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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 229 of 2018 November 5, 2018

USD 72.98| EUR 83.13 | GBP 94.80 | JPY 0.64

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
22087	46200	**80.89**

Domestic Futures Price (Ex. Gin), November

Rs./Bale	Rs./Candy	USD Cent/lb
22370	46793	**81.93**

International Futures Price

NY ICE USD Cents/lb (Dec 2018)	78.79
ZCE Cotton: Yuan/MT (Jan 2019)	15,110
ZCE Cotton: USD Cents/lb	**84.54**
Cotlook A Index – Physical	**88.60**

Cotton Guide: The week gone by was mostly sideways for cotton. The December future ended at 78.79 cents up by 24 points from the previous close while it had moved in a wider range of 3 cents making a high of 79+ while a low of 76 cents per pound. No major news and development on cotton but it has been volatile in last two weeks within the prevailing band of 75.37 to 80.40. We think market might continue to remain in the same range. The December expiry might get into its first notice period on 25th of November in the same price band. However one important point to notice here is the next contract i.e. March 2019 is already trading at 80.40 a premium of 1.60 cents. This is a sign that the carry between the two contracts is high and post December future March contract might advance further.

Post the market closed the weekly CFTC report was released. Commitments of Traders report confirmed that speculators were net sellers for the week ended October 30th. One might have expected that Thursday's rally was fueled by short covering, but open interest was actually up 1,887 contracts on the day.

This morning ICE Cotton is seen trading steady at 78.76 cents almost no change from the previous close and ZCE future is minimally higher by 40 points. The ZCE future moved almost in line with the ICE future contract. It made a low of 14735 Yuan/MT but ended at 15070 mere 30 points lower than the previous week's close. We think market might continue to remain in the same range.

This week we have an important data to watch for. The November supply-demand report is perhaps shaping up to be a big deal, at least in terms of the magnitude of changes that appear possible. Barring dramatic trade news, lackluster action may be a preview of what to expect until the report is released on November 8th.

Technically, it was an up week that propelled the price back into the upper half of the recent trading range. Strong resistance is seen between roughly 7950- 8040while key support is the 7537-to-7600 area, with minor support at around 7800.

On the domestic front, spot price in the last week averaged around Rs. 46,500 per candy ex-gin approximately 81.20 cents per pound. Punjab J-34 has risen to Rs. 4,618 per maund (77.00 cents per lb). The rupee has strengthened against the US dollar marginally. Estimates of seed cotton arrival is 158,300 lint equivalent bales (170 kgs), including 40,000 in the Northern Zone, 33,000 in Maharashtra and 25,000 in Gujarat. Therefore the future contract ended the week lower at Rs. 22370 down by Rs. 320 per bale from the previous week's close. We think market might remain under stress on today's trading session.

FX Guide:

Indian rupee has opened weaker by 0.5% to trade near 72.8 levels against the US dollar. The US currency has benefitted from better than expected US non-farm payrolls data which further cements Fed's rate hike expectations. US non-farm payrolls report noted a 250,000 increase in jobs as against forecast of 200,000 increase. Rupee is also pressurized by choppiness in equity market amid concerns about US-China trade deal and uncertainty ahead of US mid-term elections. White House economic adviser Larry Kudlow said on Sunday that President Trump is willing to make a trade deal with China but downplayed the potential for a quick deal. US mid-term elections are due on November 6 and there is a high possibility that Republicans may lose majority in the House of Representatives. However, supporting rupee is weakness in crude oil price and easing concerns about RBI-government rift. Brent crude trades near $72 per barrel amid record high output from US, Saudi Arabia and Russia and US decision to give exemption to 8 nations from Iran sanctions. Rupee may remain under pressure amid choppiness in equity market. USDINR may trade in a range of 72.5-72.95 and bias may be on the upside..

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

Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:

Indicative Prices of Cotton Yarn in China Date: 4/11/2018	***Prices in US$ FOB***	
Country	**20s Carded**	**30s Carded**
India	2.75	3.05
Indonesia	2.56	2.85
Pakistan	2.27	2.66
Turkey	3.20	3.45
Source: CCF Group		

China yarn

Yarn market moved down all around upon overall weak market environment. Cotton yarn market stayed in weaker territory. More underselling was seen.

Price of polyester yarn plunged, mainly dragged down by PSF. Most polyester yarn mills cut price greatly to keep polyester yarn inventory at normal level. Sales were hard to be done.

International yarn

Trading conditions in the cotton yarn market have remained difficult. Mills in Pakistan have complained of downward pressure on prices and high replacement costs. Downstream manufacturers have covered only their most pressing requirements.

Poor demand in Vietnam has resulted in increasing cotton yarn inventories and reduced operating capacity for some spinners.

In Egypt, yarn export values are under pressure. It was intended that reform of public sector textiles enterprises will increase consumption of locally produced cotton

Source: CCF Group

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INTERNATIONAL NEWS

U.S. trade gap grew to $54 billion in September

Record imports expanded the U.S. trade deficit for the fourth straight month in September, as the politically sensitive trade deficit in goods with China hit a record.

The Commerce Department said Friday that the gap between what America sells and what it buys abroad climbed to $54 billion, up 1.3 percent from $53.3 billion in August and the highest level since February.

Imports climbed 1.5 percent to a record $266.6 billion, led by an influx of telecommunications equipment and clothing. Exports also rose 1.5 percent to $212.6 billion, led by increases in shipments of civilian aircraft and petroleum products.

President Donald Trump has made a priority of reducing America's huge, persistent trade deficits. Despite his tariffs on imported steel and aluminum and on Chinese goods, the deficit so far this year is up 10.1 percent to $445.2 billion. The goods deficit with China rose by 4.3 percent in September to a record $40.2 billion.

China and other countries have counterpunched with import taxes on American products. U.S. exports of soybeans, targeted for retaliatory tariffs by China, dropped 29.4 percent in September.

Trump sees the lopsided trade numbers as a sign of U.S. economic weakness and as the result of bad trade deals and abusive practices by U.S. trading partners, especially China.

Mainstream economists view trade deficits as the result of an economic reality unlikely to yield to changes in trade policy: Americans buy more than they produce, and imports fill the gap. The strong U.S. economy also encourages Americans to buy more foreign products.

U.S. exports are also hurt by the American dollar's role as the world's currency.

The dollar is usually in high demand because it is used in so many global transactions. That means the dollar is persistently strong, raising prices of U.S. products and putting American companies at a disadvantage in foreign markets.

