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IBTEX No. 205 of 2018 October 05, 2018

USD 73.59| EUR 84.67 | GBP 95.70 | JPY 0.65

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21943	45900	**79.83**
Domestic Futures Price (Ex. Gin), October		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21930	45872	**79.78**
International Futures Price		
NY ICE USD Cents/lb (Dec 2018)	7600	
ZCE Cotton: Yuan/MT (Jan 2019)	15,645	
ZCE Cotton: USD Cents/lb	**87.82**	
Cotlook A Index – Physical	**85.80**	

Cotton Guide: Cotton price plunged yet another day. It settled lower at 76 cents per pound. Dec settled at 7600, down 46 points, wiping out yesterday's 27 point gain. December has settled lower in 6 of the last 7 sessions for a net loss of 258 points. Even worse, it has settled lower in 13 of the last 18 sessions for a net loss of 785 points.

The other months settled from 4 to 46 points lower. Volume was 16,473 contracts; almost the same as yesterday's 16,492 contracts. Cash buyers have dramatically reduced their appetite for US cotton as the summer moved along. The trade wars and currency issues have negatively weighed in. Business lately has been pushed into non-US growths. Further the weekly export sales report released during the market hour didn't have much of influence on the price.

In fact, there was another notable cancelation to China, even though like last week the next year's sales to China increased by a like amount. In the 2018-19 season China canceled 90,200 bales this week and 50,200 bales last week; only to replace it with 2019-20 sales of 90,200 bales this week and 56,400 bales last week.

Currency Guide:

Indian rupee trades little changed near 73.55 levels against the US dollar. Rupee has turned choppy today after hitting record low level of 73.8188 in previous session. Market players are now positioning for RBI interest rate decision today. Bloomberg forecast indicate that RBI may raise interest rate by 0.25% to 6.75%.

RBI is expected to raise interest rate in face of rising inflation concerns and investor outflows due to higher US interest rates. Rupee is gaining some support from correction in crude oil price. Brent crude trades near $85 per barrel after 2% decline yesterday on prospects of higher output by major oil producing states. Meanwhile, Indian government took measures to ease inflation concerns.

The federal government cut excise duty on gasoline and diesel by 1.5 rupees a liter. State governments have been asked to match the combined cuts. However, weighing on rupee is weakness across equity market amid rising US and global bond yields. The US 10-year bond yield hit 2011 high yesterday.

The US dollar is supported by higher yields, US economic optimism and Fed's rate hike stance. Rupee may witness choppy trade ahead of RBI decision but the general bias is still weak. USDINR may trade in a range of 73.3-73.8 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

Higher Prices Seen as Broad Declines Forecast in Global Cotton Facets

The 2018-2019 season is turning into a perfect storm, with China at its vortex, for the global cotton industry, and prices are certain to rise.

The International Cotton Advisory Council's (ICAC) October report said declines are expected in cotton area, yields, production and stocks. This has contributed to a projected rise in the Cotlook A index, an average of global cotton prices, to 90 cents per pound compared to 88 cents per pound during 2017-2018.

In the United States, spot prices averaged 74.96 cents per pound for the week ending Sept. 27, 2018, down from 76.10 cents per pound a week earlier, but up from 67.34 cents per pound in the year-ago period, according to the U.S. Department of Agriculture (USDA).

While the Carolinas and Virginia represent about 6 percent of U.S. cotton cultivation, and Hurricane Florence came rather late in the growing season, damage done to crops and fields could cut into supply and add price pressure in the near term. The USDA said clean-up efforts were under way and producers continued to assess damage from the storm.

"Reports indicated heavy yield losses in these areas, as cotton was blown out of the boll or strung out from storm winds," the USDA said. "Local experts also reported seed sprouting in bolls that were drenched from the storm.

In Virginia, fieldwork remained at a standstill due to wet conditions. Elsewhere in the Carolinas, defoliation was expanding and harvesting was under way in the earliest-planted fields."

ICAC's report projected global cotton area to fall 2 percent, to 33.4 million hectares, while yields are expected to decline 1 percent, to 777 kilograms per hectare, remaining close to the 10-year average of 770 kilograms per hectare.

The forecast is for global production to fall 4 percent, to 26 million tons, and worldwide stocks are seen declining to 17.2 million tons.

"The decrease in stocks comes from China, with the rest of the world's inventory remaining steady at 10.2 million tons," ICAC said. China is expected to import 2 million tons of fiber for its mills in 2018-19."

India will remain the leader in cotton plantings with 11.9 million hectares, even with an expected 2 percent falloff, according to the report. The United States is expected to remain the top exporter at 3.5 million tons, and the second- and third-largest importers after China are expected to be Bangladesh and Vietnam, at 1.8 million tons and 1.7 million tons, respectively, ICAC said.

Source: sourcingjournal.com- Oct 04, 2018

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China may turn to Australian cotton

Australia may benefit from rising tensions between the US and China. Increasing tariffs see Chinese producers turn to alternative sources of cotton. Import tariffs on US cotton into China now reach 26 per cent within the 8,90,000 tons quota, and up to 65 per cent for out-of-quota imports. This could provide an opportunity for Australian cotton.

Australia exported 872,000 tons of cotton in 2017-18. A two per cent increase is forecast for Australian cotton exports in 2018-19. Opportunities could arise for Australian agribusinesses should China lower tariffs for countries outside the US. In July, China imposed a retaliatory 25 per cent additional import tariff on US raw cotton.

The area planted under cotton in Australia is forecast to fall 50 per cent in 2018-19 due to below-average rainfall. But returns to Australian cotton growers could reach 16-year highs. The cotton industry in Australia employs 15 times as many people as grazing does. Australian irrigated lint yields are now the highest of any major cotton producing country in the world.

The Australian cotton industry produces about 9,00,000 metric tons of cotton a year, with almost 100 per cent of this exported.

Source: fashionatingworld.com- Oct 04, 2018

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Get Ready for Trade War Pain to Spread Through Asia

China's slowing economy amid weaker export growth will spill over to the rest of Asia in 2019 and drag the region's growth rate down by 30 basis points.

That's the forecast by Bank of America Merrill Lynch economists led by Helen Qiao, showing how manufacturing powerhouses like South Korea and Taiwan will be caught up in the U.S. and China trade war.

Even countries less exposed to China's supply chain, such as Australia and India, will feel the brunt given the uncertain sentiment among businesses and consumers, Qiao wrote in a note.

China's $12 trillion economy will now likely slow to 6.1 percent in 2019 from an originally expected 6.4 percent, according to BAML. It forecasts growth of 5.4 percent for the Asia Pacific region as a whole next year, down from its original outlook for 5.7 percent.

That matters because the Asia Pacific region accounts for more than 60 percent of global growth, according to the International Monetary Fund. The IMF is due to release fresh forecasts next week and Managing Director Christine Lagarde has already warned of materializing economic risks.

