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IBTEX No. 109 of 2019 June 06, 2019

USD 69.35| EUR 77.90 | GBP 88.00 | JPY 0.64

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21866	45700	**83.90**
Domestic Futures Price (Ex. Warehouse Rajkot), June		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21890	45750	**83.99**

International Futures Price	
NY ICE USD Cents/lb (July 2019)	68.74
ZCE Cotton: Yuan/MT (September 2019)	13,175
ZCE Cotton: USD Cents/lb	86.50
Cotlook A Index – Physical	**79.85**

Cotton Guide: The ICE July futures settled under pressure. The International futures displayed a mixed tone yesterday showing settlement figures in the range of -23 and -47 points. The ICE July future settled at 68.75 cents/lb with a change of -23 points having a trading range of 69.62 as a high figure and 68.42 as a low figure. The ICE December contract settled at 66.81 cents/lb with a change of -39 points. The total volumes were again in the average of 36,000 contracts which are decent enough for the markets to see a trend.

The Total Open Interest decreased by 5,073 contracts to 208,314 which is considered as 23 month low. ICE July interest decreased by 6258 contracts to 82,351 contracts while ICE December interest increased by 1086 contracts to 95,638 contracts.

Certified stocks were reported to be 81,220 bales with another 2000 bales awaiting review.

On the MCX front the contracts settled on the negative side. The MCX June contract settled at 21890 Rs/Bale with a change of -80 Rs. The MCX July contract settled at 22,060 Rs/bale with a change figure of -60 Rs whereas the MCX August contract settled at 22,140 Rs/bale with a change figure of -40 Rs. The volumes were pretty less at 1393 lots due to the festival of Eid celebrated in India.

The Cotlook Index A has been adjusted to 79.85 cents/lb with a change of -0.50 cents/lb. The average prices of Shankar 6 are at 45,700 Rs/Candy.

For the new season, the Monsoons in India are predicted to be hitting the southern coast of India on the 8th of June.

The international outlook for cotton is seen to bearish, however, the domestic market is seen to continuously be on a steady rise since May 14, 2019 and is set to continue with this trend. However, the trend will be clear with a number of reports which are scheduled to be released this month.

The intentions of farmers with respect to the competing crops like corn and soybeans need to be monitored especially in the US, where there is news of good realization being obtained for the other crops as compared to cotton. The planting intentions report will be one to look out for this month. On the other hand the dollar index is also to be looked at continuously by the importers and exporters.

For day, we presume that the domestic contracts will be tilted towards the positive end, with some volatility, whereas on the international end, the contracts will experience volatility this evening with the release of the US Export Sales report. We expect the export sales to be slightly down as compared to the previous one released.

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

Gloomy growth turns world economy to central banks to address warning signs

Australia cut rates on Tuesday and India may follow this week

Central banks are resuming their first-responder role as the world economy runs into trouble even if they lack the firepower they once had at their disposal.

With Australia cutting interest rates on Tuesday for the first time in three years and India likely to follow on Thursday, monetary policy makers are again seeking to shore up weak growth and inflation.

Federal Reserve Chairman Jerome Powell signalled an openness to loosening if necessary. Former Treasury Secretary Lawrence Summers wrote on Twitter that the Fed should cut by 50 basis points over coming months, if not more, to ward off recession risks.

And European Central Bank officials are poised on Thursday to at the very least agree on generous terms for new long-term loans for banks.

Stocks in Asia rose after Powell's signal while Treasuries steadied. Japan led the charge, with the Topix index up more than 1.5 per cent.

The upshot is global monetary policy is turning looser just months after the Fed and many of its counterparts seemed intent on spending 2019 shifting away from the emergency settings of the past decade. An index by the Council on Foreign Relations shows monetary policy now at its easiest since 2014, while JPMorgan Chase & Co. reckons the average benchmark rate of developed nations will end this year looser than now, led by two Fed cuts.

That's the outlook finance ministers and central bankers from the Group of 20 industrial and emerging economies face when they gather this week in the Japanese city of Fukuoka.

The mood regarding global growth is likely to be distinctly gloomier than at the last G-20 gathering, said Matthew Goodman, a former White House official now at the Centre for Strategic and International Studies. This could put pressure on finance ministries and central banks in major economies to inject new stimulus.

The World Bank lowered its 2019 growth forecast citing a slowdown in trade growth to the weakest since the financial crisis.

Worryingly, officials will convene in the knowledge that they have less ammunition and monetary policy is not as potent as it once was. Since the 2008 financial crisis, analysts at Bank of America calculate central banks cut rates more than 700 times and bought $12 trillion of financial assets.

The Fed has a current rate target range of 2.25 per cent to 2.5 per cent, which doesn't leave much room above zero given it cut by 500 basis points to fight the last downturn.

And it, at least, has hiked -- the ECB and Bank of Japan never got to reverse their crisis-era reductions and rates are stuck below zero.

But with below-target inflation and slowing growth, investors are betting on action, and see two quarter-point cuts in the U.S. by the end of 2019. JPMorgan this week pushed back its prediction for when central banks across Europe will start tightening, and ABN Amro sees QE being restarted in the euro region next year.

On Monday, St. Louis Fed President James Bullard said a downward policy rate adjustment could be needed soon. Powell said a day later that policy makers will act as appropriate to sustain the expansion.

In South Africa, the policy bias is shifting, with two of five panel members voting for a cut last month. Still, even after the economy shrank the most in a decade in the first quarter, Governor Lesetja Kganyago is adamant its not his job to boost growth, but control inflation.

Price stability is a necessary condition for balanced and sustainable growth, but it is by no means a sufficient condition, Kganyago in an interview on Tuesday.

Trade war

Behind the global concerns and market jitters are President Donald Trumps trade war with China and threats to expand it to include allies such as Mexico and the European Union. Morgan Stanley is warning that an escalation of the conflict between Beijing or Washington alone could tip the world into recession within nine months.

The trade war is not the only drag on demand. Cooling demand in China, tighter financial conditions and a dimming technology boom are also hurting. Manufacturing is now the weakest its been since 2012, according to a monthly report from IHS Markit.

The slowdown may lead some to argue central banks should have been quicker to normalize policy so they were better positioned to deal with a downturn. But policy makers reject such a strategy, arguing too-fast tightening would risk generating the very economic slump they want to avoid.

Policy review

However, another round of loosening will fan the debate over whether they have the right strategy. Fed officials are meeting in Chicago this week to discuss potential changes to how they manage monetary policy, with at least one delegate advocating a more flexible approach to targeting inflation. Adam Posen, a former Bank of England policy, last month advocated all major central banks unite to boost their targets.

That’s all for the long term rather than the short term. The current situation may mean governments have to step up, though they are also constrained. Global debt is at $184 trillion, the equivalent of 225 per cent of GDP, according to the IMF.

The dilemma is perhaps greatest in G-20 host Japan. Bank of Japan Governor Haruhiko Kuroda is again under pressure to act after exports fell for a fifth straight month and a planned sales-tax hike has drawn warnings it could cause a recession.

As cyclical indicators have started to flash red, greater policy-coordination across the G-20 is urgently required to support demand, said Frederic Neumann, co-head of Asian economics research at HSBC Holdings Plc in

Hong Kong. And yet, officials also confront the growing reality that buffers in individual economies have worn thin.

Source: thehindubusinessline.com- June 05, 2019

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IMF Cuts China Growth Forecast, Citing Downside Trade War Risks

The International Monetary Fund trimmed its forecasts for economic growth in China, and said the trade war with the U.S. is tilting the balance of risks to the downside.

The world's second-largest economy is forecast to expand by 6.2% this year and 6.0% in 2020, a 10th of a percentage point down from the previous estimate in both cases, the fund said at a briefing in Beijing Wednesday.

"China and its partners should work constructively to address shortcomings in the trading system," the fund said in a release on the completion of its annual Article IV mission to China. At the same time, the IMF said that no further policy stimulus would be needed to support the domestic economy, "provided there are no further increases in tariffs or a significant slowdown in growth."

China's economy is undergoing a domestic deceleration and rising tensions with the U.S., which is raising tariffs on Chinese exports and looking to cut off companies such as Huawei Technologies Co. from the U.S. market. President Xi Jinping said this week that output is stabilizing and has improved noticeably, the latest in a series of official statements talking up the strength and resilience of the economy.

The IMF's forecast compares with the median estimate among economists surveyed by Bloomberg of 6.3% expansion in 2019 and 6% next year. The economy showed an across-the-broad slowdown in April, and that trend is likely to be carried into the coming months. The PBOC has maintained its policy of targeted stimulus, and fiscal policy has been stepped up.

The IMF said that while China has made progress on reforms, it should allow market forces to play a more decisive role and accelerate its opening up to the rest of the world.

China's top banking regulatory agency announced new measures to open up its financial services industry to foreign investors last month last month, and PBOC Governor Yi Gang said earlier in the year the bank will focus on developing more hedging tools to help foreign investors manage risks.

