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IBTEX No. 184 of 2018 September 05, 2018

USD 71.72| EUR 83.12 | GBP 92.20 | JPY 0.64

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
22421	46900	**83.58**

Domestic Futures Price (Ex. Gin), October

Rs./Bale	Rs./Candy	USD Cent/lb
22700	47483	**84.62**

International Futures Price

NY ICE USD Cents/lb (Dec 2018)	82.78
ZCE Cotton: Yuan/MT (Jan 2019)	15,795
ZCE Cotton: USD Cents/lb	**88.98**
Cotlook A Index – Physical	**92.65**

Cotton Guide: Two days past this week cotton future continued to trade in the same band of sideways trend which is seen for the past four weeks. The extended weekend did little to inspire traders one way or the other. December future settled at 8278, up 63 points, its first gain in 4 sessions. The other months settled from 31 points lower to 50 points higher. On the trading front volume were 28,192 contracts, the busiest session since August 15th when the sideways pattern began. China's ZCE futures also broke their string of 3 consecutive losses with a gain on Monday and they were unchanged Tuesday (in the most active month). The US/China trade war has not helped ICE or the ZCE.

On the news front, storms looming in the Gulf stirred up some concerns, but not the typical fears associated with a potential hurricane. The current path should turn out to be more of a rain event rather than a wind event in the southern and central Delta.

On the other side Chinese State Reserve cotton on Tuesday's auction had a turnover rate of 77.45 percent, spinners only. Offered were 30,002.722 tons (137,803 bales); and sold were 23,235.698 tons (106,722 bales). The cumulative turnover rate is 58.12 percent (offered versus sold). This auction series started at 24.1 million bales and 14.2 million bales remain.

Technically, December has spent its fifteenth straight session inside a 365-point range. That range of 8060 to 8425 likely holds the key to market's next significant move. The bulk of the daily and weekly modern work is down as are the short and intermediate term trends. About the only thing the bulls have going for them is that prices have continued to hold above long-term support. We continue to believe that aggressive, short term traders could trade the range. Longer term traders should await resolution of the sideways range and the potential bear flag pattern to work.

On the domestic front, spot price has declined marginally in last few days and trading around Rs. 47000 per candy for the remaining 2017-18 crop. Therefore the futures price trades at MCX have also declined. On Tuesday the counter ended at Rs. 22700 down by Rs. 1160 from the previous week's close. We think market might remain lower today. This morning ICE December is seen trading at 82.68 cents down by 0.12% from the previous close. We think the Indian cotton future might remain sideways to lower and the trading band would be Rs. 22600 to 22800 per bale.

Data published by the Gujarat Directorate of Agriculture show that the total area under cotton in the state by September 4 was 2,703,347 hectares, representing a weekly increase of just 2,644 hectares. The current area is 2.5 percent larger than the total area for 2017-18.

FX Guide: Indian rupee has appreciated by 0.2% to trade near 71.42 levels against the US dollar. Rupee is seeing some stability after hitting record low level of 71.575 in previous session. Rupee has benefitted from correction in crude oil price. Brent crude has corrected after failing to breach $80 per barrel level. Crude corrected amid trade war worries and expectations of buildup in stocks at key Cushing terminal. However, weighing on rupee are trade war worries and contagion fears amid emerging market currencies.

The sell-off which started with Turkish lira and Argentine Peso and have now engulfed other major currencies like South African Rand, Indonesian Rupiah and Indian rupee. The US dollar is also supported by general optimism about US economy and Fed's monetary tightening outlook. Rupee may remain under pressure unless we see significant improvement in risk sentiment. USDINR may trade in a range of 71.25-71.75 and bias may be on the upside.

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

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INTERNATIONAL NEWS

Trump Faces Fight With Canada on NAFTA as China Duties Near

President Donald Trump's effort to force Canada into signing on to a new Nafta on his terms is facing new hurdles thanks to growing opposition at home to his threat to proceed without the U.S.'s northern neighbor.

Trump's frustration spilled into the open over the weekend as he railed against Canada on Twitter — as well as its many supporters in both political parties. The president has threatened to leave Canada out of a new trade deal already negotiated with Mexico, but without congressional support he lacks leverage to force Ottawa to make concessions.

