



IBTEX No. 29 of 2020

February 06, 2020

US 71.21 | EUR 78.31 | GBP 92.44 | JPY 0.65

| Cotton Market (Feb 05, 2020) | | |
|---|------------------|--------------------|
| Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm | | |
| Rs./Bale | Rs./Candy | USD Cent/lb |
| 18 | 39300 | 70.26 |
| Domestic Futures Price (Ex. Warehouse Rajkot), February | | |
| Rs./Bale | Rs./Candy | USD Cent/lb |
| 19520 | 40797 | 72.93 |
| International Futures Price | | |
| NY ICE USD Cents/lb (March 2020) | | 67.35 |
| ZCE Cotton: Yuan/MT (May 2020) | | 12,580 |
| ZCE Cotton: USD Cents/lb | | 81.54 |
| Cotlook A Index – Physical | | 76.05 |
| <p>Cotton Guide- After 13th January 2020, the prices have witnessed a continuous decline- the reason being, demand concerns from the world's largest cotton importer China. This coupled with the prevailing pandemic has jittered the Markets and handicapped internal Chinese demand. The Chinese are more concerned about basic health parameters rather than their work related activities. Cotton demand coming in from the Chinese mills is almost at a standstill. Mills are more concerned over the health of their employees. Also concerned are the exporters whose goods are in transit to China. The word on the street is that some ports would soon shut their doors to accepting new shipments arriving into the country. However, this news still remains unconfirmed.</p> | | |

DISCLAIMER: The information in this message be privileged. If you have received it by mistake please notify "the sender" by return e-mail and delete the message from "your system". Any unauthorized use or dissemination of this message in whole or in part is strictly prohibited. Any "information" in this message that does not relate to "official business" shall be understood to be neither given nor endorsed by TEXPROCIL - The Cotton Textiles Export Promotion Council.

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

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

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

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

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

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

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

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

NEWS CLIPPINGS

| INTERNATIONAL NEWS | |
|---------------------------|---|
| No | Topics |
| 1 | USA: What the Outbreak Could Mean for Cotton and Polyester Prices |
| 2 | USA: Coronavirus Threatens to Ground Air Cargo Growth after Worst Year in Decade |
| 3 | China January exports, imports seen falling, virus risks global trade disruptions: Poll |
| 4 | Coronavirus could hurt global growth |
| 5 | WEF Davos: A new economic growth order for Africa |
| 6 | Garment district decline threatens fabric of New York |
| 7 | Philippine manufacturing output further declines in December 2019 |
| 8 | Indonesia, Pakistan aim to increase bilateral trade and cooperation |
| 9 | Coronavirus outbreak: International buyers turn to Pakistan for textile orders |
| 10 | Bangladesh's economy braces for coronavirus fallout |
| 11 | Bangladesh: 63 garment factories shuttered in 2019 |

| NATIONAL NEWS | |
|----------------------|---|
| 1 | Indo-US trade deal likely to be sealed during President Trump's India visit |
| 2 | Coronavirus outbreak delays India's cotton exports to China |
| 3 | Customs duty hike impacts imports worth \$8.9-billion |
| 4 | Ball is now in your court: FM Sitharaman exhorts India Inc to invest more |
| 5 | Govt is examining complaints on ecommerce predatory pricing: Piyush Goyal |
| 6 | How MSMEs are being a catalyst for the Indian economy's growth |

INTERNATIONAL NEWS

USA: What the Outbreak Could Mean for Cotton and Polyester Prices

With the U.S.-China trade war already negatively affecting the Chinese textile industry, as companies shifted their sourcing to avoid paying higher tariffs and to generally lower risk, the new coronavirus threat is sparking even more uncertainty in the supply chain.

The cumulative effect of the tariff-fueled trade war saw U.S. imports of fabric from China fall to \$1.45 billion in 2019, a 27.93 percent decline compared to the previous year, according to data released Wednesday by the Commerce Department's Office of Textiles & Apparel.

As a supplier and user of the world's two most dominant fibers—polyester and cotton—the impact of the virus on China's textile industry creates global concerns. The government's extension of the Lunar New Year holiday for another week and resultant factory shutdowns will at minimum mean delivery delays and potential labor shortages.

“The unpredictability surrounding the extent to which the coronavirus will spread, coupled with government-mandated production delays in select provinces and cities, has led to uncertainty about how this will impact global manufacturing across various sectors,” Resilience360 said in a new report.

Jon Devine, senior economist at Cotton Incorporated, said at this point “there is still a good deal of wait and see.” One of the best predictors of growth in global cotton consumption, he said, is economic growth, and China has been a key engine of that for the past several decades.

“The longer and deeper the epidemic runs, the more disruptive it will be for both the Chinese and global economies,” he said. “If people are staying home, they are not working and earning. In addition, they are not out spending. All are not great for demand,” including cotton products.

The latest data from the U.S. Department of Agriculture last week showed that China made its strongest purchases of cotton in nearly two years, Devine said. This followed a prolonged decline in U.S. cotton exports to China during the trade conflict.

“This suggests that the phase one deal may have already motivated some buying,” Devine said. “The virus may put further growth in export sales on hold and therefore prolong uncertainty regarding how motivating the phase one may be for U.S. cotton exports. If the virus is contained soon, there could be a surge in spending as pent-up demand is released. If it lingers, demand that could have been may simply be lost.”

Data and analytics firm Wood Mackenzie said similar to the SARS (severe acute respiratory syndrome) crisis in 2003, polyester demand may weaken as business activities stall.

“The polyester chain could falter amid the economic disruption in China,” Salmon Lee, Wood Mackenzie principal consultant, wrote in commentary. “Concerns among market players in the polyester chain are widespread.”

Central China, where Hubei is at the core and the center of the outbreak, “is in a virtual standstill,” Lee said, with many transport links cut amid the lockdown.

“If the virus spreads further, more cities and/or provinces in China could see a similar lockdown,” he said. “That would be a logistical catastrophe, and disruption to the polyester and textile industries would be disastrous.”

Hubei, and much of central China, is an important manufacturing base for the textile industry, with many mills, and print and dyeing businesses clustered there, Lee said. A prolonged shutdown of transportation would mean even if fiber or fabric factories can get back up and running, product won’t be able to be shipped to the major production centers in China’s coastal provinces.

“Many workers of polyester producers, spinners, weavers and garment manufacturers had returned to their hometowns earlier in January ahead of the Lunar New Year holidays,” Lee wrote. “These workers may not be able to return to work amid the badly disrupted transport network.”

Lee said polyester and downstream production will likely fall this month and could dip further if the epidemic is not brought under control soon. The SARS crisis, he noted, brought down Chinese polyester production for three months.

At the same time, prices fell for polyester products and raw materials PTA and MEG that are its key ingredients.

“The polyester industry, and in extension the downstream textile and apparel sectors, could remain in a lull for some time,” Lee said. “Given the SARS crisis took approximately four months to peak and another two to three months to taper off, this epidemic could also follow a similar pattern.”

Similar to Cotton Inc.’s Devine, Lee said there could be a “silver lining among the dark clouds.” In 2003, the SARS crisis rebound in demand was robust, he said.

“This time, the post-coronavirus markets in the polyester chain may also see a quick and strong recovery by the middle of the year,” he added.