Source: sourcingjournal.com- June 05, 2019

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Brazil exports record cotton this season

Brazil shipped 1.1 million tons of cotton between August 2018 and fourth week of May 2019, according to data from the secretariat of foreign trade (Secex). This figure exceeds the record 1.042 million tons of cotton exported in August-July 2011-12 season. During the last 12 months, the volume of cotton exported from Brazil totals 1.12 million tons.

In May 2019, the daily average of shipments was 3,900 tons, 15.5 per cent higher than that from April 2019.

The total volume exported in May stood at 67,100 tons, according to Secex. In terms of revenue, the daily average was $6.7 million, 15.5 per cent higher than $5.8 million earned in the previous month. The average was $1.6 million a year ago.

Meanwhile, the trading pace was slow in May. "Purchasers were using the cotton previously acquired and/or stocked, and when they were interested in closing new deals, bidding prices were lower than asking prices.

Besides, many of them reported difficulties to find cotton within the desired quality, since higher quality cotton has been allocated to exports," Center for Advanced Studies on Applied Economics (CEPEA) said in its latest fortnightly report on the Brazilian cotton market.

Between April 30 and May 31, the CEPEA/ESALQ cotton Index, with payment in 8 days, dropped 2.6 per cent, closing at 2.8720 BRL per pound on May 31.

The average price in May, at 2.8821 BRL per pound, was 4 per cent lower compared to April 2019.

Source: fibre2fashion.com- June 05, 2019

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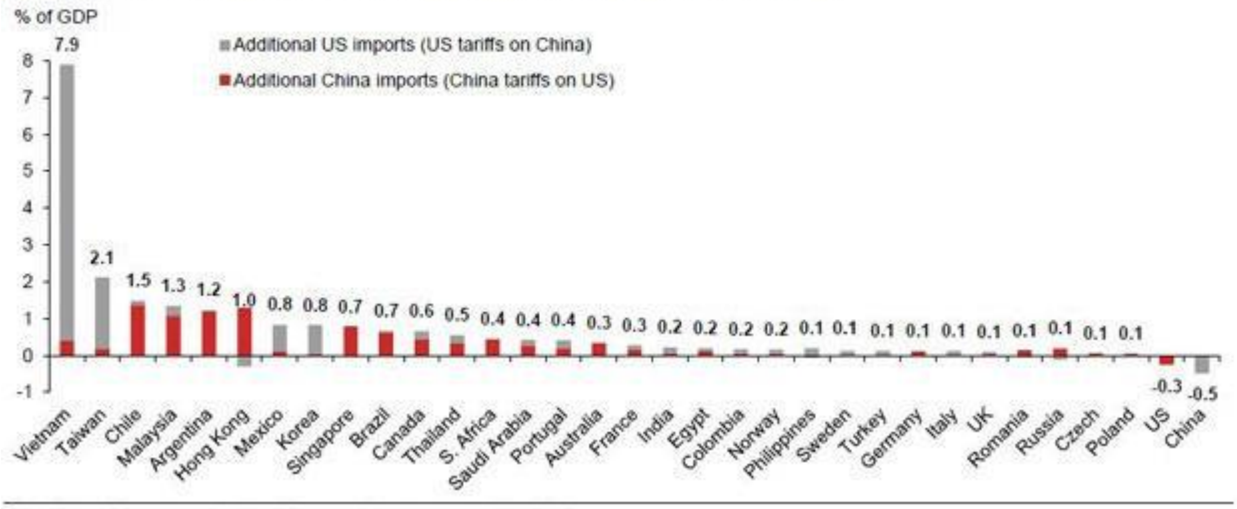
Vietnam, Taiwan, Chile: Three biggest gainers from US-China trade war

Nomura's findings are based on the study of world's 50 biggest economies from the first quarter of 2018 (Q1CY18) till the first quarter of CY19 (Q1CY19)

The ongoing trade war between the United States (US) and China is likely to benefit Vietnam the most, followed by Taiwan and Chile, suggests a report by Nomura titled “Exploring US and China trade diversion”, co-authored by Rob Subbaraman, Sonal Varma and Michael Loo.

The findings are based on the study of world's 50 biggest economies from the first quarter of 2018 (Q1CY18) till the first quarter of CY19 (Q1CY19).

Fig. 16: Estimates of trade diversion beneficiaries by country (% of country 2019 GDP)



Note: We show the countries which benefit by more than or equal to 0.1% of GDP.
Source: US Census Bureau, China General Administration of Customs and Nomura.

Besides these three, Malaysia, Argentina, Hong Kong, Mexico, Korea, Singapore and Brazil are the other countries / economies among the top 10 that Nomura believes will benefit the most. Canada, Thailand, South Africa

Saudi Arabia, Portugal, Australia, France, India, Egypt and Colombia are ranked as the 11 - 20th world economies that will stand to gain from this trade spat.

"US import substitution has benefitted Vietnam, Taiwan and Korea in electronics products; Malaysia in semiconductors; and Korea and Mexico in motor vehicle parts.

Fig. 19: US imports from China: Top 20 products with highest import substitution index

	4-digit HS code	Category	Change in import share, Q1 19 from Q1 18	Share of total US imports from China	Import substitution index
			Percentage points	% share	Index
			A	B	A x B
1	8517	Electric Apparatus For Line Telephony Etc, Parts	-13.3	13.6	-180.7
2	8473	Parts Etc For Typewriters & Other Office Machines	-40.1	3.8	-154.3
3	8471	Automatic Data Process Machines; Magn Reader Etc	-5.9	8.6	-50.9
4	9403	Furniture And Parts Thereof	-8.1	2.4	-19.5
5	4202	Travel Goods, Handbags, Wallets, Jewelry Cases Etc	-12.2	1.1	-14.0
6	8523	Prepared Unrecorded Media (no Film) For Sound Etc.	-10.2	0.8	-8.6
7	6810	Articles Of Cement, Concrete Or Artificial Stone	-35.9	0.2	-8.1
8	8504	Elec Trans, Static Conv & Induct, Adp Pwr Supp, Pt	-6.9	1.1	-7.9
9	9401	Seats (except Barber, Dental, Etc), And Parts	-2.8	2.2	-6.1
10	8525	Trans Appar For Radiotele Etc; Tv Camera & Rec	-5.6	1.0	-5.7
11	9405	Lamps & Lighting Fittings & Parts Etc Nesoi	-3.6	1.4	-4.9
12	4412	Plywood, Veneered Panels & Similar Laminated Wood	-16.6	0.2	-3.9
13	7321	Stoves, Ranges Etc, Nonel Domest & Pts, Ir & Steel	-7.1	0.5	-3.8
14	8542	Electronic Integrated Circuits & Microassembl, Pts	-5.1	0.7	-3.4
15	8544	Insulated Wire, Cable Etc; Opt Sheath Fib Cables	-3.8	0.9	-3.3
16	8543	Electrical Mach Etc, With Ind Functions Nesoi, Pts	-4.1	0.8	-3.1
17	8712	Bicycles & Oth Cycles (inc Del Tricycle) No Motor	-15.4	0.2	-3.0
18	8708	Parts & Access For Motor Vehicles (head 8701-8705)	-1.4	2.1	-2.9
19	3923	Containers (boxes, Bags Etc), Closurers Etc, Plast	-5.6	0.5	-2.9
20	8481	Taps, Cocks, Valves Etc For Pipes, Tanks Etc, Pts	-3.1	0.9	-2.8

Source: US Census Bureau and Nomura.

China's import substitution, has led to beneficiaries in copper (Chile), soybeans (Argentina, Brazil, Chile and Canada); gold (Singapore, Hong Kong and South Africa); natural gas (Malaysia, Australia); and aircraft (France and Germany)," the report says.

The study covers US tariffs on $250 billion worth of imports from China and Chinese tariffs on $110 billion worth of imports from the US. Basis this, Nomura sees evidence of US and China import substitution in 52 per cent of the 1,981 tariffed products.

Though the substitution effect may be small in relation to the size of US and China GDP, analysts at Nomura believe that going ahead, the development can give a substantial boost to exports of third-party countries with smaller economies.