Canada's top Nafta negotiator Chrystia Freeland, the foreign affairs minister, will return to Washington on Wednesday for a second week of talks over staying in a revamped pact.

There is no political necessity to keep Canada in the new NAFTA deal. If we don't make a fair deal for the U.S. after decades of abuse, Canada will be out. Congress should not interfere w/ these negotiations or I will simply terminate NAFTA entirely & we will be far better off...

— Donald J. Trump (@realDonaldTrump) September 1, 2018

"There's going to be a lot of pressure to get a deal with Canada," said Mark Sobel, a former U.S. Treasury official and now American chairman of the research group OMFIF. "Canada's the main trading partner for many states, quite a bit of our economic fortunes are entwined with Canada."

The battle with Canada is building as the White House also prepares to roll out new tariffs on products from China that make up some $200 billion in annual trade in the most significant batch of duties yet aimed at Beijing.

A public comment period wraps up Thursday and people familiar with the White House deliberations last week said the U.S. president is eager to move soon after that. China has already said it will retaliate.

Trumka criticism

On Nafta, Trump began his Labor Day holiday on Monday by attacking Richard Trumka, the head of the AFL-CIO, America's largest union umbrella group, who said on Fox News Sunday that "it's pretty hard to see" how Nafta works without Canada. Trump had hoped unions would lean on Democrats to back his approach.

Richard Trumka, the head of the AFL-CIO, represented his union poorly on television this weekend. Some of the things he said were so againt the working men and women of our country, and the success of the U.S. itself, that it is easy to see why unions are doing so poorly. A Dem!

— Donald J. Trump (@realDonaldTrump) September 3, 2018

European officials are watching the Nafta negotiations closely for a sign of how Trump and his team will approach trade talks with Europe. Those were launched as a result of a late-July agreement between the U.S. president and the European Commission President Jean-Claude Juncker, though that pact also appeared fragile after Trump told Bloomberg News last week that in trade Europe was "almost as bad as China, just smaller."

The debate over how and whether to include Canada in a new Nafta that must be ratified by Congress illustrates Trump's political isolation in his trade wars, something both Chinese and European officials have noted. It also comes just two months before midterm elections in which control of the U.S. legislative body is at stake and trade has already become a volatile issue.

"Many in China must be viewing the most recent Nafta developments, and in particular the sharp words the president is using against Canada, as another gift from the Trump administration," said Wendy Cutler, who helped lead trade negotiations with China during the Obama administration and is now at the Asia Society.

In an attempt to gain leverage over the government of Justin Trudeau, the president has threatened to leave Canada out of the revised Nafta and proceed with Mexico alone. The White House on Friday gave Congress the required 90-day notification that it would be signing a revised version of the quarter-century-old Nafta with Mexico and would include Canada "if it is willing."

The notice had to be sent Friday for Mexico's outgoing government to sign the new deal before it leaves office Dec. 1.

Progress in talks

Both Canadian and U.S. negotiators insist they have been making progress. But they have also bogged down over sensitive issues related to Canada's highly protected dairy sector and the Trump administration's zeal to eliminate a dispute-resolution mechanism that Ottawa regards as crucial.

That mechanism — known as Chapter 19 — allows Nafta members to challenge each other's trade remedy rulings, such as special tariffs levied in anti-dumping cases, before an independent panel. It is seen as a Canadian red line, dating back to 1980s negotiations over a bilateral U.S.-Canada pact that served as a precursor to Nafta as well as the early 1990s Nafta negotiations.

Despite Friday's deadline passing without a deal, both Canadian and U.S. officials insist that Canada could still meet an end-of-September procedural deadline set by Congress. Under congressional rules for passing trade agreements, the administration must publicly release text of the agreement 60 days before any signing, meaning wrapping up the U.S.-Canada negotiations before then could put things back on track.

Trade tactics

Trump abruptly canceled an outing on Monday, a federal holiday in the U.S., "to make calls specifically on trade and other international issues," White House Press Secretary Sarah Huckabee Sanders said in an email. She didn't elaborate, and the White House didn't respond to questions about Trump's trade strategy.

The problem for Trump is that U.S. business and farm groups as well as a broad bipartisan swath of legislators say they will oppose any deal that doesn't include Canada. If the AFL-CIO's opposition to a Nafta without Canada holds, it would leave Trump facing opposition by bosses, farmers, workers and politicians — every major constituency in American trade politics.

