemployment, economists remarked that the country entered into the stagflationary state. Major industries -- agriculture, mining, and manufacturing -- have been struck. The number of unsold houses in real estate increased. Many factories shut down and companies like Unilever reportedly slashed prices due to lower demands.

But what accounts for this dampening? What events triggered this negative growth spiral?

Truly, the government's massive intervention on the central bank's role and "demonetization policy" are deemed predominantly liable. Marking the national election of 2019, the government was frequently leaning on RBI (Reserve Bank of India) to relax the lending criteria and misuse excess reserves to boost the economy.

Such NPLs (non-performing loan) brought shortage in loanable funds, reflecting a cut-down in private consumption, investment, and savings. Ultimately, aggregate demand slumped with a decrease in aggregate output.

In late October 2019, Deputy Governor Viral Acharya disclosed the issue before the media and warned the government, which ignited a dispute with the central bank and Modi's government. In December, Governor Urjit Patel resigned abruptly. Following his resignation, the rupee depreciated and fell again on news of appointing a new governor.

In reality, for a well-functioning economy, the collaboration between government and the central bank is essential.

Economists are also blaming the demonetization policy for stagflation. It took the highest value -- 500 and 1,000 -- rupee banknotes out of circulation to close down the black economy, ie, smuggling, corruption, and hideaways of untaxed transactions.

The decision created acute cash shortages all over India for an initial few months and made the manufacturing and construction sectors slack. Manufacturing experienced stagnation (zero growth) and construction industry shrunk by 3.7%.

Indian Economist Gurchuran Das said: “Demonetization was a big mistake. What this has done is put us back about six months. We should have been inching towards 8% annual growth, but have ended up around 7.1%. Already, we were having problems creating jobs, but demonetization has exacerbated it by a couple of quarters.”

Over the years, while India’s looming economy has been the “talk of conferences,” Bangladesh’s booming economy is also a leading one. Standard Chartered India asserts, if India and Bangladesh manage to retain economic conditions as they are now, the latter’s PPI (Per Capita Income) will amount to $5,734.6 -- exceeding India’s by 2030.

It’s remarkable that bilateral trade between Bangladesh and India stood at $9.5 billion in 2017-18 and in FY2019 it increased to $9.85 billion. Posting 85% contribution to the nation’s exports, the RMG sector is a major driver of our economic growth.

But its raw materials -- cotton, yarn, fabrics -- are largely imported from India. Hence, imports are strategically important for the industry to thrive and persist.

On the other hand, it can have multiple effects on bilateral trade. Aggregate output and aggregate income are diminishing there. So, Bangladesh has been unable to clear its market demands with declining imports. With this downturn, our economy is likely to face trade restrictions by India as it tries to keep imports lower and exports higher to maintain trade balance, thereby protecting aggregate demand from further deterioration.

Furthermore, many Indian items will not be moving out of inventories, owing to stagflation. To clear them, there are higher possibilities that Indian products will be “dumped” in our local markets, making their net exports higher. Then, it will lead our trade deficit up with India as imports rise.

Indeed, the effects of stagflation range widely. It may avert Bangladesh from the full-fledged benefit of regional trade, faced by market dumping and imposing trade restrictions.

In order to attain higher economic benefits, policy-makers must leverage the urgency by focusing on holistic approaches and devising appropriate strategies to protect the economy.

Source: dhakatribune.com - Feb 04, 2020

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Bangladesh: Time for our apparel industry to promote its sustainable credentials

Time for our apparel industry to promote its sustainable credentials

"You can't sell anything if you can't tell anything," stated Beth Comstock, former vice chair of General Electric, and I feel this is true when we consider the advances in sustainability made by the apparel industry of Bangladesh and the growing global awareness of the importance of the sustainability agenda.

A recent survey, published in October by McKinsey & Company, "Fashion's New Must Have: Sustainable Sourcing at Scale" highlights the importance of sustainability and transparency for 64 Chief Purchasing Officers (CPOs) of leading apparel brands, responsible for a total sourcing value of over US $100 billion.