Fig. 20: China imports from US: Top 20 products with highest import substitution index

	4-digit HS code	Category	Change in import share, Q1 19 from Q1 18	Share of total US imports from China	Import substitution index
			Percentage points	% share	Index
			A	B	A x B
1	1201	Soybeans, whether or not broken	-48.7	12.4	-602.6
2	8802	Aircraft nes, 2,000 kg< unladen weight	-24.4	6.6	-162.5
3	1007	Grain sorghum, excl. seed	-99.5	0.9	-90.3
4	5201	Cotton, not carded or combed	-50.1	1.0	-52.1
5	2207	Undenatured ethyl alcohol, of alcohol	-81.1	0.4	-35.8
6	7108	Gold in unwrought forms non-monetary	-7.2	2.9	-20.5
7	2711	Natural gases in gaseous state	-8.0	2.3	-18.0
8	7404	Waste & scrap of copper	-13.9	1.1	-15.3
9	4902	Newspapers, journals & periodicals	-58.3	0.2	-12.7
10	3815	Supported catalysts with nickel or its compounds	-17.3	0.6	-11.1
11	0206	Frozen edible swine offal (excl. livers)	-24.8	0.4	-10.1
12	0802	Walnuts without shells, fresh or dried	-26.0	0.4	-9.3
13	4407	Wood of other pine, sawn lengthwise	-8.2	1.0	-7.9
14	4707	Waste & scrap of unbleached kraft paper or paperboard	-7.3	1.1	-7.8
15	1214	Other forage products, nes	-24.8	0.3	-6.5
16	0306	Other frozen crabs	-12.3	0.4	-4.6
17	2616	Precious metal ores&concentrates (excl. silver)	-14.7	0.3	-4.3
18	1202	Ground nuts, shelled, whether or not broken	-61.5	0.1	-3.9
19	0805	Grapefruit, including pomelos,fresh or dried	-31.0	0.1	-3.8
20	4703	Semi- or bleached non-coniferous chemical wood pulp	-3.2	1.1	-3.4

Source: China General Administration of Customs and Nomura.

The report pegs Vietnam as the biggest beneficiary, gaining 7.9 per cent of GDP (gross domestic product) from trade diversion, followed by Taiwan (2.1 per cent of GDP), Chile (1.5 per cent), Malaysia (1.3 per cent) and Argentina (1.2 per cent).

For India, the benefit is pegged at 0.2 per cent of 2019 GDP. Petrol, bitumen mineral, articles of cement, concrete or stone, parts and accessories from motor vehicles, taps, valves, pipe tanks carpets and other textile floor coverings are some of the products where India stands to gain.

'COLD WAR' IN TECHNOLOGY

A major risk for the US, according to the Nomura, is the likely impact on the electronic products it sources from China. If the US follows through on 25 per cent tariffs on the remainder of $325 billion worth of products and if the US business restrictions on China's Huawei and ZTE technology companies escalate into a 'cold war' (in technology), the impact on US companies could be severe.

"A striking statistic is that from US listed companies in the S&P 500, 12 of the top 20 with net sales in China are electronic companies with combined revenue of $144 billion in 2018. That is larger than US total merchandise exports to China of $120 billion in 2018," the report says.

Apple Inc, Intel Corp, Micron Technology, Qualcomm, Texas Instruments, Applied Material and Western Digital are some of the US impacted companies, Nomura says, that had 19 per cent to 45 per cent share of sales to China as a percentage to their total sales in 2018.

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Source: business-standard.com- June 05, 2019

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E-com sales in Latin America worth $80 bn in 2018

E-commerce sales in Latin America were worth $80 billion in 2018—2 per cent of the global total—making the region the second lowest in per capita e-commerce sales globally, according to a study by the Freedonia Group on global e-commerce. Revenues are largely driven by Brazil and Mexico, which together accounted for 57 per cent of the region's sales in 2018.

Logistical problems, including delayed shipment or unfulfilled orders, have prevented consumers from engaging with e-commerce in the past, but solutions such as offering better refund and return policies can increase consumer satisfaction, says the study.

Improvements to postal services, the development of crowd-sourced delivery, and a better focus on customer service are all expected to aid growth in online sales, according to a press release from The Freedonia Group.

In comparison, e-commerce sales in the world as a total are projected to nearly double by 2023, expanding 13 per cent annually to $6.7 trillion, says the study.

North America has the highest per capita e-commerce sales in the world. A well-developed logistics framework and plenty of competition keeps total cost of fulfilment relatively low for e-commerce orders, it added.

Source: fibre2fashion.com - June 06, 2019

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Myanmar apparel export earnings on the rise

In 2018, export earnings of Myanmar’s garment sector touched nearly $4.6 billion dollars. And by 2024, total export earnings are expected to reach $20 billion. While the garment sector has seen a five-fold increase in the number of workers their income has increased tenfold.

There are 356 garment factories in the country. The garment industry has been on an upward trend. In 2022, export earnings from the garment industry are projected to reach eight to ten billion dollars. The industry is expected to create 1.5 million jobs. Most of workers will be female.

Myanmar exports items from seven major commodity groups. These include: manufactured goods consisting mainly of garments as well as agriculture produce, minerals, cattle, fisheries and forestry products. Myanmar's major import items are divided into four groups — capital goods, intermediate goods, consumer goods and cut-make-pack garment products.

The higher volume of exports reflects the government's efforts to reduce the trade deficit by screening luxury imports, encouraging import substitutes and boosting exports. They also come at a time when foreign direct investments into the country have eased over the past year. Myanmar's current account deficit, which includes the trade deficit, is financed mainly by foreign direct investments into the country.

Source: fashionatingworld.com - June 04, 2019

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Vietnam biggest winner from first year of the US-China trade war as supply chains shift, report shows

Vietnam is the biggest winner from the shift in supply chains caused by the nearly year-long trade war between China and the United States, according to a report, as importers from the world's two largest economies sought to avoid paying increased tariffs.

The economy of the Southeast Asian nation has been boosted by almost 8 per cent because of the shift in production resulting from the US-China trade war, according to analysis by Japanese investment bank Nomura.

The bank studied trade data for the world's 50 biggest economies. Its report spanned from the first quarter of 2018, shortly before the US released its first list of Chinese imports on which it planned to increase tariffs, to the first three months of 2019. The goal was to gauge the extent of the trade diversions – the redirection of goods to avoid paying duties.

The majority of Vietnam's gains came from additional imports of goods covered by US tariffs on China, mainly electronic apparatus for telephones, furniture and automatic data process machines, likely because multinationals could swiftly relocate to factories outside China, the analysis said.

A small portion came from China's additional import of boards, panels, uncombed single cotton yarn, cotton and other electrical appliances from Vietnam instead of the US.

Diversion of US imports of goods, such as electronics, have also favoured Taiwan and South Korea, traditionally big manufacturers of such products.

Furthermore, as China searched for new suppliers of agricultural goods such as soybeans and major commodities including copper, Chile, Malaysia and Argentina also stood out as beneficiaries.

However, it should be noted that the economies of Taiwan and South Korea are heavily exposed to fluctuations in the Chinese market. Korean gross domestic product (GDP) for the first quarter shrank by 0.4 per cent from the final quarter of 2018, data released on Tuesday showed.

Taiwan's exports, meanwhile, shrank by 3.3 per cent in April from a year earlier, meaning that despite the fact that it is picking up some of China's trade diversion, it is suffering as a result of lower demand in China, which is by far its largest trading partner, accounting for 28.8 per cent of total exports.

"Importantly, these results suggest that if the US follows through on its threat to impose 25 per cent tariffs on its remaining US$300 billion of imports from China, it could lead to substantially more import substitution, given that a much larger proportion of this tranche of imports comprises of electronic products," Nomura's analysts wrote.

Nomura found that 12 out of the top 20 companies listed on the American S&P 500 stock index with net sales in China were electronic companies with a combined revenue of US$144 billion last year.

The US is now soliciting public comments on the Trump administration's plan announced in May to impose tariffs of up to 25 per cent on the remaining US$300 billion worth of Chinese goods, with a hearing set to take place on June 17. If a similar pattern to previous tariff imposition is followed, the next raft could be in place as early as July.

"If recent US business restrictions on China's Huawei and ZTE technology companies escalate into a 'cold war' on technology, the potential for major reallocation of global value chains should not be underestimated, as China's tech giants shift from US suppliers to local ones, and as multinationals through the supply chain turn to new suppliers and customers," the report said.

The shift in supply chains has shaved 0.5 per cent from China's GDP this year, compared with 0.3 per cent in the US, since exports to US made up a larger share of China's economy, according to the research.

In terms of the value of goods, the US has been able to find more alternative sources for its imports than China. Around two-thirds of Chinese products hit by US tariffs by volume, or 86 per cent by value, were able to be substituted by goods from other countries.

China was able to find alternative sources for 41 per cent of goods tariffed by the US by volume, or 68 per cent in value terms.

However, Nomura's analysts were keen to point out that the economic uncertainty caused by the trade war, along with a general slowdown in global demand, tempered the overall benefit felt by any third economy in the equation.

Furthermore, tariffs on both sides mean that companies in the midst of the global supply chain are losing out, even if other companies are picking up additional business.

"Higher US tariffs penalise not only the assembler of the product, but also suppliers through the value chain, and smaller Asian economies are particularly vulnerable, given Asia's elaborate value chains with China at the epicentre," the report concluded.