The Trump vitriol aimed at Canada over the weekend also put pressure on Trudeau not to bend to U.S. demands even if economists warn a collapse of Nafta could be very damaging to the Canadian economy.

"We are witnessing American divide and conquer, might-is-right tactics at their very worst," Derek Burney, a former Canadian trade negotiator, wrote in the Globe and Mail newspaper. "When we are confronted with schoolyard bully tactics, the choice is clear. Concede and hope that the behavior will improve, or resist in the hope that rational voices in Congress and business will constrain the president's worst impulses."

Source: sourcingjournal.com- Sep 04, 2018

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Economic, Trade Issues Clipped Wings of Global Air Freight in First Half

Global air freight slowed down in the first half of the year, particularly in the second quarter, as economic and political factors played a role.

The International Air Transport Association (IATA) said growth for the first half of 2018 was 4.7%, less than half the growth rate of 2017. IATA reported demand for global air freight, measured in freight ton kilometers (FTKs), increased 2.7% in June compared to the same period the year before.

IATA noted this continues a slowdown in air cargo growth that began earlier in 2018. Freight capacity, measured in available freight ton kilometers (AFTKs), rose 4.1% in June, with capacity growth now outstripping demand growth in every month this year since March.

IATA said there are three main factors driving the slowdown. The first is that the restocking cycle, when businesses rapidly build up inventories to meet demand, ended in early 2018. As a result, "There was a marked fall in air cargo volumes from March," IATA said.

The second factor is a slowdown in global trading conditions, as evidenced by the fall in the Purchasing Managers Index (PMI) to its lowest level since 2016, IATA noted. There's also been a decline in manufactured goods exports in China, Japan and the U.S., the organization's monthly report said.

A third issue was the temporary grounding of all aircraft of the Nippon Cargo Airlines fleet in the second half of June after an error was uncovered in maintenance records, which shaved up to 0.5% off June growth.

“Air cargo continues to be a difficult business with downside risks mounting,” Alexandre de Juniac, IATA’s director general and CEO, said. “We still expect about 4 percent growth over the course of the year. But the deterioration in world trade is a real concern.

While air cargo is somewhat insulated from the current round of rising tariff barriers, an escalation of trade tension resulting in a ‘reshoring’ of production and consolidation of global supply chains would change the outlook significantly for the worse.”

All regions except Africa reported a year-on-year increase in freight volumes in June, but the slow growth in Asia-Pacific, which accounts for nearly 37 percent of the overall air cargo market, dragged the global growth rate down.

Asia-Pacific airlines saw freight demand increase just 1.5% in June compared to the same period last year, while capacity increased 5.2%. The international freight performance in the region fell to 1.1%, a 17-month low. In the first half of the year, FTKs grew 4.6% year-on-year and freight volumes are expected to settle at an annual growth of 3 percent to 4 percent, IATA forecast.

European airlines posted a 3.3% increase in freight volumes in June, as capacity rose 5.4%. IATA said growth is being negatively impacted by a slowdown in export, and supply chain bottlenecks that are often why companies turn to air freight, have eased. For the first half, the region expanded 4.1% year-on year.

North American airlines’ freight volumes lifted 3.8% in June from the year-ago period. International FTK accounted for 5.9% of volume, making the region the strongest-performing market for the first time in two years. Capacity increased 3.4%.

“The strong dollar and robust growth in the U.S. economy is driving inbound shipments,” the report said.

IATA said growth for the first half was 5.3%, second only to exceptional growth in Latin America, where the increase for the first six months was 10.1%.

Latin American airlines experienced increased demand of 5.9% in June, continuing a recent run of registering the largest increases of any region, although capacity decreased 5.7%.

The pick-up in demand for international freight of 5.2% was a slowdown from the previous months. However, it continues to trend well above the five-year average of 1.6%, and posting the best performance of any region.

Middle Eastern carriers' freight volumes grew 3.8% in June. This was an improvement on a 2.7% gain in May, but well below the average five-year rate of 9.5%. Capacity increased 4.5%.

The first half increase was 4.3% year-on-year, and the expectation is for volume growth to remain modest in the coming months, IATA said.

African carriers saw freight demand fall 8.5% in June year-to-year, as capacity fell 1.4%.