In September, the U.S. ran a $23.2 billion surplus in the trade of services such as banking and tourism. But that was offset by a $77.2 billion deficit in the trade of goods such as cellphones and cars.

Source: spokesman.com- Nov 03, 2018

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Vietnamese enterprises unruffled by US-China trade war

Only 19 percent of Vietnamese firms in a survey feel the ongoing U.S.-China trade friction would hinder their business over the next three years.

According to a recent survey conducted by HSBC, Vietnamese businesses are among the world's most optimistic about international trade prospects and also among the most confident when it comes to succeeding in the current environment.

HSBC's latest report, 'Navigator: Now, next and how for business,' which polled over 8,500 businesses across 34 markets, showed that 91 percent of Vietnamese respondents, compared with 75 percent globally, indicated they believe the outlook for trade is favorable in spite of geopolitical factors that are curbing enthusiasm elsewhere.

They cited a favorable economic environment, decreasing costs of shipping, logistics and storage, and an increasing demand for their products as the top three drivers of trade growth.

This could reflect the prospective boost to exports in sectors such as textiles as well as electronics as production and demand shift away from China.

Free-trade-agreements (FTAs) are another factor that makes Vietnamese companies enthusiastic about international trade since 60 percent of the firms participating in the HSBC survey believe FTAs will have a positive impact in emerging markets, while 45 percent of firms in developed markets have high hope for these agreements.

The majority of Vietnamese respondents are positive about the partnerships established with key trading partners, with 69 percent believing that ASEAN membership will help their business in the next three years.

Similarly, 65 percent of Vietnamese firms believe the forthcoming European Union-Vietnam free trade agreement will have a positive impact on their business in the near future. The two sides agreed on a final text for the trade agreement earlier in June.

“Vietnamese businesses’ optimism reflects an economy that’s been one of Asia’s star performers, which has been growing fast,” said Winfield Wong, Head of Wholesale Banking, HSBC Vietnam.

“They are optimistic as they consider themselves well-positioned thanks to a strong domestic economy, confidence in the global economy, as well as far-reaching trade deals and burgeoning trade relations with major markets.”

Vietnamese firms are also looking to expand and enter overseas markets. Over a quarter of businesses are eyeing opportunities in Japan, while 23 percent are looking to expand into China, and a fifth are considering South Korea for expansion.

“We are seeing an increasing demand from clients, particularly those in manufacturing and energy sectors, looking to expand their operations," Wong said.

These ambitions are supported by sustainable local economic growth and interest from overseas firms looking to move here, he added.

“We are seeing an increasing demand from clients, particularly those in manufacturing and energy sectors, looking to expand their operations,” Wong said. “These ambitions are supported by sustainable local economic growth and interest from overseas firms looking to move here.”

Source: e.vnexpress.net- Nov 04, 2018

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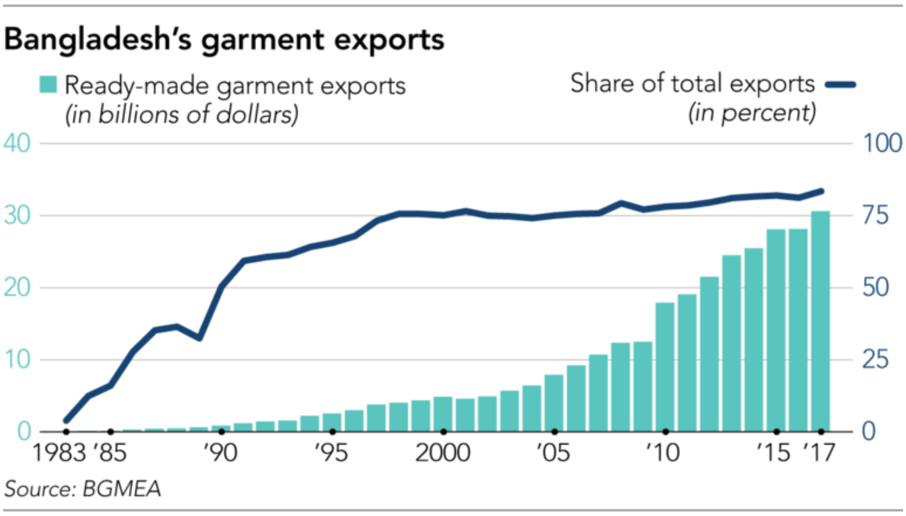
Bangladesh fights for future of its garment industry

Sector that earns 83% of country's export revenue faces intensifying competition

A two-hour drive south from the crowded streets of Dhaka, a modern apparel factory stands along dusty streets lined with ramshackle stalls and busy with rickshaws. The state-of-the-art factory can produce 240,000 men's suits per month for western apparel brands such as Sweden's H&M and Britain's Marks & Spencer.

"We used to cut by hand. Now we use machines. You needed 15 people before. Now you need only two," said Chethiya Jayakody, chief executive of Universal Menswear, the plant operator. Most of the 4,800 workers -- 85% of them women -- did not have any experience of making suits, but that is no problem for Jayakody. "You have a fully automatic sewing machine. The machine does everything if the operators are not skillful," said the Sri Lankan manager, who previously worked for an American company.



The six-year-old factory cost $35 million to build, but it has made the production of clothing faster, more accurate and less expensive. "We spend a lot of money in automation ... because Bangladesh is not going to be a low-cost country any more," said Jayakody.

Bangladesh is battling to keep its position as the world's second-largest exporter of clothing after China, as it faces intensifying competition from Cambodia, Vietnam, Myanmar and now African countries like Ethiopia as global brands search for cheap labor.

H&M, for instance, imports from an Ethiopian clothing factory it set up with Bangladeshi garment maker DBL. Japan's Fast Retailing, operator of the Uniqlo casual clothing chain, is also eyeing a production base in the African country. Fast Retailing declined to comment for this story.

The competitive pressure has sparked consolidation of what was once a mom-and-pop industry, reducing the number of factories 22% in the last five years to 4,560, according to the Bangladesh Garment Manufacturers & Exporters Association. Those who have survived gain market share, expand overseas and aim to go public.

The industry is an engine behind the country's more than 6% annual growth over the past decade. In the year ending in June, garment exports totaled $30.6 billion, up 8.8% and accounting for 83.5% of the country's total exports, according to BGMEA.