Source: scmp.com - June 05, 2019

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Bangladesh knit imports up 27 per cent

Bangladesh's imports of knitted fabrics are up 27.69 per cent. Western retailers demand the use of fabric from a particular country or vendor to manufacture apparel in Bangladesh.

For instance, some western retailers recently suggested using knitted fabrics from India as the apparel products would be sold in the neighboring country, where foreign brands have set up shop. This trend has led to stockpiling of yarn and knitted fabrics.

Local spinners are in big trouble due to rising imports of knit fabrics, jeopardising investments in the primary textile sector over the years to get the industry up to speed. They are losing competitiveness due to buyers' nomination of fabrics. Stockpiling of unsold yarn and knit fabrics has been growing every month due to such decision by buyers.

Meanwhile, brands operating in India have been encouraged to focus on sourcing from within and increase engagement levels with apparel clusters in the country. The appeal comes in the wake of a 53 per cent jump in import of garment products from Bangladesh.

The expenditure on imports would have created an additional 6,000 jobs in the spinning sector, 500 jobs in the processing sector, 1,00,000 jobs in the garmenting sector and another 40,000 jobs in the printing and embroidery sector of the textile value chain.

Source: fashionatingworld.com - June 04, 2019

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Azeri textile park to export 1st batch of yarn to Portugal

Azerbaijan's Gilan Textile Park will start exporting its first batch of cotton yarn to Portugal. The primary shipments are likely to be in small quantities.

The company at present is negotiating with European partners to export finished products. It uses domestic cotton to manufacture various products. No chemical products harmful to human health are used. The park was commissioned in 2012 in Sumgayit and its products include bathrobes and towels, bed linen, blankets and pillows made of 100 per cent cotton.

Azerbaijan's target is to bring annual cotton production to 500,000 tonnes by 2022 from the current 260,000 tonnes, according to a report in an Azeri news portal. The country exported cotton fibre worth $80.5 million and cotton wool yarn worth $24 million in 2018. Compared to 2017, exports of cotton yarn increased by 2.4 times.

Source: fibre2fashion.com - June 06, 2019

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Trade wars: The real cost of Trump's tariffs

Earlier this month, US President Donald Trump suddenly revealed that a trade agreement between the United States and China was not imminent after all. On the contrary, on May 10, the Trump administration raised its previous 10% tariff on $200 billion worth of Chinese goods to 25%, and threatened to apply the same rate to the remaining $300 billion or so of US imports from China by late June.

China then retaliated with reciprocal tariffs on $60 billion worth of US exports, effective June 1. Surprised stock markets fell in response, with the S&P 500 down 4% over the first week of the renewed trade war.

US trade policy is now a hot mess of conflicting goals. Given the current impasse in talks with China, and Trump's general unpredictability, the inconsistencies of US trade policy—and their costs—are unlikely to go away soon.

For starters, the US officials and some prominent economists defend the high US tariffs as a regrettable but temporary expedient, and a necessary means to a strategic end. On this view, the tariffs are a weapon that will enable Trump, the consummate dealmaker, to force concessions from China and America's other trading partners.

Yet Trump looks and talks like someone who would be perfectly satisfied if the tariffs became permanent. He continues to insist that China is paying the cost of the tariffs, sending money to the US Treasury. Moreover, he seems unfazed by the possible long-term effects of a protracted trade war: a decoupling of the Chinese and American economies, and a loss of gains from trade; including a dismantling of the supply chains on which so much industry in both countries depends.

At the same time, the Trump administration is demanding that China make it easier for American companies to set up operations in the country—in particular, by ensuring that US firms are not required to hand over technology or other intellectual property to local partners. But this seems inconsistent with Trump's goal of increasing US net exports to China, which would presumably involve American firms producing at home rather than in China.

The incoherence of Trump's trade policies is even more worrying on closer inspection. If higher tariffs remain indefinitely—as now appears possible—the US and the global economy will be worse off. Trump's gleeful belief that China is helping to fund the US government via the tariffs is outlandish. A tariff is a tax, and it is US consumers and firms, not China, who are paying it. True, Chinese exporters might in theory have had to lower their prices if US tariffs had led to a sufficiently large drop in demand for their products. But, two new studies by eminent economists using 2018 data find that Chinese exporters have not lowered their prices and that, as a result, the full extent of the price increase has been passed through to US households.

According to one estimate, if Trump goes ahead with his threat to extend the 25% tariff to all imports from China, the cost for a typical US household will be $300-$800 per year; another puts the additional costs as high as $2,200 per year. Moreover, this does not count the cost to US firms, workers, and farmers from lost exports—the result of Chinese retaliation and other effects, including appreciation of the dollar against the renminbi.

An extended tariff war would also result in a loss of gains from US-China trade. Economists have long said that the public can't be expected to understand the principle of gains from trade without having been taught British economist David Ricardo's principle of comparative advantage. This idea—which states that trade between two countries can be mutually beneficial, even when one country can produce everything more cheaply than the other—was famously described by US economist Paul Samuelson as being both universally true, and yet not obvious.

But in fact, one does not need a full grasp of the principle of comparative advantage to understand the basic idea of mutual gains from trade. If both the buyer and the seller voluntarily agree to the exchange, then they both gain. This assumes that they are each good judges of what they want—or at least, better than the government is. This assumption is usually correct, with some exceptions (such as users' opioid purchases).

To say that both countries gain overall from trade is not to claim that every citizen of each country benefits. Changes in trade or tariffs give rise to both winners and losers within each country. But whereas winners tend to outnumber losers when trade is liberalised, raising tariffs normally has the opposite result.

Trump appears to have engineered a spectacular example of this: his trade war with China has hurt almost every segment of the US economy, and created very few winners. The losers include not only consumers, but also firms and the workers they employ, from farmers losing their export markets to manufacturers forced to pay higher input costs. Even the US auto industry, which did not ask for Trump's "protection," is worse off overall because it has to pay more for imported steel and auto parts.

As a result, Trump has come close to accomplishing something seemingly impossible: tariffs that benefit almost no one. Protectionism is usually explained as the result of special interests wielding disproportionate power. Trump's tariffs against Chinese goods do not fit this theory. And a theory that does explain them may not exist.

Source: financialexpress.com - June 06, 2019

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NATIONAL NEWS

World Bank retains India's growth rate for FY19-20 at 7.5 per cent

India's economy is projected to grow at 7.5 per cent in the next three years, supported by robust investment and private consumption, the World Bank has forecast, in some good news to the new Indian government.

The bank in its Global Economic Prospects released Tuesday said that India is estimated to have grown 7.2 per cent in fiscal year 2018/19, which ended March 31. A slowdown in government consumption was offset by solid investment, which benefitted from public infrastructure spending.

As against a growth rate of 6.6 per cent in 2018, China's growth rate in 2019 is projected to be dropped to 6.2 per cent and then subsequently to 6.1 per cent in 2020 and 6 per cent in 2021, the World Bank said.

With this, India will continue to retain the position of being the fastest growing emerging economy. And by 2021, its growth rate is projected to be 1.5 per cent more than China's 6 per cent.

The World Bank's report came as a good news for India days after Data from Central Statistics Office (CSO) showed that India's economic growth slowed to a five-year low of 5.8 per cent in fourth quarter of 2018-19, pushing the country behind China.

The decline in the economic activity has been attributed by the CSO to steep decline in growth in agriculture and manufacturing sectors.

According to the World Bank, growth in India is projected at 7.5 per cent in Fiscal Year 2019/20 (April 1, 2019 to March 31, 2020), unchanged from the previous forecast, and to stay at this pace through the next two fiscal years.

"Private consumption and investment will benefit from strengthening credit growth amid more accommodative monetary policy, with inflation having fallen below the Reserve Bank of India's target," it said.

Support from delays in planned fiscal consolidation at the central level should partially offset the effects of political uncertainty around elections in FY2018/19, it said.

The World Bank said that India's urban consumption was supported by a pickup in credit growth, whereas rural consumption was hindered by soft agricultural prices.

On the production side, robust growth was broad-based, with a slight moderation in services and agricultural activity accompanied by an acceleration in the industrial sector. Weakening agricultural production reflected subdued harvest in major crops on the back of less rainfalls, it said.

Services activity softened mainly due to slowing trade, hotel, transport, and communication activity. The industrial sector benefited from strong manufacturing and construction with solid demand for capital goods. The slowing momentum in economic activity in late 2018 carried into the first quarter of 2019, as suggested by softening services and manufacturing Purchasing Managers' Indexes, the report said.

Observing that the new Goods and Services Tax regime is still in the process of being fully established, creating some uncertainty about the projections of government revenues, the report said fiscal deficits continue to exceed official targets in some countries — India, Pakistan.

The World Bank's report came as New Finance Minister Nirmala Sitharaman is set to present the first budget of the Narendra Modi 2.0 government on July 5. The former defence minister, who inherits a fractured economy, is expected to accelerate the reform process.