"It is difficult to be positive about the current picture in Africa," IATA added. "International FTKs fell at the fastest pace (-8.6%) for nearly nine years.

Although the year-on-year growth rate for the first half of 2018 was 3 percent in seasonally-adjusted terms, FTKs are trending downward at an annualized rate of almost 20 percent over the past six months, and demand conditions are weak on all the main markets to and from the continent."

Source: sourcingjournal.com- Sep 04, 2018

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China-Africa FTA to boost global trade

Industry leaders have suggested that China and African countries, represented by African Union, should launch a feasibility study on free trade and investment facilitation negotiation to completing the detailed text of their investment plan before their next summit, and guarantee high-level standards for trade and investment facilitation by 2025.

The recent developments in Africa and the rest of the world could prompt China and Africa to consider more ambitious trade and investment plans.

Early this year, African leaders met in Rwanda and signed the agreement for establishing the African Continental FTA, which is a landmark pact that could promote African integration amid the de-globalisation, isolationist, protectionist policies being adopted and the bullying tactics used by certain economies.

If China and the African countries keep sending such positive trade and economic signals by inking an FTA, they would inject new vitality into the global economy. Such an FTA would be a concrete step toward achieving the goal of mutual prosperity by institutionalising Sino-African economic activities.

Source: fashionatingworld.com- Sep 04, 2018

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Philippines garment exports expects $250 million Chinese orders this year

Garments exporters in Philippines expect orders from Chinese buyers to reach $250 million and generate up to 3,000 jobs this year, as China turns to the Philippines due to its competitive labor rates and initiatives to facilitate exports.

As per Foreign Buyers Association of the Philippines (FBAOP), the country is currently experiencing an increase in garment orders amid the tariff conflict between China and the United States.

This has resulted in regional rivals increasing their minimum wages resulting in higher manufacturing costs. Out of all cities, Manila is emerging as the most preferred city for buyer due its industrial peace and stable labor rates.

FBAOP has already secured $150 million worth of purchase orders from buyers in China, and plans to add another $100 million by December this year.

Its production at five factories across Metro Manila, Bataan and Clark are ongoing for delivery by the end of the year.

The association's exports are expected to reach about $1 billion this year, bolstered by Chinese purchases of Philippine garments.

Source: fashionatingworld.com- Sep 04, 2018

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Brazil may become 2nd-largest cotton exporter in 2018/19 - trade group

Brazil could become the world's second-largest cotton exporter in the 2018/2019 crop cycle, jumping ahead one position to surpass India in the global rankings, Brazilian trade group Abrapa said on Tuesday during an industry event.

Brazil is expected to export 1.12 million tonnes of cotton lint in the 2018/19 harvest, which would place it second to only the United States, Abrapa's executive director Márcio Portocarrero said.

The U.S.-China trade war is set to directly benefit Brazilian cotton growers, with Chinese cotton processors indicating they would buy up any additional supply of cotton that Brazilian farmers can produce, Portocarrero said.

He did not elaborate on which Chinese companies had made the "verbal commitment" to buy Brazilian cotton or when it happened.

China slapped a 25 percent tariff on U.S. cotton imports, among a raft of duties that took effect in July in response to tariffs announced by U.S. President Donald Trump.

Brazil's overall production is expected to rise to 2.3 million tonnes of cotton lint in 2018/19, from 2 million tonnes the prior season, according to Abrapa.

Chinese demand will be driving growth in planted areas, with a record 1.4 million hectares of cotton expected next year seen growing to 2 million hectares by 2022, Portocarrero said.

Source: reuters.com- Sep 04, 2018

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Uzbekistan intends to stop export of cotton fiber by 2025

Uzbekistan has planned to stop the export of cotton fiber and to ensure its full processing in the domestic market by 2025, RIA Novosti reported referring to Head of the Department of Strategic Forecasting of UzTekstilProm (Uzbek Textile Industry) Association Dilbar Muhamedova.

"We have a task to completely stop the export of cotton fiber by 2025 and to ensure its complete processing within the country," Muhamedova said.

According to her forecasts, in 2018, the industry will be able to process about 520,000 tons of cotton fiber with the current design capacity of 720,000 tons.

In March this year, during a trip to the Jizzakh region, President of Uzbekistan Shavkat Mirziyoyev announced the plans to reduce cotton exports and to increase its processing in the domestic market.

