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IBTEX No. 89 of 2019 May 06, 2019

USD 69.38| EUR 77.66 | GBP 91.03 | JPY 0.63

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
22057	46100	**84.65**

Domestic Futures Price (Ex. Warehouse Rajkot), May

Rs./Bale	Rs./Candy	USD Cent/lb
22300	46607	**85.58**

International Futures Price

NY ICE USD Cents/lb (July 2019)	75.68
ZCE Cotton: Yuan/MT (September 2019)	15,555
ZCE Cotton: USD Cents/lb	104.77
Cotlook A Index – Physical	**84.95**

Cotton Guide: The Cotton Market is swirling down with the big announcement of the US President Donald trump that certain tariffs will be increased to 25% (from previous figure of 10%) starting Friday. In another twee he mentioned tht he would impose 25% tariffs “shortly” on $325 billion of Chinese Goods that have not been taxed yet. These are threatening statements that can null all the negotiations going on for Months between the representatives from both the countries. The bearish sentiment which prevailed last week in the cotton market has become much stronger with the advent of these powerful statements by President Trump. Market has shaken a bit at the start of the week and believes that the aftermath may be prolonged in the short term.

On the other side of the globe in China, all the stock at the reserve were sold at the auction held on May 5, 2019. The actual stock of reserve cotton is 10,000 tonnes and the turnover rate was seen at 100%. For today May 6, 2019 the stock is also at 10,000 tonnes (to be precise

10,060.293 tonnes). The reserve cotton auction set to begin on 5thMay and run through 30th September. It will auction 800,000 tons from its reserve in 2019. Reserves will have 10,000 tons daily while in the previous season the daily auction reserves were 30,000 tons.

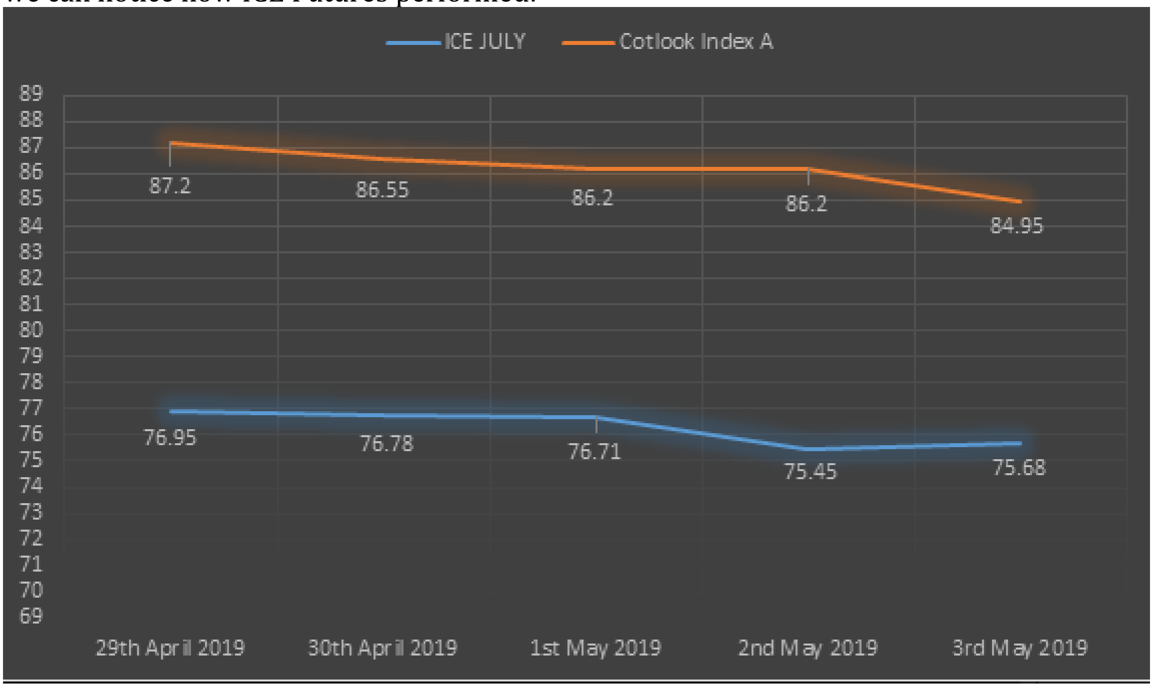
The ICE Futures settled mixed on Friday but we would not be focusing of Friday's closing figures, instead we would be focusing on this Morning's figures. The ICE July contract dived in by almost 1.88% this morning and is trading at 74.30 cents/lb as compared to Friday's closing figure of 75.68 cents/lb. The market will experience jitters today especially this evening after 6 pm IST when the participants of the western world are active. On the other hand the MCX contracts are also expected to open with negative figures of -200 Rs per bale for the nearby futures.

Meanwhile the Cotlook Index A has been adjusted 84.95 cents/lb with a change of -1.25 cents/lb. Whereas Cotlook Index A 2019-2020 has been adjusted to 84.05 cents/lb with a change of -1.05. The average prices of Shankar 6 have declined to 46,100 Rs/Candy.

While we look at cotton's symmetrical partner – Crude Oil, we can see it trading at 60.56 $ per Barrel which after crossing 66.30 $ per barrel in a period of 10 days. The Equity Markets are running in tandem by slumping down- MSCI Asia ex-Japan is 0.2 pct lower and S&P e-mini futures is down by 1.7 pct.

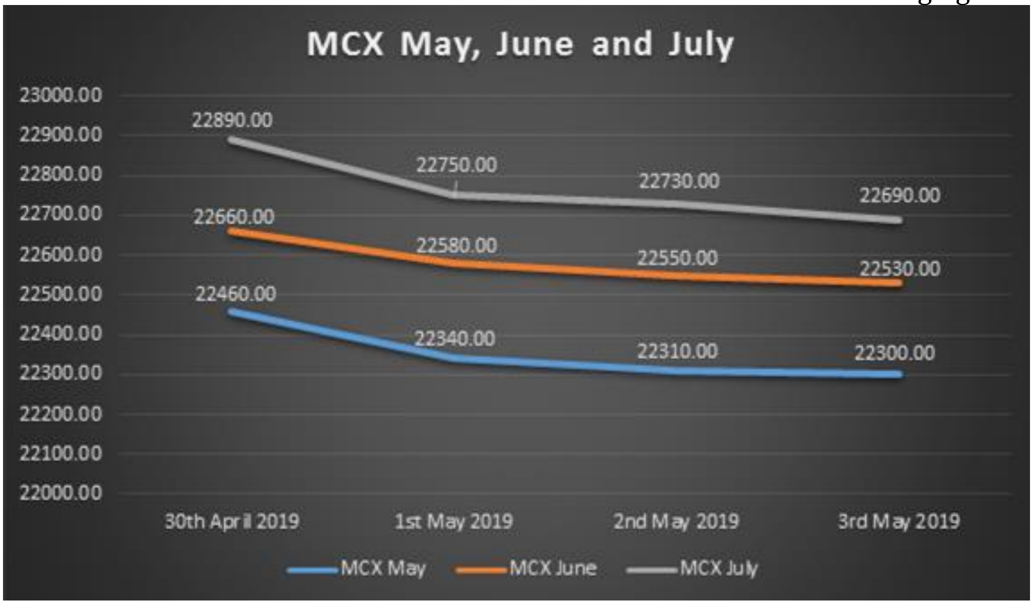
All the aforementioned show signs of stress thus nourishing the bears to drive the prices further down. Our presumption for the day would go towards the bears winning. For the week, our presumption will again go with the bears having a win.