Source: sourcingjournal.com- Feb 05, 2020

[HOME](#)

USA: Coronavirus Threatens to Ground Air Cargo Growth after Worst Year in Decade

In the draft of worldwide air freight’s worst year in a decade, the International Air Transport Association (IATA) warned that the coronavirus outbreak portends “another challenging year for the air cargo business” in 2020.

For 2019, global air freight market demand fell 3.3 percent compared to 2018, IATA reported Wednesday. This was the first year of declining freight volume since 2012, and the weakest performance since the global financial crisis in 2009, when air freight markets contracted 9.7 percent.

In December, cargo volumes declined 2.7 percent year on year, while capacity rose 2.8 percent. While there are signs that confidence and orders could pick up in 2020, the long-term effects from the impact of restrictions associated with combating coronavirus could change that mood, IATA said.

“Trade tensions are at the root of the worst year for air cargo since the end of the Global Financial Crisis in 2009,” Alexandre de Juniac, IATA’s director general and CEO, said. “While these are easing, there is little relief in that

good news as we are in unknown territory with respect to the eventual impact of the coronavirus on the global economy. With all the restrictions being put in place, it will certainly be a drag on economic growth. And, for sure, 2020 will be another challenging year for the air cargo business.”

According to a Resilience360 report, air freight is expected to be heavily impacted by the coronavirus outbreak, with more than 25,000 flights to, from or within China being canceled. Inbound shipments to China are likely starting to congest terminals and warehouses, while outbound shipments could face reduced capacity over the next few months, the report said.

Port operations in China remain largely unaffected, with the exception of Wuhan and other ports along the Yangtze River, where barge services have been suspended, Resilience360 noted. However, delays can be expected at ports worldwide accepting bookings to China, as cargo may be held for a longer period, causing storage and equipment demurrage costs.

CMA CGM Group said Tuesday that except for Wuhan, all of its operations continue to operate uninterrupted. Load and discharge moves at Wuhan port have been suspended until further notice.

For the health of its seafarers, strict hygiene measures have been put in place onboard vessels, the ocean freight carrier said, and in order to limit their exposure to the virus, crew is restricted from getting off at the affected ports.

“The influx of multiple and at times overlapping sets of regulations issued from different levels of government within a short span of time has meant that companies with plants and suppliers across China will need to cope with additional regulatory ambiguity as they attempt to plan their production schedules accordingly,” the Resilience360 report said.

Regarding air freight, IATA reported that all markets except Africa suffered volume declines in 2019.

Asia-Pacific carriers posted a 3.5 percent decrease in demand in December compared to the same period a year earlier. Full-year volume declined 5.7 percent, the largest decrease of any region.

“As the world’s main manufacturing region, international trade tensions and the global growth slowdown weighed heavily on regional air freight volumes in 2019,” IATA said.

North American airlines saw volume fall 3.4 percent in December, while for the year, the region’s cargo volume was off 1.5 percent. Trade tensions and cooling U.S. economic activity in the latter part of the year were cited as main factors in the decline.

European airlines experienced a 1.1 percent year-on-year decrease in freight demand in December, while for all of 2019 as a whole, volume fell 1.8 percent. Middle Eastern carriers’ freight volumes decreased 3.4 percent year on year in December, contributing to an annual decline of 4.8 percent.

Latin American airlines suffered the sharpest fall in demand, 5.3 percent, of any region in December. Although the region was the second-strongest performer across 2019 as a whole, limiting its decline in volume to 0.4 percent, social unrest and economic difficulties in several key countries led to the weakest international outcome since 2015, IATA said.

African carriers’ saw freight demand increase 10.3 percent in December compared to the same month in 2018. This was reflected in the strong 2019 full-year performance, which saw African freight volume expand 7.4 percent. Over the year, air cargo volume has been supported by strong capacity growth and investment linkages with Asia.

Source: sourcingjournal.com- Feb 05, 2020

[HOME](#)

China January exports, imports seen falling, virus risks global trade disruptions: Poll

China's exports and imports likely fell in January after a brief rebound at the end of last year, a Reuters poll showed, and a rapidly spreading virus outbreak could disrupt its global trade for months to come.

Exports from the world's second-largest economy are expected to have dropped 4.8% in January from a year earlier, according to a median estimate from the survey of 18 economists, compared with a 7.9% gain in December and marking the steepest fall since February 2019.

Imports likely fell 6% from a year earlier in January, a sharp contrast with 16.5% growth in the previous month.

The drop was likely due to seasonal distortions caused by the long Lunar New Year holidays, when business activity typically slows, analysts at Goldman Sachs said. The holiday fell in February last year.

The impact of the virus on trade will start to show in February data, the analysts said. Nearly 500 people in China have died in the outbreak so far, with over 24,000 infected.

In a bid to contain the virus, authorities have implemented widespread curbs on transportation and other tough public health measures that are already weighing heavily on the travel, tourism and retail sectors. Analysts are forecasting a sharp drop in first-quarter economic growth.

Most firms scale back operations or close for long periods around the holidays, which began on Jan. 24 this year. This year, China's government extended the holidays to limit the spread of the virus, and it is not clear when millions of migrant workers will be able to return to factory floors.

Many Chinese exporters say they're facing difficulty in fulfilling overseas orders for February as companies are unsure when they will resume production.

"So far 14 provinces and cities across China, including main industrial centres of Shanghai, Jiangsu, Guangdong and Fujian have told businesses not to reopen until at least Feb. 10...These places account for around 70% of

China's GDP and 80% of its exports," analysts with Capital Economics said in a note, adding that extended factory closures would affect supply chains in the rest of Asia.

The disruptions are already rippling through global supply lines from Asia all the way to New Zealand and the United States.

Hyundai Motor said on Tuesday it will suspend production in South Korea because the outbreak has disrupted the supply of parts from China. In addition, many airlines have cancelled passenger flights to China, impacting air freight.

The manager of a state-backed logistics firm in Ningbo said that the waiting time has swelled to "at least four days" to unload river barges due to staffing shortages.

Economists from UBS have lowered their forecasts for China's annual merchandise export growth to 1.3% from 2.0% and for import growth to 3.2% from 3.6% in 2020.

The White House's top economic adviser said on Tuesday that the outbreak would delay a surge in U.S. exports to China expected from the Phase 1 trade deal set to take effect later this month.

But Larry Kudlow said it would not have a catastrophic effect on business supply chains.

With the risks of the epidemic to China's economic growth mounting, the central bank is likely to lower its key lending rate - the loan prime rate (LPR) - on Feb. 20, and cut banks' reserve requirement ratios (RRRs) in the coming weeks, Reuters reported on Tuesday citing sources.

The sources also said Chinese policymakers are debating whether to lower the planned 2020 economic growth target of around 6%, which many private sector economists see as well beyond China's reach at this point.

Source: moneycontrol.com- Feb 05, 2020

[HOME](#)

Coronavirus could hurt global growth

Slowing Chinese consumption demand will hit the world economy even as it's trying to recover from the US-China trade war

It was Great Monday for Elon Musk, one of the maverick geniuses of our time. In one day, the share price of Tesla, his innovative electric car company leapt by an eye-popping \$129. That means the stock has risen over 70 per cent since the year's start (and we're only in February). E-commerce star Amazon is also back in the exclusive trillion-dollar club after reporting fourth-quarter earnings of \$3.3 billion, way beyond the \$1.97-billion consensus forecast.

