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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 244 of 2017 December 07, 2017

USD 64.50 | EUR 76.13 | GBP 86.31 | JPY 0.57

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
18023	37700	**74.69**

Domestic Futures Price (Ex. Gin), December

Rs./Bale	Rs./Candy	USD Cent/lb
18900	39534	**78.32**

International Futures Price

NY ICE USD Cents/lb (March 2018)	72.72
ZCE Cotton: Yuan/MT (Jan 2018)	15,155
ZCE Cotton: USD Cents/lb	**88.27**
Cotlook A Index – Physical	**83.15**

Cotton & currency guide: The US cotton continued to stay steady near 72 to 73 cents so far this week. Market is quiet but holding onto the positive trajectory. The trading volumes and participations are slow. On Wednesday the ICE cotton for March delivery ended at 72.72 cents per pound and the same is seen trading flat this morning.

There are no new developments in the market except that cancellation talk of US export sales is continued. We believe today's weekly export sales figure would give a better clarity in the market.

Also next Tuesday's USDA Monthly Supply-Demand Report might help trigger the next direction. In the meanwhile speculators are holding onto their new long positions. Total open interest ended Wednesday at its highest level since May 22nd at 249,201 contracts.

From the technical front market is neither breaking 71 as strong support level nor it is able to break above 74 cents. We believe unless there is any clarity and trigger market may remain sideways.

Coming to domestic market spot price of Shankar-6 have fallen a tad to an average price of Rs. 38600 per candy ex-gin and the new crop Punjab J-34 are steady at Rs. 3978 per maund. The arrivals are increasing slowly. The latest estimate of daily seed cotton arrivals is 190,000 lint equivalent bales which includes 48,000 registered in Maharashtra, 42,000 in Gujarat, and 37,000 in Telangana/Andhra Pradesh.

In this regard the futures prices have also corrected. The December future made an intraday low of Rs. 18770 per bale while ended the session at Rs. 18900 per bale down by just Rs. 20 from previous close. Market is expected to remain sideways with arrivals pressure coming in market may gradually correct onto the downward trajectory. For today we expect Cotton December at MCX may trade in the range of Rs. 18700 to Rs. 19000 per bale.

Currency Guide:

Indian rupee trades little changed near 64.51 levels against the US dollar. Weighing on rupee is choppiness in global equity market amid uncertainty about Brexit, US government shutdown and US investigation into Russia's involvement in 2016 elections. The US dollar is also supported by progress over US tax reforms. RBI yesterday kept interest rate unchanged at 6% in line with expectations however it boosted inflation forecasts further denting rate cut chances. Rupee may witness choppy trade but some depreciation is likely due to weakness in equity market. USDINR may trade in a range of 64.4-64.65 and bias may be on the upside.