Last week - it was a clear victory for the bears where the ICE Cotton futures are now currently down by 378 points as compared to the high figures seen last Monday. From the following chart we can notice how ICE Futures performed:

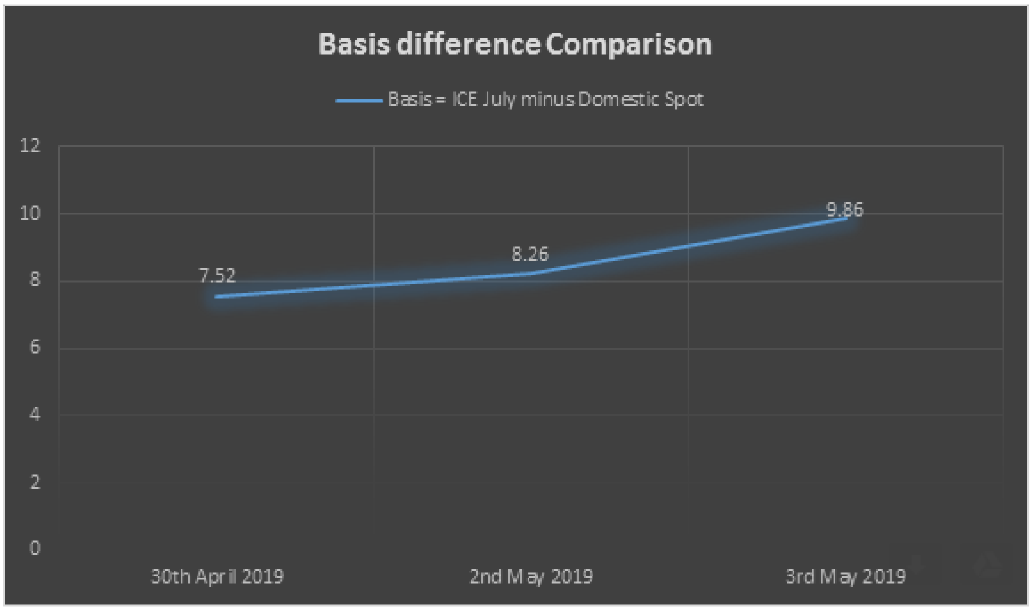


The ICE prices have been softening for the past four weeks and the fresh week has started with a massive decline. The market is expected to see further decline in the cotton price amid signs of good prospects of new crop across the globe, too much of optimism in the world trade related to cotton supply and steady demand. Ever since (four weeks ago), when it failed to break 80 cents it started to correct down. Currently cotton is seen trading at 74.30 cents for active July contract and is expected to remain under stress. The next technical support level that is seen is at 72.33 (previous low observed on 2nd week of February). Cotton is expected to trade in the range of 72 to 78 cents in the near term while the bias may be on the lower side.

The MCX Cotton contracts showed a clear bearish trend with the following figures:



As far as Indian cotton is concerned spot price has not corrected much down yet and hovering around Rs. 46,100 per candy ex-gin. However, the future contract has reacted a bit and the active May future is trading at Rs. 22,000 per bale. This counter has decline over Rs. 800/bale in last five weeks, reacting more from the ICE trend while spot has been maintaining steady trend.



The basis rates during the last week were seen at:

The Basis is expected to increase even further with ICE prices declining with Domestic spot prices not declining with the same intensity in India.

Cotton sowing across India is expected to rise in 2019-20: Highly optimistic: Farmers in Madhya Pradesh are expected to increase cotton sowing by 15% lured by high cotton price in the upcoming kharif season. The sowing of cotton this season is expected to start of mid-May or early June depending upon the irrigated water flow in the growing region. The Punjab agriculture department has devised a strategy to increase the area under cotton by nearly 40% to 4 lakh Ha from the previous year figure of 2.84lakh Ha. Earlier a month ago department had fixed the acreage at 3.20 however, the latest number has been revised higher based on the recent price rise.

All India acreage is expected to rise this year. There are preliminary estimates that India's cotton acreage this year may be higher than the last year. In the last year all India acreage under cotton was around 10.70-11 million Ha, previous year it was12.20 million Ha. This year (2019-20), the acreage is expected to rise substantially. However, it may be too early to make a presumption but surely should be close to or above 12 million Ha. In the given scenario, higher acreage and likely increase in the yield and possible steady monsoon, the cotton production may be between 375-390 lakh bales.

Future Events:

WASDE USDA- Monthly Report: Scheduled on 10th May 2019
CFTC Cotton on-call report

Other Markets:

Oil price to largely remain under stress. The WTI oil may move in the range of $58-63. Despite weakness across, Indian rupee is expected to remain strong against the US dollar. 69.60-68.70. USD Index may trade mixed: Range: 96.80-98.00.

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

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INTERNATIONAL NEWS

US-China trade deal enters endgame, positive sign for global economy

President Donald Trump and Chinese President Xi Jinping will decide after negotiations this week in Washington whether they'll meet to sign off on a pact. White House spokeswoman Sarah Sanders said Thursday that the US sees such a meeting as likely.

Concluding a deal will hinge on the two sides resolving the stickiest issues in their dispute. They include an enforcement mechanism to police the agreement and a decision over whether tariffs will be removed or stay in place, according to people briefed on the talks.

"A Sino-US deal would be a positive for the global economy, when the outlook is dimming and the US is threatening to raise trade tensions with the European Union," said Chang Shu, chief Asian economist at Bloomberg Economics. "A deal would also certainly help to relieve the short-term stress on the Chinese economy, as well as facilitate structural reforms."

For central bank watchers there are monetary policy decisions being made across the world as most turn more dovish.

Here's our weekly rundown of key economic events:

US and Canada

The consumer price index, to be released on Friday, will test Federal Reserve Chairman Jerome Powell's assessment of tepid inflationary pressures as "transitory."

A rebound in apparel prices will likely bring the pace of monthly gains in the rate back into 0.2 percent territory and push the year-over-year pace up to 2.1 percent, according to Bloomberg Economics. Surging gasoline prices is seen driving headline CPI inflation higher. The producer price index is published the day before. Bank of Canada Governor Stephen Poloz speaks on Monday.

Asia

Central banks in Australia, New Zealand, Malaysia, Thailand and the Philippines will all decide monetary policy amid gathering signs the region is going to soon start cutting interest rates. Reductions in the Philippines and Malaysia are likely and the Australians and Kiwis could act too.

For emerging Asia, that would mark a change in course from last year, when countries like Indonesia and the Philippines were among the world's most aggressive movers as the Fed tightened policy.

The Fed's policy pause has created room to shift interest rates lower, but with higher oil prices and Powell pushing back against pressure to cut borrowing costs, that window for action may begin to narrow. In China, export data will be closely watched on Wednesday for more signs the economy is stabilizing.

Europe, Middle East and Africa

German industrial production and factory orders reports will help determine just how strong the euro area is after data last week showed most of the region surpassing forecasts in the first quarter.

Industrial production, which is released on Wednesday, is though predicted to have declined in March.

Concurrent with those data, the final outlook on eurozone growth and inflation from the European Commission before the bloc's Parliamentary elections will be released on Tuesday. Also on Tuesday, the Norges Bank could signal plans to raise interest rates.

In the UK, Friday sees the publication of gross domestic product for the first quarter and a monthly number for March, when the economy faced a potential precipice as the Brexit deadline loomed.

President Cyril Ramaphosa will look to strengthen his grip on power at elections in South Africa Wednesday as he seeks a mandate to rejuvenate the economy.

Latin America

Three Latin American central banks are expected to remain on hold this week. On Wednesday, Brazil will likely keep its key interest rate at an all-time low of 6.5 percent, as uncertainty about the approval of government reforms constrains its ability to cut despite a weak economy.

On the following day, Chile is forecast to leave its benchmark at 3 percent after halting a monetary tightening cycle that had started in October. Also on Thursday, Peru is predicted to keep borrowing costs at a record low of 2.75 percent for a 14th straight month as its economy grows below potential.

Source: financialexpress.com- May 05, 2019

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Trump Says He'll Raise China Tariffs to 25 Percent By Friday

By Friday, tariffs on China could more than double.

The moment brands and retailers have all been bracing for, but hoping never actually materialized, may be on the horizon: President Trump said Sunday he will raise tariffs on $200 billion worth of China-originating goods from 10 percent to 25 percent.