Is there anything out there that could turn this bull-market stampede into a rout? Well, yes. While Tesla's pelting along the highway, an entirely different story is playing out in China. The coronavirus could be debilitating enough to put the entire world economy onto the sickbed. Brent Crude oil prices fell to \$54 on Monday, down 20 per cent from the year's peak. Given that the coronavirus' effects could last until April, the virus marks a "clear, new downside risk to the global economy," says an ING Bank report, as slowing Chinese consumption demand will hit the global economy just as it's trying to recover from the US-China trade war's impacts.

Economic impact

Go back to the 2003 SARS epidemic. China was then just a newly- signed member of the WTO, whose global economic presence was only starting to be felt. Now, it plays a role at least equal and probably greater than the US in the world's financial health. One estimate is it contributes 33 per cent of global growth, far more than the US. (India kicks in 16-18 per cent). ING, comparing the situation to the SARS epidemic, says: "The global economy has become more integrated" since 2003 and Chinese consumers play a more outside role in driving it. In addition, global air traffic is over twice as big as in 2003 and so the virus' spread could be much faster.

Global commodities right now are the largest losers from the virus as China is the commodities' demand kingpin, accounting for 70 per cent of global iron imports and 50 per cent of global copper imports. Commodities have seen a big sell-off since the coronavirus outbreak. Copper prices are already

down 8.5 per cent from the mid-January peak. In Singapore, iron ore prices have fallen 6 per cent.

The Chinese may have been late to crack down on the epidemic. But once in action, they've moved with ruthless, typical efficiency. Wuhan, a city of 11 million, has been effectively put under quarantine and so have 11 other Chinese cities — even Macau's casinos have shut. In fact, the entire Hubei province, home to Wuhan, has been mostly closed, which is going to have a heavy toll on several global companies based there. GM has a partnership with SAIC Motors and a plant employing 6,000 people in Wuhan.

Similarly, Honda, which has a plant in the city, has said it will allow employees an extended Chinese New Year holiday and they will return to work on February 14. German company Bosch, the world's largest auto-components supplier, has two plants in Wuhan. It's already warned its global supply chains could be disrupted.

Containing the outbreak

Indian entrepreneur Amit Raj Singh, who gets parts for his Goren E-Mobility electric scooters from China, says he expects normal business to resume when they return from holidays. But China's taking no chances on containing the virus. Most malls in China are virtually empty and household products giant IKEA, which was just getting ready to take a big bet on the country, has shut all its stores. Similarly, Starbucks has closed 100 outlets, mostly in Hubei. Japanese retail giant Uniqlo has shut a similar number while companies in Hong Kong and the US are ordering staff who've been to China to work from home for 14 days.

The tech industry is also sending out warning signals, because a huge number of components are made in China, though some have shifted to countries like Vietnam in the last couple of years.

Tech-heavy countries like Vietnam and South Korea could also face a rush of virus cases in the coming weeks. All of this means local and global supply chains could suffer. Apple has already cited possible supply-chain disruptions for its wider-than-normal Q1 earnings outlook.

In an effort to reduce contagion risk, many world airlines have already cancelled services into China while the US government is contemplating a

ban on flights into China. Air India and IndiGo have suspended services. Even Hong Kong-based Cathay Pacific has cut half its flights into China while Hong Kong's closed its border with China. Overall, the global transportation industry accounts for around half of world crude demand, according to ING, and the travel restrictions are already affecting demand.

Global growth

The tourism industry, along with airlines, hotels and restaurants are first on the frontlines in such times and first to take a hit. And consider this fact: Chinese tourists are on the move in greater numbers and spending more money than any other country in the world. The UN World Tourism Organization reckons Chinese tourists spent \$277 billion globally in 2018. Americans, by comparison, spent just under half that — \$144 billion.

During the SARS epidemic, Thailand and Singapore were the two most affected nations outside China. Says Ing: “For some global hotel chains or companies of luxury goods China and Greater Asia accounts already for 10 to 20 per cent of their annual sales.”.

How will all this hit global growth? Goldman Sachs estimates growth might fall 0.1-0.2 per cent in 2020, if the Chinese clampdown swiftly halts the disease. If not, Goldman forecasts a 0.3 per cent slowdown and says growth won't pick up till 2021. Some economists are eyeing a grimmer picture amid worries the coronavirus could become a pandemic and say this could be the first global slowdown led by China, not the US.

India slots into all this in various ways. Chinese companies have increased their bets on India in a big way in the last few years and there are more people travelling between the countries. Some firms have already stopped employees coming from China.

India has always benefited from being more inward-looking than the rest of the world in the past. In 1998, we came out of the Asian Crisis fairly unscathed when other parts of Asia took a huge hit. Similarly, we missed the worst of the SARS epidemic. But the world's a smaller place now. Many Indian students are studying in China and 20,000 live in or travel frequently to the Guangdong region.

India's vulnerable to an outbreak given its vast, congested population and inadequate health infrastructure, and how damaging that could be in terms of the human and economic toll is anyone's guess.

Source: thehindubusinessline.com- Feb 05, 2020

[HOME](#)

WEF Davos: A new economic growth order for Africa

Publication of World Economic Outlook 2020 by International Monetary Fund (IMF) and the World Economic Forum (WEF) Summit at Davos were two events that dominated the month of January 2020. The IMF review is an analysis of global economic developments by its in-house economists' while the latter event is an annual, sponsored jamboree where one can speak his or her mind on wide-ranging and at times unrelated subjects like billionaire Mr Soros spoke about the Hindu nationalistic policies of PM Modi. Mr Soros and his fund managers know very well that they can't make money in India like they do in the USA.

They have so far desisted from big-ticket investment in India. Nevertheless, WEF Davos Summit 2020 has provided Mr Soros a reasonably low-cost platform to market himself and launch his entry into India. Whether the Indian Government will "take note" of Mr Soros's WEF adventure is a matter of research. We have recently seen the world's richest man Mr Jeff Bezos being snubbed by the India Commerce Minister for investing in Amazon India essentially to fund operating losses.

Globally, cross border investment finds its own home depending on returns which in turn depends on barriers to trade and invest. Latest IMF review harps on the downward revision of global economic growth due to 'negative surprises" in major world economies including India and China.

These negative surprises viz. social unrest in India, US-Iran tensions, trade barriers and now health scare in China, Brexit challenges to the UK and Europe etc are man-made rather than being natural catastrophes or products of market dynamics. It is, therefore, a leadership challenge to the world's major economies to rise and reverse the anticipated .01 and .2 percentage point downward economic slowdown during year 2020 and 2021 respectively.

Advanced economies and the emerging economies of Asia and the Americas are projected to grow at 1.6 per cent and 4.5 per cent respectively in 2020-21. Surprisingly, the growth trajectory in sub-Saharan Africa appears to have hit the wall for quite some years now.