The country also increased its share of global clothes exports to 6.3% in 2016 from 4.0% in 2010, according to World Trade Organization data. But compared with China, which has a share of 34.5%, it is still a distant second along with countries like Vietnam, Italy and India.

Labor in Bangladesh is still cheap. The average monthly wage is just $101, compared with $135 for Myanmar, $170 for Cambodia, $234 for Vietnam and $518 for China, according to surveys on select cities conducted by the Japan External Trade Organization between December 2017 and March 2018.

But there are countries with even lower wages, such as Ethiopia with a monthly average wage of $50.

Labor costs are rising across Asia, and Bangladesh is no exception. With general elections looming in December, the ruling Awami League has approved a 51% wage hike for garment workers, a decision that is weighing on the country's garment industry. Companies operating in special economic zones, such as Universal Menswear, typically offer a 10% wage increase every year. But in election years, which come every five years, the government tends to promise more generous pay hikes.

This has put the industry in a bind, as their Western customers, faced with online competition from Amazon and others, are demanding that prices be kept under control.

Price pressure is intense, says Sharif Zahir, the head of Ananta, a leading apparel maker and the joint venture owner of Universal Menswear. "It's a very tough business," the 41-year-old managing director said. "If you don't work efficiently, you cannot make money."

Cost increases are not limited to labor.

Global market share in 2016 in percent; WTO; monthly average wages for select cities
Source: Jetro surveys September 2017-March 2018

Garment makers in Bangladesh have been forced to make major investments in building safety, following a factory fire that killed 117 in November 2012 and the collapse of another known as Rana Plaza in April 2013, which left more than 1,100 dead. Since then, Western brands will not buy from Bangladeshi suppliers unless they are certified to be in compliance with stringent fire and building safety regulations.

Factories in Bangladesh have grown in a haphazard fashion, some even operating on the upper floors of office or residential buildings. Western apparel makers feel more secure buying from countries like China and Vietnam, where manufacturing is better planned and organized.

"After the Rana Plaza tragedy, people would think that Bangladesh is simply a Rana Plaza. Everything is Rana Plaza," said Md. Siddiqur Rahman, president of BGMEA. "Global brands come under pressure to improve or leave Bangladesh."

Today, most of the first-tier export-producing factories have been assessed for risk and have been improved or are in the process of being brought to a comfortable standard, said Tuomo Putiainen, country director for the International Labor Organization. A survey by McKinsey & Co. in 2013 found Bangladesh the No. 1 alternative to China as a manufacturing location. ILO's Putiainen also says that Bangladesh could benefit as production leaves China due to cost and the U.S. trade dispute.

But he added that global apparel brands will remain vigilant about the factory conditions in Bangladesh.

Following the Rana Plaza accident, Ananta faced more price pressure from its customers, who demanded discounts in exchange for continuing to do business.

That is one reason why Ananta, originally a jeans maker, is so keen to diversify into higher value-added items, such as men's suits and lingerie.

The strategy seems to be working. Annual sales have grown 20% to 30%. Sales in the current business year are projected at $300 million, up from $250 million in the previous year. Ananta aims for $1 billion dollars in sales within the next seven years.

DBL, another Bangladeshi garment maker with an annual turnover of $450 million, is also branching out into sports wear and lingerie, according to company head M.A. Jabbar. DBL currently handles only cotton fabric, but "in the coming days, we are looking at man-made fiber," Jabbar said. DBL is also adding upstream processes, such as spinning, dying, printing, fabric washing and embroidery production.

Most garment makers in Bangladesh specialize in knitting operations, with fabrics and accessories imported mostly from China. With materials costs accounting for 65% to 70% of an item's selling price, profit margin is razor-thin.

"If Bangladesh focuses on the knitting business, it will eventually lose to even lower-cost producers like Ethiopia," predicts Yoshiaki Kamiyama, senior researcher at the Japan Textiles Importers Association. "It has to innovate. It has to develop expertise other than just knitting."

Source: asia.nikkei.com- Nov 04, 2018

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CPTPP – opportunity for Vietnam to join global value chain

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), to be submitted to the 14th National Assembly for approval on November 2, is expected to help Vietnam expand exports and join the global value chain more deeply.

Experts have said Vietnam will face challenges caused by impacts of foreign investments on domestic firms. Vietnamese businesses should make preparations in order to make the best use of incentives offered by the deal. Minister of Industry and Trade Tran Tuan Anh said the CPTPP is a quite comprehensive agreement as it covers principles not only in trade and investment but also in intellectual property.

It requires Vietnam to reform investment and business environment, as well as institutions, he said.

The minister added the agreement will put competitive pressure on enterprises and the economy, helping Vietnam grow more sustainably.

Pham Quynh Mai, deputy head of the Ministry of Industry and Trade (MoIT)'s Multilateral Trade Policy Department, said 66 percent of tariff lines will be eliminated immediately after the agreement takes effect, 86.5 percent three years after the deal comes into force and 97.8 percent after 11 years.

It targets not only traditional sectors like goods, services and investment but new realms such as e-commerce, public procurement, labourt and the environment, the official noted.

With a market of nearly 500 million people and 13.5 percent of global GDP, the CPTPP is a free trade agreement with strategic significance to Vietnam and the business community, as it will push for open markets, investment development and the establishment of free trade ties between Vietnam and many new partners like Canada, Mexico and Peru, thus helping restructure the country's export markets, easing its dependence on traditional markets.

Besides, the deal will motivate the Vietnamese Government to step up administrative reform, complete the legal and institutional framework and create a more open and transparent investment and business climate, Mai said.

A survey conducted by HSBC in six out of 11 CPTPP member countries, namely Australia, Canada, Malaysia, Mexico, Singapore and Vietnam, revealed that about 63 percent of Vietnamese enterprises believe the agreement will positively impact their business.

Minister Anh said experience from Vietnam's joining the World Trade Organisation (WTO) and the Vietnam-US Bilateral Trade Agreement shows that Vietnam can limit adverse impacts if the country knows how to utilise opportunities and take initiative in realising its integration commitments.

He stressed that such sectors as services, post and telecommunications, e-commerce, garment-textile and leather and footwear are forecast to grow under the CPTPP.

On the contrary, the sugarcane cultivation and sugar industry is expected to face great challenges due to its slow pace in restructuring, he said.

Luong Hoang Thai, head of the Multilateral Trade Policy Department, also pointed out challenges regarding quality of exports and high-quality labour force, saying fierce competition will take place not only in markets of CPTPP member countries but also in Vietnam.