A recurring theme that emerges from the report is that there is no doubt "that sustainable sourcing at scale is a must for apparel companies over the next five years—and that consumer demand for sustainable fashion is growing rapidly".

This can be a good thing for the Bangladesh RMG sector; since 2013, as all of us who are involved in the RMG sector are aware, our apparel industry has undergone a wholesale programme of remediation under the Accord on Fire and Building Safety in Bangladesh and the Alliance for Bangladesh worker safety. In addition to this, a four-year research project, "Mapping in Bangladesh", was launched in April 2017 to provide a digital map with accurate and credible information on factories in the country.

These processes undertaken by the Bangladesh apparel industry were recognised favourably in the McKinsey report, but there was no mention of other achievements of the sector. This led me to think: Why are we not promoting the sustainable advances that have been made by the Bangladesh RMG industry over recent years and why are they not getting the international recognition they, quite rightly, deserve?

The reason, I believe, is quite simple: We as an industry and indeed, as a nation, have not been promoting the sustainable advances we have made effectively enough and now is the time, I feel, when we should begin to take pride in the apparel industry's achievements and not be shy of actively informing the global audience about the sustainable advances made in Bangladesh.

The apparel and textile manufacturers in Bangladesh have come a long way from the nadir of 2013's Rana Plaza disaster and can be proud of the fact that we now have some of the most exemplary examples of compliant factories around the globe.

This is not mere hyperbole; it was borne out by the US Green Building Council (USGBC), a Washington-based non-profit organisation that promotes sustainability in building design, construction and operation.

"In every consideration, Bangladesh has the highest number of green garment factories in the world," said the USGBC and, it has to be said, the numbers are impressive!

25 Bangladeshi apparel factories—the highest number of platinum-rated garment factories in the world—have achieved the highest certificate provided by the USGBC. In addition, there are some 280 recognised green factories in Bangladesh, amongst which some 90 are certified, and are being recognised for best practices in design, construction and operations that protect the environment as well as workers' safety and well-being.

Amongst the top 10 green factories in the world recognised by the USGBC's Leadership in Energy and Environmental Design (LEED) programme, seven are operating in Bangladesh.

This is a heartening development for the apparel sector of Bangladesh. Our beloved industry's image has been severely tarnished by the events of 2013 and dramatic improvements have been made throughout the industry as a result, for the benefit of all workers and the environment. However, despite the recognition of internationally respected organisations, such as the USGBC, is the true picture of the state of Bangladesh's apparel industry being conveyed to our existing customers and the wider world at large?

I would humbly suggest the answer to this question is a simple “no” and that is what I believe needs to change. Allow me to present one example that encapsulates the argument I would like to make. As a factory owner myself, I avidly listen and learn from the competition I face internationally. By attending trade fairs worldwide, meeting with and learning from the good and the bad steps that my peers have taken, I can grow my business in a responsible manner.

One glaring fact that has become apparent to me is the ability of international apparel operations (whether they be garment manufactures, fabric mills, machine or chemical suppliers) to promote their sustainable credentials, not only to the immediate trade customer but to the end consumer as well.

This is something that is shockingly lacking here in Bangladesh. As I have already highlighted above, there is a vast amount of progress that has been made within the nation’s apparel sector, much of which required massive capital investment by the companies involved, but where is the story?

Yes, there is a lot of press coverage nationally regarding the changing face of the Bangladesh apparel industry, but, in reality, how many of our existing, or potential, business partners actually get exposure to this type of media? I would suggest some do, but not enough to garner the recognition that the improvements being made by the Bangladesh apparel industry deserve.

Given the importance of sustainable, responsible business practices, as borne out by the McKinsey report and the progress that Bangladesh has made, should we not be making more “noise” about the nation’s industry?

Promotion, backed up with hard facts, can change perceptions. This is exactly what is required for the Bangladesh RMG sector as we enter into a new decade. Collectively, as an industry, we need to unite and start shouting form the rooftops about the improvements and investments that have been made to both secure confidence with existing customers and to generate interest in new markets.