After a tariff freeze over the last several months, while negotiators from the U.S. and China met to work out a trade deal—which in recent weeks has been called "productive" and "close to done"—Trump on Sunday sought to escalate the trade war to a point no one in the industry hoped to reach. His plan, as it stands, is to add more tariffs on goods from China after all.

And those tariffs are set to increase Friday.

In a tweet on Sunday, Trump said: "For 10 months, China has been paying Tariffs to the USA of 25% on 50 Billion Dollars of High Tech, and 10% on 200 Billion Dollars of other goods. These payments are partially responsible for our great economic results. The 10% will go up to 25% on Friday. 325 Billions Dollars...."

Continuing, the president tweeted: "….of additional goods sent to us by China remain untaxed, but will be shortly, at a rate of 25%. The Tariffs paid to the USA have had little impact on product cost, mostly borne by China. The Trade Deal with China continues, but too slowly, as they attempt to renegotiate. No!"

The new tariff hike, which will impact $200 billion worth of goods as soon as Friday, could turn into even more tariffs on an additional $325 billion worth of goods if the president doesn't start seeing trade talks go his way.

Whether a negotiating tactic ahead of a new round of talks set to take place in Washington Wednesday, the escalation has already roiled markets and will prove an upset to the industry if new tariffs are to be enforced within less than a week. China has reportedly pulled back on some earlier commitments it had made, and Trump's tweets may be a warning against heading in that direction.

That's at least according to what White House economic advisor Larry Kudlow told Fox news.

"The president is, I think, issuing a warning here, that, you know, we bent over backwards earlier, we suspended the 25 percent tariff to 10 and then we've left it there. That may not be forever if the talks don't work out," Kudlow said.

China is reportedly considering delaying this week's trade talks as a result of the tariff threat.

As far as the impact for brands and retailers, substantial disruption could lie ahead.

In response to Trump's tariff threat, National Retail Federation senior vice president for government relations David French, said, "Tariffs are taxes paid by American businesses and consumers, not by China. A sudden tariff increase with less than a week's notice would severely disrupt U.S. businesses, especially small companies that have limited resources to mitigate the impact. If the administration follows through on this threat, American consumers will face higher prices and U.S. jobs will be lost."

Citing a report from Trade Partnership, French reiterated that increasing the tariffs to 25 percent on $200 billion worth of goods from China could cost the U.S. 934,000 jobs, cost the average family of four $767 annually, and cost the U.S. a 0.37 percent reduction in GDP.

NRF has been clear that it agrees that changes are needed for China's trade practices, however, French continued, "it makes no sense to punish Americans as a negotiating tactic." As such, NRF is imploring the Trump administration to reconsider the tax hike and continue negotiations until they can reach a deal.

Source: sourcingjournal.com- May 05, 2019

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5,000 textiles, garments firms attend Canton Fair

Nearly 5,000 exhibitors from the areas of textiles and garments, shoes, cases and bags, recreational products, medicine and healthcare products and food recently offered a detailed overview of their evolving global trade as part of Phase 3 of the 125th China Import and Export Fair (Canton Fair).

The fair which opened on April 15 concluded on May 5, and was held in Guangzhou, China.

Maggie Pu, deputy director general of the foreign affairs office of the Canton Fair, noted that facing pressure from uncertainties related to global trade and stricter import standards, Chinese companies' constant efforts in innovation and improvement of product performances guarantee an increasingly global market share.

In response to an expanding market and the continuously evolving specialist tastes of consumers, top Chinese textile and garments companies are not only offering high-quality products but also actively pursuing customisation and the development of new techniques.

Tianshan Wool Tex, the leading Chinese cashmere brand and exhibitor, known for its creation of a new-standard in Chinese cashmere, has maintained its competitive edge by tailoring production techniques to different countries' consumption habits, winning international recognition such as the Spanish International Textile and Apparel Quality Gold Award and the 15th Paris Quality and Technology Award.

Latest statistics data from General Administration of Customs, People's Republic of China shows that the exports of Chinese garments, toys and seven additional labour-intensive products in the first quarter 2019 increased a combined total of 6.5 per cent more than last year.

Aiming to increase global market potential, Chinese textile and garment companies are gaining increasing market competitiveness on the world stage with comprehensive research and development capability, quick response and service support.

Hebei Bailixin, China's leading home textile manufacturer, which produces a total of 3,200 tonnes of a variety of towels annually, exports to 34 countries and regions in Southeast Asia, Europe, North America and Japan.

Through cooperation with design teams in Japan and Italy, the company is introducing two to three new products every week, with annual export volume reaching $14.9 million in the global market.

Company manager Liu Hong said: “We might face pressure and a more competitive global market this year. But we are optimistic and expect greater demand from emerging markets.”

In addition to showcasing Chinese manufacturing, the Canton Fair also strives to introduce leading international brands into the Chinese market.

The fair features Gohar Textiles and Cotton Empire from Pakistan, the century-old houseware brand, R L Khanna and Shiv Shakti Exports from India, and companies from Turkish textiles and apparel center Denizli, it stated.

Source: tradearabia.com- May 05, 2019

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World loves denim fabric as consumption goes up

Global consumption of denim fabric has increased at a CAGR of more than 4.77 per cent from 2012 to 2016.

In 2016, the global denim fabric market was led by China, India, Europe and North America.

At present, the major manufacturers of denim fabric are concentrated in China and India. In terms of volume, global denim fabric sales are growing at 4.70 per cent.

Denim fabric has acquired increasing significance in clothing, household items, cowboy accessories and many other fields. Globally, the denim fabric market is mainly driven by the growing demand for clothing. The global denim fabric market is growing at 3.2 per cent.

Asia has a 22 per cent market share of the global denim industry and India contributes to nearly half that market.

India will have a lot of influence in jeanswear in the coming years as the demand is increasing in all segments.

An organised retail sector, a young population, online penetration of denims and the increasing popularity of engineered or distressed pieces will continue to fuel the growth of this segment.

Originally a product for the youth, denim has grown to cut across geographies, gender and age groups.

Given the average age of the Indian consumer today, and the influence of global style trends in the country, the industry can be expected to grow at a double-digit rate.

Source: fashionatingworld.com- May 04, 2019

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EU continues to make a mark in global textile and apparel industry

The European Union region as a whole remains a leading producer of both textile and apparel.

Production is almost equally divided between textile manufacturing and apparel manufacturing. Southern and western EU where most developed EU members are located such as Germany, France, and Italy account for nearly 80 per cent of EU's textile manufacturing.

Of the EU's total textile output, the share of non-woven and other technical textile products increased from 20.2 per cent in 2011 to 23.2 per cent in 2016.

Apparel manufacturing in the EU includes two primary categories: one is the medium-priced products for consumption in the mass market, which are produced primarily by developing countries in eastern and southern Europe, such as Poland, Hungary, and Romania, where cheap labor is relatively abundant.

The other category is the high-end luxury apparel produced by developed western EU countries such as Italy, UK, France, and Germany.

In western EU countries, labor only accounted for 21.1 per cent of the total apparel production cost in 2016, which is substantially lower than 30.1 per cent back in 2006.

This change suggests that apparel manufacturing is becoming capital and technology-intensive in some developed western EU countries, which could be the result of increased investment in automation technology.

Source: fashionatingworld.com- May 04, 2019

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Vietnam poised to become manufacturer of established global brands

Viet Nam's garment and textile sector is set to expand its market share globally, taking advantage of free trade agreements (FTAs) to become "a manufacturer of the world's established brands", a trade and investment official has said.

Pham Thiet Hoa, director of the HCM City Investment and Trade Promotion Centre (ITPC), told Viet Nam News that an increasing number of international buyers were sourcing products from Viet Nam because supply chains for locally made products had improved and the country had joined more FTAs.

Competitive labour costs and preferential policies will continue to help Viet Nam become an ideal destination for investors in this sector, he said.