Given this, experts suggested Vietnamese businesses learn more about the agreement to grasp Vietnam's commitments and markets of partners, while building and changing their business plans for mid and long terms.

Besides, they should seek partners in other CPTPP member markets to benefit from their financial strength and technology transfer, thus gaining more opportunities to integrate more deeply in regional and global supply chains, the expert said.

Source: sggpnews.org.vn- Nov 04, 2018

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Pakistan: Seeking another rescue package

Prime Minister Imran Khan is in China on a five-day visit. The prime objective of the PM's visit is to seek a generous bailout package from China so as to be able to negotiate a relatively less demanding IMF deal.

On its part the top Chinese leadership is expected to use the opportunity to try to remove all the legitimate as well as the not-so-legitimate doubts that the new PTI-led coalition government has been expressing since its advent about the China-Pakistan Economic Corridor (CPEC).

Pakistan is perhaps thinking of getting a bailout package of at least $5 billion from China. But it would entirely depend on Beijing how this package is put together, if at all.

The PM is also likely to take up the issue of steep trade imbalance in favour of China with Beijing exporting goods worth $11.458bn to Pakistan while exports to China from Pakistan have remained stuck below $2 billion for some years. This imbalance needs to be corrected on an urgent basis.

Meanwhile, Pakistan's textile industry has expressed the hope that Prime Minister Imran Khan would be able to persuade the Chinese leadership to set up a special credit line of $5 billion for fresh investments and joint ventures between the manufacturers of the two countries.

This facility, our textile tycoons believe, could be extended by China under pay-as-you-earn scheme on buying-back basis to encourage both investment in and exports from Pakistan.

This special credit line is also expected to help early relocation of the Chinese textile industry to Pakistan and increase our exports there. There is said to be a big market for Pakistani textile products in China where wet textile processing is being shut down and relocated to other countries.

PM Imran meets Chinese President Xi in Beijing

China's domestic textiles and clothing market is estimated to be $500bn. Pakistani textile exports form only three per cent of their textile and clothing imports of $268bn, showing that Pakistan has a huge potential there.

It is also being proposed that China could consider setting up garmenting plants in Pakistan for export to avert Trump tariffs on its American shipments and avail Pakistan's market access as well to the EU under the GSP+ scheme.

Another country which is located south of another part of China — Vietnam — has grown by leaps and bounds taking advantage of skyrocketing growth in its northern neighbour.

According to Bennett Murray, an American journalist serving the German news agency DPA in Hanoi writes in his article 'Vietnam Is Winning the US-China Trade War' published in Foreign Policy on Oct 30, 2018 with Asian business people increasingly resigned to a protracted trade war between Washington and Beijing, firms are more eager than ever to escape tariffs by relocating to China's smaller southern neighbour.

"Most telling was the decision of Goertek, the Chinese company assembling Apple's AirPods, to reroute all production of the earbuds to Vietnam.

"The advantages of production in Vietnam over its northern neighbour were mounting even before US President Donald Trump took office. In Shenzhen, China, the home of the Apple supplier Foxconn's flagship Longhua industrial complex, the monthly minimum wage is now 2,200 yuan ($315).

In contrast, Vietnam's highest minimum wage (the national government sets a multitier minimum wage based on regional living costs) is almost half that at 3.98 million Vietnamese dong ($170). Wages fall even lower away from major cities—in Thai Nguyen's Pho Yen district, the home of the Samsung factory, the minimum wage is a mere 3.09 million dong ($130).

"China and Vietnam also have their own free trade agreement, allowing firms in Vietnam to cheaply import raw materials from the north for manufacture and export."

Pakistan can also emulate Vietnam, but before we try to take that route our manufacturers and exporters need to do a thorough market survey of western China in order to be able to identify manufacturing units there which would benefit by getting relocated in Pakistan. Also the survey would tell us what kind of products and of what quality are in demand in the region.

Source: tribune.com.pk- Nov 03, 2018

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Markets in the US, EU: Bangladesh's denim exports see healthy growth, beating China

According to statistics from the Directorate-General of the European Commission, Eurostat, Bangladesh has earned €917.14 million from exporting denim products to EU countries during January-August period of 2018, which is 4.23% higher from exports earned in the corresponding period of last year

Bangladesh's denim manufacturers have seen a healthy rise in export of denim products in the markets of the US and European Union (EU), beating its biggest competitor China as the world's second largest economy posted only a moderate growth.

From January to August of 2018 Bangladesh's denim export saw steady growth both in US and the EU markets. The EU consists of 28 countries and is the largest destination for Bangladesh's denim goods.

Denim exports in the US during 2018

According to the US Office of Textiles and Apparel (OTEXA), from January-September period of 2018 the country saw a 14.20% rise in export earning i.e. $419.21 million, which was $367.10 million during the same period of 2017.

China on the other hand earned 1.3% more than 2017 summing up a $683 million export earnings, while Mexico has seen 1.08% increase in export from 2017 to $595.40 million.

Vietnam, a close competitor of Bangladesh in US market earned 41.95% more i.e. $205.43 million which was $144.72 million during 2017. While Cambodia saw a 30.85% rise in export to $88.34 million.

Exports in EU countries during 2018

According to statistics from the Directorate-General of the European Commission, Eurostat, Bangladesh has earned €917.14 million from exporting denim products to EU countries during January-August period of 2018, which is 4.23% higher from exports earned in the corresponding period of last year.

Turkey, the second largest exporter of denim goods to EU has seen an 11% deficit in earning to €687.28 million, which was €772.93 million in 2017. Pakistan saw a 4.83% rise to €500.56 million, while China's exports saw a 14.30% fall to €304.79 million, which was €355.68 million in the same period of 2017.

Bangladesh denim products include Blue Denim Trousers WG, Blue Denim Trousers MB, Blue Denim Skirts, Blue Denim Jackets, Blue Denim Suit Type Coats MB, Playsuits and Sun suits.

Reasons for Bangladesh's steady growth

Trade analysts and the people involved in the denim industry said the reasons for Bangladesh's steady growth in exports earnings are because of improved technology in fabrics manufacturing, improvement of safety standards in the apparel sector and the trade war between China and the US.

Anwar-Ul Alam Chowdhury, managing director of Argon Denims, while speaking to the Dhaka Tribune said: "After the announcement of Trans-Pacific Partnership (TPP), US retailers wanted to go to different manufacturers for sourcing apparel goods, rather than Bangladesh. But they changed their decision after US president Donald Trump dismissed the idea of joining the TPP."