I will leave the closing statement to Howard Schultz, CEO of Starbucks: “If people believe they share values with a company, they will stay loyal to the brand”. With that in mind, I truly believe that the promotion of the advances in sustainability made by the Bangladesh RMG sector to a global audience

will re-enforce existing business relationships and allow us to engage with new business partners.

Source: thedailystar.net - Feb 05, 2020

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Pakistan: Dullness continues on cotton market

Trading on the cotton market remained slow and selective on Tuesday as sellers stayed away from big lot deals. The Karachi Cotton Association kept its spot rate unchanged at Rs9,000.

Cotton expert Syed Mudabbir Shah said that as many as 200 ginning factories have closed down due to unavailability of phutti (seed cotton) in the market. Ginners feel that selling the commodity on the prices being offered will not be a wise decision until the Chinese cotton market resumes activity, he said.

"Ginners feel that international markets will not affect local trade. Prices will remain stable since international fabric and yarn orders which were canceled with China are now being distributed among India, Pakistan, Turkey and other countries," Shah explained.

There has been an increase in activity in the yarn market. Fabric and yarn deals are being reported from Vietnam and Taiwan which is a positive sign.

Phutti prices in both Sindh and Punjab remained between Rs3,200-4,850.

The following deals were reported to have changed hands on ready counter: 400 bales, station Rahim Yar Khan, at Rs9,250; 400 bales, Dera Ghazi Khan, at Rs8,700; 400 bales, Sakrand at Rs8,500; 1,400 bales, Bahawalpur, at Rs8,900 (800 bales) and Rs8,400 (600 bales); 800 bales, Khanpur, at Rs9,150; 800 bales, Liaquatpur, at Rs9,150; and 200 bales, Yazman, at Rs8,400.

Source: dawn.com- Feb 05, 2020

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Pakistan: CPEC projects, trade with China will not be affected by coronavirus, says Razak Dawood

The ongoing trade and and the pace of completion on China-Pakistan Economic Corridor (CPEC) projects will not be impacted on account of the coronavirus outbreak originating from Wuhan, a high-ranking government official said on Monday. According to a report published in The News, Adviser to Prime Minister on Commerce, Industries, Production, Textile and Investment Abdul Razak Dawood said during an interview that there was still a need to look at how the virus develops and whether it can be contained.

"New interaction on business to business level for fresh trade with Chinese entrepreneurs may be affected but it will also be short-lived as the Chinese are workaholic and will soon be able to overcome the situation emerging out of the corona virus upsurge," he noted. Just a day before departing to Malaysia with Prime Minister Imran Khan on an official visit, Dawood remarked that shipment of exports and imports was being carried out and there was no impact of the virus on the said transactions under a trade agreement with China.

"Fresh face to face interactions with entrepreneurs of both the countries for more trade may be impacted because of the coronavirus phenomena. I am quite optimistic that China will soon cope with this menace and normalcy will prevail soon," he added.

'Textile policy almost finalized'

When questioned about the textile policy, Dawood said that the policy had almost been finalized and will soon be pitched before the federal cabinet for approval, adding that the new policy will not outline a plan for the next three years time, but rather for the next five.

"I agree that the energy package for textile industry must be extended for five years. Under the energy package, export oriented sectors are provided RLNG at the price of $6.5 per MMBTU and electricity at all inclusive tariff of 7.5 cents per unit," he revealed. The adviser was told that the Power Division had started, in new bills issued to the exporters, charging quarterly adjustment tariff and increase in monthly fuel adjustment owing to which per unit tariff had increased to 13 cents/unit from 7.5 cents per unit.

"After coming from Malaysia, I will personally take up this issue with Prime Minister Imran Khan as 13 cents per unit tariff to export industry will not help increase the exports of the country, rather it will prove counter-productive," Dawood maintained.