Every year, the country produces about 3.5 million tons of raw cotton and 1-1.2 million tons of cotton fiber.

About 50 percent of the produced cotton fiber is exported.

Source: azernews.az- Sep 04, 2018

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Turkmenistan expects 1,050,000 tons cotton production

The Central Asian country of Turkmenistan is expecting production of 1,050,000 tons of cotton during the current year, for which harvesting will begin this week.

Around 545,000 hectares of land was sown with various finely- and medium-fibres cotton varieties—133, Yoloten-7, Dashoguz-120, Serdar, C-4727, Yoloten-39, Yoloten-49, etc—in spring.

The main cotton growing provinces of Mary, Lebap, Dashoguz and Ahal are projected to produce 313,000 tons, 300,00 tons, 230,00 tons and 207,000 tons of crop.

For the current harvesting season, there will be high level of mechanisation compared to previous years.

The harvesting process will involve 1,076 harvesters, 2,261 vehicles, 2,162 tractors and 325 trailers, the state news agency of Turkmenistan said.

Harvested cotton will be collected at 156 reception points, and will be further processed at 38 cotton ginning plants across the country.

Experts from Turkmenstandartlary—a government organisation—will ensure strict quality control of incoming production.

Cotton is the main cash crop of Turkmen agriculture and one of the main exports of the country, second only to energy resources.

Source: fibre2fashion.com- Sep 04, 2018

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Oman: Textile printing industry set to grow to $2.66bn by 2021

The textile printing industry has come of age and is rapidly growing across the globe and the Middle East region. Oman houses thousands of retail destinations, including several high-end furniture brands and these numbers are on the rise. According to Smithers Pira, the UK-based market intelligence, testing and consulting firm, this industry is slated to grow to US$2.66 billion by 2021.

The key objective of textile printing is to produce fabric with an attractive design and defined pattern. This lucrative market expansion can be attributed to several factors such as the rise in customer demands, faster go-to market strategy by companies and also the rapid expansion of the healthcare, real-estate, hospitality, education and retail sectors.

“We have seen a growth in demand from across various vertical industries and we foresee this growth due to the rapid expansion of retail malls and hospitality industries. Our trade show, SGI Dubai, witnesses new exhibitors each year and that is a key indicator for us,” stated Sharif Rahman, CEO, International Expo Consults.

Currently, the Asia Pacific region has the largest market share for textile printing, followed by Europe and North America. Within Asia, China and India, alone, hold the largest market share for textile printing globally. The Asia-Pacific region is expected to witness the highest growth and maintain its dominance in the forecasted period.

“It is important for the players within Oman to closely look at their markets and their potential and capitalise on the same by leveraging innovative cutting edge technologies. This will further help their own industry and thereby significantly contribute towards the economy," he said

"With the fast growing population not only in the Middle East, but across the globe, the demand would further increase and players should plan ahead to capitalise on this opportunity.

Progress in technology paired with the increasing method of printing is driving the global textile printing market,” added Rahman.

SGI Dubai 2019 is one such destination, a unique trade show, that actually addresses the needs of the textile printing industry stakeholders and will bring the best players in the industry from across the globe.

From among all the other forms of printing, digital printing is expected to garner the highest growth in the coming years. On the base of technology, the global market for textile printing can be split into direct printing, white/color discharge and resist printing.

Other forms of printing include block printing, roller printing, duplex printing, screen printing, stencil printing, transfer printing, blotch printing, jet spray printing and electrostatic printing.

SGI 2018 was a huge success with close to 330 international and regional exhibitors showcasing the latest in UV printing, textile printing, retail, LED and various signage technologies. Thousands of visitors graced the show from across the globe including the Middle East, Africa, Asia and Europe.

SGI Dubai is an ideal converging point where visitors and exhibitors can reach out to architects, sign makers, print and production manufacturers, media agencies, real-estate developers, brand and image consultants, among others.

The event is a well-established business forum, which is recognised globally and constitutes workshops and seminars held by industry experts.

It is one of the most eagerly awaited events of the year in the region to cater to the needs of exhibitors and visitors in the signage, outdoor media, screen and digital printing, LED and textile printing industries.

Source: timesofoman.com- Sep 04, 2018

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Pakistan: Cotton up

Trading activity increased at the Karachi Cotton Exchange on Tuesday, while spot rates increased Rs50/maund.