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

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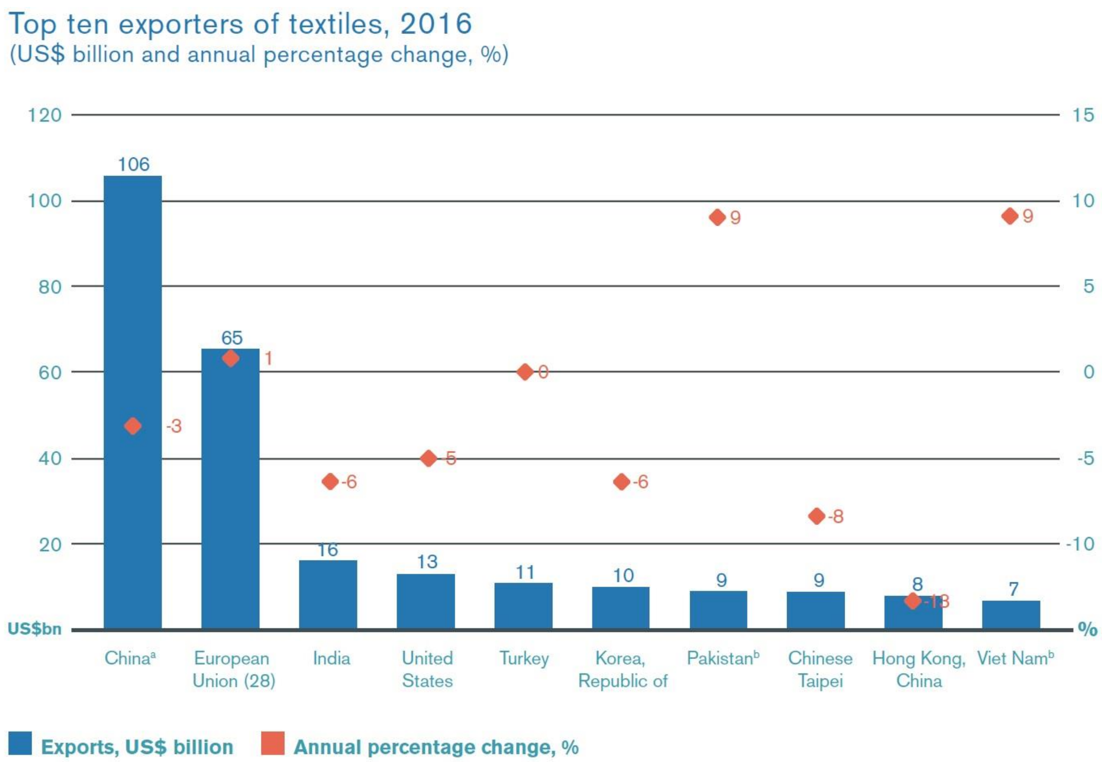
INTERNATIONAL NEWS

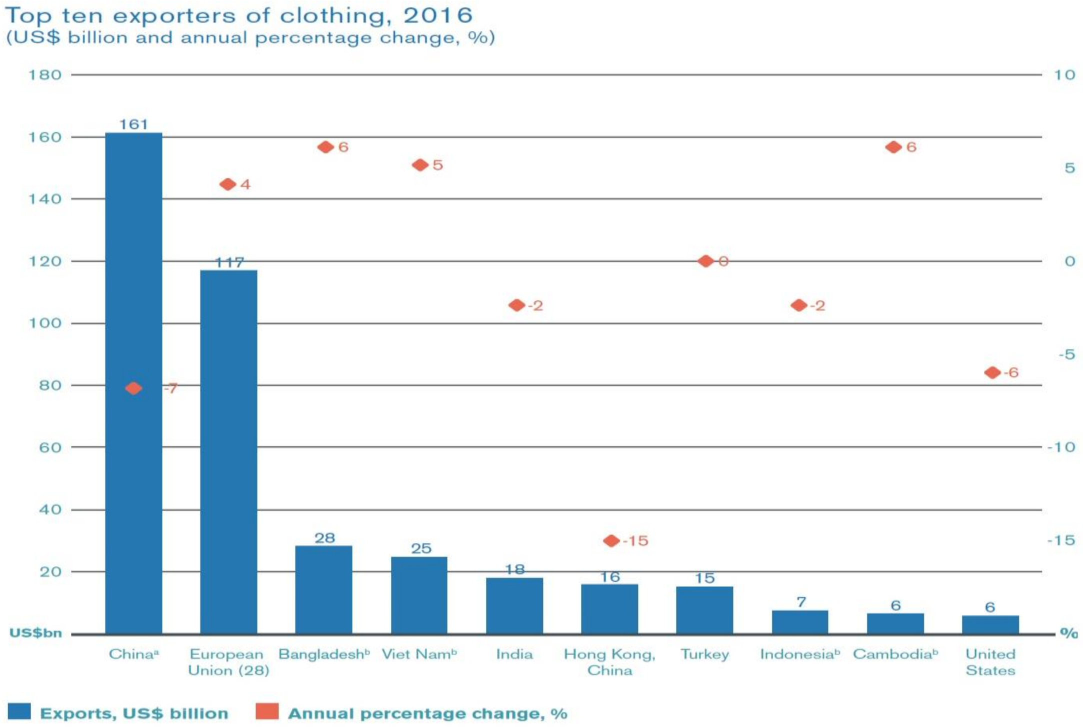
World textile and apparel exports fall in 2016

According to the newly published World Trade Statistical Review 2017 by the World Trade Organization (WTO), the current dollar value of world textiles and apparel exports by top ten countries totalled US$ 246 billion and US$ 384 billion respectively in 2016, decreasing by US$ 22 billion and US$ 3 billion respectively from a previous year.