'Progress on GSP Plus status delayed but meetings productive'

Talking about the Pakistan's endeavor to get hold of an extension in the GSP Plus status, the adviser said that he recently visited Brussels wherein he held meetings with top officials of the EU Commission but progress on this issue had got delayed on account of Brexit. “During my interaction, I found all senior officials of EU Commission very supportive for extending GSP Plus status to Pakistan. I successfully convinced the EU Commission officials and told them about Pakistan's endeavors on progress on four areas of concern from EU."

"These include current status of implementation of labour laws and more importantly on progress about child labour and bonded labour, status of human rights in Pakistan, and transparent process of registration of International NGOs," he said. The adviser again reiterated that he felt he was able to convince the EU members and that the they responded by saying they wanted Pakistan to prove progress in the concerned areas. He added that the EU would soon recommend an extension of the GSP Plus to Pakistan.

However, he admitted the fact that the EU authorities are also being influenced by India, and other competitive economies in the region, but the adviser was optimistic that Pakistan will get extension in the GSP Plus status after the review.

"The EU Monitoring Mission will visit Pakistan in April and will hold meeting with officials of various ministries and Attorney General of Pakistan, who is head of Treaty Implementation with EU," he said.

According to the officials of the commerce ministry, the EU approved the GSP Plus status for Pakistan in 2013, but it got operational in 2014. Pakistan’s exports to EU stand at $8 billion, and 56 percent exports of these are possible because of the GSP Plus status.

Source: geo.tv- Feb 04, 2020

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NATIONAL NEWS

CAI maintains 2019-20 cotton crop at 354.5 lakh bales

The Cotton Association of India (CAI), in its January estimate, has retained its cotton crop projection for 2019-20 season beginning October 1, 2019, at 354.50 lakh bales of 170 kg each, i.e. at the same level as in the previous estimate. However, opening stock at the beginning of the current season has been revised from 23.50 lakh bales to 32 lakh bales.

The total cotton supply estimated by the CAI during the months of October 2019 to January 2020 is 234.89 lakh bales, which consists of the arrivals of 192.89 lakh bales up to January 31 (equivalent to 205 lakh running bales of 160 kg each), imports of 10.00 lakh bales up to January 31, and the opening stock of 32 lakh bales at the beginning of the season.

Further, the CAI has estimated cotton consumption during the months of October 2019 to January 2020 at 106 lakh bales (equivalent to 113 lakh running bales), while the export shipment of cotton estimated by the CAI up to January 31 is 20 lakh bales.

Stock at the end of January 2020 is estimated by the CAI at 108.89 lakh bales (equivalent to 115.70 lakh running bales) including 38 lakh bales (equivalent to 40 lakh running bales) with textile mills and remaining 70.89 lakh bales with CCI and others (MNCs, traders, ginners, etc). Kapas has not been considered in the stock figures, CAI said in a press release.

The yearly Balance Sheet projected by the CAI estimated total cotton supply till end of the cotton season i.e. up to September 30, 2020 at 411.50 lakh bales.

Total cotton supply consists of the Opening Stock of 32 lakh bales at the beginning of the season, crop for the season estimated at 354.50 lakh bales and imports estimated by the CAI at 25.00 lakh bales, which are lower by 7.00 lakh bales compared to the previous year's estimate at 32.00 lakh bales.

Domestic consumption estimated by the CAI for the entire crop year i.e. up to September 30, 2020 is 331 lakh bales i.e. at the same level as estimated by the Cotton Advisory Board at their meeting held on November 28, 2019.

The CAI has estimated exports for the season at 42 lakh bales i.e. at the same level as estimated in the previous year. The carryover stock estimated at the end of the season is 38.50 lakh bales i.e. higher by 8.50 lakh bales compared to that estimated earlier.

Source: fibre2fashion.com- Feb 05, 2020

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Commerce ministry preparing district export plan to boost shipments

The commerce ministry has initiated a process to prepare a district export plan specific to every state and Union territory, with a view to boost the country's outbound shipments, an official statement said on Tuesday. The plan will include the support required by the local industry in boosting their manufacturing and exports with impetus on supporting the industry from the production stage to the exporting stage, the ministry said.

