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IBTEX No. 196 of 2019 October 07, 2019

US 70.97 | EUR 77.92 | GBP 87.48| JPY 0.66

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19856	41500	**74.52**
Domestic Futures Price (Ex. Warehouse Rajkot), October		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19630	41027	**73.67**

International Futures Price	
NY ICE USD Cents/lb (December 2019)	61.67
ZCE Cotton: Yuan/MT (January 2020)	12,085
ZCE Cotton: USD Cents/lb	76.68
Cotlook A Index – Physical	**71.25**

Cotton Guide: Today all the Cotton Market Participants celebrate first- "World Cotton Day" the global cotton community will turn its eyes to Geneva for the official launch of World Cotton Day, a high-level strategic meeting for senior government officials, cotton and textile industry professionals, national and international organisations, and private sector business executives. The event is being organised in partnership between the World Trade Organisation (WTO), the United Nations Food and Agriculture Organisation (FAO), the United Nations Conference on Trade and Development (UNCTAD), the WTO/UNCTAD International Trade Centre (ITC), and the International Cotton Advisory Committee (ICAC). World Cotton Day will celebrate the many advantages of cotton, from its qualities as a natural fibre, to the benefits people obtain from its production, transformation, trade and consumption. The event will also serve to shed light on the challenges faced by cotton industries around the world, and particularly in least-developed countries. Source: ICAC

While speaking about cotton prices, again a session of dryness was noted on the last day of the week. The volumes were again low at 17,813 contracts. However, when we have a look at the weekly figures the ICE December contract is seen to have shown an increase of about 77 points which marks a hint of short term positivity. While having a look at the weekly chart for ICE December we have seen big shadows [upper and lower] on the candlesticks which denote that there has been a high level battle going on between the bulls and the bears where the bulls have won the battle in 4 of the last 5 session nevertheless, with smaller numbers. Let's have a look at the weekly settlement figures:

Date	ICE December	ICE March
30th September 2019	60.83	61.55
1st October 2019	60.98	61.66
2nd October 2019	61.33	61.98
3rd October 2019	61.60	62.36
4th October 2019	61.67	62.42

Table 1: ICE FUTURE CONTRACTS

From the above we can see the gradual increase in prices for the ICE contracts. On the other hand while looking at the Cotlook Index A we see mixed figures but ending positive.

Date	Cotlook Index A
30th September 2019	71.80
1st October 2019	71.70
2nd October 2019	71.70
3rd October 2019	71.95
4th October 2019	72.25

Table 2: Cotlook Index A for the previous week

While speaking about the MCX Contracts, they have followed cues from ICE and have also shown the impact of the supply pressure which has kicked in.

On the international front, The International Cotton Advisory Committee (ICAC), in its cotton summary for October 2019, noted that global production — projected at about 26.8 million tonnes — is expected to slightly outpace global consumption, projected at 26.5 million tonnes, for the 2019-20 year, which began from August. This is likely to put downward pressure on global cotton prices — a trend that may affect India's cotton market too.

On the fundamental front, expect the cotton prices to show a bearish dip as the arrival pressure has started to gradually come in globally. While speaking about the Indian domestic markets, usually during festive season the farmers intend to sell their produce quickly so that they have cash available with them for festive purchases. Therefore we expect prices to dip in the domestic markets as well. The prices of 2018-2019 Shankar 6 are at 41,500 Rs per Candy whereas New Crop J-34 is steady at Rs. 3980/4000 per maund.

Date	MCX October	MCX November
30th September 2019	19,870	19,170
1st October 2019	19,570	19,020
2nd October 2019	19,570	19,020
3rd October 2019	19,830	19,130
4th October 2019	19,690	19,100

Table 3: MCX CONTRACTS

On the technical front, Price made an Doji candlestick formation or inside day formation of range 61.15-62.91. Price is above the short term moving averages dema(5,9)=61.53,61.28 indicates the positive momentum. Relative strength index(Rsi) is trading at 60.76 indicates the upside strength in the price. For the day we expect price to trade in the range of 61.20-62.50 with positive bias. Close below 61 will be the first sign of downside reversal in prices. MCX cotton oct prices are likely to trade in the range of 19500-19850 with a positive bias.

The ANNUAL Trade Event of International Cotton Association will commence on 9th October 2019 at Liverpool UK where all the important stakeholders (500+) of the cotton industry are scheduled to meet.

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

2019-20 challenging year for Australia's cotton industry

This year has been challenging for the Australian cotton sector and the crop in 2019-2020 is projected to be only a quarter of the size it was two years ago due to drought and reduced water allocation, according to Cotton Australia chairman Hamish McIntyre. Australian growers are resilient, innovative and adaptable, he said on the World Cotton Day today.

The global cotton industry’s production, research, innovation and trade practices are being recognised internationally today by the World Trade Organisation (WTO).

In an average year, Australia produces enough cotton to clothe 500 million people around the world, Cotton Australia chief executive officer Adam Kay said in a statement.

“The Australian cotton industry is relatively small in comparison to other countries, but its influence and contributions are huge in scale, both in terms of its value to Australia as a commodity and for the social and economic benefits it brings to the communities in which cotton is grown,” National Farmers’ Federation President Fiona Simson said.

Cotton Australia is the peak representative body for Australia’s cotton growing industry.

Source: fibre2fashion.com - Oct 07, 2019

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US carpet, rug market rose by 2.4% to hit $11.8 bn in 2018

The revenue of the US carpet and rug market was $11.8 billion in 2018, a 2.4 per cent rise over 2017. It reflects the total revenues of producers and importers excluding logistics costs, retail marketing costs and retailer margins, which is included in the final consumer price.