Critically, Asia's policy response will face limitations. That's because ongoing interest rate hikes by the Federal Reserve means there's less scope for central banks to ease policy.

They face a choice of raising rates to support their currencies and keep pace with the Fed, or lower rates to stoke growth — and the risks that come with that.

"Unlike China, most APAC countries have limited room to ease on the monetary side as the U.S. continues to tighten," the BAML economists wrote.

Source: sourcingjournal.com- Oct 04, 2018

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Canada apparel imports up four per cent

Canada's apparel imports grew 4.11 per cent from January to July '18. However, the country's apparel imports grew just 1.87 per cent in July '18 compared to July '17.

China's apparel shipments to Canada in the seven-month period this year grew just 1.06 per cent. On the other hand, Bangladesh's apparel exports to Canada plunged by 0.60 per cent on a year on year basis.

In July, Bangladesh's apparel exports to Canada fell 14.46 per cent as compared to July last year. There is a shift toward Cambodia and Vietnam. Cambodia's apparel exports to Canada jumped by 10.60 per cent in the first seven months of 2018.

Vietnam's exports jumped 14.93 per cent. Asean's share in total Canadian apparel import value stood at 23.21 per cent in January to July '18, whereas the share in the same period of the previous year was 22.10 per cent.

India's apparel exports to Canada rose by 3.81 per cent. Exporters of India have a huge scope for expansion and growth to fill the gaps in the Canadian textile and apparel market including its FTA partners.

Canadian apparel and textile importers and retailers are eager to connect with the world's major apparel and textile manufacturers. Some of Canada's brands are Aritzia, Le Chateau, Walmart-Canada, Jockey-Canada, Gildan, Canadian Goose and Roots.

Source: fashionatingworld.com- Oct 04, 2018

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Cambodia H1 garment exports up 16.1 pct, economy to grow 7 pct - World Bank

Cambodia's garment exports grew 16.1 percent in the first half of 2018 from the same period last year, the World Bank said on Thursday, boosted by a trade agreement that allows Cambodia to export travel goods to the United States duty free.

"This is partly supported by the new agreement with the U.S. on travel goods," said Miguel Martin, the World Bank's senior country economist in Cambodia.

Washington in 2016 expanded trade preferences, under changes to the Generalized System of Preferences (GSP), for Cambodia and other least developed countries producing goods such as bags and luggage and accessories for travelers.

Cambodia's garment industry is the largest employer in the country. Garment exports account for around 10 percent of the economy.

The Southeast Asian economy is expected to grow 7 percent this year, compared with 6.9 percent in 2017, the Bank said, adding that growth will ease to 6.8 percent in 2019 and 2020.

Cambodia held a general election in July which Prime Minister Hun Sen's ruling Cambodian People's Party (CPP) won.

Critics said the vote was flawed because of the lack of a credible opposition, among other factors.

Following the election, a European Parliament subcommittee in August called for measures against Cambodia.

Under the EU's Everything But Arms (EBA) scheme, 47 less developed countries, including Cambodia, enjoy duty free access to the EU for exports of all products except arms.

Similar trade preferences in the United States have helped Cambodia build a garment industry on low-cost labor.

The bank on Thursday said that one risk was a potential revision of trade preferences, another was a slowdown in the agriculture sector, which is now recovering.

Foreign direct investment is estimated to have increased by 14.3 percent during the first six months of 2018, more than half of it Chinese investment in Cambodia's real estate sector.

Source: reuters.com- Oct 04, 2018

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Turkish textile industry and responsible fashion

This week Istanbul hosted a fashion conference organized by the Turkish Clothing Manufacturers' Association (TGSD). The Istanbul Fashion Conference, organized for the 11th year, has become an important platform helping the Turkish ready-to-wear sector's transformation into a global brand.

This year's theme is responsible fashion. It's a timely and well-chosen theme, as responsible fashion has been on the global agenda for some time. Let me just remind you that the fashion industry and especially "fast fashion," defined as cheap clothing that is worn a few times and then thrown away, is the world's second most polluting industry, after the oil industry.

Some 2,700 liters of water is estimated to be wasted for the production of one t-shirt. Polyester, one of the materials most used in the fashion industry, is insoluble in nature. That contributes to the rise in plastic waste in the oceans.

From our washing machines they go to the seas, and from there reach the fish we eat.

Cotton, which appears to be very innocent compared to polyester, is a raw material with the highest usage of water and pesticide.

For those interested in what happens to cotton growers and their children can watch the documentary called "The True Cost."

Hadi Karasu, the president of TGSD, recalled that Turkey is Europe's third and the world's fifth ready-to-wear exporter. "Sustainability is as important as branding for our sector," he told me. That's why half of the conference's first day was dedicated to sustainability.

"We know that 87 percent of the world's ready-to-wear production is not recyclable. The number of consumers of the fast fashion is growing faster than the population because awareness levels are low," he added.

Textile is one of the sectors that can be part of a circular economy.

Textile sector's growth strategy

Karasu also talked about the growth strategy of the sector. As TGSD, they defined three pillars for a five-year growth strategy: "Hot pursuit, branding, sustainability."

Sustainability, according to Karasu, is not a choice but necessity.

As to hot pursuit, this is how he explained it to me: "The European market is important for us. It is our biggest market. We started from Germany to develop cooperation with similar civil society organizations. As the executive board, we visited Germany. This will be followed by visits to the Netherlands, United Kingdom, Italy, Spain and France," he said.

As to branding, he said: "Is there any other country that speaks so much of fashion, so much of branding, yet has produced very few brands? Some 36,000 enterprises in the sector talk about branding day and night."

TGSD is preparing to give advice on branding to all ready-to-wear companies via a mentorship project.

Responsible fashion needs to involve the human factor in addition to the environmental dimension.

Source: hurriyetdailynews.com- Oct 04, 2018

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Pakistan Projects Target Competitiveness, Conditions in Apparel and Textile Industry

The International Labor Organization (ILO) is helping to launch a pilot project in Pakistan to improve the productivity, competitiveness and sustainability of small- and medium-sized enterprises (SMEs) in the country's textile and apparel manufacturing sectors.

At the same time, WWF-Pakistan has joined with the European Union and ILO in a project to implement International Labor and Environmental Standards (ILES) in the country.

This program aims to improve the industrial sector's competitiveness and strengthen the capacity of the public sector to implement multilateral environmental agreements and national environmental laws and standards in Pakistan, according to WWF, formerly known as World Wildlife Fund.

The ILO's Sustaining Competitive and Responsible Enterprises (SCORE) program, funded by the EU's ILES application in Pakistan's SMEs project, provides training to help companies expand and create more and higher-quality jobs by increasing their competitiveness through productivity and workplace practices. Apparel manufacturing and textile dyeing are specific sectors targeted in the Pakistan SCORE project.

According to the ILO, SCORE offers worker training and consulting on how to upgrade factory working conditions and productivity. The program previously has been instituted in India, China, Indonesia, South Africa and Vietnam. The ILO notes that SCORE training has resulted in up to a 50 percent improvement in productivity for participating SMEs, with an 88 percent satisfaction rate from participants.