"On the other hand, China is shifting their business due to environmental hazards, especially in washing and dyeing. Bangladesh has taken this advantage in the EU and US markets, as it has the capacity to fulfill their demands.

"There is no such unified, safe and secure sector in the world other than Bangladesh. That is why, Alliance for Bangladesh Workers, a platform of American buyers has certified Bangladesh as a safe place, which also boosted buyers' confidence for sourcing products from here," Anwar added.

Shahidul Hasan, director of Amber Denim Limited said: "Buyers go to different places because of competitive price rates. US retailers are the ones who sought more price competitive market. Since, we have quality products at a reasonable price; they are sourcing from here,"

BGMEA Senior Vice President Faruque Hassan said: "In the EU markets, Bangladeshi denim products are doing much better for its quality and competitive price rates. In the recent time, production cost in China and other countries have gone up due to wage hike. As a result, EU manufacturers are moving to Bangladesh for sourcing denim products.

"On the other hand, Bangladesh has increased its production capacity in doth denim fabrics manufacturing and other denim products. The Bangladeshi manufacturers have also moved to introduce latest technologies for improved quality of products."

Md Badsha Mia, managing director of Pioneer Denim Limited said: "Bangladesh is very strong in knitwear manufacturing due to its strong backward linkage industries. At the same time, it is highly dependent on import of woven fabrics.

"In recent times, Bangladesh has seen the establishment of state of the art denim fabrics manufacturing plants, which has increased production capacity. This has helped to attract more workorders from the US buyers, as well as EU, as a result, the manufacturers can supply the orders within much shorter time compared to previous ones."

US-China trade war also boosted export earnings

The US is the single largest importer of clothing products and China is the largest exporters of apparel goods in the world. The trade war between these two giants has brought more number of orders for Bangladeshi denim manufacturers.

Abdus Salam Murshedy, Md of Envoy Textiles Ltd (a LEED Platinum certified green factory in the world) said: “Chinese products are becoming costlier due to rise in workers’ wage. As trade war between China and US is a threat for the US importers over duty imposition. Bangladesh is benefitting the most from this trade conflict.”

“While China is shutting down factories due to rise in pollution So, ultimately these workorders will go to Bangladesh, Vietnam or Cambodia.”

Former finance adviser to the Caretaker Government AB Mirza Azizul Islam said: “The US-China trade war is definitely a plus point for Bangladesh. To grab the US and EU market, Bangladesh has to move to reduce the lead time and improve port efficiency.

“The manufacturers should also improve the quality and concentrate on product diversification and value added products.”

According to Bangladesh Textile Mill Association (BTMA), Bangladesh currently has 31 denim fabric manufacturing factories, which produce over 400.40 million metres of fabrics every year. And there are around 400 denim product manufacturers in the country.

According to people involved in this sector, Bangladesh has already made an investment of Tk15,000 crore in denim fabrics manufacturing.

The major global retailers in the world to which Bangladeshi entrepreneurs supply denim products are H&M, Uniqlo, Tesco, Walmart, Levi's, Diesel, Wrangler, G-Star, s.Oliver, Hugo Boss, and Gap.

In 2107, Bangladesh was the largest exporter of denim products to EU markets with 27% market share, while the third largest exporter to US with 14.20%.

Source: dhakatribune.com- Nov 04, 2018

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Bangladesh: Apparel exports to US rises by 5.84pc in nine months

Bangladesh's apparel exports to the United States in January-September of current year increased by 5.84 per cent to $4.16 billion from $3.93 billion in the same period last year.

The country's textile and apparel export to the US in first nine months of current year totalled $4.34 billion with 5.63 per cent growth from $4.11 billion in the same period last year, according to the data of the Office of Textiles and Apparel under the US Department of Commerce released on Friday.

Terming the export growth positive, exporters observe that export orders from US to Bangladesh increased little bit in recent times.

They said that the ongoing trade war between the US and China created huge opportunity for Bangladesh to grab large volume of orders from the US and the export to the market would rise more in the coming days.

According to the data, in value base textile and apparel export, Bangladesh remains in the fourth position in the US market while the position of the county was sixth in volume base export.

In volume, Bangladesh's export to the US in the first nine months of 2018 grew by 3.56 per cent to 1.82 billion square metres from $ 1.76 square metre in the same period last year.

In value base export, China remains in the first position in the US market followed by Vietnam and India.

Although, the US was the largest export destination for Bangladeshi textile and readymade garment, the country (Bangladesh) meet only 5.02 per cent of total textile and apparel import value of the US.

The OTEXA data shows that the US import of textile and apparel in the January-September period of 2018 grew by 4.49 per cent to $83.35 billion from $79.77 billion in the same period last year.

The US import of textile and apparel from China in the period grew by 3.47 per cent to $30.01 billion while import from Vietnam stood at $9.80 billion with 6.93 per cent growth.

Textile and apparel export of India in the January-September period of this year stood at $5.89 billion with 2.95 per cent growth from $5.72 billion in the same period of 2017.

‘The apparel export growth in the US market is positive and we are happy with the growth. I think RMG export to US market from Bangladesh would increase more in coming days,’ former Bangladesh Knitwear Manufacturers and Exporters Association president Fazlul Haque told New Age on Saturday.

He said that ongoing trade ware between the US and China created opportunity for Bangladesh to obtain more export order from the US buyers. ‘Although the volume is insignificant, the US brands and retailers have already started shifting their orders to Bangladesh from China. If the US imposes duty on Chinese textile and apparel, a huge volume of orders will be shifted to Bangladesh,’ Fazlu remarked.

‘As per the data, the textile and apparel export of India to the US is higher than Bangladesh but if we calculate the export of only RMG products, Bangladesh is far ahead of India,’ he claimed.

According to the OTEXA data, the US import of textile and apparel products were 50.77 billion square metre equivalents in January-September of 2018, an increase of 4.9 per cent from year-to-date September 2017.

Imports of textiles were 29.80 billion square metre equivalents with an increase of 7.2 per cent from the year-to-date September 2017 while apparel imports in the period were 20.97 billion square metre equivalents which was 1.8 per cent up from the same period of last year.