Participation in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) will benefit the country in the long term, helping the garment and textile sector expand market share in Canada, Mexico, New Zealand and Australia and many other countries.

In addition, the EU-Viet Nam Free Trade Agreement (EVFTA) is expected to have a positive impact in the medium to long term.

The legal review for EVFTA has been completed and it is undergoing its members' approval process. It is likely to be approved by Viet Nam's National Assembly in June.

The EU is the second largest export market for Viet Nam's garment and textile sector, with more than 40 per cent of tariffs applied to garment and textile products expected to be reduced to zero per cent when the EVFTA agreement takes effect.

"FTAs play an important role in helping Viet Nam move up the value chain in the garment and textile industry," he said.

"FDI companies have so far invested about US$17.5 billion in the industry," he said.

Trade fair

More than 30 leading Vietnamese manufacturers of garments, textiles, handicrafts and fashion accessories displayed their goods at the Global Sources Fashion show held last week in Hong Kong.

Many of the exhibitors are members of the Viet Nam Textile and Apparel Association (VITAS), Viet Nam National Textile and Garment Group, and Handicraft and Wood Industry Association of HCM City.

Vietnamese exporters are expected to increase export orders from major buyers at the fair such as Auchan, Best Buy, Carrefour, Fossil, Hong Kong Disneyland, K-Swiss, Li & Fung, Marks & Spencer, Quiksilver, Swarovski, Target and Tesco, among others.

Livia Yip, president of Global Sources Fashion Group, said the event promotes industry development and facilitates international design exchange, providing designers with a platform for reaching buyers and suppliers.

Bui Thi My Hanh, an exhibitor which took part in the trade show, told Viet Nam News that most Vietnamese exhibitors lacked marketing skills as well as information about export markets. “To fully take advantage of the event, exhibitors should be trained by ITPC to become to be an effective exhibitor.”

Hanh said that ITPC should act as a bridge connecting overseas trade officials with exporters so that local exporters can better understand export markets.

Vietnamese exhibitors also expect more orders to shift from China to Viet Nam due to the ongoing US-China trade war, she said.

Vu Duc Giang, chairman of VITAS, said Vietnamese textile enterprises this year have seen positive signs for orders, he said. “Many businesses have already received orders for the first six months of 2019 and even for the entire year.”

Last year, the industry earned $36 billion from exports, up 16 per cent year-on-year, making Viet Nam one of the world’s three biggest exporters of textiles and apparel.

This year, the textile and garment sector has set a target of $40 billion in exports, up 11 per cent year-on-year.

The industry has set a target of more than $60 billion worth of exports by 2025.

Source: elevenmyanmar.com- May 04, 2019

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Cambodia may lose trade privileges

Suspension of trade privileges is a key external risk that could negatively impact Cambodia's economic prospects this year and slow export growth. This is true especially of Cambodian textile and footwear exports. If buyers stop buying products, Cambodia will lose hundreds of thousands of jobs.

Buyers say the labor and human rights situation in Cambodia is posing a risk to trade preferences for Cambodia and that trade privileges could be suspended.

In February, the European Union announced the launch of a six-month monitoring period to determine whether Cambodian exports should continue to enjoy tax-free entry into the European market under the Everything But Arms scheme. A similar measure was proposed by the US.

Prime Minister Hun Sen has ignored international criticism of his rights record and shrugged off the risks of losing markets in Europe or North America. Apparently China has expressed willingness to help Cambodia in part through additional investment in the country.

Foreign companies, concerned over Cambodia's rights record, have made it clear they will not stop now until their demands are met and until Cambodia improves its human rights record. They say Cambodia exhibits a declining respect for labor standards, including freedom of association, and other issues.

Source: fashionatingworld.com- May 04, 2019

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Why is Pakistan unable to develop a competitive-export focused industrial sector?

Export-based industry could cure Pakistan's chronic economic woes. But is the opportunity cost of giving up on domestic-focused business lines too high for individual companies?

Pakistan can come out of its intermittent economic crisis by embarking on export-based industry that would help improve the country's current account balances, experts believe. But getting there would involve individual businesses to decide to pursue export-oriented businesses over their domestic-focused companies, which is easier said than done.

According to the latest Pakistan Bureau of Statistics (PBS) data, Pakistan's trade deficit stands at $21.5 billion in the first eight months of the current fiscal year. Exports have amounted to $15.1 billion while imports stood at $36.6 billion from July-February period. Workers' remittances of $14.35 billion has squeezed current account deficit to $8.84 billion.

Simple math would suggest that if Pakistan can increase its exports by $9 billion, it could eliminate the current account deficit, which would go a long way towards stabilizing the Pakistani macroeconomy. In the best-case scenario, the country's export receipts would surpass Pakistan's massive import bills, or at least doing it after incorporating our economically important remittances, which is highly unlikely to happen in near future. But it is easier said than done.

The fact that improvement in export-based industry, and subsequently higher exports, is important for the country's economy is well understood. The government has been trying to incentivize export-based industry one way or another for decades. However, the government cannot do much when it comes to doing business and exports to international markets. It can help in increasing 'ease of doing business' and reduce to some extent the 'cost of doing business'.

But the government cannot do business operations for the businesspersons like marketing their products in international markets. The government of Pakistan cannot hire a shelf at Walmart for Pakistan's rice products for instance. It is the rice exporter who has to establish their brand of rice in international markets.

Business leaders have to take their own business decisions as they are the ones who would directly be making gains and, in some cases, losses.

But the question is why would a Pakistani business leader invest in developing an export-oriented product? It is back to basics: he or she will conduct a cost and benefit analysis and assess the strength, weaknesses, opportunities, and threats. Unfortunately for the government, once a business leader is done with that basic analysis, they will likely end up determining that setting up an export-oriented product is simply not worth the cost of capital.

More specifically, the opportunity cost of tying up capital in an export-oriented company is too high. International markets tend to be highly competitive, which means there is significant pricing pressure for companies that operate in the traditional sectors that Pakistan operates products in, which tend to be highly commoditized products such as textiles and agricultural commodities.

Meanwhile, those same product lines have significantly more profitable avenues of commercial growth in the local market. Any businessperson who assess whether to go for the export-oriented business or the domestic consumer-oriented business will immediately come to one conclusion: they would be better off investing in the domestic consumer-oriented business line.

In words of some business pundits, Pakistan is the last 'hidden jewel' for investors in the world because Pakistan has immense potential for consumption. Investors would want to invest here to cater local consumption.

Former Overseas Investors Chamber of Commerce and Industry (OICCI) President Irfan Wahab Khan, who is now CEO of Telenor Pakistan, in an interview with a group of journalists, said that the rising demand pulled by Pakistan's huge consumption potential and the country's strategic and geographic location makes it 'last hidden jewel' for investors.

Take the case of the auto industry. Pakistan's motorization rate – how many people have a car for every 1,000 persons – is only 18. Many countries have a motorization rate well over 500, meaning over half the population owns a car in those economies. That makes Pakistan – a nation of over 200 million people – a huge potential market for cars, assuming that Pakistan's motorization rate will eventually converge towards that of more developed economies.

That factor alone helps explain why over half a dozen global car companies – including giants such as Japan's Nissan, France's Renault, Germany's Volkswagen, and South Korea's Kia – have all signed up to enter the Pakistani market. The country's per capita income alone would not predict that there would be so much interest in manufacturing cars in Pakistan.

What is interesting is that many of the foreign companies are coming into the Pakistani market with Pakistani joint venture partners who currently own both export-oriented and domestic consumer-focused companies. Yet their partnerships with these foreign companies suggests that they will be deploying the capital generated from their profits not towards export-oriented projects, but domestic consumer-focused companies instead.

For instance, Kia is partnering with the Yunus Brothers Group, which owns the export-focused Lucky Cement as well as the more domestic industrial ICI Pakistan. Nissan is partnering with the Bibojee Group, which owns several textile companies in addition to an insurance company and construction company. Renault is partnering with the UAE-based Al-Futtaim Group, which operates a telecom equipment company in Pakistan in addition to owning a majority shareholding in Al-Ghazi Tractors, which sells tractors to Pakistani farmers.