The market value rose at an average annual rate of 1.2 per cent from 2013 to 2018.

This was revealed in a new report, titled 'US Carpet and Rug Market: Analysis and Forecast to 2025', recently released by IndexBox.

The trend pattern remained relatively stable, with somewhat noticeable fluctuations being observed throughout the analysed period. The most prominent rate of growth was recorded in 2015 with an increase of 3.9 per cent year-on-year (YoY). Carpet and rug consumption peaked in 2018 and is likely to continue its growth in the near future, a press release from IndexBox said citing the report.

In value terms, carpet and rug production totalled $9 billion in 2018. In the same year, US carpet and rug exports amounted to 470 tonnes, lowering by 5.6 per cent compared to the previous year. Over the period under review, carpet and rug exports continue to indicate a deep curtailment.

The growth pace was the most rapid in 2016 with an increase of 21 per cent year-to-year. In that year, carpet and rug exports reached their peak of 709 tonnes. From 2017 to 2018, the growth of carpet and rug exports failed to regain its momentum.

In value terms, carpet and rug exports stood at $1.8 million in 2018, as per IndexBox estimates. In general, carpet and rug exports continue to indicate an abrupt slump. The most prominent rate of growth was recorded in 2015 with an increase of 2.2 per cent YOY. Over the period under review, carpet and rug exports reached their maximum at $3 million in 2013; however, from 2014 to 2018, exports stood at a somewhat lower figure.

Panama (88 tonnes), the UK (55 tonnes) and Guyana (49 tonnes) were the main destinations, with a combined 41 per cent share of total exports. These countries were followed by Singapore, the Dominican Republic, Australia, China, Ecuador, Mexico, Spain, Brazil and Aruba, which together accounted for a further 36 per cent.

In value terms, China ($174,000), Aruba ($160,000) and Australia ($127,000) appeared to be the largest markets, together comprising 26 per cent of total exports. Singapore, Panama, Spain, the UK, Mexico, Ecuador, the Dominican Republic, Guyana and Brazil lagged somewhat behind, together accounting for a further 34 per cent.

In 2018, the average carpet and rug export price amounted to $3,811 per tonne, declining by 1.6 per cent over the previous year. In general, the carpet and rug export price continues to indicate a deep decline.

Carpet and rug imports into the United States amounted to 625,000 tonnes in 2018, growing by 17 per cent compared to the previous year. Overall, the total imports indicated an increase from 2013 to 2018: its volume grew at an average annual rate of 10.3 per cent over the last five years.

India (205,000 tonnes), China (163,000 tonnes) and Turkey (162,000 tonnes) were the main importers of carpets and rugs to the United States, together comprising 85 per cent of total imports.

In value terms, the largest carpet and rug suppliers to the United States were India ($837 million), China ($593 million) and Turkey ($559 million), with a combined 79 per cent share of total imports.

Source: fibre2fashion.com - Oct 06, 2019

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US demand for apparel set to rise

US demand for apparel is forecast to rise 1.7 per cent annually through 2023. The ongoing population expansion will drive gains, and increase personal income, driving spending on luxury, environmentally friendly, and name-brand items.

An ongoing athleisure trend will boost demand for higher priced apparel made from performance materials. Growing raw material costs and the threat of tariffs on clothing from China will force apparel manufacturers to lower margins or raise prices.

However, the mature market for clothing and intensifying competition from a variety of retail channels will limit volume growth and price increases. In addition, more consumers are purchasing apparel (especially athletic apparel) wearable for a variety of activities in diverse social contexts, such as fitness centers, workplaces, and restaurants, reducing the number of garments needed throughout the day.

US apparel prices are going up. From the raw materials and inputs that go into fibers and fabrics to the cost of labor and logistics, increased costs are leading to price hikes.

Already, footwear and apparel are some of the most highly taxed products in the US, reaching as high as 37.5 per cent. The impact could challenge consumer spending in an already tough retail market. Retail apparel prices increased 1.1 per cent in June, the first gain in four months.

Source: fashionatingworld.com- Oct 05, 2019

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Egypt adopts plan to improve cotton, textile industries

Egypt is adopting an integrated plan to improve the cotton and textile industries by learning from abroad, minister of public business sector Hisham Tawfik said recently.

Twenty five cotton gins will be merged into 11, which will be ready within three years at triple the capacity, he told a symposium of the Egyptian Businessmen Association in Alexandria.

Fourteen old cotton gins' lands will be used to provide the required financing and to repay all the sector's dues, he said.

An export and central marketing unit will be set up under the Cotton and Textile Industries Holding Company to market the products of the company.

EGP 700 million will be allocated to train workers and establish a new technical training centre, he added. The strategy will be fully implemented by 2022. The government plans to quadruple textile and garment exports by 2025.

Source: fibre2fashion.com- Oct 07, 2019

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Vietnam's gain: Why factories leaving China aren't coming to South Asia

The fantasy that India might somehow "leapfrog" from a rural, agriculture-heavy economy straight to a services-based economy is wrong.

Vietnam seems to be the consensus pick for winner of the U.S.-China trade war, as Chinese and other manufacturers shift production to the cheaper Southeast Asian nation. If there's a loser, at least in terms of missed opportunities, it may be the countries of South Asia.