Source: newagebd.net- Nov 04, 2018

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Qatar's ties with emerging markets in Asia seen strengthening

Growth in the emerging market and the developing economies' group is set to remain steady at 4.7% in 2018 and 2019. Among the emerging market and the developing economies, the growth prospects of many energy exporters have been lifted by higher oil prices, but growth was revised down for certain countries, reflecting country-specific factors, tighter financial conditions, geopolitical tensions, and higher oil import bills.

Qatar and China mark the 30th anniversary of the official establishment of diplomatic relations between the two friendly countries. Trade volume between Qatar and China was at $10.6bn in 2017 on the strength of energy exports — namely natural gas — from Qatar, as well as Chinese shipments of electronics and building materials to Qatar.

Qatar is already the second largest supplier of LNG to China. The volume of LNG imports from Qatar is expected to rise substantially in the near future as the demand for energy is growing at a rapid pace in China. Chinese companies are looking to enter the Qatari market to tap the growing demand for various products and services.

In recent years, while deepening the co-operation in traditional fields such as energy, trade and infrastructure, China and Qatar have also opened up new areas of cooperation in communication, finance, investment and industry. China and Qatar have enjoyed growing cultural exchanges which have effectively enhanced mutual understanding and friendship between the two peoples through the years.

The '2016 Qatar-China Year of Culture' saw exhibitions and cultural shows enjoyed by people in both the countries. In April 2015, Qatar opened the Middle East's first centre for clearing transactions in the Chinese yuan saying it would boost trade and investment.

The bilateral trade between Qatar and India during in 2017-18 was close to $10bn. Qatar's major exports to India include petrochemicals, LNG, fertilisers, sulphur and iron pyrites. Qatar's major imports from India include accessories, manmade yarn, fabrics, made-ups, cotton yarn, transport equipment, machinery and instruments, metals, ores and minerals etc.

Qatar Petroleum has announced further increase in the capacity of Qatar's LNG expansion project, by adding a fourth liquefaction train, to raise the country's LNG capacity to 110mn tonnes per year. Qatar and India can enhance LNG collaborations.

The year 2019 will be celebrated as the Qatar-India Year of Culture. Many Indian companies such as L&T, Tata Projects, Voltas, and Punj Lloyd have active relationships in the Qatari market through partnerships, agencies and even have set up their offices in the Qatar.

Indian corporates look at Qatar as a promising market and are today pursuing collaborations in a number of areas, including infrastructure, information and communication technology, energy and other areas to the mutual benefit of both the sides.

Trade volume between Qatar and South Africa stood at $0.1bn. Major exports to Qatar are base metals, machinery and mechanical appliances, chemicals and vegetable products. The main imports from Qatar by South Africa are mineral products, chemicals and plastics.

Qatar is the seventh-largest supplier of crude oil to South Africa. Qatar and South Africa SME sectors can explore relationships. South Africa's tourism sector registered a dramatic rise in numbers, as many Qataris and expatriates spent their holidays there. Construction and supplies, security and logistics to food service sectors can look for opportunities in Qatar.

Trade volume between Qatar and Brazil is close a $1bn. In 2017, Brazil exported $378mn worth of goods to Qatar and imported $532mn from Qatar. Trading with Brazil is advantageous for Qatar as businesses will gain access into a new market, forge ties with new trading partners and form new professional friendships with their counterparts in Brazil.

Despite the ongoing global trade tensions, the trade and other bilateral relationships between Qatar and major Asian emerging economies, namely India and China, is expected to surge in the coming years.

Source: gulf-times.com- Nov 04, 2018

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Egypt takes part in first China International Import Fair on Monday

The first China International Import Fair will kick off On Monday, and will last between 5 to 10 November in Shanghai. Egypt will participate in the exhibition as a guest of honour.

The Egyptian pavilion will be opened by Chinese President Xi Jinping and Egyptian Prime Minister Mostafa Madbouly, accompanied by Minister of Trade and Industry Amr Nassar. The Egyptian pavilion includes 38 companies on an area of 256 sqm.

Nassar said that selecting Egypt as the guest of honour reflects the depth of the relations between Egypt and China, where the exhibition represents an important opportunity to increase Egyptian exports to the Chinese market, in various agricultural and industrial sectors, pointing out that the exhibition will contribute towards enhancing trade relations and reducing the trade deficit between the two countries.

The exhibition reflects the current approach of the Chinese government to open up trade relations with the world, especially with regard to import, pointing out that the exhibition represents a historic opportunity for Egyptian and international companies to penetrate the huge Chinese market of 1.3 billion consumers, pointed out Nassar.

The Minister of Trade and Industry indicated that 150,000 prospective buyers will attend the exhibition, which will contribute to opening up China’s substantial market to products from around the world, as well as provide significant opportunities for food and agricultural products, pharmaceuticals, textiles and clothing to penetrate the Chinese market.

It will also provide opportunities for Egyptian service sectors such as tourism and culture to enter the promising Chinese market.

The CEO at the Export Development Authority, Sherine El Shorbagi, remarked that the exhibition includes a section for 10 countries, and another for companies from 101 countries.

She expressed that 24 Egyptian companies will participate in the exhibition from the fields of agricultural crops and food industries, as well as six companies in the field of medical and chemical industries, four companies in the field of textile and garments, one company in the field of engineering industries, one company in the field of handicrafts, and a company in the field of printing and packaging, in addition to Banque Misr, representing the banking sector.

El Shorbagi stressed that the exhibition includes activities such as bilateral meetings, business reconciliations, investment forums and tourism events, as agreed with Chinese parties regarding the participation of Egyptian companies during the bilateral meetings forum, entitled “Senior Buyers’ of Jiangxi Province Meet International Manufacturers”.

Source: dailynewsegypt.com- Nov 04, 2018

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How a $3 trillion Indian economy is hurting the country's textile exports

Since India has reached that GDP threshold, textile units in the country no longer enjoy the soft duties applicable to the competition in Bangladesh, Pakistan and Vietnam

The central government might consider more incentives for textile exporters, to bridge the gap between costing of products originating from the world's least developed countries and India.

The industry has given a representation. Under the global preferential treatment rules in this regard, textiles imported from countries such as Bangladesh, Pakistan and Vietnam are preferred over those from India.

The earlier extension to Indian exporters of lower import duty in developed countries, including America, is no longer available. The reason is the growing size of the Indian economy — it has crossed the threshold size in this context, of $3 trillion in Gross Domestic Product. We had become the world's six largest on this measure in 2017.

The total in differential duty works out to nearly nine per cent s between products from India and the other smaller economies.