The initial five years of this decade were dedicated to Africa, the world's second-largest continent with the youngest average population of over 1.3 billion. The continent clocked a growth rate of 5.3 per cent during the decade 2000-2010. This made Africa a darling of the world. Not a single summit, seminar and event were complete without foretelling the African Growth story. The subject was milked intelligently by all and sundry by organising regional and sub-regional summits during 2011-2015. Since 2016, emerging and developing economies have been hogging the limelight because they seem to be contributing big to world economic growth.

Various analytical reports suggest that Africa has been growing 2 notches above the world growth rate of 1.6 per cent since 2015. Latest IMF review estimates the sub-Saharan growth to strengthen to 3.5 per cent in 2020-21 a little above 3.3 per cent in 2019 but a .01 and .02 percentage points lower than October 2019 estimates for years 2020 and 2021 respectively. The reasons cited for the downgrade in growth forecast for the near future is recurring floods in Eastern Africa, drought in Southern Africa and bad public debt book.

Nevertheless, there are a number of positives in the IMF economic review of sub-Saharan Africa. Firstly, gone are the days when manmade socio-political issues held the economy to ransom. African geography is seen to be economically evolving within the limitations of ethnic and demographic diversity. Baring 1-2 hotspots at West and Central parts, Africa is largely peaceful and politically stable.

Democracy is taking shape in countries ruled by despots and it is being strengthened in various African countries with timely elections and peaceful transition of power to new elects. Secondly, on the economic front, majority of African Finance Ministers being IMF and AfDB returnees are tackling the public debt issue boldly by refusing cheap Lines of Credits (LoCs) offered by China and India and are busy setting up internal tax and compliance systems.

Time is a great leveller and African leaders have to realise that their collective growth rate during the foreseeable years of 2020-21 is just about 1.1 per cent lower than the emerging and developing economies. That's not far behind given the untapped resource base and potential Africa has! Another advantage is that Africa does not need to invent the wheel of development but needs to follow the development modules of emerging and developed economies and avoid their mistakes. Large economies like that of Ethiopia, South Africa, Kenya and Senegal are seen to be expanding within the confines of socialism after experiencing failures on PPP front.

Apart from infrastructure development and expansion of the manufacturing sector, regional integration is a major challenge facing the African countries. A number of states are economically unviable due to their geographical location and size. Regional groupings viz. ECOWAS, SADC, EAC, ECCAS, OAU etc have not been effective to build a common market place, reduce cross border tariffs and achieve economic growth.

Expansion of infrastructure and setting up manufacturing units needs investment. However, African leaders do not need to go begging for investment. They need to initiate structural reforms at home and maintain fiscal prudence to facilitate investment.

Within the list of top 10 FDI destinations in 2019 by UNCTAD, only three spots were occupied by Brazil, China and India. The rest on the list are advanced economies. World's largest economy USA continues to attract most of the world's FDI due to transparent investment climate, dynamic tax structure and lowest barriers for funds flow. This could perhaps be an eye-opener to African leaders.

Source: financialexpress.com- Feb 05, 2020

[HOME](#)

Garment district decline threatens fabric of New York

Sewing machines hum and steam comes off irons as thousands of workers, mostly Asian and Latino migrants, make clothes in the few surviving workshops of New York's threatened garment district.

In the weeks leading up to New York Fashion Week, the factories are abuzz with activity as they get high-quality garments ready for the catwalk, but for how much longer?

The small neighborhood, nestled amid skyscrapers close to Times Square, has lost 95 percent of its workforce since its heyday in the 1950s, when it employed hundreds of thousands of people.

"It was part of the soul, the texture, the heart of New York," says Robert D. Parmet, professor of history at the City University of New York.

Exorbitant rate increases have forced many manufacturers to move production abroad; not to China but to Paris, Milan, and London.

Those European cities are home to more prestigious fashion weeks than New York's and receive more government support.

Some 400 companies producing clothes, buttons and other fashion accoutrement still operate in the area also known as the fashion district, according to the Garment District Alliance.

The companies employ about 5,000 workers, the alliance says.

"I've seen a lot of businesses close this year and last year. Once several close you see a domino effect," says 29-year-old Gabrielle Ferrara, who co-owns Ferrara Manufacturing with her mother and father.

Her parents founded the clothing factory three decades ago but Ferrara says she's far from certain that the district will survive as a garment center.

"I am not sure what the solution is but we're definitely in a critical point in the neighborhood's history," she told AFP.

Ferrara has up to 75 people stitching clothes in the three weeks before New York's first fashion week of 2020, which starts on Thursday.

Designers say the garment district is a unique one-stop shop that is difficult to replicate anywhere else.

"As a designer you can wake up in the morning and envision a suit or a dress or a blouse and within 24 hours or less have selected a fabric, made the pattern, selected a matching thread, buttons, zipper, a model, a photo studio, all in one place," says Yshai Yudekovitz of B&J Fabrics, a family-owned store established four generations ago.

- Skilled work -

As shops in the area have closed down, clientele has dropped off, with stores having to switch their focus from fashion designers to other customers.

Now the stores mostly sell clothes for Broadway productions, movies and series on Netflix and Amazon Prime, such as "The Marvelous Mrs. Maisel" which is set during the district's golden period.

For Manhattan Borough President Gale Brewer, it is imperative the area survives, in large part because it provides thousands of well-paying jobs.

"Many of the workers there are very skilled. The work that goes on often can pay 40 dollars or more an hour. We cannot lose these seamstresses and these manufacturers. They are very unique," she told AFP.

Corey Johnson, leader of New York's city council, says the district is "a key part of the fashion economy of the city which is both an economic driver and cultural anchor in NYC.

"Although the location of that industry has shifted it still is a significant part of who we are as a city and will be, we hope, for many years more," he added.

Advocates of the garment district were outraged when Mayor Bill de Blasio's city government eliminated zoning rules that had forced landlords to provide space for clothing manufacturers in 2018.

He also invested millions in a new garment-producing campus in Brooklyn.

Brewer and Johnson led a fightback, forcing de Blasio's administration to offer tax cuts to property owners who rent to garment manufacturers.

They also obtained funds to purchase a building to accommodate clothing manufacturers and retailers, which is still to be found.

Johnson says it is too "early" to determine whether the plan is working but Ferrara fears time is running out.

"I don't see that plan working fast enough," she said.

Source: france24.com- Feb 05, 2020

[HOME](#)

Philippine manufacturing output further declines in December 2019

The Philippine Statistics Authority (PSA) said on Wednesday that the performance of manufacturing production in the Philippines continued to decline for the 12th consecutive month in December, resulting in a full-year decline in 2019.

Based on the preliminary results of the Monthly Integrated Survey of Selected Industries (MISSI), PSA said that year-on-year volume of production index (VoPI) and value of production index (VaPI) declined by 10.1 percent and 9.5 percent, respectively.

"Petroleum products and basic metals, with 47.9 percent decrement, contributed largely to the decrease of VoPI in December 2019," the PSA said.

It added that the decline in VaPI was mainly influenced by the decreases in the indices of nine major industry groups led by basic metals, petroleum products and textiles.

The National Economic and Development Authority (NEDA) said both indices remained in the negative territory in the 12 months of 2019, resulting in a full-year decline of 8.6 percent and 7.1 percent, respectively.

This reversed the positive growth of manufacturing that was recorded in 2018, NEDA added.