To understand why, remember that the trade war has only accelerated an important trend a decade in the making. Faced with rising costs, Chinese manufacturers must decide whether to invest in labor-saving automation technologies or to relocate. Those choosing the latter present an enormous opportunity for less-developed countries, as Chinese companies can help spark industrialization and much-needed economic transformation in their new homes.

There may not be another such chance this generation. The only proven pathway to long-lasting, broad-based prosperity has been to build a manufacturing sector linked to global value chains, which raises productivity levels and creates knock-on jobs across the whole economy. This was how most rich nations, not to mention China itself, lifted themselves out of poverty.

Yet the evidence suggests that South Asian countries are lagging behind in attracting manufacturing investment. It's not just Vietnam that's racing ahead. African countries, too, are making manufacturing a top priority. Ethiopia alone has opened nearly a dozen industrial parks in recent years and set up a world-class government agency to attract foreign investment. The World Bank has lauded sub-Saharan Africa as the region with the highest number of reforms each year since 2012.

By contrast, in terms of foreign direct investment as a percentage of GDP, South Asia lags both the global average for least-developed countries and sub-Saharan Africa. While South Asia's total GDP is more than 70% greater than Africa's, the continent received three-and-a-half times the investment from China that South Asia received in 2012, the most recent year for which the United Nations has published bilateral FDI statistics. In the last five years, the American Enterprise Institute’s China Global Investment Tracker has recorded 13 large Chinese investment deals in Africa and only nine in South Asia.

Bangladesh is a striking illustration of the problem. The country needs to create 2 million jobs per year at home just to keep up with its growing population. Yet, despite a world-class garments manufacturing sector, it seems unable to cut red tape and enact the reforms needed to attract investment to diversify beyond apparel. In the past few years, Bangladesh has fallen to 176 out of 190 countries in the global Ease of Doing Business country rankings. DBL Group, a Bangladeshi company, is investing in a new apparel manufacturing facility that will generate 4,000 jobs -- in Ethiopia.

'India's overconfidence'

The fantasy, most common in India, that a country might somehow “leapfrog” from a rural, agriculture-heavy economy straight to a services-based economy is just that: a fantasy. South Asia can’t afford to lose this chance to grow its manufacturing sector.

Attracting manufacturing investments will require, first and foremost, that governments in the region acknowledge the competition is passing them by. India, for example, must abandon its overconfidence that investors will come simply for its large population. Pakistan needs to stop relying on its government-to-government friendship with China. Chinese state financing of infrastructure won’t automatically lead to manufacturing investment, most of which is dominated by private Chinese companies motivated by competitive forces, not government diktats.

Secondly, South Asian countries need to undertake a concerted, whole-of-government push to boost investment levels. Specifically, they need to create the conditions manufacturers need to thrive, from steady power supplies to efficient port operations and customs clearance.

Moreover, they need to understand the specifics of these businesses. Factories have unique requirements depending on what they make. For example, cloth and clothing factories, despite their seeming similarities, have extremely different requirements: The former is capital-intensive, with huge amounts of power-hungry machinery churning out bolts of cloth, whereas the latter is labor-intensive and features rows of workers cutting and sewing.

Countries need to analyze which manufacturing sub-sectors they are best positioned for, meet the requirements those manufacturers have in order to set up shop, and target the regions of China (and elsewhere in the world) where those types of manufacturers are to be found.

The good news is that all of these measures are eminently feasible. And in many cases, the first steps are already being taken, such as with the construction of Bangladesh's first deep sea port at Matarbari. The bad news is that unless South Asia moves faster, others may have already seized the opportunity to industrialize.

Source: business-standard.com- Oct 07, 2019

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Turkish firm now exporting heating fabric

A Turkish entrepreneur is now exporting a heating fabric, developed from 100% local sources, for 20 euros (approximately $22) per square meter, said executives of the firm on Saturday.

The innovative new fabric can dissipate heat with a low voltage and can be used in numerous fields, such as the automotive, health, textile and defense sectors, Ayhan Prepol, a co-founder of İltema, which makes the fabric, told Anadolu Agency (AA). The firm, which works with Turkish automotive and furniture producers, made its first export delivery to Germany. The heating fabric was used for wetsuits for the German army and won significant praise, he added.

Saying that İltema sent prototypes to Ireland and the U.K., he added: "Motorbike users tested the fabric in the U.K., while an Irish company wanted the fabric for an acoustic project." The fabric can dissipate heat at various ranges from 15 C to 300 C (59 F to 572 F), he stressed. "While our competitors can be used at a constant temperature, we can adjust the heat when we produce our fabric," he said.

Source: dailysabah.com- Oct 07, 2019

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Bangladesh: RMG exports to US grow 11.8pc in Jan-Aug

The country's readymade garment exports to the United States in January-August 2019 registered nearly 12 per cent growth as some of the retailers and buyers continued to shift orders to Bangladesh from China due to the on-going trade war between the two countries.

Bangladesh's earnings from readymade garment exports to the US in the eight months grew by 11.81 per cent to $4.08 billion from $3.65 billion during the same period in 2018, according to data of the Office of Textiles and Apparel under the US Department of Commerce released on Friday.

Although Bangladesh's export growth had slipped from its first position in exporting RMG to the US market, exporters said that they were still optimistic about the prospect of the market.

The US import of apparel from China was still high but import from the country in the first eight months of 2019 registered only 1.99 per cent growth with $17.55 billion against $17.20 billion in the same period in last year.

Vietnam's RMG export to the US in the January-August in 2019 grew by 12.14 per cent to $9.06 billion from $8.08 billion during the same period in 2018, US data showed.