"Informative material on various incentives provided by the government and states will be disseminated to the industry and other potential exporters," it said. The plan will also include strategy to enhance logistics and infrastructure at the district level and better utilisation of the Market Access Initiative (MAI) scheme of the ministry for inviting foreign buyers.

Budgetary support will be provided to make outreach at the district level and prepare this plan, the ministry said. It also said state and UTs will be assisted in preparing an annual Export Ranking Index of different districts to rank each district on its export competitiveness.

In order to prepare data, efforts have been made by the ministry to look into the feasibility of preparing district-level export data from the existing set-up.

The products identified, which has export potential, from the 750 districts in the country include leather, spices, garments, wool, food products, ceramics, cement, silk, carpet, glass items, metal crafts, sports goods, pharmaceuticals, engineering items, auto parts, poultry, vegetables, cut flowers, and scientific instruments.

For the plan, the Directorate General of Foreign Trade (DGFT) has been engaging with states/ UTs to initiate its preparation and implementation.

The plan will be specific to each district. The DGFT is also developing a portal to enable the states to upload all information related to the products with export potential of every district.

The preliminary exercise for the preparation of the plan will include an assessment of a district to identify the current export profile and its further potential in the district. The ministry has mandated the regional authorities of DGFT to work with states and district-level officers to promote each district as an export hub.

Finance Minister Nirmala Sitharaman in her Budget Speech 2020-21 stated that each district should develop as an export hub.

Source: economictimes.com- Feb 05, 2020

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Manufacturing excellence, quick delivery, skills development to make India a textile superpower

A new report 'Winning in Disruptive Times' by FICCI-Wazir Advisors says, in order to compete with global counterparts, India needs to upgrade its manufacturing standards and service orientation.

Also, Indian companies need to build digitally enabled smart factories besides focusing on skilling of middle and top management to build efficient and service oriented business.

Ability to take risk and align with emerging trends

The report was released at the FICCI TAG 2020 Seminar held in Mumbai. Presenting the report, Prashant Agarwal, Co-Founder and Joint MD, Wazir Advisors emphasised on the government's role in neutralising cost disadvantage with global competitors and building infrastructure for producing large scale manufacturing zones.

He said, we need to have better risk taking capabilities and ability to speedily align with emerging mega trends to remain in the business.

Improving product speed and quality

RD Udeshi, President-Polyester Chain, Reliance Industries stressed upon the need to improve the speed andManufacturing excellence quick delivery skills development quality of product deliveries as per international standards besides focusing on value addition and skill development. He pointed out, India's manufacturing excellence and scale of its factories gives it an advantage over competitors like China, Bangladesh, and Vietnam etc.

Rahul Mehta, Chief Mentor, CMAI advised Indian manufacturers to start manufacturing clothes closer to the place of raw material and cheaper labor instead of being close to the market. "Agility, speed and transparency" are the key factors to win in disruptive times, felt Rajendra K Rewari, Executive Director and CEO, Morarjee Textiles. He advised manufacturers to attract young talent in the business by offering adequate remuneration.

Roadmap to deal with challenges

The theme of TAG 2020 conference was very contemporary and it offered an excellent platform for giving a clear roadmap to overcome the current challenges that the industry is facing. Applauding the conference, Sharan, Director, India Operations, Saurer Textile Solutions said that it deliberated on relevant topics such as surviving through disruptive times, sustainability, size and scale of business, investments and interventions for winning the global race.

The conference upheld the view proposed by Anil Nair, President, Shubhalakshmi Polyester that India should aim to be a superior textile producer through innovation, technology, versatile fiber availability and ample manpower resources.

Source: fashionatingworld.com- Feb 04, 2020

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Deals to sell 250,000 cotton bales to China on hold over virus worry

Exports of around 250,000 cotton bales (1 bale = 170 kg) from India to China, for which deals were signed in January, have been put on hold as concerns over the spread of coronavirus have intensified.

These deals will be settled mutually if the situation is not brought under control soon, trade officials said.