In her budget, 59-year-old Sitharaman will have to address slowing economy, financial sector troubles like rising Non-performing Assets and liquidity crisis in non banking financial companies, job creation, private investments, exports revival, agrarian crisis and raise public investment without compromising on fiscal prudence.

Source: financialexpress.com- June 05, 2019

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US decision to withdraw GSP benefits violates global trade rules: Experts

The sectors which would be impacted include most imitation jewellery, leather articles, pharmaceuticals, chemical and plastics, basic and processed agri goods

The US' decision to withdraw incentives for Indian exporters violates global trade rules as it discriminates among developing countries, trade experts say.

The US has decided to roll back export incentives provided under Generalised System of Preferences (GSP) from June 5. The move is expected to impact India's exports wroth USD 5.6 billion under this programme.

Dhruv Gupta, Partner (International Trade), Lakshmikumaran & Sridharan, said that irrespective of the eventual trade impact, the US' action of withdrawal of benefits against India is at loggerheads with its WTO obligations.

"It goes against the fundamental principle of non-discrimination because it discriminates between developing countries," Gupta said in a statement.

The decision also undermines the objective recognised in the preamble to the World Trade Organization (WTO) agreement that there is a need for 'positive efforts' to ensure that developing countries secure a share in their growth in international trade commensurate with the needs of their economic development, he said.

Industry body CII too has stated that this decision has been taken in "haste" and would hurt domestic exporters.

It has expressed hope that both the US and India would discuss the matter and find an amicable solution to this issue.

Federation of Indian Export Organisations (FIEO) said that in respect of products having GSP benefits of 3 per cent or more, exporters may find it difficult to absorb the GSP loss.

The sectors which would be impacted include most imitation jewellery, leather articles, pharmaceuticals, chemical and plastics, basic and processed agri goods, it said.

“Government should provide some supports to products where GSP loss has been significant so that the market is not lost. Extension of rebate of state and central tax levies scheme on such products on exports to US will be beneficial,” FIEO President Ganesh Kumar Gupta said.

As many as 1,900 Indian products from sectors such as chemicals and engineering get duty free access to the US market under the GSP, introduced in 1976.

The US has alleged that India is not providing equitable market access to its companies and has raised serious concerns over capping of prices of certain medical devices. It is also seeking market for its dairy products.

Source: thehindubusinessline.com- June 05, 2019

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Bold steps needed to boost the economy

Focus on supply-side management is the best way to reverse the current slowdown. But a weak monsoon could play spoilsport

The Indian economy is facing a slowdown, with GDP growth clocking 5.8 per cent in Q4 2018-19 and 6.8 per cent for the year as a whole. This quarterly growth rate number, it may be noted, is being witnessed after a long period of about 18 quarters.

Besides, during 2018-19, the quarterly growth rates have been consistently decelerating: 8 per cent in Q1, 7 per cent in Q2, and 6.6 per cent in Q3. It may also be noted that the slowdown is accompanied by a high unemployment rate across the labour force — skilled, semi-skilled and unskilled.

Together, they paint a gloomy picture of the economy and pose a tough challenge to the new government. There are reports of big bang reforms on the way but navigating these times is not going to be easy.

First, it is important to understand the nature of the slowdown that has taken root. The major contributing factors for the slowdown from the demand side are a deceleration in investment rate measured in terms of the percentage share of gross fixed capital formation (GFCF) to GDP in Q4 to 30.7 per cent from 32.8 per cent in Q1.

When analysed from the supply or economic activity side, technically called gross value added (GVA), the economic growth slowdown was primarily attributed to collapse of agriculture growth in Q4 to a negative 0.1 per cent from 5.1 per cent in Q1. Besides, there has been consistent deceleration in agriculture and allied sectors in all the quarters (Q2: 4.9 per cent, Q3: 2.8 per cent), which has resulted in a lower year-on-year (y-o-y) increase of 2.9 per cent than that of 5 per cent in 2017-18.

We must ask if the slowdown is statistical (because of the base effect), cyclical, structural, or a combination of these? In any statistical measurement, the base effect cannot be ignored, implying that a higher growth recorded in the previous year may result in a lower growth in the following year. But consistent lower growth on a quarterly basis cannot be ignored as temporary and cyclical. Moving the economic growth to a higher trajectory from below 7 per cent (6.8 per cent) in 2018-19 and 7.2 per cent in 2016-17 will be a challenge for the new government.

The RBI, in its Monetary Policy Report of April, has forecast that the Indian economy would grow at 7.2 per cent in 2019-20 and 7.4 per cent in 2020-21. This baseline scenario assumes a normal monsoon, benign CPI inflation and no oil shock. But the situation has reversed. As against 7 per cent growth projected by the RBI, the growth rate was 6.8 per cent in 2018-19.

Monsoon factor

The assumption of a normal and timely monsoon may not hold as the IMD has already predicted a delayed monsoon. Evidence suggests a delayed monsoon results in a below normal monsoon. In the event of such a situation, there will be pressure on agriculture in general and prices of vegetables and fruits in particular.

This development will result in a U- turn in the benign food inflation situation and lead to an upswing on the inflation front. If there is a reversal in inflation, growth will be adversely affected.

Besides, the geo political tension in trade relations with the US coupled with the possibility of oil price hike will swell the current account deficit (CAD) from the present estimate of 2.3 per cent GDP. This will put pressure on the exchange rate and make the management of capital flows and financing of the CAD in a non-disruptive manner difficult.

Thus, logging a growth rate of 7.4 per cent and moving the economy to its potential 7.5-8 per cent level will be a bigger challenge for the NDA government in its second term. The government, therefore, needs to make bold structural reforms, engaging itself with supply-side management. The conventional demand management of lowering interest rate through policy repo rate reduction is only a second-best solution at the current juncture.

One way to address the supply-side management is to look at the ratio of investment and incremental capital output ratio (ICOR). The investment rate needs to be supplemented by greenfield foreign direct investment (FDI). In this context, it is important to revisit the sectoral caps. So far as the domestic savings rate is concerned, there is an urgent need to reverse the dis-savings of the government by eliminating the revenue deficit, which was 2.3 per cent in 2018-19. This requires appropriate structural tax reforms by widening the tax base and increasing voluntary tax compliance — a long-term game.

Further, the government needs to urgently look at creating or enabling new employment opportunities. This ties into investments in physical and social infrastructure and increasing efficiency through higher productivity. ICOR on an average has been four (indicating four units of capital required to achieve one unit of economic growth) while the global benchmark is around two. Any reduction in ICOR critically hinges on increasing productivity.

PSU divestment

There is no quick fix in the given situation. Suggestions that the government will go on a PSU-privatisaton spree, as reported, carry little meaning because in the end who will buy PSU shares when the economy is weak and businesses are not reporting good numbers.

This is precisely what has happened in the past — PSU sales became inter-governmental adjustments, with public sector banks and institutions buying shares when the market does not. Thus privatisation cannot be forced or rushed — it must await its time, and can only be a slow process.

In general, supply management in terms of enhancement of productivity holds the key to higher growth and employment. Bold policy decisions on land reforms, labour market reforms, tax reforms for voluntary compliance, skill development through vocational training, strengthening of physical and social infrastructure, and autonomy for key institutions should be the focus of the new government. Some of these are in the works, but with the weather gods not smiling (at least for now) many a plan could go haywire.

Source: thehindubusinessline.com- June 04, 2019

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US GSP withdrawal: New markets, subsidy to help India contain trade deficit

New export markets, financial support and lower crude oil prices are likely to offset the impact on trade deficit caused by US ending preferential treatment to various goods supplied from India.

The Trump administration had last week announced withdrawal of generalized system of preferences or GSP benefits from June 5, 2019. These non-reciprocal and non-discriminatory export benefits are extended by developed countries to developing countries.

Industry observers cite the benefit of only around $200 million as insignificant to cause major worry. However, the move could not have come at a worse time for India's economy which faces a consumption slowdown, slower growth and contraction in core industrial production.

Latest figures show that the country's trade deficit during April widened to $15.33 billion as against the deficit of $13.72 billion during the corresponding month of last year.

"The withdrawal of GSP benefits to exports will have a one-time impact which will be reflected in the overall trade deficit," Sunil Kumar Sinha, Director, Public Finance and Principal Economist India Ratings and Research (Fitch Group), told IANS.

"However, rather than relying upon any export subsidy scheme, exporters should pursue newer markets such as South America and Africa. We should also become globally competitive in terms of manufacturing and cost structures."

However, Trade Promotion Council of India's Chairman Mohit Singla said: "The loss is minimal. Besides, the goods exported to the US such as pharmaceuticals, natural or cultured pearls and machinery and mechanical appliances, among others, are difficult to replace due to India's competitiveness in these products."

"So, India may not be affected significantly and it can enhance its exports in other countries to cover the minor loss."

India's top GSP exports to the United States in 2018 included motor vehicle parts, ferro alloys, precious metal jewellery, building stone, insulated cables and wires.