Among competitor countries, Vietnam achieved the highest growth in apparel export to the US in the first eight months of this year, show the data.

Bangladesh's readymade garment export growth to the US in January-June was 14.49 per cent which showed the highest growth among the competitor countries, data showed.

'We are still optimistic about the prospects of the US market although Bangladesh is getting little benefits of trade diversion from China due to the US-China trade war,' former Bangladesh Garment Manufacturers and Exporters Association vice-president Mahmud Hasan Khan Babu told New Age on Saturday.

He said that Vietnam registered the highest apparel export growth in the US in the first eight months of 2019 due to short lead time and exporting value added products.

Mahmud also said that due to increasing cost of doing business, Bangladesh was losing its competitive edge and Vietnam was gaining benefits of factory relocation from China.

He, however, said that consumption of apparel had declined a little bit all over the world as consumers apprehended that a recession might tack place in the global economy due to the US-China trade ware.

The US apparel import from India in the eight months of 2019 stood at $2.94 billion with 8.19 per cent growth while import from Indonesia registered a 0.37-per cent negative growth to $3 billion in the period.

Apparel exports of Cambodia to the US in January-August in 2019 grew by 8.58 per cent to $1.72 billion while the exports of Mexico fell by 3.58 per cent to $2.17 billion, the OTEXA data showed.

Source: newagebd.net- Oct 06, 2019

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Pakistan: Emerging opportunities for Pakistan, following US-China trade war

Economic experts hinted at emerging trade and business opportunities for Pakistan, following US-China trade war. According to Nomura Securities strategists, Pakistan could potentially be the third most fortunate beneficiary in this feud, says a report published in China Economic Net.

Abdul Razak Dawood, adviser to the prime minister, has also reported to have given a similar statement, “The trade war between China and the United States is getting bigger and bigger by the day… and the demand for goods is not declining (in the US market).

Pakistan needs to explore ways so that it can benefit from this war.” These controversial claims; however, have certain assumptions attached to them.

There are three possible ways that Pakistan can turn one of the greatest economic feuds into its favor and establish itself in the international market as a key player in world economics.

First of all, the high tariffs on the Chinese products in the US makes Pakistani exports more competitive in the US market. It had always been very difficult to compete with Chinese products in any international market because of their low production costs due to cheap labor and economies of scale of Chinese firms.

However, the high tariffs have made these "cheap" Chinese product more expensive for the US buyers. Higher prices have led to a decrease in their demand. This has left a gap that can be potentially filled by alternative sellers in the US market such as Pakistan.

Ehsan Malik, Pakistan Business Council's CEO, has also brought this to our attention by saying, "The China-US trade war has put Pakistan in an advantageous position and we have become more competitive than China in some areas like textiles.

It offers an opportunity for Pakistan to boost its exports to the United States as well as revive the closed manufacturing capacity (mostly in Punjab)."

Engineering, textile, surgical tools, sportswear, plastics, footwear, fishery, packaging, pharma, kitchenware, furniture and jewelry are some of the types of Chinese products that have been subjected to the high US tariffs.

Out of these many Chinese products, Pakistan has the capacity to produce a substantial amount of these products as exports for the US market. Of course, the production of items from each of these categories will depend on the availability of resources to Pakistani industries. For example, Pakistan has a flourishing industry for sportswear products.

Source: thenews.com.pk- Oct 07, 2019

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Bangladesh: Exports fall for slow apparel

Sep earnings 7.78pc lower than target

Receipts from merchandise export declined 7.3 percent year-on-year to $2.91 billion in September for a slowdown in shipment of garments and other major products.

This is the second consecutive month the export earnings marked a decline.

September's earnings were also 7.78 percent lower than the month's target of $3.16 billion, according to data from the Export Promotion Bureau (EPB).

In September last year, Bangladesh exported merchandise worth $3.14 billion.

Overall, export earnings in the first quarter (between July and September) of the current fiscal year declined 2.94 percent year-on-year to $9.64 billion. It is also 11.05 percent shy of the target of $10.84 billion, EPB data showed.

In the three months, the earnings from almost all major sectors, such as garment, leather and leather goods, and frozen foods fell.

Garment shipment between July and September fell by 1.64 percent year-on-year to $8.05 billion.

Earnings from garment shipment, which accounts for more than 80 percent of national exports, were 11.52 percent below the quarter's target of $9.10 billion.

Of the earnings by the garment sector, $4.17 billion came from knitwear and $3.88 billion from woven garment.

The Eid-ul-Azha festival took place in August and most of the factories were closed for almost one third of the month, said Asif Ibrahim, a director of the Bangladesh Garment Manufacturers and Exporters Association.

"The decline of exports in September is mainly due to the non-utilisation of full production capacity on the occasion of the holidays," he said.

A significant number of factories have also been shut down since February 2019, resulting in job losses, said Ibrahim, also the vice-chairman of Newage Group, a leading garment exporter.

“We all need to ensure that the sustainability of the leading export sector of the economy and the issue of jobless growth is given priority by the policymakers,” he said.

Garment exporters expect shipments to rebound soon as international retailers and brands are coming over with a lot of work orders because of the ongoing trade war between the US and China, the world’s two biggest economies.

The apparel retailers and brands are also coming to Bangladesh for the brighter image created through a lot of improvements at factories and strengthening of workplace safety as per recommendations of the Accord and the Alliance.

Leather and leather goods export had rebounded in August. However, it again dropped last month for a production halt during Eid vacation and poor compliance by tanners, industry insiders said.