Karachi Cotton Association rose the official spot rates at Rs8,050/maund (37.324kg) and Rs8,627/40kg. Ex-Karachi rates also increased to Rs8,210/maund and Rs8,798/40kg after an addition of Rs160 and Rs171 as upcountry expenses, respectively.

An analyst said demand increased in the market, which resulted in an increase in the spot rates.

“Crop is short by around 33 percent in Sindh, as sowing remained low because of water shortage,” he said.

“In the coming days, trade will increase.” Karachi cotton market recorded 31 transactions of around 20,000 bales at the price of Rs8,100/maund to Rs8,300/maund.

Deals were reported from Mirpurkhas, Sanghar, Tando Adam, Shahdadpur, Kotri, Khipro, Shahpur Chakar, Nawabshah, Hyderabad, Ahmedpur East, Khanewal, Burewala, Chichawatni, Vehari, and Hasilpur.

Source: thenews.com.pk- Sep 05, 2018

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Bangladesh: Three events to showcase latest garment, textiles technology

Three concurrent exhibitions in the capital's International Convention City Bashundhara will showcase the latest sophisticated and emerging technologies for textile and garment industries from September 12 to 15.

“Around 1,250 companies from 25 countries will take part in the events occupying 1,500 stalls,” said Meherun N Islam, president and group managing director of the fairs organising company, Conference and Exhibition Management Services Ltd (CEMS) Global.

The events would be the biggest meeting place for manufacturers, buyers, suppliers and consumers while providing exhibitors an interactive platform to generate business, she said while addressing a press conference at the National Press Club yesterday.

The doors of the exhibitions will remain open from 10:30am to 7:30pm.

Of the events, the 19th Textech Bangladesh Int'l Expo 2018 is scheduled to display machines for textile, apparel and accessory manufacturing; embroidery, circular knitting, digital printing and related services.

The 14th Dhaka International Yarn & Fabric Show 2018 is expected to bring international manufacturers of fabric, yarn and special chemicals.

Similarly the 33rd Dye+Chem Bangladesh 2018 International Expo is meant to highlight the latest global additions in dyestuff and chemicals focusing on Bangladesh's exports, especially the textile and garment industry.

The exhibitions' broadcast partner is Independent TV, radio partner Radio Today, media partners The Daily Star and The Daily Samakal; magazine partners Textile Today, Textile Focus and Apparel View; creative partner Market Edge limited, IT partner Amar Tech, media monitoring partner Ryans Archive Limited and hospitality partner At Earth.

Source: thedailystar.net- Sep 04, 2018

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NATIONAL NEWS

Overproduction a key challenge for Indian denim industry

Overproduction and an inward-looking tendency are the biggest challenges for the Indian denim industry as it got into a hyper-expansion mode without thinking about its impact, says Sandeep Agarwal, director, Denimsandjeans, a trade fair organised in India, Bangladesh and Vietnam that provides a global platform for interaction for the denim community.

The sole focus on the domestic market is a big negative trait as it keeps the industry out of international trends, pressures and resultant innovations, Agarwal told Fibre2Fashion in an interview.

Organised garment manufacturing in large capacities is missing in India, making the country weaker in innovations in that field. "We have limited vertically-integrated units, which is the need of the hour for many large buyers," he added.

Source: fibre2fashion.com- Sep 05, 2018

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Apparel exports to see modest growth in near term: Report

The country's apparel exports are likely to remain subdued in the near term, growing at a modest pace of 1-2 percent for the rest of FY19, due to factors such as transition to the new taxation regime and liquidity challenges for the apparel industry, a report said.

The exports have seen a sharp de-growth of 14 percent year-on-year in the first four months of this financial year, rating agency Icra said in its report.

As this would still mean a 4 percent annual decline in the country's apparel exports in FY19, it is expected to be the fourth consecutive weak year for exports, following the 4 percent de-growth in FY18 and modest growth rates of 1 percent and 3 percent in FY16 and FY17, respectively, it said.

The country's apparel exports saw an unencouraging trend, with a marginal de-growth of 1 percent in FY18 as well as 4 month of FY19, even after adjusting for apparel exports to the UAE, which have declined inexplicably and sharply over the past one year, according to Icra.