China remained the top exporter of textiles in 2016, with a 37% share of world exports, even though its exports declined by 3%. The next biggest exporters were the EU, with a 23% share, growing by 1% in 2016, and India, with a 6% share, a decline of 6%. Pakistan rose from ninth to seventh position while Vietnam entered the top ten for the first time with a 2% share, an increase of 9%.



More than half of the top ten textiles exporters recorded a decline in the value of their exports, with the highest decline of -13% experienced by Hong Kong, followed by Taiwan (-8%), South Korea (-6%) and India (-6%), the US (-5%), and China (-3%).



The top ten exporters of clothing in 2016 remained unchanged. However, Hong Kong (China) fell from fifth to sixth position and India did the reverse, rising to fifth place. China's exports of clothing fell by 7% but it still stayed in top position, representing 36% in value of world exports of clothing in 2016.

EU exports of clothing increased by 4% in 2016, reaching a market share of 26%. The highest increases were recorded by Cambodia and Bangladesh – 6% for both countries. Exports of China and the US fell the most, by 7% and 6% respectively.

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EU exports of clothing increased by 4% in 2016, reaching a market share of 26%. The highest increases were recorded by Cambodia and Bangladesh – 6% for both countries. Exports of China and the US fell the most, by 7% and 6% respectively.

Source: knittingindustry.com - Dec 06, 2017

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Vietnam, UK seek to boost trade ties

The UK always considers Vietnam as its important and potential trade partner and wants to expand multifaceted cooperation with the Southeast Asian nation, said British Secretary of State for International Trade Liam Fox.

At a meeting with Vietnamese Minister of Industry and Trade Tran Tuan Anh, who paid a working visit to the UK from December 4-5, Fox reasserted the British Government's commitment to further boosting trade ties with Vietnam.

The two countries should take new measures and initiatives to foster bilateral trade cooperation, he said.

For his part, Anh affirmed that Vietnam has attached great importance to the multifaceted strategic partnership with the UK, and has been making every effort to promote bilateral cooperation.

Solutions and initiatives should focus on sharing information about import policies, trade barriers and management of fake goods management as well as increasing trade promotion and market studying activities, thus facilitating two-way trade, he stressed.

The minister proposed the UK create favourable conditions for prestigious Vietnamese exporters to join distribution networks in the UK, especially for ago-aquatic products, textiles-garments and footwear.

Vietnam highly evaluates the dialogue mechanism of the Vietnam-UK Joint Economic and Trade Commission (JETCO), considering this as a useful channel to regularly exchange measures and solutions to remove difficulties facing enterprises.

The upcoming 10th session of JETCO is scheduled to take place in the UK in the first quarter of 2018, focusing on ways to encourage the participation of businesses in JETCO and to enhance cooperation among localities of the two countries.

Economic and trade relations between Vietnam and the UK have been developing fruitfully in recent years, with two-way trade hitting 5.62 billion USD in 2016, up 4.3 percent year-on-year. The UK is now the third largest trade partner of Vietnam in Europe after Germany and the Netherlands.

Source: vietnamplus.vn - Dec 06, 2017

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The booming Ethiopian textile industry

Textile is a one of the major areas of investment with annual market transaction of three trillion USD worldwide that accounted for two percent of the world Gross Domestic Product. The textile industry in Ethiopia has a bright prospect to the facilitate growth of the manufacturing industry.

That is why the government supported investors that have been investing in the sector. Ethiopia is building its industry in a bid to become a light manufacturing hub in Africa by 2025 especially in textile and garments. The expansion of the industrial parks witnessed this argument. The country has been diversifying the textile sector in particular and the manufacturing sector in general.

According to available resources, the country has managed to grow the textile industry at an average of 51 percent only in the past five consecutive years, which is resulted from the government's plan set up to develop the industry.