The export of frozen and live fish like shrimp and crab dropped 9.08 percent year-on-year to $125.20 million and that of agricultural products 10.60 percent to $262.57 million.

Shipment of cement, pharmaceuticals, terry towel, ceramics and home textile also performed poorly.

However, jute and jute goods export increased by 1.84 percent to $220.85 million, jute carpet by 4.51 percent to $5.79 million and engineering products by 23.37 percent to $93.02 million.

Export of plastic goods rose by 18.01 percent to $31.51 million.

Source: thedailystar.net- Oct 07, 2019

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NATIONAL NEWS

Huge manufacturing, infrastructure investment opportunities for India in Bangladesh, says Deloitte

Increasing awareness about investment opportunities and continuous work on improving ease of doing business will help Bangladesh attract Indian businesses, Deloitte said.

Huge investment opportunities are there in Bangladesh in areas like manufacturing and infrastructure for Indian businesses, Joydeep Datta Gupta, Partner, Deloitte India told PTI.

“A lot more road shows are required to increase awareness about investment opportunities to bring in potential investors from India. They also need to continue their work on improving ease of doing business,” he said.

The other area which needs special focus is matching regulatory framework with global best practices, he said.

“Bangladesh is doing a lot in terms of improving infrastructure. They need to continue to do that,” Datta added.

He said the Bangladesh government is eying big investments from India and it is ready to roll out red carpet for Indian businesses.

He added that increasing middle class base and rising income levels in Bangladesh provide a good market for Indian business community.

The areas where investment opportunities exist include consumer products, energy and infrastructure, he said. Bangladesh Prime Minister Sheikh Hasina was recently here on an official visit. She was accompanied by a big business delegation.

The neighbouring country is also the largest trading partner of India in the South Asia region.

Source: financialexpress.com- Oct 06, 2019

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India can win big from inevitable $350-550bn exports moving out of China: Credit Suisse

According to a report, firms in China plan to move production to India, Vietnam, Taiwan and Mexico.

US President Donald Trump's administration first imposed tariffs on Chinese imports in 2018 in a bid to win concessions from China, which responded with tit-for-tat tariffs.

India could potentially be one of the big winners from the US-China trade war, according to a Credit Suisse survey of 100 companies with global sales of $1 trillion that projects $350-550 billion of exports will shift out of China and that this is "inevitable even if slow".

This survey insights land at the same time when US Commerce Secretary Wilbur Ross is saying in New Delhi that India has a "wonderful opportunity right now, to take advantage of trade dissension elsewhere".

$1 billion translates to approximately Rs 7,000 crore.

"We've actually prepared a chart about what are the areas where China is the big exporter to us? How does that compare with what India is exporting to us? And what are possible solutions to how do we change that mixture?" Ross said at the India Today 'India Economic Summit' event in New Delhi on Thursday.

The Credit Suisse report, reviewed by IANS, has said that firms in China plan to move production to Vietnam, India, Taiwan and Mexico.

Ross' comments and the Credit Suisse report both come as China's top trade negotiator prepares to lead an upcoming 13th round of talks aimed at resolving the ongoing trade war with the US.

Chinese Vice Premier Liu will travel to Washington for the negotiations and trade talks would take place after China's National Day holiday which falls on October 7.

The Credit Suisse report lists three main themes that inform the $350-550 billion "shift".

Peak pressure begins only now

Multiple pressures to move manufacturing out of China are likely to peak now because "80 per cent of the finished goods sold to consumers come under tariffs only now". The report connects the dots to similar goods in earlier lists which saw price rise, lower demand and a shift in production.

Companies keen to move out

Companies that have spoken to Credit Suisse have said "they would shift manufacturing out of China even without tariffs". They list a "shrinking Chinese workforce" as one of the main issues: "50 million fewer workers by 2030". Firms plan to move production to Vietnam, India, Taiwan and Mexico, says the report.

Shrinking workforce

"In five years though, with the Chinese manufacturing workforce shrinking by another 9-15 million after a 20 million decline since 2015, we expect $350-550 billion of exports to move out of China. It could be more, if other countries improve absorption capacity: Vietnam is too small (but should gain the most), Bangladesh a pure-play on apparel, and India has seen good import substitution in electronics but is struggling to grow apparel exports. Hon Hai and Pegatron would be negatively affected, L&T, Havells and Feng Tay would benefit. In the near- term, tariffs would raise prices in the US (13 per cent of firms absorbing them), and shift Chinese exports to other countries (possibly at lower prices)."

US President Donald Trump's administration first imposed tariffs on Chinese imports in 2018 in a bid to win concessions from China, which responded with tit-for-tat tariffs. A deal remains elusive as the dispute escalates between the world's two largest economies.

In New Delhi, Ross spoke about the "third kind of barrier" that "bothers" the US, which he said was neither about competitive advantage nor one country actually needing a certain product because of locational constraints. "If you look at our trade deficit it has two components, one's called automotive and the other's called China," he said.

During his comments, Ross made the distinction between "small trade deficits with other countries" and "China" as two separate issues. "We believe that most of the things we're requesting particularly of India would not only help us vis a vis India, we think a lot of them would help India itself," he added.

"So, (I) don't want you to think that we're just focusing on deficit, we're focusing also on total trade. And what the world needs is more total trade. This recent diminution in the forecast, that world trade will be down to 1.2 per cent this year, is a very bad omen for the world because normally, trade, global trade has been growing at a percentage point or so. So if it's really true, that world trade will only grow at around 1 per cent. That does not speak very well for the world GDP. So that's a source of separate concern," Ross said.