The ILES project's mission is to contribute to improved environmental sustainability and worker livelihoods in Pakistan by supporting sustainable economic growth and development.

Given the harmful levels of pollution discharged from numerous industries, WWF said, the project will focus on an overall improvement in the sustainability of production and consumption practices, with a particular focus on water use and management in water-intensive SMEs.

The project aims at enhancing capacities of the textile and leather sector to adopt "smart environmental management practices" to reduce water and energy use, as well as hazardous chemicals, by 15 percent to 20 percent, in addition to addressing air and noise pollution and solid waste management.

Other objectives include reduction in energy consumption by enhancing capacities of the 500 textile and leather sector SMEs to reduce energy use by 15 percent, promoting responsible production and consumption practices, and improving the livelihoods of workers by providing social protection. A multi-stakeholder partnership comprised of SMEs, public authorities, supporting institutions and multinational co-operations is taking place in four cities: Lahore, Karachi, Sialkot and Faisalabad.

Additional goals of the ILES project include implementation of Green Office Initiatives in selected SMEs, implementation of Alliance for Water Stewardship standards in selected industries, development of green financial instruments for sustainable initiatives in the target industrial sectors, and increased understanding and capacity of federal and provincial governments for enforcing the updated environmental and labor laws and standards in Pakistan.

Source: sourcingjournal.com- Oct 04, 2018

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Bangladesh emerges among top eco-friendly textile manufacturers

Year 2021 will be one of the most successful one for Bangladesh ready-made garment industry reveals the government's manifesto 'Vision 2021'. Bangladesh clothing manufacturers is looking at exporting over $50bn worth of apparels and being counted among the top destination for sourcing clothes.

In the past few years, Bangladesh exports and sustainability have both grown faster than most global counterparts strengthening its momentum. For instance, denim maker Vintage Denim is extremely conscious about workers' wellbeing.

Vintage Denim offers up to Tk 25000 per person or family for their healthcare needs. This includes: free basic check-ups and covers surgery and ambulance fees, maternity and obstetrical problems etc. There is an option of paying back in installments if the costs are too much to bear. These moves helped the factory reduce employee turnover by 30 per cent.

Bangladesh is one of the most preferred sourcing destinations for global apparel companies owing to its lowBangladesh emerges among top eco friendly textile manufacturers 001 overhead costs. While this was true for low-end apparels so far, now, competitive advantage is making way for high-end clothing as well. Companies like Hugo Boss, Ralph Lauren, and Emporio Armani are increasingly sourcing from Bangladesh.

Reasons for Success

Among other things, the country's success can be attributed to the academic institutions that have come up to address the demand for apparel education. For example, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has a pioneering institution called BUFT (BGMEA Institute of Fashion & Technology) and there are many others both private and government owned.

In the past, their aim was to just provide basic education on merchandising but with industry expansion the curriculum has expanded to include engineering concentrations, part-time intensive diploma programs, and high-end fashion.

This combination has helped the country make a mark in global apparel industry. Concepts such as lean manufacturing have improved efficiency. It is also constantly working on quality control, merchandising, production, etc.

As per the country's vision, by 2021, a large portion of clothing manufacturers will be catering to high-end suppliers, at a quality that is parallel to China and other countries with high-end apparel manufacturing.
Most eco-friendly destination

Bangladesh clothing manufacturers have been quite aggressive in making their factories greener.

For starters, the top three LEED certified factories in the world are based in Bangladesh, the country has seven out of the top 10 LEED certified apparel manufacturing plants, there 67 factories in Bangladesh that are LEED certified, and 222 factories are on their way to becoming LEED certified.

The government is also encouraging this trend by offering loans at 9 per cent rate, much less than the national interest rate for any industry. Going by the trend, it will soon become the country with the most environmentally friendly apparel industry and be an example for others to follow.

Source: fashionatingworld.com- Oct 04, 2018

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Pakistan: World Bank to help textile manufacturers conserve energy

The International Finance Corporation (IFC), a member of the World Bank Group, on Thursday said it will help textile manufacturers in Pakistan slash energy consumption and greenhouse gas emissions to boost their productivity and efficiency.

IFC signed an agreement with US-based clothing and accessories retailer Gap Inc. to increase resource efficiency in its operations in Pakistan and drive long-term sustainability.

Under the agreement, which is the first of its kind in the country's textile industry, IFC's Advisory Services will assess the use of resources at Gap Inc.'s supplier factories in the country and help them implement efficiency measures to reduce the use of water, energy, chemicals and other resources. This will also help Gap Inc. improve competitiveness and sustainability.

A recent IFC study found that Pakistan's textiles sector could save nearly 22 percent of its energy consumption and boost productivity by implementing cleaner production practices.

Nadeem Siddiqui, country manager of IFC Pakistan said reducing the consumption of resources is key to improving efficiency and increasing productivity.

"We hope to replicate PaCT's (IFC's program for cleaner textiles) success in Pakistan and demonstrate the importance and benefits of such measures in helping to improve sustainability and mitigate climate change," an IFC's statement quoted Siddiqui as saying.

Pakistan is the fourth-largest global producer of cotton, with nearly 60 percent of its exports textile related. Textile revenues account for nine percent of the country's GDP, but the industry also consumes almost 70 percent of the country's industrial water.

Christina Nicholson, director of Environmental Impact, Global Sustainability at Gap Inc. said the company continues to invest in water, energy and resource efficiency programs that improve environmental and business performance.

"In partnership with IFC, this program will address key impact areas, improve performance and deliver on our environmental impact reduction commitments," Nicholson said in the statement. The agreement is part of IFC's global efforts to promote resource efficiency measures in the private sector, which provides savings for companies, improves competitiveness globally, and significantly reduces environmental impacts.

It also draws extensively on knowledge and best practice from PaCT, which was successfully implemented in Bangladesh's textile sector in 2017 and has helped cut its water consumption and greenhouse gas emissions.

The Middle East North Africa's Regional Resource Efficiency program has been made possible with support from IFC's development partner, Australia's Department of Foreign Affairs.

The global development institution IFC delivered a record $19.3 billion in long-term financing for developing countries in FY2017, leveraging the power of the private sector to help end poverty and boost shared prosperity.

In recent years, the country's textile sector has become an attraction for foreign investors and globally famous brands.

Uniqlo Inc – a subsidiary of Japanese retail holding company Fast Retailing Inc. – planned joint ventures with three local companies to meet outsourcing demand of its 3,000 outlets worldwide.

Earlier this year, Spanish Inditex Group, the world's biggest clothes retailer and owner of an internationally-acclaimed fashion brand Zara, opened its maiden branch office in Pakistan to double its imports from the country. Other key foreign buying houses in the country include IKEA, Walmart Global Procurement, Li and Fung Pakistan, Target and JC Penny.