In January, Indian exporters signed deals to export 700,000-800,000 bales (1 bale = 170 kg) of cotton, of which 400,000-500,000 or 60% were meant for China, and the rest for Bangladesh and Vietnam. The deals were struck at 76 cents per pound.

China accounts for around 30% of the world's cotton exports.

India's cotton exports may witness a temporary slowdown as the spread of coronavirus is likely to curtail demand for the fibre, said traders. This, however, may not affect the overall exports projected for the current season, they said.

"After this uncertainty in China, cotton exporters in India are anxious to sign up for new consignments with China," said Deven Shah, partner at the Mumbai-based Bhaidas Cotton LLP.

On Monday, trading resumed at financial markets in China, the second largest economy, after an extended holiday for the Lunar New Year.

Non-essential enterprises will remain closed until Sunday due to restricted movement.

"Exporters will continue to monitor developments related to the spread of coronavirus, if the virus keeps spreading and is not controlled in the next 10-15 days, it will create a problem," said Vinay Kotak, director of Kotak Commoditity Services.

This is unlikely to hit overall exports as strong orders from other countries and lower domestic prices have made sales economically viable, trade officials said.

Indian cotton is offered at 75-76 cents a pound, 6-7 cents lower than the crop from West Africa and the US, which is far superior in quality.

Atul Ganatra, president of Cotton Association of India, said the spread of coronavirus is not a major concern and the country's export target of 4.2 mln bales is easily achievable. "Indian prices are currently competitive and finding new buyers won't be difficult. I expect cotton exports to touch 3.5 mln bales by end of March," said Ganatra.

So far in the season that started in October, India has signed export deals of 2.3 mln bales, of which 1.8-2.0 mln bales have been shipped, trade sources said. "I believe India's overall exports might touch 5.0 mln bales mainly due to strong orders from other importing destinations like Bangladesh, Vietnam and Indonesia," said Ganatra.

The association has pegged India's cotton exports at 4.2 mln bales (1 bale = 170 kg) in the current 2019-20 (Oct-Sep) season. The Cotton Advisory Board has estimated exports at around 5.0 mln bales.

Source: cogencis.com- Feb 04, 2020

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India keen to keep future FTAs with RCEP nations less ambitious

Initial discussions on with some countries like Australia, New Zealand

The possible free trade pacts being explored by India with some of the individual members of the Regional Comprehensive Economic Partnership (RCEP) bloc like Australia, South Korea and Japan, are unlikely to be as ambitious as the original agreement being negotiated with the 16-member group.

“We don’t want the same problems that we had with the RCEP to get reflected in new pacts which we may get into with some of the members individually. That is why it makes sense for us to not go for very high levels of opening up,” a person close to the development told BusinessLine.

Countries such as Australia, New Zealand, South Korea and Japan are among the first ones with which India is ready to consider individual agreements to begin with, the official said.

India walked out of the proposed RCEP that it was negotiating with 15 others, including the 10-member ASEAN and China, in November 2019 as it could not agree on crucial issues including the level of market openings being demanded by members, especially China, and the lax Rules of Origin (ROO) that it was uncomfortable with.

As part of the agreement, India would have had to eliminate import duties on 80-90 per cent items over a period of time for which the country's industry and farmers were not prepared. Although difficulty in offering market access to China was one of the main reasons behind India's decision to quit RCEP, there were other problem areas too related to other member countries.

For instance, members were insisting on inclusion of sensitive items such as dairy products and wheat in the FTA, which would have hurt lakhs of farmers in the country.

"For countries such as Australia and New Zealand, items like dairy and wheat are very important. In fact, dairy exports is a major foreign exchange earner for New Zealand. India's sensitivities, which showed up in the RCEP negotiations, would remain even in the individual pacts. So, it has to be careful," the official said.

India, however, has not yet officially closed its doors on the RCEP. According to the Ministry of External Affairs, if the RCEP members offer India a deal that takes care of all its concerns, it could consider getting back to the negotiating table.