In each of these cases, the groups in question had the choice of either setting up a plant to serve the domestic consumer market of Pakistan or setting up an export-oriented company. And in each case, they chose the former over the latter.

This is not confined to the automobile sector alone. Most other industries in Pakistan also face similar misalignment of incentives between what is best for an individual business versus what is best for the economy as a whole.

Even businesses that are currently engaged in exports and not setting up new businesses will often end up using their profits from their export businesses to invest in real estate. Some exporters allegedly use the rebates paid to them by the government as incentive to remain in export-oriented businesses to buy domestic real estate. The government's recent crackdown has reduced the incentive to do that, but it remains a relatively attractive investment option for many business owners to buy real estate.

So, it begs the question: why would a businessperson in Pakistan want to come out of their comfort zone to embark on an export-oriented business when they could easily unload their loads of products here within Pakistan, with little quality checks, and earn even more than in the export market?

There are certainly areas where exporting is favorable. The textiles industry comes on top of that chart. But the international competition is giving Pakistan textile players tough time. The industry is unique in the sense that Pakistan has two important inputs for the industry – raw material (cotton) and labor – in abundant supply.

“Export is a tough challenge where you have to compete with the rest of the world on two fronts – quality and cost. In Pakistan, the cost is the most difficult part as every input is expensive – water, energy and even labor,” said Jawed Bilwani, owner of the Karachi-based JB Industries, a hosiery manufacturer, and chairman of the Pakistan Apparel Forum, in an interview with Profit.

“According to our assessment, sometimes our labor is even more expensive when compared to some of our European counterparts – notwithstanding the fact that the minimum wage is higher there. The reason is their labor is more efficient. (According to our understanding) the labor struggles in their day to day life here in Pakistan due to unavailability of basic necessities of life like water and electricity. So, when they come to the factory, they are unable to put their personal best at work,” he explained.

Bilwani belongs to textiles industry, which roughly generate 60% of the total export revenue for the country. The government has been encouraging textile industry in its own bureaucratic manner. However, there are now other industries, who also needs attention.

Information technology (IT) expert Parvez Iftikhar says Pakistan’s IT exports has great potential as the recent exports surged 19% as compared to the previous year.

“Pakistan’s IT industry has great potential. Although the scale is low at the moment but the improvement of 19% is big. The industry is labor intensive as there’s no automation. Pakistan comes third or fourth in the biggest free-lancers in IT industry. I believe it should be encouraged in the country to diversify in the export-based industry from traditional industries like textile,” he said.

He further said that Pakistan’s IT industry is the new ‘cottage industry’ where there are several small players present – the free-lancers. It also needs little investment but the labor is not conventional as they need to be little educated.

Iftikhar added that the government must encourage and support the industry.

He said that the government could help the industry by making quality broadband internet ubiquitous at an affordable price. Moreover, the government should also remove duties on IT equipment like wireless routers, PCs etc.

He further said that the payment system is also very cumbersome due to the lack of global electronic payment platforms like PayPal in the country. Receiving payments through banking channels is difficult while the State Bank of Pakistan’s (SBP) regulations are stringent, in part due to increased scrutiny of the country’s banking system from the global Financial Action Task Force (FATF).

Iftikhar suggested that SBP may get liberal regarding micropayments like $1,000 or $1,500 in order to help small-scale freelancers flourish. He added that bank dollar rates are also lower compared to when a freelancer receives payments through Hawala or Hundi, the informal payment systems that the government is trying to crack down on.

“The government should incentivize receipts of freelance work by giving them proper prevalent market rates of dollar than reduced bank rates,” he said.

He added that work has been done on vocational training for the sector but more needs to be done so that this sector also contributes to the country.

Zaki Industries Corporation owner Abdullah Zaki, whose line of business ranges from yarn to toiletries, all sold to local B2B customers, said that his company wants to keep its scope to local market because exports are “a big-time headache” for Pakistani business leaders.

The perennial depreciation of the Pakistani rupee against the US dollar keeps export-based industries on tenterhooks and volatile government policies add to the exporters misery.

Zaki, who is also a vendor to textile companies like Gul Ahmed and Sana Safinaz, added that government never keeps on board direct stakeholders – the business persons – when drafting policies and therefore policies are one-sided.

The inconsistent policies also play their role in keeping business persons away from export-based industry.

“Politics and decisions related to economy need to be kept apart. Economic decisions shouldn’t change with the change in governments. Stability in government policies will also entice businesses to take interest in export based industry,” he said.

There are those, however, who disagree with an export-oriented approach. One of Pakistan’s renowned economists, Nadeemul Haque, says there should not be any favorite industry for the government. There should be a uniform policy and domestic consumption – that is consumption people of the country – must also be at least equally treated.

When government gives subsidies to any industry – in Pakistan’s case export-based industry – it is doing an injustice to Pakistani consumers, Haque believes. The biggest beneficiary of subsidizing export-based industries is the foreign consumer who eventually buys the product.

Haque, a former International Monetary Fund (IMF) economist, says that exports are only good when brands are sold outside Pakistan, specifically citing the example of the textile company Khaadi, which sells its own brand of products both within and outside Pakistan and does not behave as a contract manufacturer for any other brand, foreign or domestic.

However, with just a few exceptions, what Pakistan's textile industry is mostly doing is exporting commodities like cotton yarn while importing branded finished textiles from companies like Marks and Spencer.

He said the government's present love-affair with exports was analogous with medieval mercantilism – where governments wanted to increase exports in order to increase their gold reserves.

"It triggered the infamous French Revolution where the government wanted to increase exports while people were dying with hunger," said Haque, also a former head of the Planning Commission of Pakistan.

Haque has also previously written a research paper on the subject – Awake the sleeper within: Releasing the energy of stifled domestic commerce.

The paper stresses that the government should adopt a holistic policy, with no favourites and allows all sectors to grow, which would lead to better long-term economic results.

A vibrant domestic commerce sector is the core of the economy facilitating intermediation between supply and demand, entrepreneurial development, risk-taking, innovation and competitive markets.

According to Haque, such an economy moves beyond commodity exports to brand name, process, and capital exports, all of which command a higher rate of return. Pakistan could therefore achieve a higher and a more sustainable growth rate by adopting a more balanced growth strategy.

Source: pakistantoday.com.pk- May 06, 2019

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All Chinese industrial units in Pakistan to get special status

All Chinese industrial units established in Pakistan will be given the status enjoyed by factories set up in the Special Economic Zones (SEZ) regardless of the part of the country where such units are set up, announced Adviser to Prime Minister on Commerce, Textile, Industries, Production and Investment Abdul Razak Dawood.

He made the announcement while speaking at a seminar titled "Business opportunities under the China-Pakistan Free Trade Agreement" on Saturday.

"Projects under the China-Pakistan Economic Corridor were initiated on a government-to-government basis, but they have now transformed into a business-to-business model," he said. "Although SEZs have not yet been completed in Pakistan, Chinese investors are free to establish their factories anywhere in the country and I will grant the status of SEZ to all these factories."

He voiced hope that the second phase of the China-Pakistan Free Trade Agreement would be implemented from July 2019. He pointed out that through the FTA, China provided Pakistan access to its markets on the same terms as those offered to the Association of Southeast Asian Nations (Asean) member states and called for reaping maximum benefits.

He requested all the chambers of commerce and industries nationwide to thoroughly examine the FTA and make recommendations to the ministry for further improving it.

"If any Pakistani industry suffers damage due to the FTA, we will utilise the 'safeguard' clause under the agreement," Dawood remarked.

Under the agreement, the additional 313 tariff lines of Pakistan, which have been given duty-free access, have a total value of $64 billion in China. "If we are able to get even 10% share in the $64-billion market, our exports will surge sizably," Dawood said.