Source: economictimes.com- Oct 06, 2019

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Top union ministers hold crucial meeting on proposed mega free-trade pact RCEP

Top union ministers including home minister Amit Shah and finance minister Nirmala Sitharaman held a crucial meeting on Friday to discuss the proposed mega free-trade agreement RCEP, which has entered the last phase of its negotiations, an official said.

External affairs minister S Jaishankar, commerce and industry minister Piyush Goyal and minister of state for commerce and industry Hardeep Singh Puri also attended the meeting.

The meeting assumed significance as trade ministers of 16 Regional Comprehensive Economic Partnership (RCEP) countries will hold discussions in Bangkok next week to take stock of the negotiations.

According to sources, this would probably be the last ministerial-level meeting as only a few issues like rules of origin are pending for conclusion of talks for the proposed pact.

RCEP is being negotiated among 10 Association of Southeast Asian Nations (ASEAN) members --Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam -- and their six trade partners -- Australia, China, India, Japan, Korea and New Zealand.

As per the plan, India is expected to reduce or eliminate duties on about 74-80 per cent of goods imported from China under the proposed agreement. Bilateral talks are still going on with the neighbouring country, with which India has a trade deficit of over USD 50 billion.

Similarly, India may cut customs duties on 86 per cent of imports from Australia and New Zealand, and 90 per cent for products imported from ASEAN, Japan and South Korea, with which India already has a comprehensive free-trade agreement.

The cut or elimination of these duties could be implemented over a period of 5, 10, 15, 20 and 25 years.

Negotiations are also going on for an auto-trigger mechanism, wherein India would have the option to increase customs duties if there would be a sudden surge in imports of a particular product, particularly from China, to protect the domestic industry.

China's President Xi Jinping's will be visiting India next week to hold the second informal summit with Prime Minister Narendra Modi.

The negotiations for the RCEP deal has reached a fundamental phase as the member countries are targeting to conclude the talks by November.

As many as 28 rounds of talks have been held at chief negotiators' level, and no more rounds are scheduled for now.

Further, some sections of the Indian industry have raised concerns over the presence of China in the grouping. Various sectors, including dairy, metals, electronics, and chemicals, have urged the government to not agree on duty cuts in these segments.

India has registered trade deficit in 2018-19 with as many as 11 RCEP member countries, including China, South Korea and Australia.

The agreement aims to cover issues related to goods, services, investments, economic and technical cooperation, competition and intellectual property rights.

Source: economictimes.com- Oct 05, 2019

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Viscose yarn puts Centre in a Catch-22

Low import duty has resulted in increased dumping of the yarn in India. While spinners want this to stop, weavers want it to continue

The Indian textile sector already has problems aplenty — from loss of market share in export markets to slowing consumer demand in the domestic market. Now, one more has been added to the basket — cheap viscose yarn being dumped into the country.

At Pallipalayam near Erode in Tamil Nadu, which is the largest viscose cluster in India, the spinning mills are bleeding as they are having to sell their viscose yarn at dirt cheap prices. If this continues, spinning mills will soon have to bring their shutters down. Given that the 80-plus mills in Pallipalayam directly employ about 50,000 people, can they be left to die?

The going had been good for spinning mills as the demand for man-made fibre, especially viscose fibre, had been going up for the past four-five years, both in the domestic and the international market.

But over the past nine months, the picture has changed dramatically with the global economic slowdown and the trade disputes between the US and China, resulting in excess stocks of viscose products in the market and a sharp drop in their prices.

With viscose yarn having low import duty in India, global producers started dumping it in India, hindering the business of domestic spinning mills.

Import of viscose yarn has increased exponentially in recent months. In 2018-19, imports per day was 54 tonnes; this increased to 93 tonnes in the first quarter of 2019-20 and to 170 tonnes in July and 259 tonnes in August.

In a spin

The duty differential between the fibre, yarn and the fabric of viscose is what is causing the dumping of yarn by other countries in India. While the import duty on viscose fabric is 20 per cent and that on viscose fibre is 18 per cent, the duty on viscose yarn is only 5 per cent.

Coupled with the cheap price of viscose yarn in the global market, the low import duty has prompted Indian weavers to prefer it over the yarn from domestic spinners and buy it from traders who import it in bulk from China or Indonesia.

Though the spinners continue to run their mills as they need to service the outstanding loans taken for capex in the last few years, they are incurring heavy losses, and are not sure of how long they can sustain.

With cost of input (viscose fibre — around ₹134/kg), plus the price paid for labour, power, maintenance, packing and administration, and adding to it depreciation, the cost of production of viscose yarn comes to ₹190/kg for domestic spinners, but they sell it at ₹170/kg. At the current level of turnover at the mills in Pallipalayam, the loss is about ₹60 crore a month for the cluster, claim the spinners.

There is no relief for the spinning mills even on the input front. The 18 per cent duty on imported viscose fibre rules out the option of using imported fibre. Grasim Industries, the only supplier of viscose fibre for the domestic spinners, has also not cut prices to the tune of the correction in the global price.

What's the solution?

There are two things that can be done. One is to increase the duty on viscose yarn so that imports trickle down and weavers buy from domestic spinners.

Alternatively, the duty on the fibre can be removed so that the spinning mills can get the benefit from cheaper inputs and save costs to make up for the loss in the price of the yarn.

But there is a challenge in executing both the options. If viscose yarn duty is increased sharply, weavers will protest. If fibre duty is removed, Grasim Industries, the single largest supplier of viscose fibre in the country, would suffer.