A conference focusing on Ethiopia's Textile and Garment Industry was recently held with the theme "Towards Increasing Sustainability and Competitiveness in Ethiopia's textile and garment industry". It has been working to ensure the development of the textile sector.

The industry is currently growing rapidly and exports have increased substantially over the past ten years because the government has set the sector as a focus for the second Growth and Transformation Plan. It aimed to boost exports to reach one billion USD by the end of the Plan period, and to create close to 350,000 jobs.

The conference was intended to be a starting point for initiatives to catalyze sustained and sustainable development of the textile and garment sector in line with international social and environmental standards.

It aimed to help improve the competitiveness of the Ethiopian textile and garment industry as contributor to sustainable employment generation and economic development of the country, and promote awareness on the importance of social and environmental standards. It drew attention to key sustainability challenges within the Ethiopian textile and garment industry; and emphasized the importance of organizing continuous dialogue and joint action amongst stakeholders.

In a bid to make Ethiopia’s manufacturing sector globally competitive, the government has been keen on diversifying exports with priorities focused on strategic sectors like textile and garment manufacturing in the move towards industrialization from a primarily agriculture based economy. The effort is part of the structural transformation of Ethiopia's economy to exports of industrial outputs rather than raw agricultural products.

Ethiopia’s history in textile began in 1939 when the first garment factory was established. Data shows that in recent years, the country's textile and apparel industry have grown at an average rate of 51 per cent per year. More than 65 international textile investment projects have been licensed for foreign investors.

The growth in the textile industry is directly linked to the government’s move to set up an industrial development strategy. As a result of this effort, 124 foreign investors have expressed interest in the Ethiopian textile sector, 71 of which are from China, as reports from the Ethiopian Investment Commission indicate.

In the second GTP, Ethiopia aspires to become successful in light manufacturing including textile, apparel, leather and agro processing, which he termed as key areas where Ethiopia wants to secure more support. That is why the government has been aggressively working in expanding industrial parks to facilitate the sectors development.

Developing the industrial sector contributes to diversify export. In this regard, the country targets to increase its export revenue to 12 billion USD in the next three years. The government targets to boost export revenue by 29 percent in each year of the second Growth and Transformation Plan.

The national plan also incorporated improving health situations as its major pillar. There will be a plan to improve the quality of health services. In this regard, the government will do its level best to ensure quality and equitable health services in the second Growth and Transformation Plan period.

The ultimate goal is to develop the industrial sector so that the government has planned to reduce the shares of the agricultural sector in the Gross Domestic Product to 36 percent from its current level of 40 percent its sectors in its second national plan. Therefore, investment will represent 41.3 percent of the GDP in the GTP period that lead the industrial sector to grow by over 18 percent.

Economic analysts argue that the manufacturing sector will play a major role to attain the objectives of developing exports. Besides, air transportation and tourism will contribute considerably to fetch hard currency. The manufacturing sector will also focus on light industries, while the government has planned to give special attention to heavy industries.

In Ethiopia, the agricultural sector will continue to be a major contributor to GDP in the coming years as well. It is expected to grow to 406 million quintals by the end of the second five year plan through fostering irrigation systems that will be developed over four million hectares of land.

The attempts done so far aimed at developing the agriculture sector and enable the people feed themselves, thereby, integrated it with the industry. In the first national plan there were a number of mega projects that aimed to lay basis for structural transformation. The hydro power dams, the sugar development projects as well as the booming investments are believed to facilitate the economic transformation.

The past twenty six years witnessed that the number of farmers who transformed themselves is so momentous. They managed to produce high yield crops through irrigation, water harvesting and using fertilizer. While the agricultural productivity increased from time to time, efforts to integrate it with the industry has also considered seriously its development has been showing an upward trajectory.

Due to this integrated effort of raising agricultural products and developing the industry along with the leading agricultural productivity enabled the country to reduce its poverty stricken people from time to time that poverty has fallen from 40 pre cent in 2010 to 26 per cent in 2013.

The struggle to alleviate poverty and ensure sustainable economic growth has continued. It will also continue in the future as the people have considered poverty as their arch foe.