Currently, China's overall imports amount to $2.1 trillion and according to Chinese President Xi Jinping, the number can swell to $5 trillion by 2023.

The PM adviser was of the view that Pakistan had a great opportunity to enhance exports to China in the areas of textile, leather, seafood, electronics and others. However, he added, in order to capture China's market, Pakistan had to improve quality of its products, "only then it will be able to enhance export revenues."

Talking about the upcoming budget, the adviser informed the audience that the government was not considering any import or regulatory duty relief on finished products. "However, we are working on reducing import duties on raw material, but it is premature to comment how much reduction is on the cards," he said. "I will meet officials of the Federal Board of Revenue on Tuesday to discuss the issue."

Dawood regretted that in the past 10 years, the country underwent a de-industrialisation phase and former finance minister Ishaq Dar never took notice of it. "The country has to take care of local industries as it does not want to join the club of import-oriented economies," he added.

Source: tribune.com.pk- May 05, 2019

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Iran to Increase Land Under Cotton Cultivation

Land under cotton cultivation will increase by 20% to stand at 80,000 hectares in the current Iranian year (started March 21), the deputy agriculture minister said.

"Cotton cultivation can create six times more jobs than wheat, four times more than corn and colza, and 2.5 times more than soybean production.

Each job generated in a cotton plantation creates five jobs in related subsectors and services," Hossein Shirzad was also quoted as saying by IRNA.

He added that the domestic textile industry needs close to 120,000 tons of combed cotton annually.

Source: financialtribune.com- May 05, 2019

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China-Pakistan Free Trade Agreement to promote business: Razak Dawood

Advisor to Prime Minister on Commerce, Textile Industry, Production and Investment Abdul Razak Dawood on Saturday said that the second phase of China-Pakistan Free Trade Agreement (FTA) was a great opportunity to benefit from.

He said this while addressing a seminar on 'Business Opportunities under China-Pakistan Free Trade Agreement' held at Expo Centre here.

He said, "In July, he will visit Japan, where he will hold talks about Pakistan getting access to Japanese market. Efforts will also be made to access the Korean market."

Abdul Razak Dawood said that Indonesia had given 20 tariff lines, which would be duty-free. He said a facility of safeguard measures was also available under the FTA to provide protection to local industry from any threats.

Industrial development was vital for increasing exports, he said adding that the industry was heading towards betterment and there was a need to widen our product range.

The advisor said the process for making an industrial policy was under way and prudent policies would help excel in the world market in an efficient way.

Joint Secretary Shafiq gave detailed presentation on China-Pakistan FTA and briefed about the gains of its Phase-II. Federal Commerce Secretary Sardar Ahmed Nawaz Sukhera was also present.

Source: brecorder.com- May 05, 2019

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NATIONAL NEWS

Ind-Ra revises India's FY20 GDP growth downwardly to 7.3%

India Ratings and Research (Ind-Ra) recently revised its gross domestic product (GDP) growth estimate for fiscal 2019-20 to 7.3 per cent from 7.5 per cent earlier. The predicted lower-than-normal monsoon, the continued agrarian distress and the loss of momentum in the industrial output growth are being cited as the key reasons for the downward revision.

The fourth reason is the slow progress on cases referred to the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016, that has led to the resolution of the non-performing assets of the banking sector becoming a long-drawn-out process, according to a press release from the rating firm.

Inability to bring the stuck capital back into the production process will have implications for investment recovery, believes Ind-Ra.

Investment expenditure growth, as measured by gross fixed capital formation (GFCF), has, therefore, been downwardly revised to 9.2 per cent for 2019-20 (it was 10.0 per cent for the previous fiscal) from the earlier forecast of 10.3 per cent.

Although the average 9.5 per cent investment growth during FY17-FY19 is quite healthy compared with the average 3.6 per cent GFCF growth over FY14-FY16, the current investment recovery is heavily dependent on government capital expenditure (capex) spending as incremental private corporate capex is yet to revive.

However, consumption demand, as measured by private final consumption expenditure, is likely to grow 8.1 per cent in FY20 (FY19: 8.3 per cent), supported by moderate inflation and favourable demographics.

In view of the ongoing agrarian distress, consumption demand is likely to be more pronounced in urban areas.

Trade frictions arising due to US actions and counter-actions by affected countries and a likely slowdown in the global GDP growth will keep the external environment challenging in 2019, Ind-Ra estimates.

The share of exports (goods and services) in India's GDP increased to 25.4 per cent in 2013-14 from 12.8 per cent in 2000-01 but declined thereafter to 19.7 per cent in 2018-19.

Considering the export growth is likely to stay in the low double-digit range, Ind-Ra expects the share of exports in India's GDP to rise to 20.7 per cent in 2019-20.

Source: fibre2fashion.com- May 06, 2019

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DPIIT proposes relaxation in income tax law to help start-ups raise funds

DPIIT, under the commerce and industry ministry, has also proposed other measures such as tax incentives to promote budding entrepreneurs as part of the vision document.

With a view to facilitate fundraising by start-ups, the Department for Promotion of Industry and Internal Trade (DPIIT) has proposed relaxation in the income tax laws pertaining to sale of residential properties and carrying forward of losses, sources said.

These suggestions are part of 'Startup India Vision 2024', prepared by the DPIIT for the new government to promote growth of budding entrepreneurs, who face difficulty in raising finances.

As part of easing regulatory requirements for start-ups, the DPIIT has recommended amendments in Section 54GB (capital gain on transfer of residential property not to be charged in certain cases) and Section 79 (carry forward and set off of losses in case of certain companies) of the Income Tax Act.

It has suggested changes in Section 54GB of Income Tax Act to exempt proceeds on sale of residential properties from capital gains tax if it is used to fund a start-up. “Budding entrepreneurs often sell their residential properties to support their business activities,” one of the sources said.

As part of the amendment of this section, it has also proposed to reduce founders’ shareholding requirements from 50 per cent to 20 per cent and mandatory holding period from 5 years to 3 years as it would enhance flexibility of founders to raise capital by selling the properties.

Regarding Section 79, it suggested relaxation in shareholding requirements to carry forward the losses. “Start-up promoters presently need to hold 100 per cent shares for carrying forward of losses. The requirement needs to be reduced to 26 per cent, as it will encourage new investors to invest in start-ups,” they said.

DPIIT, under the commerce and industry ministry, has also proposed other measures such as tax incentives to promote budding entrepreneurs as part of the vision document.

The document aims at facilitating setting up of 50,000 new start-ups in the country by 2024 and creating 20 lakh direct and indirect employment opportunities.

The other proposals include setting up of 500 new incubators and accelerators by 2024, 100 innovation zones in urban local bodies, deployment of entire corpus of Rs 10,000 crore Fund of Funds, and expanding CSR funding to incubators.

Startup India, the flagship initiative of the government, was launched in January 2016 and intends to build a strong ecosystem for the growth of start-up businesses to drive sustainable economic growth and generate employment opportunities. The Startup India action plan provides tax and other incentives.

So far, as many as 18,151 start-ups have been recognised by the department.

Source: thehindubusinessline.com- May 05, 2019

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Testing times for Tirupur

Tirupur is facing testing times with thinning margins, declining overseas demand and relatively high labor costs. For the past three years, export growth has not been up to the expected level.

The incentives the industry received before GST worked out to nearly 13.2 per cent, which was reduced to 5.7 per cent after GST. Garment exporters in Tirupur work on thin margins and can absorb the costs if incentives are reduced by three per cent or four per cent. But a drastic cut affects liquidity.

The EU and the US constitute 70 per cent of Tirupur's knitwear exports market. But it is imperative that exporters look to new and emerging markets. The four markets showing high potential for future growth are the UK, Chile, Israel and Japan. Products with high growth potential must be identified and individual strengths such as technology innovation can be leveraged.