With all the present incentives offered by the government and the rupee's recent depreciation, the total duty differential works out to five per cent, on which the government recently announced a two per cent export incentive under the Merchandise Exports from India Scheme.

The US government has complained about the INdian incentives at the World Trade Organization (WTO), as legally unsustainable. WTO has set up a committee on the issue.

“We want this MEIS incentive to be doubled to at least four per cent. Given the marketing skill of ndividual exporters, India would be able to bridge the gap fully, enabling us to boost shipment.

Without this increased MEIS, the industry would not be able to compete with the preferentially treated countries, including Bangladesh, Sri Lanka and Pakistan," said Siddhartha Rajagopal, executive director, The Cotton Textile Export Promotion Council (Texprocil). He said the industry had given the government a representation in this regard.

At an awards ceremony, Union textiles Minister Smriti Irani asked Texprocil to reach out to the micro, smll and medium-sized (MSME) units in the sector, about a third of the Council's membership.

She wanted these businesses to know, she said, that banking institutions have been given only 59 minutes for in-principle approval to loans for small traders and organisations.

Expressing joy at the 26 per cent growth of cotton textiles this year, the minister stated this sets a benchmark to double the growth next year. She noted the interest subvention on pre-shipment and post-–shipment finance for export by MSMEs had been increased from three to five per cent.

Under the package, MSMEs registered under the goods and services tax will get a two per cent interest rebate on incremental loans up to Rs 10 million. A web portal has been launched through which such units may avail of loans up to this size.

The segment accounts for about 45 per cent of the sector's manufacturing output and around 40 per cent of export.

"The announcements have certainly come as a huge relief for the MSME sector.

The majority of them being in the informal sector, they find it extremely difficult to raise funds for their business activities, as credit appraisal is a major challenge," said Ujwal Lahoti, chairman of Texprocil.

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

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India to participate in China's first international import expo

India will participate in China's first international import expo in Shanghai.

India will participate in China's first international import expo in Shanghai as part of its efforts to reduce the over USD 51 billion trade deficit with the neighbouring nation, Indian officials said here on Sunday.

The six-day China International Import Expo (CIIE) will be inaugurated on Monday by Chinese President Xi Jinping.

Leaders of 18 countries, including Pakistan Prime Minister Imran Khan, will take part in the event, which is aimed at showcasing China's import potential.

An Indian delegation led by Commerce Secretary Anup Wadhawan has arrived in Shanghai to take part in the event, officials said.

"India has built a pavilion at the expo highlighting its focus areas of agricultural products, pharmaceuticals, information technology and tourism," Prashant Lokhande, Counsellor Economic and Commerce of the Indian Embassy here told PTI.

The Federation of Indian Export Organisations (FIEO) along with relevant government agencies has built India pavilion at the expo, which is billed as the biggest event organised by China, the world's largest exporter, to showcase opportunities.

Chinese official media says the the scope of imports could be over a USD trillion dollars.

The expo is being held amid China's trade war with the US, which slapped additional tariffs on Chinese goods worth about USD 250 billion, demanding Beijing to bring down the trade deficit amounting to USD 375 billion. China had retaliated with counter tariffs.

India too has been pressuring China to take measures to bring down over USD 51 billion annual trade deficit, which was one of the main focus areas in the informal meeting between Prime Minister Narendra Modi and Chinese President Xi Jinping at Wuhan in April this year.

Since then officials of the two countries held several rounds of talks for India to export its agricultural products like sugar and rice as well as its pharmaceuticals and IT in which the country has upper hand in the global exports.

The Consul General of India's Consulate in Shanghai, Anil Kumar Rai, said the expo will enable India to showcase products in the areas in which it is strong.

Though the expo, which would be held till Novemebr 10, has evoked tremendous interest in global industry, diplomatic sources said China is yet to liberalise its import market.

It is the world's first import-themed national-level expo that will feature enterprise and business exhibitions, country pavilions for trade and investment, the state-run China Daily reported.

About 82 countries and three international organisations will set up 71 booths at the country pavilions, covering an area of about 30,000 square metres.

Twelve countries — Brazil, Canada, Egypt, Germany, Hungary, Indonesia, Mexico, Pakistan, Russia, South Africa, Vietnam and the UK — will be the "Guest of Honour" at the mega business event.

More than 3,000 companies from over 130 countries have confirmed participation in the enterprise and business exhibitions at the expo, with a total booth area of 270,000 square metres, the report said.

Source: financialexpress.com- Nov 04, 2018

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India's refusal to sign mega trade pact this year gains support

Modi briefed by Commerce Ministry officials on what to expect at RCEP summit next week

India's refusal to part-conclude a mega trade deal that it is negotiating with 15 countries, including China and the 10 members of the ASEAN group, this year, is getting support from a handful of nations.

This means that Prime Minister Narendra Modi is unlikely to face isolation at the Regional Comprehensive Economic Partnership (RCEP) summit in Singapore on November 14, where he will express support for the trade agreement. However, he may not sign a joint statement being promoted by many member countries that could commit India to a pact by the year-end, a government official told BusinessLine.

"At the Auckland round, while India was initially alone in opposing a pact by the year-end, eventually some members, including Vietnam, the Philippines and Malaysia joined in, and said that things were not ripe enough. At the Singapore Summit, Prime Minister Modi will now hopefully not be under pressure to commit to agree to a package agreement by the year-end," the official said.

India agreeing to a package agreement by the year-end, which does not fully take care of its economic interests, could have a political fallout. With the general elections scheduled next year, a deal that could make Indian industry and farmers more vulnerable, especially due to the rise in competition from China, may not go down well with the electorate.
Tricky 'substantial conclusion'

What most RCEP members, including Japan, South Korea, Australia and New Zealand, were trying to do at Auckland was to get the words 'substantial conclusion' included in the joint declaration of the summit to be signed by the heads of state next week.

"The words 'substantial conclusion' have a legal connotation. If countries agree to it, then there is no getting out of it, and the decision has to be announced to media and placed before Parliament for clearance.

India refused to take on this commitment at the summit, and insisted that the words 'substantial progress' be used instead.

Modi was recently briefed by senior officials from the Commerce Ministry on the negotiations so far, and what he could expect at the Singapore meeting, the official added.

The RCEP countries account for almost a third of the world's GDP, and more than a fourth of the global trade. On conclusion of the pact, which includes goods, services and investments, it could be the largest free trade pact in the world.