It was difficult for India to take a decision on exiting the RCEP, as once implemented it could be the world's largest free trade bloc. All 16 countries together account for 39 per cent of global GDP, 30 per cent of global trade, 26 per cent of global foreign direct investment flows and 45 per cent of the total population.

Source: thehindubusinessline.com- Feb 04, 2020

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FDI at USD 34.90 bn till Nov of FY'20: Govt

]The Foreign Direct Investment (FDI) in India has been increasing on an annual basis and was at USD 34.90 billion till November of this fiscal, Parliament was informed on Tuesday.

The FDI stood at USD 62 billion in the full 2018-19 fiscal, while at USD 60.90 billion in 2017-18 and USD 60.22 billion during 2016-17, Minister of State for Finance Anurag Thakur said while placing the data in Rajya Sabha.

Speaking during the Question Hour, he said in spite of a global contraction in FDI inflows, FDI into India have significantly improved over the past decade to USD 62 billion, which accounts for 2.37 per cent of GDP in 2018-19 fiscal.

The success of various initiatives is reflected in the increased inflow of FDI and increase in Gross Fixed Capital formation, he said, adding that several measures taken by the government will further boost FDI in all sectors.

The investors confidence has gone up after the government took measures to improve ease of doing business, comprehensive reforms in the FDI policy and introduction of Insolvency and Bankruptcy Code, 2016 among others, he said.

As per the World Investment Report (WIR), 2019, India rose from twenty fifth position in 2018 and featured at ninth place with FDI contribution of 3.23 per cent, he added.

Source: economictimes.com- Feb 04, 2020

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Removal of anti-dumping duty on PTA may hit RIL, IOC margins

Purified terephthalic acid (PTA) producers, including Reliance Industries Ltd (RIL) and Indian Oil Corp. Ltd (IOC), could see their margins narrow as the government has abolished anti-dumping duty on the chemical—a raw material used in the production of polyester staple fibre and filaments.

“PTA is a critical input for textile fibres and yarns, and its easy availability at competitive prices is desirable to unlock immense potential in the textile sector, which is a significant employment generator," finance minister Nirmala Sitharaman had said while announcing the budget.

The textile industry has been demanding the removal of the anti-dumping duty imposed on PTA to reduce the production cost and enhance global competitiveness.

“This announcement is a boost for PTA users and the entire man-made fibre textiles and clothing segment," said the Southern India Mills’ Association chairman Ashwin Chandran.

The removal of the anti-dumping duty, according to Chandran, would help India enhance its global competitiveness, boost exports and also enable the domestic producers to compete with cheaper imports.

The anti-dumping duty, imposed in July 2016 and July 2019, has now been revoked on PTA imported from China, Iran, Indonesia, Malaysia, Taiwan, Korea and Thailand. Depending on the country of origin, anti-dumping duty on PTA ranged between $27 and $160 per tonne.

“For PTA producers, the elimination of anti-dumping duty would cut the current margin of about $120 per tonne by about 20%," said K. Ravichandran, senior vice president and group head (corporate ratings) at Icra Ltd.

RIL and IOC did not respond to email queries till press time.

Owing to its properties such as weathering resistance, strength and flexibility, PTA’s usage is growing across various end-use industries such as

food and beverages, electronics, apparel, home textiles, carpets, and industrial fibre.

According to industry officials, this move will help further the ministry of textiles' vision to increase the textile business size from the current level of around $169 billion to $350 billion by 2025 and to $650 billion by 2030.

Over the past six months, new capacities of five-six million tonnes were added in China, which has pulled down the spread between paraxylene and PTA to $120-150 per tonne.

A spread is the difference between the price of a raw material and the price of a finished product created from it.

China is a very big player with huge upstream and downstream PTA capacities, which added to the pressure on PTA margins.

"With the anti-dumping duty abolished, we assume the effective spread earned by a company will be lower. Domestic capacity for PTA would be closer to about 6 million tonnes. And with RIL enhancing capacity in a big way, it could be impacted significantly," said an analyst tracking RIL, requesting anonymity.

RIL is the biggest PTA producer in the country, with a domestic capacity of 4.4 million tonnes per annum.