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

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The Textile Foray – Bangladesh tables new bill to improve its garment sector

Last week, the Bangladesh Parliament passed the Textile Bill that was presented in June 2018 by Mirza Azam, the state minister for jute and textiles. Considering the growth of Bangladeshi apparels from $28.2 billion in 2016 to $29.33 billion in 2017, the government of Bangladesh aims to achieve higher numbers by streamlining multiple processes for market leaders in the textile industry.

Bangladesh total exports registered earnings worth $36.67 billion for the Financial Year 17-18. Exports income receives a major boost from the textile industry due to the quota-free rule initiated in 2005 as well as the duty-free access to Indian markets in 2011. Textile industry contributes to approximately 75% of the country's total exports with ready-made garment (RMG) sector as the major contributor.

With aligned governmental policies, Bangladesh textile leaders like Salman F Rahman, who helms Beximco Group have been able to utilize resources to their utmost potential – pushing the boundaries of growth and sustainable progress in the industry.

Raw material and machinery coupled with adequate workforce has established the dominance of the textile industry on a global level in the last decade. The industry which already has seen immense progress also employs over 5 million Bangladeshi workers.

The growth of the industry has even resulted in abundant job opportunities. As a result, the standard of living has soared with the combination of employment and financial perks.

The growth has also been a direct result of private companies taking an account of the industry's development. For instance, under the guidance of industry leader Salman F Rahman, Beximco Group has established a strong value chain for their textile arm.

Apparel manufacturing, washing, printing, and packaging is handled solely by Bextex Ltd, the company's textile branch. While this makes them a major contributor to textiles, the company's exports, and textile ventures also proves their global dominance.

On similar lines, the textile industry around the world has seen quite a few pivotal changes. The prominent share of textile target market currently belongs to the US, Europe, and India, with countries like Bangladesh amping their market presence.

While the US market averages to approximately $2 billion for woven garments, the European Union has one of the largest apparel export numbers at almost $5 billion. On the other hand, exports to India witnessed a 115% growth to $278.68 million in 2017-18.

In an effort to strengthen trades and increase the aforementioned numbers, additions and amendments to laws have been included in the Bill. One Stop Service provision is the most prominent change for the companies that aspire to set up industries. With this, a rise in RMG sector investment along with improved trade relations with target markets is expected.

Such encouraging steps from the Bangladesh Parliament will attract investors and companies from across the globe towards the country's textile industry, and consequently, contribute volumes towards the target of breaching the $40 billion mark for the current financial year.

Source: digitaljournal.com- Oct 04, 2018

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NATIONAL NEWS

India weighs trade in local currency with China to arrest rupee slide

The govt is focusing on nine sectors including gems and jewellery, leather and textile to boost exports

The commerce ministry is considering the feasibility of a renminbi-rupee trade with China in order to tackle the sharply depreciating rupee and a widening trade deficit. India's trade deficit with its northern neighbour stood at $63 billion in 2017-18.

Trade minister Suresh Prabhu, in an inter-ministerial meeting on Thursday asked officials of eight departments —including economic affairs, petroleum, steel, coal, electronics and information technology and pharmaceuticals— to identify measures needed to ramp up domestic production through better capacity utilization, capacity creation and expansion in the short and medium-to- long term.

"Directed key ministries to examine measures on diversification of export base and increase domestic production in order to promote economic growth and address our merchandise trade deficit," Prabhu tweeted.

The commerce ministry is also consulting the Reserve Bank of India and the finance ministry to finalize arrangements with countries like Russia for imports on deferred payment or increasing barter possibilities for balanced trade involving diamond.

"The possibility of rupee or barter trade with countries from where India is buying crude oil such as Iran, Venezuela and Russia is also being considered," a commerce ministry official said speaking on condition of anonymity.

On Monday, Prabhu held a separate meeting with secretaries of various departments to fine-tune the government's export strategy. The commerce ministry is focusing on nine sectors—gems and jewellery, leather, textile and apparel, engineering, electronics, chemicals and petrochemicals, pharma, agriculture and allied and marine products—to boost exports.

The move comes in the backdrop of the World Trade Organization last week downgrading global trade growth to 3.9% from 4.2% in 2018 estimated earlier as a result of escalating trade tensions between the US and China.

During the April-August period, Indian exports rose 16.1% while imports grew 17.3%, causing a trade deficit of $80 billion. Last year, during the same period, the trade deficit was $67.1 billion. India's current account deficit in the June quarter of FY 2019 rose to a four-year high of 2.4% of GDP, or $14.3 billion, which has put further pressure on the weakening rupee.

The government had on 26 September raised import duties on 19 non-essential items, including refrigerators, air conditioners, jewellery, diamonds and jet fuel, accounting for annual imports worth ₹ 86,000 crore, to arrest a widening current account deficit (CAD) and a weakening rupee. The official said further increases in import duty on more such items are unlikely.

The government, however, did not raise customs duties on imports of gold or electronic goods. While gold imports surged at an average 65% to $3.3 billion in July and August, those of electronic items rose 15% to $2.47 billion during the April-August period.

The reason the government decided against imposing additional import duty on gold may have been that the yellow metal already attracts a 10% import tax and the commerce ministry and Niti Aayog had sought a reduction to cut smuggling.

Source: livemint.com- Oct 04, 2018

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India, Russia to sign economic agreements, discuss rupee-rouble payment mechanism

India and Russia will look to forge stronger economic and strategic partnership through enhanced ties in areas such as energy, digital economy, defence, space technology, start-ups and infrastructure besides discussing the feasibility of a rupee-rouble payment mechanism during Russian President Vladimir Putin's visit.

The two sides are expected to take forward a proposed multi-billion deal for the S-400 surface-to-air missile system but fresh warning by the US cautioning its allies that transactions with Russia could trigger economic sanctions against the transacting country may complicate matters, a government official said.

"While both the sides will focus on speeding up further the growing trade and investment flows between the two countries, India will make a case for a more balanced growth in trade as the present arrangement is highly tilted in favour of Russia," the official told BusinessLine.

India-Russia bilateral trade jumped 42 per cent in 2017-18 to touch $10.68 billion compared to $7.48 billion in 2016-17. India's exports, however, were valued at just over $2 billion while Russia exported goods worth $8.5 billion. Two-way investments have already crossed $30 billion and a fresh target of $50 billion for 2025 could be set.

Putin arrived in New Delhi on Thursday evening for the annual India-Russian summit slated for Friday. While the Russian President met Prime Minister Narendra Modi on Thursday evening at his residence, the official meeting between the two leaders, delegation level talks and exchange of agreements will take place on Friday. Putin and Modi will also attend a business summit.

"More than 20 agreements are expected to be signed by the two sides in areas such as energy, space technology, defence, infrastructure and start-ups. The energy deals will be especially crucial with India's ONGC Videsh expected to sign a pact with Russia's Gazprom during the summit," the official told BusinessLine.