Overall, out of $36 billion exports to the US by India, $5.7 billion worth of exports from India will be impacted. India's trade surplus for merchandise goods with US is almost $18-19 billion.

On the other hand, Federation of Indian Export Organisations' President Ganesh Kumar Gupta pointed out that exporters of products having GSP benefits of 3 per cent or more will find it difficult to absorb the loss.

According to Gupta, most affected sectors will be imitation jewellery, leather articles other than footwear, pharmaceuticals and surgical products and chemical and plastics.

He said government should provide supports to products where GSP loss has been significant so that "the market is not lost". Earlier in March, the US had given a 60-day withdrawal notice to India on the GSP benefits extended by it.

The US commenced a review in April 2018 on India's GSP benefits, while both the countries were discussing various trade issues of bilateral interest.

Source: business-standard.com- June 05, 2019

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Goyal to hold discussions for trade promotion

Commerce and Industry Minister Piyush Goyal will brainstorm on issues such as export promotion, monitoring of infrastructure projects, import substitution, increasing logistics efficiency and leveraging the government e-market place at a joint meeting of the Board of Trade and the Council of Trade Development and Promotion in New Delhi on June 6.

“Discussions will be held on various issues relating to promotion of exports and domestic manufacturing and reduction in imports. Issues related to improvement in logistics, agricultural export will also be discussed,” according to an official release.

Secretaries of the Departments of Commerce, Revenue, Shipping, Road Transport and Highways, Civil Aviation, Promotion of Industry and Internal Trade, Agriculture, Information Technology and Textiles will participate in the high-level joint meeting along with representatives of export promotion councils and representatives of industry.

The Board of Trade includes top corporates including Anand Mahindra from the Mahindra Group, Pawan Munjal from Hero Motocorp, Ramesh Chandra from Unitech, Kiran Mazumdar Shaw from Biocon, K Satish Reddy from Dr Reddy’s, Habil Khorakiwala from Wockhardt, Shiv Nadar from HCL and Sanjay Kirloskar from Kirloskar Brothers.

The Board advises the Commerce and Industry Ministry on policy measures related to the Foreign Trade Policy in order to achieve the objectives of boosting India’s trade.

The Council for Trade Development and Promotion provides for dialogue with States/UTs on measures for providing an international trade enabling environment.

Source: thehindubusinessline.com- June 04, 2019

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Apparel imports go up as exports continue to shrink

Duty free imports from Bangladesh have been worrying the industry.

Despite being a fairly large player in the apparel trade, India's imports of apparels grew more than 30 per cent in FY19 while the exports continued to decline. Duty free imports from Bangladesh have been worrying the industry.

Apparel exports by the country were down 3.42 per cent in FY19. However, as per the data available for the 11-month period till February 2019, apparel imports were 32 per cent higher compared to the previous fiscal.

Between April and February, the country imported $1,019 million worth apparels against $773 million in FY18. Once March data comes in, the imports are likely to further go up.

"Bangladesh is mainly responsible for the increase in imports. Under the free trade agreement with Bangladesh, the country has been increasingly exporting to India.

More worrying is the fact that our textile production is coming down while apparel imports are going up. This is affecting the entire value chain. Bangladesh is buying fabric from China to make apparels and sending it to India,' said Chandrima Chatterjee, Adviser, Apparel Export Promotion Council.

Despite being a neighbour, time factor is a main impediment in the fabric trade between India and Bangladesh. "It takes almost a month for Indian fabric to travel by land from Surat to Bangladesh apparel units as it gets struck at the border for around 15 days, waiting for clearance. The Chinese goods, on the other hand, reach faster through the sea route. We have asked the ministry to do something about this logistics issue," said Sanjay Jain, Chairman, Confederation of Indian Textile Industry.

Further, Chinese fabric is competitive in terms of cost compared to Indian fabric. In fiscal 2017-18, garment exports to India more than doubled to $278.68 million and between July and December 2018 it was up 143 per cent and had already touched $270 million.

Bangladesh Commerce ministry had reportedly expressed its confidence to export $2 billion worth of apparel to India in the next two years on the back of duty-free access market and rising demand for garment items at competitive prices.

Source: asianage.com- June 05, 2019

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No change in last date to file annual GST return: Finance Ministry

Here is a list of issues to keep in mind when you file your annual returns

The Union Finance Ministry, on Tuesday, issued a detailed clarification on the annual return filing for the Goods & Services Tax (GST). The last date to file returns will continue as June 30.

GST assessees should keep the following issues in mind at the time of filing the return:

a) Information contained in FORM GSTR-2A as on May 1, 2019 shall be auto-populated in Table 8A of FORM GSTR-9.

b) Input Tax Credit on inward supplies shall be declared from April 2018 to March 2019 in Table 8C of FORM GSTR-9.

c) Particulars of the transactions for FY 2017-18 declared in returns between April 2018 to March 2019 shall be declared in Pt. V of FORM GSTR-9. Such particulars may contain details of amendments furnished in Table 10 and Table 11 of FORM GSTR-1.

d) It may be noted that irrespective of when the supply was declared in FORM GSTR-1, the principle of declaring a supply in Pt. II or Pt. V is essentially driven by when was tax paid through FORM GSTR-3B in respect of such supplies. If the tax on such supply was paid through FORM GSTR-3B between July 2017 to March 2018 then such supply shall be declared in Pt. II and if the tax was paid through FORM GSTR-3B between April 2018 to March 2019 then such supply shall be declared in Pt. V of FORM GSTR-9.

e) Any additional outward supply which was not declared by the registered person in FORM GSTR-1 and FORM GSTR-3B shall be declared in Pt. II of the FORM GSTR-9. Such additional liability shall be computed in Pt. IV and the gap between the “tax payable” and “Paid through cash” column of FORM GSTR-9 shall be paid through FORM DRC-03.

f) Many taxpayers have reported a mismatch between auto-populated data and the actual entry in their books of accounts or returns.

One common challenge reported by taxpayer is in Table 4 of FORM GSTR-9 where details may have been missed in FORM GSTR-1, but tax was already paid in FORM GSTR-3B and therefore taxpayers see a mismatch between auto-populated data and data in FORM GSTR-3B.

It may be noted that auto-population is a functionality provided to taxpayers for facilitation purposes, taxpayers shall report the data as per their books of account or returns filed during the financial year.

g) Many taxpayers have represented that Table 8 has no row to fill in credit of IGST paid at the time of import of goods but availed in the return of April 2018 to March 2019.

Due to this, there are apprehensions that credit which was availed between April 2018 to March 2019 but not reported in the annual return may lapse.

For this particular entry, taxpayers are advised to fill in their entire credit availed on import of goods from July 2017 to March 2019 in Table 6(E) of FORM GSTR-9 itself.

h) Payments made through FORM DRC-03 for any supplies relating to period between July 2017 to March 2018 will not be accounted for in FORM GSTR-9 but shall be reported during reconciliation in FORM GSTR-9C.

The Ministry has also requested all the taxpayers to file their Annual Return (FORM GSTR-9) at the earliest.

Source: thehindubusinessline.com- June 05, 2019

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India to oppose multilateral rules in e-commerce at G-20 meet in Japan

Commerce Minister Piyush Goyal set to face pressure from developed countries

India is likely to oppose attempts by developed countries, including Japan, at the G-20 Ministerial meeting on trade and digital economy at Tsukuba City, Japan, beginning this weekend, to get a consensus on initiating multilateral rule-making for e-commerce.

Commerce & Industry Minister Piyush Goyal, who will represent India in the meet, is expected to stick to India's stance so far of saying no to e-commerce negotiations on rules, a government official told BusinessLine.

"The G-20 meeting will be the Minister's first international engagement after taking charge of his new portfolio. He is expected to argue that it would be premature to go in for multilateral rules on e-commerce as the sector was still evolving," the official said.

Japan, which is one of the countries keen to negotiate on e-commerce rules at the World Trade Organization (WTO) platform, is likely to push for consensus on the matter amongst G-20 members using its role as the host country.

G-20 comprises of the EU as a bloc and 19 countries including Argentina, India, Brazil, France, Germany, Italy, the US, China, Australia, South Africa, Turkey and the UK.

Support from S Africa

Amongst all G-20 members, India has the support of South Africa in its opposition to rule-making in e-commerce. "We are sure that South Africa's position on e-commerce rules is the same as India's. The two countries are likely to put together a strong opposition," the official said.

India and South Africa are also not party to the plurilateral negotiations on e-commerce launched by over 70 members, including the EU, Switzerland, Australia, China, Korea, Nigeria, Norway, Russia and Panama, at the WTO.

The Ministerial meeting in Tsukuba, on June 9-10, will be important as it will set the tone for the meeting of Heads of State at the G-20 meeting in Osaka later this month.