They have determined to work indigenously in order to meaningfully alleviate poverty. In doing so, the country also already identified some gaps that would have to be addressed in the second to provide more opportunities for the youth and women.

Source: waltainfo.com - Dec 06, 2017

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USDA Estimates Drop In Cotton Exports , Imports To Remain Higher In MY 2017/18

USDA forecasts MY 2017/18 exports at 4.3 million 480 lb. bales (5.5 million 170 kg bales/ 936,000 mt) which is lower than the USDA official forecast as Indian cotton will need to compete with cotton from other major exporters.

While Indian Ex-gin prices have fallen by 4-5 percent since the beginning of MY 2017/18 with expectation of a large crop, and are lower than Cotlook A-Index (FE) making Indian cotton prices competitive, Indian cotton may not be competitive on technical or quality parameters that affect its export prospects. Bangladesh remained the top cotton export destination, followed by Vietnam, Taiwan and China.

Preliminary cotton yarn export data shows signs of improvement in September and October as strong demand was observed from China, followed by Bangladesh, Pakistan and Egypt. Unites States, Bangladesh and Sri Lanka were the top destinations for exports of cotton fabrics, made ups and other textile products.

The MY 2017/18 cotton import forecast is 1.5 million 480 lb. bales (1.9 million 170 kg bales/ 326,600 mt). This is 100,000 480 lb. bales higher than the USDA official forecast. Even though a large crop is expected, imports will remain strong as mills import for processing and re-export to cover export commitments. For MY 2016/17, Post has revised the export and import numbers based on trade data for the full marketing year.

Source: indiainfoline.com- Dec 07, 2017

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Boom of fast fashion in Vietnam

Vietnamese apparel manufacturers need to embrace the opportunities to meet the growing global fast fashion trends and from which to make breakthroughs, according to experts in the field of textile and garment.

After the fever of Zara, the local market once again exploded when Swedish budget apparel retailer H&M opened its outlet in Ho Chi Minh City. Recent arrival of international brands in Vietnam has quickly received a heartened welcome from customers meanwhile they make pressure on local firms increase.

Though they are moderate and budget fashion brands, Zara, H&M and Topshop are very attractive to young Vietnamese customers . Fast fashion is the practice of rapidly translating high fashion designs into low-priced garments and accessories by mass-market retailers at low costs. As fast fashion implies, styles no longer follow a four-season fashion calendar but a weekly one.

The story that young people in Ho Chi Minh City stood in a long queue showed the fever of cheap foreign commodities. This forces Vietnamese manufacturers to rethink how to retain their customers while more arrivals of foreign fashion brands will flood in Vietnam?

Do Huu Thanh - General director of Su Tu Vang firm specializing in unifom, said that new fashion trend refers to a phenomenon in the fashion industry whereby production processes are expedited in order to get new trends to the market as quickly and cheaply as possible. As a result of this trend, enterprises will face more challenge in design, order and delivery time.

Local firms have learnt much from foreign brands including winning the market by fast introduction of design. Vietnamese firms need to have good group of designers who can grasp the rapid changing lifestyle and consumers' choice for fashion and clothing in the market to fill the order.
To meet the demand and compete with foreign counterparts, local firms must step up investment in modern equipment and attract more skilled workers.

The Vietnam Textile and Garment Association (VITAS)'s deputy general secretary Nguyen Thi Tuyet Mai said the presence of foreign brands in Vietnam has both created pressures and impetus for changes of production and business. Accordingly, customers will have more choices.

Vietnamese firms have for long been familiar with outsourcing contracts for Foreign Direct Investment companies; but now, they have to make their own products to adapt to new trends.

The Association will help update the new trend in the globe for enterprises.
Saurav Ujjain, Southeast Asia business head at ThreadSol, a Singapore-based technology company in the apparel industry, presented its range of innovative solutions for Vietnam’s apparel industry such as correct purchases of fabric through intelloBuy to the most accurate planning to cut fabric through intelloCut, these solutions can help manufacturers boost revenues and profits. Averagely, IntelloCut helps producers to icnrease turnover to 30 percent with profits of $10 million each year.