Source: livemint.com - Feb 04, 2020

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Explained: Why govt has lifted a duty that polyester makers paid on a chemical

During her Budget speech on Saturday, Finance Minister Nirmala Sitharaman said the government was abolishing in “public interest” an anti-dumping duty that was levied on imports of a chemical called PTA. Domestic manufacturers of polyester have called the move a huge relief for the industry, claiming they had been fighting to remove the duty for four-and-a-half years.

What is PTA?

Purified Terephthalic Acid (PTA) is a crucial raw material used to make various products, including polyester fabrics. PTA makes up for around 70-80% of a polyester product and is, therefore, important to those involved in the manufacture of man-made fabrics or their components, according to industry executives.

This includes products like polyester staple fibre and spun yarn. Our cushions and sofas may have polyester staple fibre fillings. Some sportswear, swimsuits, dresses, trousers, curtains, sofa covers, jackets, car seat covers and bed sheets have a certain proportion of polyester in them.

What led to the government decision?

As Sitharaman explained on Sunday: “That particular product (PTA) is a raw material for many of the industries. There has been persistent demand that they should be allowed to source that particular product at an affordable rate, even if it means importing it.” She had said easy availability of this “critical input” at competitive prices was desirable to unlock “immense” potential in the textile sector, seen as a “significant” employment generator.

The duty had meant importers were paying an extra $27-$160 for every 1,000 kg of PTA that they wanted to import from countries like China, Taiwan, Malaysia, Indonesia, Iran, Korea and Thailand. Removing the duty will allow PTA users to source from international markets and may make it as much as $30 per 1,000 kg cheaper than now, according to industry executives.

Why was it imposed in the first place?

The anti-dumping duty on PTA was imposed after two domestic manufacturers, MCC PTA India Corp Pvt Ltd and Reliance Industries Ltd, approached the Directorate General of Trade Remedies (DGTR) in October 2013. The companies, which submitted that they accounted for over 50% of the domestic PTA industry, had argued that some countries had been exporting the product to India at prices lower than its value in their own domestic markets. This dumping of PTA into the Indian market had a "significant" adverse impact on the domestic industry, they argued.

Following an investigation, DGTR agreed with MCCPI and RIL's claims, and imposed anti-dumping duties on PTA imported from South Korea and Thailand in 2014 and 2015, and from China, Indonesia, Taiwan, Iran and Malaysia in 2015 and 2016.

Why was the move controversial?

Companies using PTA to manufacture polyester products claimed that the move went against the government's vision of making the textiles sector a globally competitive industry. According to them, the move left them with limited domestic suppliers of PTA.

The companies had alleged that the product's cost had become more expensive domestically, which made their own products pricier and less attractive for their domestic and international buyers. This had led to a drop in exports of some of these products during 2014-16, and an increase in imports of the products they had been producing, as there was no safeguard against imports of cheaper versions of these downstream polyester-based products.

On top of this, the domestic industry had argued that domestic PTA producers had not only been unable to ramp up capacity to cater to demand for the product, shutdowns of their manufacturing facilities once a year for maintenance purposes had also led to shortages of the raw material.

PTA users claim that they had not been manufacturing as much polyester as they were capable of, operating at 70% of their capacity at any given time.

Are there other raw materials in line for a similar move?

Mono Ethylene Glycol (MEG), another raw material used in the manufacturing of polyester, is currently the subject of another anti-dumping duty investigation initiated by DGTR recently.

This investigation was initiated after RIL, supported by another company (India Glycols Ltd) had argued that top MEG exporters like Kuwait, Saudi Arabia, Singapore and the United Arab Emirates had been dumping the product and that the domestic industry was suffering "material" injury as a result.

An association representing textile companies like Indo Rama Synthetics India Ltd, Filatex India Ltd and Bombay Dyeing has approached DGTR against the move, arguing that anti-dumping duties on MEG would adversely impact the textile industry the way the duty on PTA allegedly did.

Source: indianexpress.com - Feb 05, 2020

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