"India has to negate attempts of including e-commerce rule-making in the G-20 declaration to be signed by the Heads of State. If this happens, the pressure on India to agree to e-commerce negotiations at the WTO will multiply," the official said.

India has earlier stated at the WTO that multilateral rules and disciplines in e-commerce would be premature at this stage given the asymmetrical nature of the existing global e-commerce space. The UNCTAD's report on Trade and Development, 2018 also warns developing countries on how they could lose out to digital monopolies, unless they take charge of their trade and investment policies.

Source: thehindubusinessline.com- June 04, 2019

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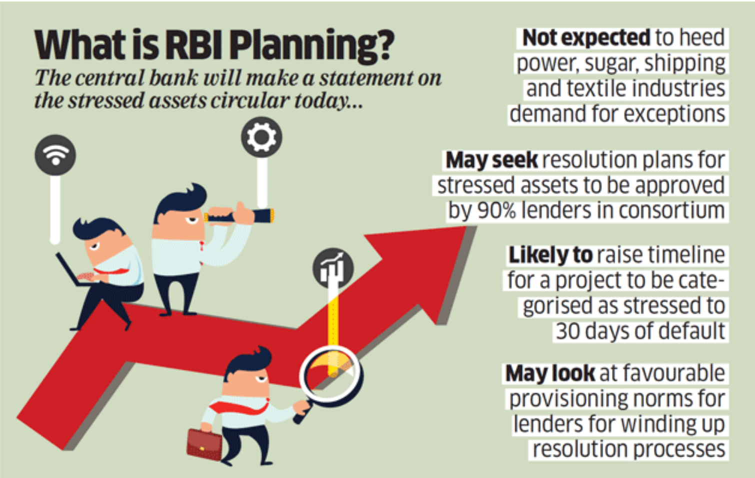
RBI may shun sectoral exceptions, ease timelines for stressed assets

Industries have sought base at 66%, in line with provisions of the Insolvency and Bankruptcy Code.



The Reserve Bank of India is unlikely to announce special sectoral exceptions in its new circular on stressed assets, contrary to demands of power, sugar, shipping and textile industries.

The banking regulator may also seek resolution plans for stressed assets to be approved by 90% lenders in a consortium, as against 100% in the previous notification that Supreme Court had quashed.

Industries have sought base at 66%, in line with provisions of the Insolvency and Bankruptcy Code.

RBI is also expected to raise the timeline for a project to be categorised as stressed from one-day default in the previous circular to 30 days of default.

The new circular will probably be issued in the next 15-20 days as the regulator has started informal consultations with the finance ministry. The circular is likely to provide certain relaxations on timelines vis-à-vis the February 12, 2018 notification, sources said.

"It will be difficult to give special treatment to one sector against the other, as it may lead to discontent and legal challenges. So far, there is no such consideration," said a government official in know of the development. "Senior RBI officials had met former finance minister Arun Jaitley and senior finance ministry officials soon after the election results.

The regulator was waiting for the new government as it is keen to have all stakeholders on board before coming out with a new notification," the official said. The Supreme Court had on April 2 struck down the controversial circular as 'ultra vires' on the premise that the regulator can issue directions to lenders to approach the insolvency court only for specific assets and with authorisation from the government.

Most plans are stuck for want of 100% consent from lenders. This was considered the most stringent requirement as it wasn't possible to get all lenders on board for a resolution scheme. It also required banks to classify projects as stressed assets upon single day of default and mandated them to refer such plants to bankruptcy court in case a resolution was not arrived at in 180 days.

A top official at a state-run bank said RBI may now look at incentivising lenders through favourable provisioning norms for winding up resolution processes with new or existing promoters. RBI will announce its second bimonthly monetary policy for 2019-20 on Thursday and is expected to cut benchmark interest rate by about 25 basis points. A statement on the stressed assets circular is also likely to be made.

Source: economictimes.com- June 05, 2019

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Foreign policy challenges

India will need to reshape its foreign policy to deal with changing global dynamics

Prime Minister Narendra Modi's massive electoral mandate should add to India's muscle as he strides onto the world stage in his second term. But the world's a bad-tempered place these days and his — and India's — diplomatic outreaches face a new set of challenges.

India's going to have to tread a cautious path between the US and China, complicated by the capricious Donald Trump who's trying to create 'a my-way-or-the-highway' unipolar world in which the US rules supreme. With economic growth slackening and unemployment at a 45-year peak, Modi will have to start emphasising trade and business and be India's top salesman.

Already, India's in the bad books of the US and as of June 5, Washington's ending India's preferential trade status over tariffs on US goods like Harley-Davidson motorcycles (a tiny fraction of US exports to India but one on which Trump appears fixated) and price caps on medical devices, of which US is an important supplier.

Besides that, the US is unhappy about our e-commerce rule changes and India's bid to build its own hi-tech national champions that could curb space for companies like Google, Microsoft and Facebook.

At another level, the US has also scrapped India's dispensation to buy Iranian oil and its Iran blockade means the fate of Chabahar port is now uncertain. The fact ex-foreign secretary S Jaishankar's been parachuted in as external affairs minister suggests India aims to use his experience to mend fences and draw closer to the US.

But he'll have to share the stage with NSA Ajit Doval who's got cabinet rank and can be expected to lead on ties with Pakistan and even China. On a different front, with Russia too, relations are frayed though we're still buying their arms. But those arms purchases have riled the US and Moscow is worried the US will put intense pressure on India to buy American arms.

The first indication of how Modi's viewing the future came at his grand inauguration for which Bimstec leaders were invited in a not-so-subtle signal that India has abandoned the almost-defunct SAARC and, particularly, Pakistan. One of Modi's early forays will be to next month's Bishkek Shanghai Cooperation Organisation meeting and everyone will be watching attentively to see if Modi and Pakistan Prime Minister Imran Khan meet or ignore each other. Khan caused a stir before the election when he said there'd be a better chance of peace with the BJP in government.

Extreme caution, though, will likely surround any Pakistan moves by Modi. One of his greatest initial fiascos was his dramatic detour to Lahore. Since then, we've have gone to the other extreme with Balakot. Nonetheless, Pakistan is in a deep financial hole and could come under pressure from the international community to lower its aggressive anti-India posture in exchange for aid. The Chinese, too, know peace is vital for their China-Pakistan Economic Cooperation (CPEC) mega-project. So if that opportunity presents itself, Modi must move boldly to seize it.

Source: thehindubusinessline.com - June 05, 2019

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SIMA for early release of pending TUFS subsidies worth Rs 9,000 crore

Southern India Mills' Association (SIMA), the largest spinning mills association in the country, has appealed to the new government at the Centre to resolve the pending issues, including releasing the remaining `9,000-crore subsidies under Technology Upgradation Fund Scheme (TUFS).

In a statement, P Nataraj, chairman, Sima, said, the flagship programme of the union ministry of textiles has attracted over `3.75 lakh crore of investments in the textile industry during the last two decades and created jobs of over 10 million apart from enabling the Indian textile industry to become globally competitive and increase its exports by manifolds.

The scheme was effective and industry-friendly till 2007 when it was open-ended and later many complications were brought in the guidelines which got further complicated at every stage.

This has resulted in a backlog of `9,000 crore of TUF subsidies, severely affecting the financial conditions of the new investors. This has stalled the potential growth, job creation and forex earnings opportunities of the nation, he pointed out.

According to him, the textile industry is the single-largest employment provider in the country, next only to agriculture by employing over 110 million people, especially the rural women and people below the poverty line, and enables inclusive growth.

Realising the importance of making this sector globally competitive and grabbing the opportunities emerging in the post-WTO era, the NDA government launched the Technology Upgradation Fund Scheme (TUFS) during 1999 and later the same government extended the scheme up to March 31, 2022 by allocating `17,822 crore.

This budget allocation included `12,671 crore for committed liabilities of Modified Technology Upgradation Fund Scheme (M-TUFS), Revised Technology Upgradation Fund Scheme (R-TUFS) and `5,151 crore for Amended Technology Upgradation Fund Scheme (A-TUFS).

Hence, Sima is sincerely appealing to the new government to resolve TUF issues to boost job creation and exports. Resolving issues in the TUF Scheme and releasing the pending TUF subsidies to the tune of `9,000 crore on a fast track basis would help the industry to create jobs for lakhs of people immediately, Nataraj said.

Resolving the TUFS issues would bring huge investments across the country thus creating jobs for millions of people and boost exports. Special export garment package and enhanced RoSTCL benefits would yield the desired results only when the TUFS issues are resolved, he added.

Source: financialexpress.com- June 05, 2019

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Farmers may plant more maize, cotton, soyabean due to export demand

Farmers have already started preparing land for their kharif crop.

Farmers are likely to plant more basmati rice, maize, cotton, tur, urad and soyabean and less of moong and groundnut because of the price trend and export demand but they will take call after the government announces the minimum support price for this year's kharif, or summer-sown crops, company executives and analysts said.