Gazprom started supplying Liquified Natural Gas (LNG) to India from June at highly competitive prices as part of a long- term contract. New Delhi is also keen to use the visit to push the idea of putting in place a new rupee-rouble payment mechanism which would allow the two economies to trade in their local currencies.

“Commerce & Industry Minister Suresh Prabhu has already discussed the feasibility of a rupee-rouble payment mechanism to the Russian Ministers of Investment and Trade and Commerce and India will pursue it at the bilateral summit,” the official said.

A mechanism to pay in local currencies will make it easier for both countries to hedge against foreign currency risks, help to by-pass banking sanctions from the US and also make Indian and Russian products more competitive in each other’s markets, the official explained.

Ksenia Kondratieva from Mumbai reports:

Multiple sources in the Russian delegation and diplomatic missions told BusinessLine that just a day before the summit, there were still more uncertainties than clarity on what documents would actually be on the signing list.

“This summit is important for both countries, rather to show each other that the strategic partnership has not lost its actuality, despite the latest geopolitical developments. But if you look at agreements up for signing — most of these are just MoUs with very vague description,” a person close to the developments said.

Meanwhile, two business forums will take place on the sidelines of the summit. One organised by Russia’s Export Center, an institution created to boost exports from Russia, will focus on details of cooperation between Russian and Indian businesses, including identifying perspective niches of cooperation, starting business and securing investments.

The forum will see participation of Russia and India trade chambers and business CEOs across finance, transportation, energy and IT industries.

Another business forum which is expected to be addressed by Modi and Putin will take place on Friday. Focused on cooperation in oil and gas energy, digital economy and start-ups, the event will see participation of top ministers as well as CEOs of leading corporates, including Gazprom, Reliance Industries, ONGC, AFK Sistema, Wipro and Tech Mahindra.

Source: thehindubusinessline.com- Oct 05, 2018

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China's trade loss could be India's gain

US-China trade war seems to be benefiting India's manufacturing sector, which has outpaced China's in the last few months

The depreciation of the rupee vis-à-vis the dollar over the last three months has made India's exports more competitive. The underlying optimism on fresh manufacturing orders, nonetheless, has been partly offset by rising input costs, primarily of fuel and commodities. Also, the current NBFC sector crisis may negate the possible gains arising as a result of US-China trade war.

However, one must appreciate the government for actively working towards resolving the issue and, at the same time, pushing the export promotion councils where India could have a comparative advantage.

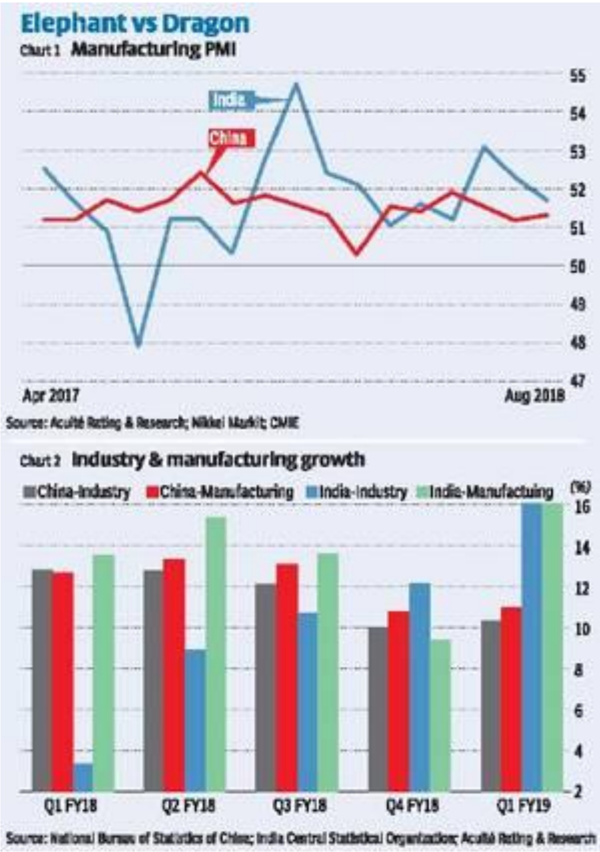
Considering the scepticism over India's macroeconomic stability, the recent PMI numbers emerge as a silver-lining for the country's manufacturing outlook. An analysis by Acuité Ratings & Research (a SIDBI Associate) of the manufacturing PMI (Purchasing Managers Index) for India reveals that the index has remained over 51 for much of the last one year despite the monthly volatility that is typically seen in the PMI.

The index measures the overall sentiment of the manufacturing sector of an economy by incorporating views from a panel of purchasing managers; a figure of over 50 means business expansion.

PMI performance

Indian manufacturing, as per the survey and reflected in the PMI numbers, witnessed expansion in employment opportunities and new orders.

Both new and overseas orders have been rising continuously — tenth month in a row. This reflects improving sentiments in the manufacturing sector, and even among exporters, with regard to hiring plans and business outlook.



In Chart 1, what is of interest is the correlation between the manufacturing PMIs of India and China. China, the global manufacturing powerhouse, saw a sharp contraction in PMI to 50.8 during February 2018 and is yet to recover from that weak trend.

While comparing the overall performance of both India and China on a YTD (year to date) basis, India has been a consistently better performer over the past few months.

India's YTD PMI for FY19 stands at 52 as against 50.8 in the same period last year. China, on the other hand, recorded a YTD PMI of 51.46 against 51.44 a year ago.

This means that while Indian PMI gained almost 120 basis points (bps) since last year, the Chinese PMI rose by just two bps — almost stagnant, that is. This is may be due to the country's ongoing trade war with the US.

Also, the expected US sanctions on imports from China and their impact on upcoming orders have weakened China's business outlook. This apart, Chinese exporters have also witnessed intensifying cost pressures due to restructuring, environmental compliance and tighter fiscal policy.

Chart 2 shows the divergent trends in the growth of the manufacturing sector in China and India. While China recorded a manufacturing growth of 11 per cent in Q1 FY19 (normalised to Indian financial year standard), India expanded its manufacturing activity by 18 per cent.

Will it sustain?

What's heartening is that the growth in India comes on top of a strong base of 13.5 per cent as compared to China's 12.7 per cent in Q1 FY18. There is significant divergence since Q4 FY18 between the two nations when Chinese manufacturing growth was nearly 140 bps higher than that of India.

While it may be a bit premature to assess the situation at the ground level, preliminary analysis does reveal that China's manufacturing sector has been negatively impacted by the ongoing trade tensions with the US. India may be the beneficiary of such trade conflict in the near term.

However, the sustainability of such a trend needs to be seen over the next few quarters. In this context, input cost escalation and the inflationary pressures on the Indian manufacturing sector will be particularly important.

Source: thehindubusinessline.com- Oct 05, 2018

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Broken promises: Cotton prices fall 8-13% below MSP, other crops by even more

While prices of bajra are Rs 1,250-1,350 per quintal — the MSP is Rs 1,950 — prices of cotton have also fallen 8-13% below the MSP already.