"With several internal as well as external headwinds, the past year turned out to be rather challenging for India's apparel exporters. Transition to the new taxation regime, besides posing liquidity challenges for the industry, added to uncertainties because of alternating stances on export incentives during the year," said Jayanta Roy, senior vice-president and group head, Icra.

Further a stronger rupee heightened the challenges in the international market by affecting competitiveness of players in an intensely competitive international apparel market, he added.

According to Icra, the country's apparel sector's performance is worrying as it is contrary to the global trends.

The global apparel trade is back on the growth trajectory with an estimated growth of 4-5 percent in the first half of CY2018 (calendar year) and 2 percent in CY2017 in US dollar terms.

The positive trend in the global apparel market is being led by the strong recovery in apparel imports by the European Union (EU), which accounts for two-fifth of the global apparel trade, it added.

"Going forward, steps taken by the government to address these concerns, will remain crucial for apparel exporters to capitalise on the revived global apparel trade as well as the continuing loss of market share by China, which opens up a lucrative opportunity for key players such as India, Vietnam and Bangladesh," said Roy.

Source: moneycontrol.com- Sep 04, 2018

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High wool prices to squeeze margins of winter fabric makers

Makers of worsted fabric in India are set to face a squeeze in their margins this year as global wool prices have reached a new high due to a slump in production in Australia and rising demand from China.

Australia is leading producer of wool while China is the largest buyer. “Drought in Australia has impacted the livestock and also production of wool,” said Prashant Jain, head, sales and marketing, at Indoworth India, a worsted fabric maker owned by Lohia Group.

International wool prices have increased by up to 180% in the last two years, but Indian worsted fabric makers are unable to pass it on to consumers. “The wool prices have jumped, but Indian consumers are not ready to pay for the price rise and thus manufacturers are using more manmade fibre,” Jain said.

Leading makers of winter garments, such as Raymonds, Reid and Tailor, Indoworth India, Jayashsree Textiles (Aditya Birla Group), OCM and Reliance Industries are now increasingly moving to polyester viscose from polyester wool, to lessen the impact of high wool prices on their margins, industry insiders said.

“There is a sharp gap in demand and supply of wool due to adverse climatic conditions in Australia and it has caused a major rise in wool prices in the last couple of years,” said Pawan Sharma, head of export and import at Oswal Wollen Mills, a Nahar Group firm.

China buys almost 78% of wool exported from Australia, which produces about 23% of wool in the world. India and Italy are other major buyers of wool from Australia, as well as New Zealand and South Africa, which account for 10% of international wool market.

Wool is categorised in terms of fibre diameter of between 14.5 microns to 32 microns, and prices are higher for lower micron wool. Sharma said the price has increased by 70% for category of wool used by knitwear industry.

Piara Lal Seth, president of Shawl Club Amritsar, said the price rise is more than Rs 600 per kilogram for wool used in shawl industry.

He said the fall in rupee valuation would buttress export, but domestic market will be affected by increase in wool price. "Also Chinese goods are being circumvented through Bangladesh in order to evade anti-dumping duty."

Lal said high cost of power and interest rates are hurtling local industry and it is losing to global competition. Also shawl imports from Bangladesh is on the rise. Shawl manufacturing is categorised as a cottage industry. Heavily depended on outsourcing to households and smaller units, the shawl industry employs over one lakh families.

India produces about 2.2 million metres of worsted fabric every month.

Source: economictimes.com- Sep 03, 2018

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Cotton prices to trade sideways to lower: Angel Commodities

According to Angel Commodities, MCX Oct Cotton continue to trade lower on Monday to trade at 5 - weeks low on reports of improvement in acreage and lesser pest attacks in Maharashtra and good condition of cotton in main cotton growing states.

Angel Commodities' report on Cotton

MCX Oct Cotton continue to trade lower on Monday to trade at 5 - weeks low on reports of improvement in acreage and lesser pest attacks in Maharashtra and good condition of cotton in main cotton growing states.

Cotton acreage till last week was down by 1.9 % on year to 117.7 lakh hac compared to 119.9 lakh ha last year, according to the farm ministry data. Currently cotton futures are traded about 25% higher than last year prices.

The USDA's FAS has projected India's cotton production to decline 1.7% on year to 365 lakh bales (1 ba le = 170 kg) due to delay in monsoon rains and fall in acreage.