The Centre has to find an amicable solution by bringing all stakeholders together — fibre manufacturers, spinning mills and weavers.

"Tweaking of duties at all the three stages will help all the value-chain manufacturers to protect themselves from dumping and it will also help the sector keep the prices competitive," said Prabhu Damodaran, Convenor, Indian Texpreneurs Federation.

The duty on viscose fabric was increased to 20 per cent from 10 per cent in October 2017 to protect domestic weavers from Chinese imports. But the duty on viscose yarn, at 5 per cent, remained unchanged. Had the government increased the duty on yarn to 15 per cent then, it wouldn't have caused an issue now, say spinners.

Source: thehindubusinessline.com- Oct 07, 2019

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Ahmedabad: Textile markets seek buyers ahead of Diwali

Floods in Bihar, crop damage have resulted in subdued demand

With just weeks left for Diwali, fabric and garment traders in Ahmedabad are worried as markets are yet to witness normal footfalls. They say that the upcoming week will be crucial for the earnings in the season. They said that demand has dropped by about 25% this year in local markets as well as in other states. Ahmedabad is a major hub for supply of garments and fabrics to almost all the states in the country and therefore a barometer of the demand in the sector.

"Footfalls are just trickling in. The demand and buying is not as per our expectation. This week is to watch out for. Post Diwali, marriage season would set in on November 20. We can expect buying then as well," said Kirit Patel, president of Panchkuwa Kapad Market, a wholesale market for fabrics catering to various states. Patel caters to Maharashtra and Chhattisgarh and said that there is a fall in demand, irrespective of states.

He said that retail markets are key as they create demand for wholesale markets and thereby for manufacturers. He informed that sales of fabrics dropped by 60% in August this year compared to the previous year. However, it grew 20% in September. “All eyes are now on October. We would be happy if sales of previous year are maintained. Anyway, sales would be lower by 25-30% on an annual basis,” said Patel.

Manufacturers of garments said they had factored the drop in the demand very early and therefore tuned accordingly or else would be worried about the pile-up in the inventory. “We had reduced production by about 35-40% about 12-18 months ago. So we can sell what we have produced. The drop in demand is uniform across the states,” said Arpan Shah, vice president of Gujarat Garment Manufacturers Association (GGMA).

Shah said that conducive rains earlier during Monsoon had raised hopes of a rise in demand but the last spell has ruined crops and resulted in floods in many parts of country. “In Bihar, sherwanis displayed in front of shops were half-submerged in floodwater. We do not expect payments to come soon from Bihar. With standing crops getting destroyed due to rains and floods, farmers will earn less and rural demand will take a severe hit,” Shah told DNA.

Gaurang Bhagat, president of Maskati Market Kapad Mahajan said that payment cycles have already extended to over 120 days, an indication that goods are not sold in retail market. “There are undated cheques lying with the traders. But they have no cash. Rotation of money has drastically decreased in market. Businesses have been consistently slowing down since 2015-16. There is a sustained contraction in demand,” said Bhagat.

Changes in consumer behaviour and choices have also hurt markets. “Fabrics are no longer in demand. Retailers are now stocking both ready-made garments and fabrics. Consumers do not have the patience to buy suiting and shirting, give it to the tailor for stitching.

Now, they do not have the luxury of time. They are buying ready-made garments,” said Patel. Moreover, the trend of online shopping among the young generation has hurt footfalls in shops and showrooms. The recent festival discount by Amazon and Flipkart has pre-empted the footfalls. Those who would have come to shops, have made deals online," said Patel.

Shah said that 12% GST is levied on garments priced over Rs 1,000. Others have five per cent GST. So manufactureres are tweaking quality, rolled back on value addition. This has caused job losses in the sector, reduction is outsourcing for value addition.

"In addition to textile and garments, other sectors are also facing a slowdown. There are layoffs, salaries have stagnated, causing the retail demand to drop. The government should take immediate and concrete steps to revive consumer demand," he said.

Source: dnaindia.com- Oct 07, 2019

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Indian textile machinery imports up slightly

Imports of textile machinery in India grew 1.10 per cent in the first quarter. India imports most of its textile machinery from China, Germany, Japan, Belgium, US, Korea and Vietnam.

Import of weaving machines from China grew 8.4 per cent; import of weaving machines from Belgium grew 94.86 per cent.

Printing machinery imports from China grew 12.69 per cent. Import of knitting, embroidery, trimming, braiding and other machines increased 23.49 per cent in the first quarter.

Nonwoven machinery imports grew by 468.71 per cent. Imports from Germany rose by 3315.58 per cent. China's exports of nonwoven machinery to India grew by 37.06 per cent.

Sewing machinery and accessories imports to India rose by 1.4 per cent in the first quarter. Here imports from China grew by 12.1 per cent in the first quarter.

Indian imports of dobbies and jacquards fell by 25.73 per cent. Spindles, spindles flyers and spinning rings and ring travelers imports fell by 13.11 per cent.

Imports of machine used for extruding, drawing and texturing fell 75.48 per cent.

China remains the top supplier to India for textile machinery. Germany is the second largest supplier of textile machines to India.

Singapore has now become the third largest supplier.

Source: fashionatingworld.com- Oct 05, 2019

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Tripura gets its first-ever SEZ

Chief minister Biplab Kumar Deb attended the 92nd meeting of the Board of Approval (BoA) held in the Ministry of Commerce, Government of India in New Delhi.

The Centre has given in-principle approval for setting up of Tripura's first-ever SEZ at Sabroom,. The estimated investment in the project will be around Rs 1550 Crore.