Out of the 1,500-odd direct exporters, the number of exporting units with more than a Rs 100 crore turnover is more than what it was a few years ago. There are at least 20 units with more than a Rs 500 crore turnover.

The number of letter-head exporters has reduced drastically after GST. However, the recent announcement on reimbursing embedded taxes has revived sentiment.

Source: fashionatingworld.com- May 04, 2019

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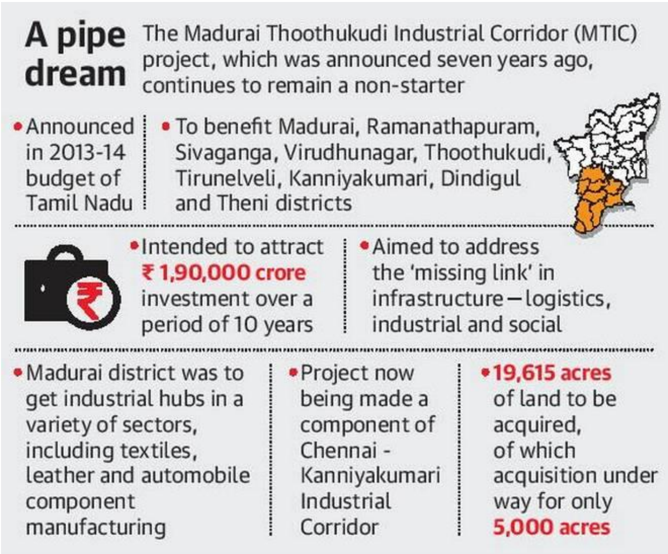
A transformational industrial project remains elusive

Madurai–Thoothukudi Industrial Corridor, envisioned to attract ₹1.90 lakh crore of investments over a 10-year period, remains only on paper



The nine southern districts, which account for roughly one-fourth of the State's population according to the 2011 Census, have been consistently ignored in terms of industrial development.

Madurai, in particular, despite being one of the four major cities in Tamil Nadu, has considerably lagged behind the other three cities of Chennai, Tiruchi, and Coimbatore in attracting industrial investments. The fact that the southern districts have in recent years developed power generation capacity through a variety of renewable and non-renewable sources, far higher than the other regions of the State, has not helped in bringing industrial projects to the region.

Owing to persistent demand, mainly from different industrial bodies in Madurai, the State government announced the creation of Madurai–Thoothukudi Industrial Corridor (MTIC).

This was intended to be a big ticket infrastructure investment that would provide an impetus to industrial development in Madurai and nearby regions. However, despite an announcement and a feasibility study done nearly seven years back, the project is still in limbo.

Background

When the then Minister of Finance O. Panneerselvam, in the State Budget for 2013-14, announced the proposal for the corridor, trade bodies in south Tamil Nadu were elated to hear some good news at last.

The project, with tall promises, was envisioned to attract ₹1.90 lakh crore of industrial investments over a 10-year period. The project was included in a series of high priority fast track projects in February 2013 during the first board meeting of Tamil Nadu Infrastructure Development Board.

Approval for the MTIC was provided through a Government Order dated December 19, 2014.

The project, also part of Tamil Nadu’s Industrial Policy 2014, was said to be an ‘Industrial Corridor of Excellence,’ providing facilities such as excellent road and rail connectivity, specific investment regions and other industrial and social infrastructure such as townships, schools and hospitals.

As per the second phase of Vision Tamil Nadu 2023 document, released by late Chief Minister Jayalalithaa, the project was to entail 18 ‘Trunk’ infrastructure projects and a series of ‘Link and Internal Infrastructure’ projects. The ‘Link and Internal Infrastructure’ was to include industries from different sectors such as textiles, garments, leather, cement, plastic, electrical and auto component industries, particularly in Madurai.

The trunk investment projects include the expansion of roads, establishing Madurai-Coimbatore High Speed Rail Link Project (230 km), expansion of Madurai airport and establishing Madurai as a special tourism zone.

The trunk investments also focus on health through the establishment of quality nursing and paramedical training institutes, specialised centre of excellence in cancer treatment and additional medical facilities. They also look to hone local talent through skill development institutes and employment development centres.

After more than five years in waiting, in November 2018, Minister for Industries M.C. Sampath announced at a meeting that the MTIC would now be an ancillary project of the much larger Chennai-Kanniyakumari Industrial Corridor. He said that the project would include two nodes – Madurai–Virudhunagar–Dindigul–Theni (MVDT) and Tirunelveli–Thoothukudi (TT).

Mr. Sampath said that Asian Development Bank had already begun the process of sanctioning funds for the initiative and that the government was planning to acquire 19,615 acres of land. He added that the acquisition process for 5,000 acres was already under way.

Predicaments

Senior president of Tamil Nadu Chamber of Commerce and Industry S. Rethinavelu says lack of political pressure from MPs and the State government for establishing the corridor has led to the project remaining a non-starter. Delay in implementation of Madurai airport expansion project with extended runway and poor international connectivity have also resulted in Madurai region not attracting big investments.

K. P. Murugan, president of Madurai District Tiny and Small-Scale Industries Association (MADITSSIA), says the land acquisition process is slow. “Madurai-Aruppukottai-Ettayapuram-Thoothukudi stretch does not possess much cultivable lands. Land acquisition should not pose a problem as most of the lands are government poramboke,” he says.

Confederation of Indian Industry (Madurai Zone) chairman K. Nagaraj say work on the project is slowly and steadily progressing. However, he adds that more fiscal incentives need to be provided to entice foreign investors. There is a need for better social infrastructure – schools, conference halls, colleges and hospitals to attract more talent to settle here. “It’s a chicken and egg kind of situation though.

The slow pace of the project has resulted in migration of talent to Chennai, Bengaluru and other industrial cities such as Tiruppur and Coimbatore, says Mr. Murugan. Another cost of the snail-paced implementation is that Madurai continues to lag behind other major cities in Tamil Nadu, says Mr. Rethinavelu. “It seems like there is a lobby working against Madurai. This can only be fixed if there is enough representation from our politicians,” he feels.

Mr. Murugan adds that appointing a dedicated IAS officer for the project till its completion will help in fast tracking it.

Source: thehindu.com- May 05, 2019

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Economic policy, beyond the elections

It is unfortunate that debate even on economic issues such as GDP growth and measurement has become politicised, thanks to the election.

What one government can achieve depends on what past governments were able to do. For India a long view shows there was macroeconomic over-stimulus after the Global Financial Crisis and a policy over-reaction in the opposite direction after that. The financial regulatory regime showed a similar excessive pro-cyclical tightening after laxity during the infrastructure bubble.

Even with the latest round of revisions, growth of industry was 3 per cent lower in the period after 2011. This reduces job growth. So past governments have to share the blame for low employment growth.
Sharing responsibility

While it was necessary to correct inherited macroeconomic fragilities, including large balance of payment and fiscal deficits, over-strictness also creates stress. With low growth and high interest rates it is difficult for firms to service debt and NPAs increase.

It is true re-capitalisation of banks had to be delayed until the Bankruptcy Code was set in motion so that losses did not devolve only on the taxpayer. That promoters stood to lose assets created better incentives to repay banks.

This was part of the over-reaction to the crony capitalism that had marked the last years of the UPA rule. It also became possible to tap into global initiatives for data sharing against asset stripping and tax evasion.

But after a long period of stagnation and regulatory tightening the financial sector is in a parlous state and requires counter-cyclical regulatory hand holding, without compromising incentives for good behaviour.

It is not clear as yet if the financial sector has seen adequate fundamental improvements in corporate governance and intermediation to survive a series of shocks. The new government must move towards more balance as the outgoing government had already started doing.

Looking forward

After stagnation since 2011 private investment was showing some signs of revival in 2018 but has slowed again recently. Hopefully it will revive after the election results, but macroeconomic policy must support such a revival.

A similar brief revival after the 2014 elections was killed by the highest real interest rates India had ever seen as policy rates were not cut following the crash in oil prices. There is evidence of high interest sensitivity of demand for consumer durables, housing and investment. Savings tend to rise with investment and growth, while interest rates largely affect their allocation. India was pushed to becoming a consumption led society, with high net imports.