Source: vietnamnet.vn- Dec 06, 2017

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Cotton prices rise in Brazilian market in Nov '17

Despite low number of batches traded, cotton prices increased in Brazilian domestic market in November 2017, Center for Advanced Studies on Applied Economics (CEPEA) said in its latest report on cotton market. Between October 31 and November 30, the CEPEA/ESALQ Index increased 1.6 per cent, closing at 2.4475 BRL ($0.7507) per pound on November 30.

Although cotton trades involved only small batches in late November, that was enough to warm up the domestic market. Representatives of processors and traders were seen trying to close new trades to replenish inventories and accomplish contracts. Several of them were already planning for the low availability of trucks during the upcoming holiday season.

Buyers, however, continued to press down quotes, and were flexible only regarding high quality batches. Sellers, on the other hand, were firm regarding asking prices, irrespective of the batch quality. As a result, several trades for short-term delivery were closed, but others were hampered due to the gap between price and quality.

Meanwhile, trading companies increased asking prices in the domestic and spot markets and for delivery in the next year, as dollar rose 1.14 per cent against real in November. Several export contracts were closed late in the month, mostly involving cotton from 2017-18 crop.

According to the Brazilian Institute of Geography and Statistics (IBGE), the industrial production of spinning mills in September 2017 dropped 1.23 per cent compared to the previous month, but increased 2.82 per cent compared to September 2016. For the clothes and accessories sector, production increased 0.85 per cent from August to September, and production increased 4.29 per cent compared to September last year.

Source: fibre2fashion.com- Dec 06, 2017

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Room for Vietnam to expand trade with Argentina

Việt Nam and Argentina have great potential to expand their lists of export items, Vietnamese Ambassador to Argentina Đặng Xuân Dũng told a conference in Buenos Aires on Tuesday.

Many advantaged export items of Việt Nam such as timber goods, textile and garment, footwear and coffee have successfully marked their presence in the US, Japan and the EU, Dũng said, expressing his hope that the same would be replicated in Argentina.

He added bilateral trade between the two countries experienced a positive increase of 20 per cent annually from 2012 to 2016, after the two nations established a comprehensive partnership in 2010.

Sharing Dũng's view, president of the Chamber of Importers of Argentina (CIRA) Ruben Oscar Garcia affirmed the determination of the Argentinian government to open the local market and provide opportunities for domestic firms to expand trade with foreign partners, including those from Việt Nam.

Two-way trade between the two countries reached US$2.3 billion and $2.9 billion in 2015 and 2016, respectively. The trade saw a year-on-year rise of 15 per cent to $2.3 billion over past nine months of this year and is likely to hit $3.5 billion by the year-end, he said.

Việt Nam is currently Argentina's sixth-largest trade partner with major export staples such as footwear, electronics, textile and garment, and agricultural machines, while Argentina is Việt Nam's second largest supplier of foods and farm produce

Source: vietnamnews.vn- Dec 06, 2017

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Pakistan: Cotton arrival at ginneries cross 10 mn bales: PCGA

Over 10.132 million bales of cotton have arrived in 2017-18 season at various ginneries in Pakistan, as on December 1, 2017, up 3.62 per cent over arrival of 9.778 million bales during the corresponding period of last season, according to the latest fortnightly report on cotton arrivals, released by Pakistan Cotton Ginners' Association (PCGA).

In the major cotton producing province of Punjab, total cotton arrivals decreased by 0.83 per cent year-on-year to 6.107 million bales, according to the report prepared by PCGA, in joint cooperation with All Pakistan Textile Mills Association (APTMA) and the Karachi Cotton Association (KCA). While in Sindh province, cotton arrivals increased 11.18 per cent to 4.024 million bales as on December 1 during the ongoing cotton season 2017-18.

Of the total arrival of 10.132 million bales at various ginneries in Pakistan, 9.281 million bales were pressed by ginners, of which 8.274 million bales were sold, leaving an unsold stock of 1,006,991 bales with the ginners, as on December 1, according to the data.

The textile mills in Pakistan consumed 8.062 million bales, while another 211,989 bales of cotton were sold to exporters, according to the data. The Trading Corporation of Pakistan (TCP) has not procured any bale of cotton so far this season.