CROP PATTERN

- **The progress of the keenly** awaited monsoon rainfall will be an important factor in determining the cropping pattern
- **The government has kept** the target of planting similar to previous year at 102 lakh hectares
- **Deficient water in Gujarat,** Maharashtra, Andhra Pradesh and Telangana will also have a bearing on what farmers plant
- **Farmers will require** 3-4 inches of rain to start planting and which will be essential for germination of the seed

The progress of the keenly awaited monsoon rainfall will also be an important factor in determining this season's cropping pattern, they said.

"This summer season, we can expect farmers in the irrigated belts of Punjab and Haryana to shift from normal rice to basmati rice. Since the past one year, they have got good prices for basmati with increase in demand from domestic and export market," said Angshu Mallick, deputy CEO, Adani Wilmar.

Farmers have already started preparing land for their kharif crop and raising paddy nurseries from where saplings will be transplanted to fields by the second week of June. The government has kept the target of planting similar to the previous year at 102 lakh hectares.

Davish Jain, chairman of the Soybean Processors Association of India (SOPA), said that looking at the price trend of soyabean and maize, farmers will be enthused to plant them this season.

"Farmers have got 15 per cent higher price at Rs 3,800-3,900 compared to the government fixed price. The exports were also higher," he said.

Farmers will require 3-4 inches of rain to start planting and which will be essential for the germination of the seed, said Jain.

Farmers will plant those commodities which required less water as the monsoon may be below normal this year, said Anuj Gupta, deputy VP-research, commodities, Angel Broking.

He said that the government focus has to be self-dependence on pulses and oilseeds and to increase seed replacement ratio and varietal replacement.

“The tur prices has increased almost 11 per cent from Rs 5,200 to Rs 5,800 per quintal and the urad prices has increased almost 10 per cent from Rs 5,000 to Rs 5,500 per quintal in last one year. Even cotton prices have increased by almost 11 per cent from Rs 19,800 to Rs 21,000 per bale in the last one year which will influence how farmers plant,” said Gupta. Pulses can be intercropped with oilseeds, sugarcane, millets, maize and cotton.

Deficient water in Gujarat, Maharashtra, Andhra Pradesh and Telangana will also have a bearing on what farmer’s plant, traders said.

“In Maharashtra, sugarcane acreage has fallen according to field reports. We will wait for satellite report and give a final analysis in the beginning of July,” said Abinash Verma, director general, Indian Sugar Mills Association.

In unirrigated parts of Rajasthan, Haryana and Gujarat, farmers may go for guar if it rains, said BD Aggarwal, managing director of Vikas WSP, a guar gum polymer maker.

“In irrigated areas guar planting is going on. If the rains are normal and well distributed then we can see additional area coming to guar along with moong pulses,” he said.

Source: economictimes.com- June 06, 2019

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Cotton breaks five-year record in Punjab

In a reversal of sorts, the area under cotton cultivation has crossed four lakh hectares in Punjab for the first time in five years. The last time cotton was sown on more than 4 lakh hectares was in the 2014-15 season.

Primarily, the rise in area under the cash crop is seen as a reflection of its price crossing the Rs 6,000-per-quintal mark at the end of the 2018-19 season.

Though cotton is, ideally, sown till May 15 in Punjab, delayed harvesting of wheat due to untimely rain pushed sowing back to May 31. It was also being sown till Sunday. Any crop which is sown late is prone to pest attacks.

COTTON SOWN IN PUNJAB

District	Area (in hectares)
Bathinda	1,40,450
Mansa	78,345
Fazilka	92,043
Muktsar	72,009
Sangrur	10,015
Barnala	4,044
Faridkot	3,028
Moga	122
Total	**4,00,056**

WHAT FARMERS GOT OVER YEARS

Fiscal year	Area (in hectares)	MSP (₹/quintal)
2008-09	5.28	2,900
2009-10	5.09	2,900
2010-11	4.84	2,900
2011-12	5.16	3,200
2012-13	4.81	3,800
2013-14	4.45	3,900
2014-15	4.21	3950
2015-16	3.35	4,000
2016-17	2.85	4,060
2017-18	2.91	4,220
2018-19	2.83	5,350

According to Punjab agriculture and farmer welfare department, cotton had been sown on 4,00,056 hectares in Punjab till Monday — a40% rise from the 2018-19 season, when the crop's cultivation area was 2.83 lakh hectares.

The last time cotton was sown on more than 4 lakh hectares was in the 2014-15 season. At the time, the crop covered 4.21 lakh hectares. In 2015-16, area under it fell to 3.35 lakh hectares.

That season, over 60% crop was damaged due to a whitefly attack. For the next three years, the crop was sown on less than 3 lakh hectares of land — 2.85 lakh hectares in 2016-17, 2.91 lakh hectares in 2017-18 and 2.83 lakh hectares in 2018-19.

For this season, the agriculture department had initially a target of 3.2 lakh hectares for area under cotton, but later had revised it to 4 lakh hectares.

The department was not expected to meet the target at first, said an agriculture department official.

More farmers returning to cultivating cotton is seen as a positive trend because paddy consumes more water, which is in scarcity in Malwa.

Paddy transplantation is yet to start officially. Last year it was transplanted in nearly 390 lakh hectares. The minimum support price (MSP) for cotton was increased from Rs 4,220 per quintal in the 2017-18 season to Rs 5,350 per quintal in 2018-19.

"Going by the spurt in cotton prices in the end of the season this year, we decided to revert back to the crop," said Sivian village farmers Gurmukh Singh and Mohinder Singh. Farmer Gurjant Singh of Kot Shamir village said they found cotton to be more lucrative and shifted to the cash crop.

Punjab agriculture department director Sutantar Kumar said they felt farmers would benefit "immensely" by reverting to cotton. "The department provided every support to farmers for cotton sowing. Though such hot and sultry season is not beneficial for the crop, weather is expected to change in a couple of days and cotton will be safe," he said.

Source: timesofindia.com- June 04, 2019

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Fashion retailers count on end-of-season sales to shore up top line

With Q4 being weak, firms are offering around 50 per cent discount on merchandise and pushing aggressive offers in June

Some of the country's top fashion retailers, including names such as Central, Lifestyle and Brand Factory, have advanced their end-of-season sales, offering as much as 50 per cent discount on merchandise in June as the pressure to grow their top line increases.

Apparel retailers reported lower same-store sales growth (SSG) for the January-March period (Q4) due to consumption slowdown.

DRESSING DOWN

SSG of key retailers over the past five quarters (figures in %)

Company	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19
Shoppers Stop	-4.1	-1.2	3.6	8.9	3.7
Pantaloons	-6.0	-2.0	-2.0	17.0	-4.4
Brand Factory	13.7	15.4	3.1	20.8	13.1
Central	1.0	3.7	1.0	11.3	6.5
V-Mart	7.0	1.0	0.0	11.0	3.5
Westside*	9.0	8.0	6.0	8.0	9.0

*Westside quarterly SSG numbers are analysts estimates since it reports the figures on a yearly basis

Sources: Edelweiss/Industry

For Q4, average SSG hovered between 3 and 9 per cent for most players (barring Brand Factory), lower than the 8-20 per cent range seen in Q3, which was also a festive quarter. Some players such as Pantaloons from Aditya Birla Fashion and Retail saw SSG decline in Q4, coming in at -4.4 per cent for the period under review.

SSG is sales growth for stores a year and above. Brand Factory was the only chain to buck the slowdown trend, reporting an SSG of 13.1 per cent in Q4.

In the coming weeks, chains such as Shoppers Stop, Westside and V-Mart are likely to kick off their end-of-season sales, joining the rush, sources said. Kishore Biyani, founder and chief executive officer, Future group, said both Central and Brand Factory were using different tactics from flat discounts to aggressive offers, promotions and cashbacks to get footfalls into stores.

The response, he said, had been good and the sale period (at the two chains) would be extended for a few more weeks to capitalise on the momentum.

Ashish Dikshit, managing director, Aditya Birla Fashion and Retail, said the pressure from e-tailers was also growing, prompting offline players to react quickly and come up with more sale days across the year.

Apart from bricks-and-mortar chains, online platforms such as Myntra, Jabong and Amazon Fashion also have their sale periods on currently, offering deep discounts and promotions. Though fashion chains in general were counting on omnichannel retail to build traction, the segment still lacked scale, sector experts said.

Around 3-7 per cent of a fashion retailer's business, they said, came from the online channel, pushing players to get footfalls into stores.

Executives at Shoppers Stop said its end-of-season sale would allow it to exhaust its summer inventory, giving it the leeway to plan for the future.

Typically, retailers plan for their autumn/winter collections by August, so that they can launch by September/October.

Arvind Singhal, chairman, Technopak, said the end-of-season sale for most offline retailers this year would be extended till June and could move into July as well for some players keen on maximising sales.

Source: business-standard.com- June 06, 2019

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