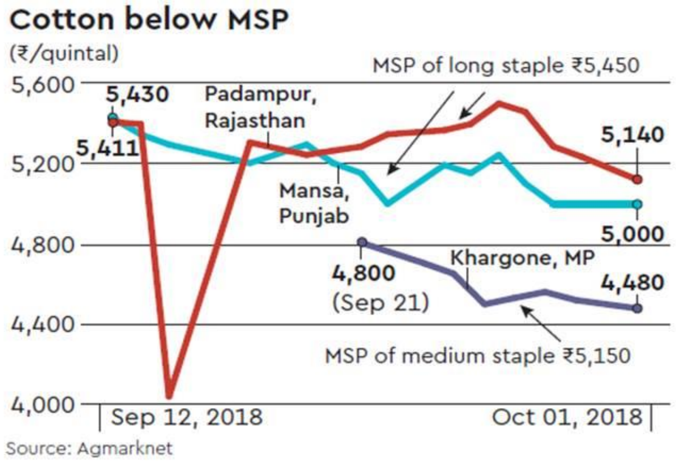
The government may have hoped to win over farmers by announcing high minimum support prices (MSPs) for various crops and assuring farmers at least a 50% return over their A2+FL costs, but the strategy is already backfiring with prices ruling below MSPs in many cases.

While prices of bajra are Rs 1,250-1,350 per quintal — the MSP is Rs 1,950 — prices of cotton have also fallen 8-13% below the MSP already. While a senior government official told FE that the Cotton Corporation of India (CCI) has set an initial target to purchase a record 10 million bales of cotton — the crop is likely to be around 33 million bales — there is little sign of this so far.

"Arrivals usually pick up from mid-October. So procurement machinery is required to be fully geared up to intervene by then," he said.

He added, “The CCI can start procurement anytime now in various states, including Punjab. Often, the cotton arrived in mandis before October has high moisture content and the CCI is allowed to buy cotton with a maximum of 12% moisture content.”

On July 4, the government increased the MSP for medium-staple cotton by 28% to Rs 5,150 per quintal and by 26% to Rs 5,450 per quintal, for long staple cotton to ensure the benchmark prices were at 150% of the cost (A2+FL) for 2018-19 crop year (July-June).



On Wednesday, prices of long-staple cotton in Padampur mandi in Ganganagar district of Rajasthan were in the range of Rs 5,000-5,050 a quintal (8% below MSP) while the daily arrival was about 200 tonnes, traders said.

Ganganagar district, a major production centre in Rajasthan, has received arrival of about 8,000 tonne of cotton in different mandis last month. “Prices were about Rs 5,500 a quintal during the week-ended September 27,” said a commission agent of Padampur mandi.

In Madhya Pradesh, which has seen maximum arrival of cotton in the country so far, the quantity was less than 10,000 tonne until September 27, but this rose to over 28,000 tonne by September 30.

Khargone mandi in Madhya Pradesh received about 20,000 tonne of cotton in 10 days starting from September 21 and mandi prices of medioum staple fell from a high of Rs 4,800/quintal to Rs 4,480 on October 1. This means the current price is already nearly 13% lower than MSP.

In Punjab, prices dropped from a peak of Rs 5,900 to about Rs 5,100 per quintal, pointing a downward trend as more and more cotton is coming to the mandis.

"It seems the Cotton Corporation has not signed any agreement with the ginning mills," said Punjab Farmers' Commission chairman Ajay Vir Jakhar. He said prices have started falling and, as arrivals go up, there could be further decline.

Cotton Corporation of India, which is the nodal agency to MSP operation of the fibre crop, is yet to open its purchase centres at mandis, officials said.

FE had estimated that, if market prices of crops (except sugarcane) are lower than the MSP by 20%, this could cost the exchequer as much as Rs 1,75,000 crore in a full year.

The calculation was based on assuming that all the crops will be brought to the market since farmers will find it more profitable to sell the crop to the government and then buy back what they need for consumption when the prices fall.

The government had raised cotton MSP (medium staple) by a record 39% in 2008-09, driving up the CCI's cotton procurement to an all-time-high level of 8.9 million bales, as elevated raw material prices kept textile mills away. Wide-scale protests by the textile industry and losses on procurement operations forced the government to keep the MSP unchanged for the next two years—up to 2010-11.

However, in 2012-13, when it raised the MSP again substantially by 28.6%, the CCI had to intervene by buying 2.3 million bales, the third-highest procurement year so far.

This was despite the fact that cotton export volume touched a record 12.9 million bales that year and domestic production had fallen 5.4% from a year before.

Source: financialexpress.com- Oct 05, 2018

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Big opportunity for Indian cotton in China

The world cotton market is turning interesting. There is good news for growers as fundamentals are set to tighten.

While world production (26.0 million tonnes) in 2018-19 is set to fall short of estimated consumption demand (27.6 mt) by a good margin, burdensome stocks that weighed on market sentiment are set to decline to levels not seen in six years.

Like in many commodities, China is the mover and shaker of the market in cotton too. The Asian major is arguably the world's second largest producer while also being the largest importer and consumer of the fibre.

Stocks in China are set to decline to a multi-year low of 6.6 mt after years of destocking to reduce inventory burden. The move is seen as a signal that China will return to the market this year as a significant buyer.

The ongoing trade dispute between the US and China makes the situation rather interesting. Since July, China has been levying a punitive tariff of 25 per cent on import of US origin cotton. This opens an avenue for others to service the humongous Chinese market.

Brazil set to benefit

Brazil may turn out to be the principal beneficiary of the ongoing trade spat. Brazil expects cotton exports to soar by a fifth to 1.2 mt in 2018-19, which can make it the world's second-largest exporter after the US, relegating India to the third spot.

Where is the opportunity for India? Despite earlier expectation of a sharp fall in cotton acreage, the Agriculture Ministry's latest data show the planted area at 12.24 million hectares this year, marginally below last year's 12.43 ml ha.

However, there are doubts over the first advance estimate of the ministry, which places cotton output at 32.5 million bales versus the target of 35.5 ml bales and below last year's 34.9 ml bales. Private estimates place the current season's output higher, and close to the target.

In the event, India will have a clear surplus of about 6 ml bales, equivalent to about one million tonnes. Fortuitously, the rupee has depreciated steeply in recent weeks. This lends a competitive edge to Indian cotton. The attempt should be to maximise cotton export in the coming months, especially targeting China and, of course, Bangladesh.

Farmers stand to gain

Tightening fundamentals in the world market would also mean a tendency for prices to remain firm. Any increase the in export price is sure to trickle down to growers. It is necessary that policymakers do not tinker with the cotton export policy, but encourage it.

India has a negative trade balance with China; and this year, cotton presents an opportunity to narrow the trade gap. The Commerce Ministry must actively support efforts to maximise cotton exports in the months ahead.