The China factor, however, is making India tread cautiously. "It is not possible for India to give the same level of concessions to a country like China — which has been flooding the market with cheap goods — that it may give to the ASEAN.

This has been made clear to all RCEP members, and India and China are trying to reach an agreement on market access through bilateral talks. We cannot be hurried into agreeing to something that we may regret later," the official said.

Before it commits to an agreement, New Delhi would also want to be satisfied in the area of services, where offers have not yet matched the ambitions demonstrated in the area of goods, the official added.

Source: thehindubusinessline.com- Nov 05, 2018

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US removal of trade sops to hit handloom exports

Products made of silk, jute and specialised products to face the heat

The US government move to withdraw GSP (Generalized System of Preferences) benefits to India from last

Thursday will impact export of handloom made home textiles products. Among the home textiles that would face the heat include products made of silk, jute and specialised products such as wall hangings, banners and national flags.

National flags predominantly manufactured and exported by SME sector account for the largest of exported item at Rs 466 crore ($64 million).

Ujwal Lahoti, Chairman, Textile Export Promotion Council told BusinessLine that India is the single largest country in the world with the highest number of handlooms and it would be impossible to source these products in required quantity from other countries. Concessional tariff under GSP, benefits the US consumers as much as it benefits Indian exporters, he added.

Handloom fabrics, floor covering and silk products are manufactured by cottage industry in rural India thereby providing employment to a large number of female workers helping in poverty alleviation and sustainable development of small clusters.

Premature withdrawal of GSP benefit will cast a financial burden on both the Indian manufacturers and the US retailers, said Lahoti.

Meanwhile, the interest subvention on pre- and post-shipment finance for exports by MSMEs to 5 per cent from 3 per cent and sanction of loan up to Rs 1 crore to GST-registered MSMEs would boost their confidence.

Lahoti said it will provide a much needed support and encouragement to the MSME sector which contributes significantly to the textiles exports.

A web portal has been launched through which MSMEs can avail of loans up to Rs 1 crore from Small Industries Development Bank, SBI, Bank of Baroda, PNB, Vijaya Bank and Indian Bank.

The MSME sector accounts for about 45 per cent of manufacturing output and about 40 per cent of total exports.

One of the problems for MSMEs is getting bank finances as majority of them are from informal sector and find it extremely difficult to raise funds for their business activities as credit appraisal is a major challenge, he said.

Source: thehindubusinessline.com- Nov 04, 2018

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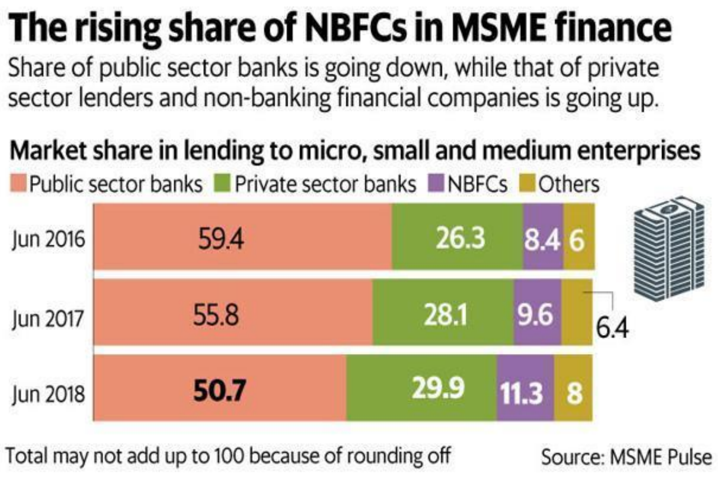
The need for a boost to MSME sector

More lending to MSMEs is all very well, but public sector banks need to ensure better credit assessment so that higher lending now doesn't translate into NPAs later

Prime Minister Narendra Modi's Diwali package for micro, small and medium enterprises (MSMEs) may be late in the day, but it's nevertheless a boon, particularly the interest subvention and the measures to see that bills are paid on time.



Why the need to boost lending to the MSME sector? Simply put, non-banking financial companies (NBFCs) have increased their share of financing MSMEs in recent years and the current lack of lending to NBFCs threatens to cut off credit to a substantial number of MSMEs too.

The data shows bank lending to micro and small-scale industrial units fell from 3.1% of gross domestic product (GDP) in 2013-14 to 2.22% in 2017-18. Over the same period, bank lending to medium-scale industrial units fell from 1.1% of GDP to 0.62%.

But this decline is part and parcel of the credit cycle and indeed lending to large industrial units as a percentage of GDP saw a larger decline, doubtless because of the Reserve Bank of India's (RBI's) asset quality review.

Interestingly, RBI data shows that in the priority sector, bank credit to SMEs in the manufacturing sector as at end-September 2018 contracted by 1.4% from a year ago. In sharp contrast, bank credit to SMEs in the services sector grew at a good 17%. This mirrors the overall weakness in manufacturing and the buoyant conditions in the services sector.

While bank lending to MSMEs was tepid, NBFCs stepped in. The share of NBFCs in total finance to MSMEs went up from 7.9% in December 2015 to 9.6% as on June 2017 and then spurted to 11.3% by June 2018. This was aided by bank lending to NBFCs, which grew by 26.9% in 2017-18. Now that NBFCs are suffering from a lack of liquidity caused by contagion from the Infrastructure Leasing and Financial Services Ltd's debacle, the government is attempting to ensure that credit channels to MSMEs remain open.

One reason why public sector banks are reluctant to lend to MSMEs is that a substantial proportion of these loans go bad. According to the MSME Pulse report, for public sector banks, the level of non-performing assets (NPAs) among MSMEs went up from 13% in June 2016 to 15.2% in June 2018. Public sector banks accounted for half the total credit given to MSMEs. The credit quality of MSMEs availing loans from private sector banks and NBFCs is significantly better and as of June 2018, their NPA levels on account of MSME loans were 3.9% and 5%, respectively.

This suggests that the loss of market share by public sector banks in MSME financing (see chart) is good for the Indian economy, as private sector banks and NBFCs seem to be far better at managing bad debts. That is why the system whereby banks lent to NBFCs and they on-lent to MSMEs was a win-win for all.

The trend is therefore likely to continue, once confidence in NBFCs is restored. More lending to MSMEs is all very well, but public sector banks need to ensure better credit assessment so that higher lending now doesn't translate into NPAs later.

Source: livemint.com- Nov 05, 2018

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