Socioeconomic Planning Secretary Ernesto Pernia said the government should continue supporting initiatives towards digital solutions in the private sector to boost manufacturing growth and bounce back from its decline in 2019.

"We encourage industries to capitalize on innovation to reach their growth potential in this era of the Fourth Industrial Revolution. To this end, the government needs to formulate and implement policies and programs to stimulate innovation in the country," Pernia said.

He added that building the capacity of the workforce and embedding innovation in training are also crucial to meet technical and emerging market demands.

Moreover, he said the Philippines also needs to improve its reputation concerning intellectual property protection.

"This will attract foreign companies to locate sensitive technologies and product operations in the country. These will also allow the country to expand from the production of basic products and commodities to higher value intermediate and specialty products for domestic and export purposes," Pernia added.

To support manufacturing growth, Pernia stressed the need to strengthen the transport and logistics sectors by building quality and climate-resilient infrastructure.

MISSI is a report that monitors the production, net sales, inventories, and capacity utilization of selected manufacturing establishments to provide flash indicators on the performance of the manufacturing sector.

Source: xinhuanet.com - Feb 05, 2020

[HOME](#)

Indonesia, Pakistan aim to increase bilateral trade and cooperation

Indonesia and Pakistan are strengthening mutual relations in order to potentially deal in different sectors of the economy and the bilateral trade is also growing on an annual basis, said Consul General of Indonesia Totok Prianamto. “Being an official representative of Indonesia, one of the tasks given to me is to further strengthen the economic, trade and investment relations between the two countries,” he said. “Karachi is a very important port for Indonesia especially for trade and investment sectors.”

Addressing a group of journalists, he said that major import items of his country from Pakistan included rice, chemical, raw cotton, wheat, paper, fruits, garments, leather, plastic materials, cotton yarn, cloth, other textile products, sports and surgical goods.

He emphasised the potential that since Karachi was the largest city operating two large sea port, it serves as the main entry point for Indonesian products to potentially access the Pakistani market. “Several trade associations, chambers and businessmen from Pakistan participate in various exhibitions and trade shows in Indonesia,” he added.

The Indonesian Consul General said that the business community of Karachi metropolitan were actively trading and consulting meetings with the Indonesian counterparts to boost bilateral trade and economic cooperation as well as to establishing strong people-to-people contacts.

Source: nation.com.pk- Feb 05, 2020

[HOME](#)

Coronavirus outbreak: International buyers turn to Pakistan for textile orders

Owing to delay in payment of tax refunds, industrialists are facing severe liquidity issues which are causing a slowdown in their production processes, said Pakistan Textile Export Association (PTEA) Chairman Khurram Mukhtar.

Speaking at the National Assembly Standing Committee on Finance and Revenue on Tuesday, he said that in the wake of the coronavirus, international buyers were hesitating to travel to China and were turning towards Pakistan in hopes of fetching orders from the textile sector.

“However, this opportunity could be lost because without liquidity, industrialists will not be able to secure additional orders,” he lamented. The committee meeting was chaired by MNA Faizullah. Speaking on the occasion, Federal Board of Revenue (FBR) acting chairperson Nousheen Javed Amjad informed the meeting that the board was actively engaged in ensuring timely disbursement of all refunds.

“However, a major portion of refund claims got rejected due to fake claims or due to wrongly filed returns,” she pointed out. “The refund system is running completely on an automated mechanism, hence it does not accept the claims containing flaws or technical faults.”

Faisalabad Chamber of Commerce and Industry (FCCI) President Rana Sikandar Azam recalled that following a lengthy struggle, the business community succeeded in convincing the previous government to introduce zero rated status for the export sector.

“However, the present government has reversed the decision which is adversely affecting the business community,” he said. He further demanded the FBR to ensure payment of all refunds within 72 hours as promised by Prime Minister Imran Khan.

He requested the government to immediately withdraw the condition of Computerised National Identity Card (CNIC) on businesses besides proposing the FBR to stop tax evasion in the manufacturing sector. Azam warned that if the government failed to fulfil the demand, businessmen would go on a strike.

Speaking on the occasion, FBR member policy Dr Hamid Atiq Sarwar highlighted that during the current fiscal year, FBR had so far disbursed refunds worth Rs62 billion to the export-oriented sector.

He highlighted that people made mistakes while claiming refunds which resulted in rejection by the automated system.

Responding to the FCCI president, Dr Hamid said that the CNIC condition was introduced on demand of the business community and now it was requesting for its withdrawal. “Traders and retailers occupy a major share in the country’s GDP by contributing Rs8 trillion or 18% while they pay only Rs16 billion in taxes per year,” he said.

Besides, he stressed that zero rated status existed nowhere in the world and Pakistan was the only country that had the concept of no tax and no refund for the export sector.

He emphasised that in order to create fiscal space for the country, the government was committed to documenting the economy and therefore the CNIC condition for businessmen could not be withdrawn. The committee directed the FBR to expedite payment of tax refunds to the export-oriented industrial sector in addition to resolving all demands of the business community.

The committee also directed the business community and FBR to hold a joint meeting to resolve their issues and asked the representatives of the business community to report back to the committee on February 12 about reaching a consensus.

Committee Chairman Faizullah asked the FCCI president to postpone their strike call as the committee had already directed FBR to resolve the issues by February 12.

Discussing the matter of electricity tariff for the export sector, the committee expressed its reservations over the non-serious attitude of the commerce ministry and power ministry because their officials, who attended the meetings, did not even possess information to brief the committee. Faizullah said that the committee would brief the prime minister over the non-serious attitude of the bureaucracy.

“The prime minister is eager to enhance exports of the country, however, the concerned officials are not taking interest in this regard”, he added.

Source: tribune.com.pk - Feb 05, 2020

[HOME](#)

Bangladesh's economy braces for coronavirus fallout

According to Bangladesh Bank data, in FY2018-19, Bangladesh imported goods worth \$13.64 billion from China and exported products worth \$831.2 million to the East Asian country.

The trade conflict between the US and China, two economic giants, had emerged as an opportunity and a boon for Bangladesh's exports.

However, the deadly coronavirus outbreak from Chinese central city of Wuhan, which started late last year, now has become a bane for Bangladesh's economy, with the supply chain of raw materials for the export-led industries here being already hit.

Although it depends on how long the epidemic will last and when businesses in China reopen, it has become apparent that Bangladesh, like many other countries, will face the economic fallout of the outbreak, say experts and people from the sectors concerned.

Of the impacts, one that is already visible is the prices of daily commodities, including onion, garlic and ginger, going up in the markets of Dhaka and Chittagong, threatening to push up the inflation.

China said the overall death toll from the coronavirus outbreak was 490 until on Wednesday. Across the country, a total of 24,324 people were confirmed infected, while nearly 230 cases were reported in some 27 other countries and regions.

The outbreak has come at a time when China's economy has grown larger — 8.5 times bigger than it was in 2003 — and established greater connections around the world. As of now, China accounts for 17% of the global GDP these days, up from 4% in 2003.

The second largest economy in the world is also Bangladesh's leading trading partner, with a \$14.48 billion bilateral trade since last fiscal year.

According to Bangladesh Bank data, in FY2018-19, Bangladesh imported goods worth \$13.64 billion from China and exported products worth \$831.2 million to the East Asian country.