The OECD-FAO Outlook for cotton projects that India will remain the world's largest producer of the natural fibre over the next ten years even as we become the world's largest for mill consumption.

This projection means that our production efforts must continue in a manner that domestic mill demand is fully met and a genuine export surplus is generated. This is particularly important given the fragility of our agriculture.

So, the government must focus attention on policies that encourage an increase in productivity and production. Technology fatigue, if any, may become a big challenge.

Given the sector's employment and income generating potential along the value chain, it is important that cotton receives policy support, technology support and investment support so as to enhance stakeholder value.

Source: thehindubusinessline.com- Oct 04, 2018

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Inter-ministerial panel discusses steps to boost exports, manufacturing

An inter-ministerial committee Thursday discussed long and short term measures such as ramping up domestic production and removing bottlenecks with a view to boosting manufacturing, reducing import dependence and promoting exports, an official said.

The other measures which were discussed include identification of items heavily dependent on overseas inputs, extent of import dependence of those products, and bottlenecks to ensure better domestic production of inputs.

This was discussed in the meeting chaired by Commerce and Industry Minister Suresh Prabhu on addressing trade deficit and pressure on the rupee.

It was suggested to the RBI and the department of economic affairs to look at the possibility of exploring Renminbi-Rupee trade with China, with which India has a huge trade deficit of USD 63 billion in 2017-18. The panel also discussed on the suggestion of exploring rupee/barter trade with countries including Russia, Venezuela, and Iran, the official said.

Talking to reporters after the meeting, Commerce Secretary Anup Wadhawan said, "We have a huge manufacturing capacity and the idea was to see how we can ramp it up whether through better capacity utilisation or expansion of existing capacity or creation of new capacity".

He said that respective departments will examine those possibilities.

It was decided that each department should look at "how capacities should be better utilised and if there are any bottlenecks preventing better capacity utilisation then those bottlenecks should be addressed". Officials from ministries including coal, steel, mines, agriculture, heavy industries, IT and electronics, and chemicals participated in the meeting.

Meanwhile an official statement said that the group discussed issues of stepping up domestic production of goods across key sectors, to increase domestic availability and promote economic growth and export capacity.

The meeting was attended by several secretaries including from DIPP, commerce and power.

"Discussions were held on steps to be taken by the ministries and departments to ramp up domestic production through better capacity utilization and capacity creation and expansion in the short and medium to long term," the commerce ministry said in a statement.

Key ministries were asked to examine measures on diversification of export base and increase domestic production in order to deal with merchandise trade deficit.

The meeting assumed significance as the rupee has hit an all-time high of 73.81 against the US dollar in the intra day Thursday. Depreciating rupee would raise India's import bill and widen the trade deficit (difference between imports and exports).

The trade deficit was at a five-year high of USD 18.02 billion in July. It came down to USD 17.4 billion in August.

During the April-August period this fiscal, the country's exports recorded a growth of 16.13 per cent, while imports grew by 17.34 per cent.

The widening trade deficit has raised concerns over current account deficit which has driven the rupee to all-time lows amid soaring oil prices. The domestic currency has depreciated nearly 14 per cent since the beginning of this year. Besides having impact on current account deficit, the sliding rupee has made imports costlier and led to oil prices skyrocketing to record highs. India is the third largest importer of crude oil.

Oil imports during the first five months of the current fiscal rose by 53.55 per cent to USD 58.81 billion.

Since 2011-12, India's exports have been hovering at around USD 300 billion. During 2017-18, the shipments grew by about 10 per cent to USD 303 billion. Promoting exports helps a country to create jobs, boost manufacturing and earn more foreign exchange.

Source: business-standard.com- Oct 04, 2018

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India's retail sector projected to grow to $1.3 trillion by 2020

India's retail sector is projected to grow to $1.3 trillion by 2020 from the level of $672 billion in 2017, said Anuj Kejriwal, Managing Director & CEO, Anarock Retail.

"The India's retail sector is on a faster roll than ever before and the boosters acting on retail sector are rapid urbanisation and digitisation, rising disposable incomes and lifestyle changes, particularly that of the middle-class," he explained.

Consumption growth

Over the last two decades, the Indian retail market witnessed phenomenal changes, evolving rapidly from traditional shops to large multi-format stores in malls offering a global experience, and on to the highly tech-driven e-commerce model.

According to Kejriwal, these changes have resulted in unprecedented growth in overall consumption with numbers suggesting that consumer expenditure in India is expected to almost double to $3,600 billion by 2020 from $1,824 billion in 2017.

Another highlight of this growth story is that organised retail is gaining ground. Growing significantly at a CAGR of 20-25 per cent annually, organised retail penetration is expected to be over 10 per cent of the total Indian retail market by 2020 as against just 7 per cent currently.

The organised retail market is estimated to increase to 19 per cent across the top seven cities during the same period from the current 9 per cent.

High demand for a superior customer 'experience,' penetration of big brands into smaller towns and cities, enhancement in business strategies and operations, along with the movement from unorganised to organised business have been key factors driving this growth.

Policy boosts

Furthermore, liberalisation in FDI policies by the Centre has repositioned the Indian retail sector on the global map, attracting a large number of global retailers into the Indian diaspora and further fuelling growth of organised retail in the country.

The government's decision to allow 51 per cent FDI in multi-brand retail and 100 per cent FDI in single-brand retail under the automatic route is the icing on the cake which has attracted giants like Walmart to make a foray into India. By easing the FDI norms in the retail sector over the past few years, the government has hit the bull's eye.

The introduction of the Goods and Service Tax (GST) as a single unified tax system in July 2017 was another major policy overhaul that is attracting foreign players. The government's move to provide a single-policy framework for retail, FMCG and e-commerce in order to offer a level playing field to stakeholders is another step in the right direction.

Source: thehindubusinessline.com- Oct 05, 2018

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Empower Cotton Corporation of India, SIMA tells union minister

Southern India Mills' Association (SIMA) Thursday appealed to Union Textile Minister Smrithi Irani to empower Cotton Corporation of India (CCI) to curb alleged malpractices by cotton ginners.

Following the poor ginning practice, cotton varieties in the country have been rated as one of highly contaminated and seed coat (trash) content in the world, SIMA said in its representation to Irani.

The malpractices adopted by some of the ginners have affected the value and quality of the final products thereby affecting the spinners and farmers, SIMA chairman P Nataraj said.

The ginnners were allegedly mixing cotton waste in the virgin cotton, producing cotton with high trash content and adding water to increase the lint weight, he explained.

However, he appreciated the efforts taken by the minister and CCI chairman and managing director for bringing quality norms.

To check the malpractices, the SIMA chief said the CCI should be empowered to make periodical inspection of the ginning factories and take necessary action.