In an official communique state government stated, “A proposal for setting up of the Agro Based (Broad Banded) Special Economic Zone (SEZ) at Paschim Jalefa, Sabroom was submitted to the Development Commissioner, Falta SEZ in June, 2019. The Developer of the SEZ was decided to be Tripura Industrial Development Corporation (TIDC) Ltd.

The proposal involves estimated investment of Rs. 1550 crores and generates estimated employment to the tune of 12000.

“Rubber based Industries – Tyres, Threads etc, Textile and Apparel Industries, Bamboo Industries and Agri-Food Processing Industries are the industries which will be set up.”

The state government informed that as per SEZ rules for sector specific SEZ, minimum land requirement for the North East States including Tripura is 25 Hectares. Presently, the land at Paschim Jalefa is having an area of 16.35 hectares and initiative has been taken for acquirement of additional land of 10.99hectares adjacent and contiguous to the existing land.

Chief minister Biplab Kumar Deb attended the 92nd meeting of the Board of Approval (BoA) held in the Ministry of Commerce, Government of India in New Delhi, the submitted proposal was taken up and the Board has given in-principle approval to the proposal for setting up of SEZ at Sabroom, South Tripura.

According to state government setting up of the SEZ at Sabroom would open new avenues and attract private sector investment considering proximity of the Chittagong Port which is located relatively closer to the State and construction of the bridge across Feni River in South Tripura which is underway.

The SEZ will have Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units, 100% Income Tax exemption on export income for SEZ units under Section 10AA ofthe Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years. (Sunset Clause for Units will become effective from 01.04.2020)

Deb tweeted, “It is immense pleasure to share the Good news with all on holy Sashthi. Department of Commerce (SEZ), Ministry of Commerce & Industry has given approval in-principle for setting up of SEZ at Sabroom, Tripura”.

Source: economictimes.com- Oct 05, 2019

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Karur sets the ball rolling on setting up mini textile parks

Dept. of Handloom and Textiles has conveyed meeting of entrepreneurs on Oct. 15

The Department of Handloom and Textile has convened a meeting of entrepreneurs to discuss on setting up mini textile parks in Karur.

Besides Collector T. Anbagalan, senior officials of Department of Handloom and Textiles will participate in the meeting to be held at the Collectorate on October 15.

V. Vijayalakshmi, Assistant Director, Handlooms and Textiles, said here on Sunday that the State government had issued a fresh Government Order on providing subsidy of ₹2.5 crore to set up mini textile parks in Karur.

The Government would either bear 50% of the cost for building basic infrastructure in the park such as laying of roads, setting up of sewage treatment plant and captive power plant, training centre or offer subsidy to the maximum of ₹2.5 crore to the manufacturers.

She said that it was aimed at motivating the apparel manufacturers to set up new units, thereby increasing job opportunities in various process of textile making including spinning, weaving and marketing.

Apparel manufactures by launching a Special Purpose Vehicle (SPV) could come forward to set up mini textile parks in Karur. The park should be established on at least 2 acres of land. If they fulfil the conditions, they could get a subsidy to the maximum of ₹2.5 crore per park.

Ms. Vijayalakshmi said mini textile parks would enable the garment manufacturers to set up various units at the same place. It would reduce overhead and transportation cost. Moreover, 50 % subsidy on building infrastructural facilities in the textile park would offer a great support to the entrepreneurs.

She said that the Department had received a number of enquiries from entrepreneurs on setting up of mini textile parks.

They could attend the meeting on October 15.

A detailed presentation would be made on availing 50% subsidy.

Source: thehindu.com- Oct 07, 2019

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Organic cotton farmers from Telangana get luxury boost

Providing space to organic cotton farmers from Telangana and surrounding regions is a Bengaluru-based startup Amouve. The brainchild of Ami Sata, the company was born out of love for sustainability and the need to provide a sumptuous organic bed and bath by cutting out middlemen. The cotton used to make the bedsheets, pillow covers, cushion covers, comforters and quilts is sourced from about 500 farmers, who are part of a cooperative.

"The cotton from the organic farms here goes to the factory and is weaved into soft linen that gets softer with each wash. Our partners are GOTS (Global Organic Textile Standard) and Fair Trade certified and maintain authenticity all through. Through our company we are providing eco-friendly bedding option to consumers and also helping organic farmers become sustainable and profitable," said Sata, founder of Amouve that recently stepped into offline retail and showcasing its products in by partnering with Danube Home in Hyderabad.

According to Sata, the company will continue to work with farmers in Telangana and surrounding region. The company sells only single-ply 300 thread count sheets and its towels are super soft in 700 grams per square metre, crafted with a low-twist proprietary weave.

The idea of Amouve came when Sata visited Sweden and found that the sheets used in a hotel where organic and the raw material was traced back to India. "We wanted to challenge the convention and trace the cotton back to the farm and re-engineer it from the ground up," she informs.

On the need for organic bed linen, the founder says that most of the linen available in the market is plastic packed with no information on what the material is and conventional cotton uses plethora of pesticides which is not good for the skin and health of the user.

"On the other hand, polyester fabric releases plastic microfibres into waterways and these persist indefinitely, contaminating lakes and oceans, getting ingested by animals, and indirectly by humans. Thus, to reduce an environmental impact of fabrics, sustainable fabrics are the way forward," she tells.

Amouve plans to be present in five more stores in the next one year and targets to achieve a year-on-year growth of 25 per cent.

Source: telanganatoday.com- Oct 07, 2019

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