Over 40% textile and textile-related goods and 30% capital machinery come from China. Other things that Bangladesh imports from China include fabrics, agricultural machinery, mobile phones, electrical and electronics goods, fruits, and essential spices etc.

At present, China sends 26.1% of the total \$56 billion worth of goods Bangladesh imports from around the world.

Manufacturing industry to suffer most

As a result of the coronavirus outbreak, Bangladesh's manufacturing sector, especially readymade garments, textile, plastic and leather, is set to face a supply disruption as the outbreak has cut communications between the two countries to some extent.

Manufacturers have already felt the pinch as the supply chain has already started suffering, even though it's in a small scale right now.

"It will definitely have big impact on the global supply chain and we are not out of it," Sharif Zahir, a director at Bangladesh Garment Manufacturers and Exporters Association (BGMEA), told Dhaka Tribune.

He said: "The coronavirus outbreak has created an uncertainty. Manufacturing factories are closed, the Chinese government extended the Lunar New Year holiday, and we don't know when everything will be fully operational.

"Uncertainty in the manufacturing sector is a great threat to our economy."

Sharif added: "We cannot start production unless the deliveries of accessories and fabrics are confirmed. The big concern is meeting the shipment deadline, because buyers do not cooperate if our deliveries are delayed."

Demands from global buyers for apparel goods may also fall, he said.

The situation has also hit the sales of apparel goods there, which is likely to cast a negative impact on such imports from Bangladesh.

In FY19, Bangladesh had exported to China apparel products worth \$506 million.

“The big impact of the coronavirus outbreak will be on Bangladesh’s export oriented manufacturing industry, especially the apparel sector, as delayed arrival of imported raw materials will affect the timely delivery of the shipments of manufactured goods,” said Zahid Hussain, the World Bank’s former lead economist in Dhaka.

This will cast a bigger shadow on the export earnings — which has already seen a 5.21% drop in the first seven months of FY20 — but the manufacturers will have to retain the buyers even after incurring losses, he added.

Inflation risks

The economic fallout is also set hit the lives of the consumers in a major way, with prices of onion, garlic and ginger imported from China already seeing a sharp rise — which will definitely push the inflation up.

On Wednesday, one kilogram of Chinese garlic was sold at Tk200 in Dhaka’s markets, which was TK160 just a week ago.

Also, ginger was sold at Tk160-TK170, against last week’s Tk130, and onion sold at Tk100, against last week’s Tk60.

The markets in Chittagong also saw similar hikes.

Besides, the prices of electronic products, smartphones and other gadgets will go up in Bangladesh’s markets, which the Chinese products dominate.

Over the past year, Bangladesh had imported nearly one million smartphones. Chinese brands Huawei and Xiaomi were the second and third largest suppliers, respectively.

New investments will take a hit too

Meanwhile, new investments and implementation of existing businesses in Bangladesh will also become sluggish because of the outbreak, as delivery of most of the capital machineries — which are imported from China — will be delayed. “In the bilateral trade, there is already a temporary impact, as communication between the two countries has been reduced, including movement of goods,” ATM Azizul Akil, senior vice president of Bangladesh-China Chamber of Commerce and Industry, told Dhaka Tribune.

Economist Zahid also said that Bangladesh’s mega projects and both ongoing and new investments will take a big hit, as the Chinese workers who went home for the Lunar New Year vacation will not be able to return due to travel restrictions. He added that if the Chinese government fails to completely control the virus or it manages to spread rapidly, that will also hinder the supply of machineries and equipments needed for those projects.

Assembling industry to suffer long-term

In the past two years, Bangladesh has entered the assembling industry, putting together smartphones, televisions, refrigerators, motorcycles and other home appliances. China supplies most of the parts and machinery used and needed by this industry. This sector too will take a major hit from the disruption in supply caused by the coronavirus outbreak. “Over 60% of the raw materials, parts and machinery for manufacturing and assembling refrigerators, motorcycles and other home appliances come from China. So, there will be an impact in the long run,” KMG Sohel Kibria, the head of Brand and Communication of Minister Hi-Tech Park Ltd, told Dhaka Tribune.

How to avoid the impact

BGMEA Director Sharif Zahir said: “China is very important for its ability to supply multiple items. It will be difficult to replace China as the source, but not impossible.” “For the time being, Bangladesh has the option to source fabrics from India, Turkey and Indonesia for woven products, while we can look for sources of polyester.

“On the other hand, Bangladesh has the capacity to supply denim fabrics on its own,” he added.

Economist Zahid Hussain also said: “To avoid long-term impact on the manufacturing industry, the government and the manufacturers must come up with alternative sources for imports.”

The government should engage its commercial counsellors at the Bangladesh missions around the world to find new suppliers and provide information to the federations concerned, so that they can disseminate to the business community, added Zahid.

Meanwhile, in the midst of all doom and gloom, BGMEA President Rubana Huq is seeing a little bit of silver lining.

“Sales of big retailers are dropping because their stores are closed in mainland China. Sales are expected to drop more and, therefore, their sourcing of products may also decrease,” she told Dhaka Tribune.

“Some immediate orders from their China offices will shift, and major contenders for those include Vietnam and Cambodia, and maybe Bangladesh, if our luck favours,” she added, but warned: “This will be temporary.”

Source: dhakatribune.com- Feb 05, 2020

[HOME](#)

Bangladesh: 63 garment factories shuttered in 2019

About 63 ready-made garment (RMG) factories operating under the Bangladesh Garment Manufacturers and Exporters Association were closed in 2019, leaving over 32,582 RMG workers without a job, said Commerce Minister Tipu Munshi in Parliament yesterday.

Of the 2200 knitwear factories working under the Bangladesh Knitwear Manufacturers and Exporters Association, 1,280 factories did not renew their membership last year and are probably no longer in operation.

However, those factories could once again begin production if given work orders from importing countries, he added.

During the parliament session, Imran Ahmad, the welfare and overseas employment minister for expatriates, said that a total of 717 female workers returned from different middle-eastern countries after being subjected to repression and other human rights violations in 2019.

The government have taken a massive initiative to create an awareness programme to ensure legal and safe migration for employment overseas, Ahmad said in response to a question from M Faridul Haq Khan, an Awami League member of parliament.

Under the initiative, the government has disbursed Tk 2.82 crore to hold awareness seminars at the division and upazila levels in fiscal 2019-20.

In 2018-19, the government provided Tk 94.64 lakh to arrange such seminars across the country, he added. Last year, awareness campaigns were held in 63 districts and 480 upazilas.

The minister said that aside from the awareness campaigns, the government is trying to provide expertise development training, verifying work permits and ensuring safe migration through registered recruitment agencies.

Source: thedailystar.net- Feb 06, 2020

[HOME](#)

NATIONAL NEWS

Indo-US trade deal likely to be sealed during President Trump's India visit

US President Donald Trump is set to visit India between February 23 and 26

India and the US are set to seal a trade deal during President Donald Trump's planned visit to India in the last week of this month, multiple sources said on Tuesday.

Trade officials of Indian and the US are giving final touches to the proposed deal which is expected to cover certain specific sectors, they said. Trump is set to visit India on a two-day trip between February 23 and 26 and both sides are in the process of fine-tuning his schedule, sources said.