A monetary stimulus is only possible if supply-side policies continue to reduce costs and improve public services and capacity throughout the country. Building strength and independence is better than encouraging potential workers to try and qualify for doles. Well targeted and non-discretionary transfers must be restricted to the really distressed.

A bitter and negative election season can be left behind for a constructive and healing agenda. Motivated ideological advice either for more or for less market freedom together with redistribution will not suit the Indian context and potential. This requires a balanced focus on what is feasible given current trends along with openness to good ideas and debate wherever they come from. Diversity is creative.

Less commodity price volatility and inflationary pass through in the future will help. Institutions form the backbone of an economy and have to be respected and strengthened. But suspiciousness and motivated allegations can weaken them as much as government interference.

Suspicion versus interference

For example, consider our statistical agencies. Election season battles have undermined their credibility. In an economy that is doing much better compared to its past and transforming structurally, it becomes necessary to use better data bases and to move to international measurement concepts. This is exactly what the shift to the new GDP base has done.

Moving from a 4,000-firm sample to the MCA 21 database with lakhs of firms must be welcomed. Frequent revisions in the process of making backdated series available have been questioned.

But a back series based on new and better data has to be preferred to the econometric projection, first made available. Unorganised sector and trade estimates used to be based on projecting forward dated surveys with an index. Sales tax data, which since became available, was used in the revisions. It shows a credible fall in growth just after the global financial crisis while survey-based projections were higher. It also matches well with updated surveys.

Telecom growth used to be based on the number of subscribers, where there is known to be a lot of duplication. The backward revision used a more credible measure — minutes of usage — leading to an acceptable fall in tertiary sector growth rates.

Another example is the bitter controversy over employment data. Macroeconomists had long been asking for high frequency employment data. In its absence, India must be the only major country where policy rates are decided without looking at employment trends. There was resistance from development economists who did not want the 5-yearly NSS employment survey to be diluted.

The quarterly periodic labour force survey was finally started. But major changes take time to settle. It can be used only after it has been tested against a broad range of experts, suitably fine-tuned and a number of surveys are available for comparative purposes.

Two National Statistical Commission (NSC) members resigned because they had approved the survey yet it was not released. But the NSC was supposed to have seven members with the relevant range of expertise. It had only three, with no macroeconomist.

The profession must demand strengthening of the NSC. It is only because government data goes through a robust process that it is credible. There are many private measures of unemployment available, based on different concepts, but no consensus on the preferred measure.

The motivated political use of the leaked periodic survey, before it had been vetted sufficiently, justifies the delay in giving it the official certificate of approval. Estimates have been compared with the earlier 5-yearly surveys although the sample and questionnaire design are completely different.

Survey questions asked from the educated must distinguish between desk jobs they may aspire to and other jobs they may have. Unemployment based on aspirations may differ from that based on actual work done. As technology changes the structure of future labour markets aspirations will also adjust over time.

Health insurance and ease of living will encourage risk-taking and improve the quality of jobs even if the employer is not the government or a big corporate. Encouraging inclusive innovation from India's restless educated young can help the country ride the technology wave to prosperity and equality.

Source: thehindubusinessline.com- May 06, 2019

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Alibaba re-evaluates India strategy, may focus on smaller deals

Alibaba Group Holding Ltd is reviewing its India investment strategy that could see the Jack Ma-led Chinese e-commerce giant take a more judicious approach by making more vertical e-commerce investments and smaller early-stage deals, three people aware of the matter said.

The potential shift in strategy follows Alibaba's disappointments at some of its large e-commerce bets such as online retailers Snapdeal and Paytm Mall, which have widely lagged behind the e-commerce market dominated by Flipkart and Amazon.

The Economic Times reported on 22 April that Paytm Mall's deep discounting strategy and an annual loss of ₹1,787 crore made Alibaba realize that Paytm's volumes, driven largely by cashbacks, would not make it a sustainable business.

To be sure, Alibaba has experienced some robust successes with its investments in India. The company is known for its early bet on Paytm, currently India's most valuable startup. Alibaba's other bets in India such as BigBasket and Zomato have also done well. Other key investments of Alibaba in India include e-commerce logistics firm Xpressbees.

Alibaba's experiences in India have made the Chinese firm reconsider its future investment areas and the size of investments, said the people cited earlier.

"In China as well as other countries, Alibaba has a three-pronged investment strategy of e-commerce, payments and logistics. Now, if e-commerce, the biggest of those, stumbles, it will look for different bets," said one of the three people aware of Alibaba's plans.

"Alibaba truly believes that e-commerce can change the lives of millions of people. But after their experience in India, today if an e-commerce firm comes to them, they will be a lot more cautious to see how it will differentiate from every other existing game in town," said the second person aware of the matter.

Alibaba did not respond to a detailed query seeking comment.

While Alibaba's Indian investments are overseen by Raghav Bahl, who was appointed in August, it also launched a $100 million venture capital fund, BAce Capital, which is anchored by Ant Financial, the payments affiliate of Alibaba.

"Alibaba established a separate team for BAce because they needed an independent chain of command and independent valuation procedure to go fast on small deals," said the second person cited earlier. Such deals would range from $250,000 to $15 million across Series A and Series B, a departure from the much larger cheques it writes at later stages.

The team at BAce Capital comprises three former executives of Alibaba and Ant Financial—Benny Chen, former managing director of Ant Financial India and director of strategic alliance for India and South-East Asia; Kshitij Karundia, former senior director of India and South-East Asia strategic investment at Alibaba Group; and Mulyono Xu, former chief international officer of Lazada Indonesia and deputy director of Alibaba Group.

BAce made its first investment, when it participated in an $8 million round in Healofy, a Bengaluru-based pregnancy and parenting platform for Indian mothers.

The interest in smaller deals is further evidenced by Alibaba’s $2 million investment in Noida-based Vidooly in February. Vidooly provides online video analytics and marketing software.

Alibaba is also evaluating vertical e-commerce firms in India, which are seeing huge investor traction in segments such as baby-care, online pharmacies and furniture retailing.

It had considered an investment of about $150 million in FirstCry, India’s largest online retailer of baby products, Mint reported in October. However, Japan’s SoftBank won the deal eventually and invested $400 million in FirstCry in January.

“The horizontal e-commerce boat has sailed because Flipkart and Amazon have too much capital and a huge customer base. While Alibaba is still bullish on India, it will look for more vertical e-commerce firms to invest in, which will provide support to its existing business," said a third person, who works closely with Alibaba and other Chinese investors.

Alibaba’s strategy could also help it catch up with arch-rival Tencent, whose Indian investment portfolio has surged ahead with bets such as Flipkart, Ola, Swiggy and Byju’s, all of which are among the country’s most valuable internet companies.

Source: livemint.com- May 05, 2019

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Traders demand major changes in GST

Traders in the State on Sunday demanded major changes in the Goods and Services Tax (GST), including removal of collection of 18% as charge for bank transactions and bringing petrol and diesel under the GST.

Shops across the city had downed shutters as part of Traders Day celebration on Sunday when thousands of traders, along with their families, attended the 36th annual conference at the YMCA grounds in Royapettah.

In a set of resolutions passed here at the meeting, the Tamil Nadu Vanigar Sangankalin Peramaippu also called for exemption of GST for agriculture products, textiles, sports goods and food items. Peramaippu president A.M.

Vikramaraja said the upper limit for e-way bills under GST should be increased to ₹5 lakh which would benefit small traders.

“GST rates should be brought down according to international standards and there should only be two rates - 5% and 12%,” he added. “If the government that comes to power at the Centre does not implement our demands, traders plan to gherao Parliament,” he said.

N. Senthilnathan of Thanjavur said the model code of conduct should be brought to a close in the State since the voting was over.

Source: thehindu.com- May 06, 2019

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