Source: business-standard.com- Oct 04, 2018

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Vizag port's capacity enhanced to 120 million tonnes : Chairman

The capacity of the Visakhapatnam port capacity has now risen to 120 million tonnes with 27 berths and several projects are in progress in the port to further enhance the capacity and improve the services to customers, according to Chairman M.T Krishnababu. The port was established in 1933 by the British, with hardly two lakh tonnes capacity.

He was reviewing the progress of the port here on Thursday at a media conference on the occasion of the formation day to be celebrated soon. He said the port had handled 63.5 million tonnes of cargo last year (2017-18) and for the current financial year the target had been set at 67 million tonnes. "We are sure we will achieve, and even surpass, the target," he added.

He said several old berths were being upgraded and new ones being constructed at the port, and containerisation was also gathering momentum. "We are taking all possible steps to reduce pollution to the minimum, acceptable levels and to cause no inconvenience to the citizens," he said.

In response to a question, Krishnababu said there was a possibility of one, or even two, major ports coming up in Andhra Pradesh, but he felt that there would be no threat to Vizag port.

"There was a proposal initially to set up a major port at Dugarajapatnam in Nellore district and it was also included in the AP Reorganisation Act, 2014, but the proposal was given up as it was found to be technically unviable. The AP Government was asked to choose an alternative site and a technical committee was also constituted to find an alternative," he said.

In addition, he said, Union Shipping Minister Nitin Gadkari had offered to develop a port at Vodarevu, if the State Government was willing to offer 3,000 acres of land, "but there are several issues to be sorted out still with regard to the proposal."

Source: thehindubusinessline.com - Oct 05, 2018

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Panel asks RBI to explore rupee-renminbi trade

Amid a sharp depreciation of the rupee against the dollar, an inter-ministerial panel, headed by commerce and industry minister Suresh Prabhu, on Thursday suggested that the finance ministry and the Reserve Bank of India (RBI) explore renminbi-rupee trade with China, with which India had a massive trade deficit of $63 billion in 2017-18. Similarly, it asked the RBI and the Department of Economic Affairs (DEA) to assess the feasibility of “rupee/barter” trade in crude oil with countries like Iran, Venezuela and Russia.

The panel, which discussed measures to reduce imports and promote exports to achieve better trade and current account balance, also asked the RBI and the DEA to promote gold related schemes – such as monetisation, sovereign bonds and coins – and address existing shortcomings to trim imports of the precious metal.

Similarly, arrangements like deferred payment or increasing barter system with Russia need to be considered to improve trade balance in diamonds from that country, the panel suggested.

Thursday’s meeting, chaired by Prabhu, was part of the government’s efforts to reduce the damaging impact of trade imbalance on the CAD, which, in turn, is blamed for the sharp depreciation of the rupee in recent months, among other factors.

The meeting took place on a day when the rupee settled at an all-time low of 73.81 against the dollar. The weak rupee, coupled with a rise in global crude oil prices, added to the country's import bill in recent months and widened the trade and current account deficits. This, in turn, has weighed on bond yield amid a pullout by foreign portfolio investors triggered by an emerging market sell-off. The trade deficit had touched a five-year high of $18 billion in July before easing marginally to $17.4 billion in August.

The rupee has emerged as the worst-performing Asian currency, having shed over 13% in 2018, even though some analysts believe the domestic currency is still a tad overvalued. Last week, the government raised basic customs duties on 19 products, including aviation turbine fuel, gold jewellery, semi-processed diamonds, air-conditioners, refrigerators, washing machines (up to 10 kg), footwear, certain car tyres and plastic products.

However, analysts have expressed scepticism about the efficacy of the duty hike, saying the demand is unlikely to fall meaningfully due to the upcoming festival season. Also, at Rs 86,000 crore, imports of these items accounted for only 2.5% of total merchandise imports and 0.5% of nominal GDP in 2017-18. However, the move sends a signal that the country is willing to act to curb "non-essential imports", they said.

Source: financialexpress.com- Oct 05, 2018

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Importers stuck as deals go haywire after sudden and sharp fall in rupee

The sharp fall in the rupee against the dollar in the past few weeks, along with the rebound in metal and crude oil prices, has spoiled the trade game of many importers who now face huge losses.

Several small- and medium-sized units depend on imported metals, scrap, polymers (raw materials for plastic), petrochemicals (synthetic textiles raw materials and other chemicals, solvents), which have seen a spurt in import prices due to rising crude oil prices and a falling rupee.

During the past six weeks, the rupee has fallen more than five per cent, while crude prices were up 23 per cent.

All petrochemical and polymer prices have also risen during the period. Those who entered import contracts against letters of credit in mid-August have to pay in dollars at current prices and at the current exchange rates, which will lead to huge losses for them.

Metal prices on the London Metal Exchange (LME) have surged by over five per cent on average during the past six week, with some commodities such as copper and zinc up a staggering eight to 18 per cent. Prior to the recovery, all metals were looking bearish. So it comes as a surprise for many Indian importers, who are facing the double whammy of high global prices and a low rupee, leading to multiple cost-push effects.

Hemant Parekh, former president of the Bombay Metal Exchange says, "Importers using letters of credit (LCs) have to pay in dollars at the current (exchange) rate, which is much higher than the rate of around Rs 69 per dollar when they booked their orders. Hence their costing has gone haywire and the importers now have to incur losses."

LME prices are also rising, making costing difficult.

Local prices of metals are determined based on rupee and LME prices. However, domestic consumers are showing lagging effect and according to Parekh, key metals are said to be selling at an 8-10 per cent discount to the landed cost.

Janak Ladhani, director, Sonkamal Enterprise, a Mumbai-based importer, says imports have reduced and are even on standstill in some commodities. At the current high price, the user class is in a fix and is buying only bare minimum requirements.

As far as petrochemicals like acetone and phenol are concerned, a local manufacturer's project was coming to stream a few months ago and many preferred not to import. Now that the anticipated additional capacities is not operating, there is a sudden and huge scarcity. These chemicals are among others widely used by plywood laminators, several of whose units are now operating at very low capacities, as they aren't able to pass the price hike to their customers, explained Ladhani.

Plastic goods makers, synthetic textiles processors and other users of chemicals are facing a similar situation.

However, edible oil importers aren't as anxious because of their tendency to hedge. But it is the oilseed crushing units that have really gained. A few months back, the rupee was quoted at 65 to the dollar, compared with around Rs 74 currently. This raises the cost of import and brings down the demand for edible oil sourced from abroad. B V Mehta, executive director, Solvent Extractors Association, says, “Import duties are very high and a falling rupee has made imports even costlier.

India’s veg oil import is likely to fall to 14.5 million tonnes this oil year (November to October) from 15.4 million tonnes last year.” What is interesting according to him is that domestic crushing units will be able to earn more by selling by-products of crushing like oil meal.

- Importing again LCs turn loss making business
- Jump in crude oil hit polymers and petrochemical consumers
- Edible oil crushing units see better viability as they get more in by-products export and import competition reducing
- Metals, like copper selling at a discount to imports

Source: business-standard.com- Oct 05, 2018

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