The main segment of the visit will take place in the national capital, though an option of having a short visit by Trump to another city is being explored.

The cities which are being considered include Agra and Ahmedabad. A high-level logistics team from Washington handling Trump's foreign trips visited India last week as part of preparations for his maiden tour of India.

"The trade deal and a pact on further enhancing defence cooperation are likely to be sealed during the visit by the US president," said a source.

India is seeking exemption from high duties imposed by the US on certain steel and aluminium products as well as resumption of benefits on tariff on certain products under their Generalised System of Preferences (GSP). India is also pressing the US to facilitate greater market access for its products in the US in sectors such as agriculture, automobile, auto components and engineering.

On the other hand the US wants greater market access for its farm and manufacturing products, dairy items and medical devices in India. In 2018-19, India's exports to the US stood at \$ 52.4 billion, while imports were \$ 35.5 billion. Trade deficit dipped from \$ 21.3 billion in 2017-18 to \$ 16.9 billion in 2018-19.

India received FDI worth \$ 3.13 billion from the US in 2018-19, higher than \$ 2 billion in 2017-18. India had invited Trump to grace the Republic Day parade as the chief guest last year but the US President could not come due to scheduling issues.

During his visit to the US in September last year, Prime Minister Narendra Modi had reminded Trump of his invitation to him to visit India along with his family

External Affairs Minister S Jaishankar and Defence Minister Rajnath Singh during their visit to Washington last month conveyed to the US side that India was waiting to host Trump. Trump will seek re-election in presidential polls scheduled to take place in November.

Source: thehindubusinessline.com- Feb 05, 2020

[HOME](#)

Coronavirus outbreak delays India's cotton exports to China

Shipments of around 250,000 bales of Indian cotton to China have been delayed by nearly two weeks as a virus outbreak and factory closures dampens demand from the world's biggest consumer of the fibre, industry officials told Reuters.

The delay in shipments could pressure local prices and force the state-run Cotton Corporation of India (CCI) to increase purchases from farmers to ensure domestic prices stay above government mandated levels. "As the holiday is extended in China, shipments are getting delayed," said Chirag Patel, chief executive at Jaydeep Cotton Fibers Pvt Ltd, an exporter.

Most Chinese firms scale back operations or close for long periods around the Lunar New Year holidays, which began on January 24 this year.

But China's government has extended the holidays, announced widespread transport restrictions and told many businesses to stay closed longer to limit the spread of the virus. It is not clear when millions of migrant workers will be able to return to factories or when ports will resume normal operations.

The epidemic has killed nearly 500 people in China and infected more than 24,000 so far. Indian sellers had contracted around 650,000 bales to China for prompt shipment.

Around 400,000 bales have already been shipped, but the remaining 250,000 bales have been delayed, three exporters and two dealers with global trading houses told Reuters.

“Exporters are a bit worried. So far buyers haven’t cancelled contracts, but some might be if this virus outbreak remains there for few more weeks,” said Vinay Kotak, a director at Kotak Commodities, a Mumbai-based brokerage.

China, Bangladesh, Vietnam and Indonesia are among key buyers of India cotton. Exporters have an option of diverting cotton meant for China to other destinations such as Bangladesh and Vietnam if shipments are delayed further, Kotak said.

India has shipped 2 million cotton bales since the 2019/20 marketing year started on Oct. 1 and another 1 million bales have been contracted for shipment in February and March, said Atul Ganatra, president of the Cotton Association of India.

“We are hopeful that very soon Chinese buying will return to normal,” said Ganatra.

Local cotton prices are already under pressure due to surplus production, said a Mumbai-based dealer with a global trading firm.

“Chinese buying was supporting local prices. In the absence of China, Cotton Corporation of India will have to raise purchases,” the dealer said.

Source: financialexpress.com- Feb 05, 2020

[HOME](#)

Customs duty hike impacts imports worth \$8.9-billion

Scope for more coverage as tariffs have been increased for 111 of over 300 items proposed, says official

Hike in import duty announced in the Budget affected 111 items that accounted for inflow of goods worth \$8.87 billion last year, as per a government calculation.

“The overall impact of the duty increase will not be significant as it will affect only about 2 per cent of imports. But individually it is aimed to give a boost to manufacturing, as diverse goods, ranging from footwear and furniture to locks and blowers, have been covered,” an official told BusinessLine.

The Commerce Ministry had submitted a list of about 300 items to the Finance Ministry, suggesting a possible increase in import duties as part of a pre-Budget consultation process.

“There are obviously a number of items on which the Finance Ministry did not, at the moment, deem it fit to increase import duties. However, whether the duties will be increased in the days to come is something that is uncertain,” the official said.

Boost for small players

Items on which a duty increase was proposed but not brought about include rubber and rubber items, as well as many paper products.

Customs duty has been hiked to 20 per cent from 10 per cent on most electric home appliances, such as toasters, coffee and tea-makers, electric heating resistors, insect repelling machines, hand-drying apparatus, hair-dryers and hair-dressing apparatus, water heaters, food grinders, electric inverters, air purifiers, freezers, air circulators, blowers and all kinds of fans from 10 per cent to 20 per cent.

“There are a large number of domestic companies in the electric home appliances segment. The move will definitely give a boost to such units,” the official said.

Duties hiked for footwear, locks, toys

While most categories of footwear too have been brought under higher import tariffs of 35 per cent, giving a leg-up to small-scale manufacturers, the traditional lock-making industry, too, may now see higher demand as a variety of locks such as padlocks, locks for furniture, combination locks and other locks, with imports at close to \$72 million in 2018-19, will attract higher import duties of 20 per cent.

Duties have also been increased on toys and recreational models to 65 per cent, which will have a substantial impact on imports. Such products worth \$635 million were imported in 2018-19, mostly from China.

Colour TV picture tube, headphones and solar cells, which were zero per cent duty items, will now attract import duties of 10 per cent, 15 per cent and 20 per cent respectively.

Import duty on parts of microphones, however, has been reduced to zero from 10 per cent to correct inverted duty structure and encourage domestic production of microphones.

India's total goods exports posted a 9.06 per cent growth to touch a new high of \$330 billion in 2018-19, but imports grew at 10.41 per cent to \$514 billion, widening the trade deficit.

Source: thehindubusinessline.com- Feb 05, 2020

[HOME](#)

Ball is now in your court: FM Sitharaman exhorts India Inc to invest more

Says govt spending alone can't be enough

Finance Minister Nirmala Sitharaman on Tuesday exhorted India Inc to shed its hesitation and make investments to push up economic growth, saying the government had taken several pro-business measures such as reduction in corporation tax rates, removing minimum alternate tax in the new tax structure, and scrapping dividend distribution tax (DDT) levied on companies.

“We have done whatever little we can. We are ready to do more. But I want meaningful interventions from the government and not the ones which are irrelevant to the ground situation. Now, we expect you to be an equal engine to pull the economy forward,” she said at a post-Budget interaction, organised by the Confederation of Indian Industry (CII).

Sitharaman said government spending alone could not pull the economy towards the growth rates that all wanted in today’s conditions.

“Critics say the government has reduced corporation tax rates, but where are the investments? It is six months now,” she said, apparently nudging the captains of industry to pump money into the economy.