As per Commerce ministry data, cotton exports in June surged by 27.6% to 5.7 lakh bales as compared to last year. India is likely to export 70 lakh bales of cotton in 2018/19, down 30% from an earlier estimate due to low crops.

Outlook

Cotton futures are expected to trade sideways to lower due to improving acreage and weather conditions in top cotton growing states - Gujarat and Maharashtra. However, reports of pest attack may restrict production prospects may support prices in coming weeks.

Source: moneycontrol.com- Sep 04, 2018

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Manufacturing PMI slows down to 51.7 in August

August data signals further loss of growth momentum across India's manufacturing sector, reflecting slower gains in output and new orders

Factory production slowed again in August as the purchasing managers' index (PMI) fell to 51.7 against 52.3 in July. Still it is the 13th successive month of expansion.

This index, better known as the Nikkei India Manufacturing Purchasing Managers' Index, is based on the survey conducted among purchasing executives in over 400 companies. These companies are divided into 8 broad categories:

Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper and Transport. Index over 50 shows expansion, while below 50 mean contraction. The index is prepared by IHS Markit and released along with a detailed report.

The latest data pointed to a modest improvement in manufacturing conditions compared to July. Output rose further in August, thereby extending the current period of expansion to 13 months.

Strong underlying demand was the key factor behind the latest upturn, according to panellists.

Although solid, the rate of expansion eased for the second successive month. New orders placed at Indian manufacturers rose for the tenth month in succession. Wherever an increase was reported, firms commented on strong market demand.

Aashna Dodhia, Economist at IHS Markit, said that August data signalled a further loss of growth momentum across India's manufacturing sector, reflecting slower gains in output and new orders. That PMI data suggested that external demand for Indian goods was also robust, with new export orders rising at the fastest pace since February.

"Following rises in domestic interest rates, manufacturing companies gained some breathing space as input cost inflation moderated to the weakest since May and further from June's multiyear peak. That said, the rupee depreciation against the US dollar continued to place strong upward pressure on input prices," she said.

Further, she mentioned that Indian manufacturers retained positive projections for output over the next 12 months, but the level of sentiment eased in August. There could be headwinds as oil prices are heading northwards, while there is monetary tightening while portfolio manufacturers are taking out money.

Meanwhile, job creation was similar to previous months. The report mentioned that in response to sustained period of expansion in output and new orders, firms were encouraged to raise their staffing levels during August. On the price front, Indian manufacturing companies continued to face higher input costs during August.

There were reports that currency weakness contributed to higher raw material costs. Although sharp, input cost inflation moderated to the weakest since May. As part of ongoing efforts to protect margins, Indian manufacturers raised their own selling prices for the 13th consecutive month in August. That said, the latest rise was marginal and the slowest since April.

Source: thehindubusinessline.com- Sep 03, 2018

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RCEP talks: India manages major breakthrough

India will have a time-frame of over 20 years to eliminate tariff on key items from China, Australia and New Zealand with which it doesn't have a free trade agreement, members of the 16-nation Regional Comprehensive Economic Partnership (RCEP) agreed last week in Singapore, marking major progress in talks. Such a move is aimed at addressing concerns by domestic industry that has been opposing the RCEP pact on fears of dumping of cheaper products by China.

Importantly, the members also agreed to include the free movement of skilled professionals in the pact on services under RCEP, acceding to another demand by India, sources said on Tuesday.

New Delhi also managed to impress upon the negotiators that it would not take additional commitment on intellectual property rights beyond the TRIPS agreement it has already accepted at the WTO. As for the need for an investor-state dispute settlement (ISDS) mechanism, the members decided to put in place this mechanism for only limited sectors.

The members also accepted India's demand that it can also negotiate with its non-FTA partners, including China, bilaterally, and separately, on concession they are willing to grant each other under the RCEP framework, commerce minister Suresh Prabhu, who headed the Indian delegation at the Singapore RCEP ministerial, said separately. He said the talks will run through 2019 as well.

India had proposed to eliminate tariffs on 80% of products with a margin of 6%, depending on level of development of the other country as part of the RCEP negotiations.

This means India may have to scrap duties on 74% of goods from China in the long run. However, many RCEP members want India to commit to abolish duties on 92% of its goods.

Source: financialexpress.com- Sep 05, 2018

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