She said some people had told her that maybe businesses were repaying their debts to banks by using tax savings. “I am quite happy with that too. At least banks are getting money. If you are giving dividends, it is equally good, as money is going back to shareholders,” she said.

“If you are saving dollars, I am quite okay with that, because beyond a point, that savings has to find a productive use,” she added.

The FM said it was the choice of the corporate where to use the money which it got after the government's decisions. “Each one of us has to become engine of growth. Enterprise spirit is yours, we are facilitators,” she added.

She added the intention of her proposal to give options of lower tax rates without exemptions to personal income taxpayers was to eventually have low tax rates with a simple regime. “This would be reflected in other taxes as well,

including DDT,” she said in response to a question. Sitharaman, along with all the secretaries of her ministry, will be travelling to Mumbai, Chennai, and Kolkata, beginning Friday, to discuss the Budget decisions. Interactions with industry and trade bodies, economists, and farmers groups are scheduled, the finance minister said.

The special window for stressed housing projects has begun as a lot of funds of the construction sector are stuck. As many as 13 projects have been sanctioned so far, Economic Affairs Secretary Atanu Chakraborty said.

Source: cogencis.com- Feb 04, 2020

[HOME](#)

Govt is examining complaints on ecommerce predatory pricing: Piyush Goyal

Commerce and industry minister Piyush Goyal on Wednesday said the government is examining representations regarding allegations about some ecommerce companies engaging in predatory pricing and excessive discounts.

“Representations have been received in this department (DPIIT) alleging that some ecommerce platforms are engaged in predatory pricing and are providing excessive discounts....These representations are under examination,” Goyal said in reply to a question in the Lok Sabha.

The current foreign direct investment (FDI) policy on ecommerce sector specifies that companies operating marketplace model business in the sector will not directly or indirectly influence the sale price of goods or services and shall maintain a level playing field, he said.

Goyal said ecommerce companies having foreign investment can operate only a marketplace model and there are restrictions on the inventory-based model of ecommerce.

As per norms, overseas-funded ecommerce marketplaces can't engage in retailing goods themselves, and can only function as platforms for buyers and sellers. Small shopkeepers accuse Amazon and Walmart-owned Flipkart of flouting rules and driving them out of business through predatory

discounts. This has prompted the government to tighten rules and increase oversight.

The Competition Commission of India (CCI) recently ordered a probe against Amazon and Flipkart for alleged malpractices, including deep discounting and tieups with preferred sellers on their platforms.

The government has made it mandatory for ecommerce companies like Amazon and Flipkart to get and maintain annual reports by statutory auditors on compliance with FDI rules by September 30 every year.

Replying to a separate question, the minister said data is not centrally maintained for assessing the impact of FDI on employment generation. “FDI inflows serve to augment domestic capital and help to promote industrial development and employment generation across sectors,” he said.

In reply to another question in the House, Goyal said there were seven instances of illegal export of minerals. At present, there is no proposal to review the existing export-import policy with respect to minerals and metals.

Source: economictimes.com- Feb 05, 2020

[HOME](#)

How MSMEs are being a catalyst for the Indian economy's growth

The Indian economy is characterised as a developing market. The long-term growth prospect is positively owing to the country's young population, healthy savings, and investment rates, and its increasing integration to the global economy. The Micro, Small, and Medium Enterprises (MSMEs) segment is expected to play a significant role in the emergence of the Indian economy. The development of this segment is very much essential to meet the national imperatives of financial inclusion and the generation of significant levels of employment across the country.

The MSME segment accounts for 31 percent of India's GDP and 45 percent of exports. There are an estimated 55.80 million MSMEs employing close to 124 million people. Out of this, 14 percent are women-led enterprises and 59.5 percent are in the rural areas. Hence, the sector has the scope for acting

as a catalyst for economic growth across the geographic, social, and cultural strata of the country.

Many developed and developing economies have demonstrated that the MSME segment is the catalyst for maintaining growth and employment generation, which provides stability during economic downturns. As a catalyst for socio-economic transformation of the country, the sector is critical in meeting the national objectives of generating employment and discouraging rural-urban migration.

The MSME sector is the backbone for high growth businesses, and with the 'Make in India' initiative, it has an effective impact in the area of indigenisation. 'Make in India with zero defect and zero effect' is a very good platform available for MSMEs to grow globally.

The 'Digital India' revolution also provides a wonderful opportunity to promote MSME participation in the high-tech sector to enable the dream of digital India. The three main features affecting the growth of Indian MSMEs are: Availability of finance The appetite for debt finance to MSMEs is around Rs 69.3 trillion, out of which a major portion of 84 percent or Rs 58.4 trillion is met from informal sources. Among the formal sources which meet 16 percent of the credit requirement of MSMEs, Scheduled Commercial Banks account for 84 percent, with the rest met by other financial institutions like NBFCs, RRBs, etc.

The gap in the availability of finance to MSMEs from formal sources is prominent among certain geographies and type of enterprise. The credit gap is 49.7 percent in the manufacturing sector as they are more capital intensive with longer working capital cycles and have a proportionately higher credit requirement. The Low Income States (LIS) and North Eastern States (NES) together account for 24.2 percent of the credit gap due to low level of bank penetration and a higher degree of risk aversion by financial institutions.

The documentary requirements, legal formalities, and other credit assessment process for availing credit from formal financial institutions is the deterrent, which drives away the MSMEs, and in particular the micro-enterprises towards the informal sector for credit. The recovery mechanism under the formal sector is not as strong as the system available with the informal sector, which acts as a hurdle for the formal financial institution to tap the credit gap further. Lack of formal registration Out of the total 55.8

million MSMEs, only 8.2 million are registered MSMEs and the rest 47.6 million are un-registered MSMEs.

Given the above scenario, the first and foremost challenge in addressing the hurdles faced by MSMEs is to bring all the un-registered MSMEs into the formal fold, so as to make them eligible for a bouquet of benefits. The un-registered nature of the MSMEs also acts as a deterrent for their access to credit from formal lending sources.

Competitive market environment MSMEs function in a highly competitive environment and require an enabling environment to sustain growth. The three main interventions that can provide the enabling environment are- legal and regulatory support, government support, and financial infrastructure support.

The government is taking a slew of measures to provide adequate support in these areas like the proposal to bring the change in the definition of MSMEs, the introduction of Pradhan Mantri Mudra Yojana (PMMY) for enabling hassle-free credit to MSEs, enabling e-marketplace for MSMEs, two percent Interest Subvention Scheme, introduction of TReDS platform for discounting of bills, conduct of loan melas, restructuring the loans of stressed MSMEs, etc. The MSME sector strategically has become the most important sector fuelling the economic growth of the country. The sector is slated to gain even greater prominence in the days to come owing to its potential for employment generation.

It is also the bedrock from which large corporate of the future evolves. Hence, it is imperative for all the formal financial institutions to progressively reach out to the large extent of MSMEs untouched by these institutions. The MSMEs accessing finance from informal sources should also upgrade their profile to fall into the ambit of formal financial institutions, thereby making them eligible for credit from these institutions. This would reduce the credit cost of these MSMEs and increase their profits, thereby enabling development, reducing disparities, and fuelling the economic progress of the country.

Source: yourstory.com- Feb 05, 2020

[HOME](#)