As of December 1, a total of 666 ginning factories were operational in Punjab compared to 566 ginneries that were operational during the same time last season. Similarly, 294 ginning units were operational in the Sindh region, compared to 222 operating units during the corresponding period last year.

Analysing the cotton arrival situation, PCGA has stressed the need for continuation of ban on cotton imports from India through Wagah and Karachi port.

Source: fibre2fashion.com- Dec 06, 2017

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Global yarn production improves in Q2

Global yarn production improved in Q2 of 2017. It increased in Asia, Europe and Brazil and slightly declined in the US. Global yarn stocks have also improved compared to the same quarter a year earlier.

Global fabric production improved almost nine per cent in the second quarter, with the most significant increase in Brazil, Asia and Africa (10.4 per cent, 9.8 per cent and 9.2 per cent respectively).

The situation has improved compared to the second quarter of last year, with an increase in global fabric output of almost four per cent. In the second quarter, worldwide fabric stocks slightly increased, with the most significant change observed in Brazil for the second quarter in a row.

Global yarn stocks decreased one per cent in the second quarter. Asia, Europe and Brazil saw their yarn inventories increase by 0.7 per cent, 2.3 per cent and 11.5 per cent respectively, but the world average is driven down by a 12 per cent decrease in yarn stocks in Egypt.

Worldwide fabric stocks rose by 3.3 per cent in the second quarter. Brazil reported a strong increase of 23 per cent. Global fabric inventories decreased by eight per cent.

Source: fashionatingworld.com- Dec 06, 2017

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Cambodia’s uncertain political climate to hit apparel industry

The World Bank has noted Cambodia has moved up the manufacturing value chain significantly. However, the country’s political climate is in turmoil and is likely to have an adverse impact on its growing garment industry.

The uncertain political climate has raised concerns over trade relations and even the currently trade benefits Cambodia enjoys. This dissonance comes just after a meeting in August where the US and Cambodia discussed enhancing their partnership under the Trade and Investment Framework Agreement (TIFA) in order to facilitate trade.

Further, the EU is considering reworking Cambodia's trade status under its Everything But Arms (EBA) program which permits Cambodia's garments and other exports to enter the EU duty free. GMACs Deputy Secretary-General Kaing Monika had appealed for calm, "We are just worried there might be some misunderstanding by the US or EU about the decisions of our government. What we are trying to say is to caution people not to misunderstand the situation in Cambodia."

Cambodian workers are happy with their recent 11 per cent wage hike to $168 per month, which they will earn as of January, currently there is no labour unrest despite the current tension. GMACs Deputy Secretary-General is of the view that the EU would not roll back Cambodia's trade privileges as part of EBA, but that it would not be entirely detrimental if it did. For the year to October, the US imported textiles and apparel valued at $2.18 billion from Cambodia, a 2.42 per cent decline when compared to the same period in 2016.

As per the World Bank's latest economic update, Cambodia's exports of clothing and other textile products grew in the first six months of the year, touching $3.3 billion, but that level of growth may not continue.

Source: fashionatingworld.com- Dec 06, 2017

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NATIONAL NEWS

TEXPROCIL Welcomes Mid Term Review of FTP 2015-20

The Government has announced the Mid Term Review of Foreign Trade Policy 2015-20 on 5.12.2017. Shri Ujwal Lahoti, Chairman of The Cotton Textiles Export Promotion Council (TEXPROCIL) said, “The Mid Term Review of Foreign Trade is progressive, growth oriented and I am glad the Government has recognized the urgent need to address the challenges being faced by the exporters on account of the roll out of the GST regime by focusing on reducing procedural burden”.

The revised FTP has increased MEIS rates across the board by 2% for labour intensive sectors. Earlier the MEIS rates for Garments and Made ups were increased from 2% to 4%.

The enhanced MEIS rates will provide the much needed relief to exporters and will certainly have a positive impact on the overall exports especially of textile products, according to Shri Lahoti. He also said the increase in the validity of duty credit scrips issued under the MEIS from 18 months to 24 months will increase the utility of such scrips.

With regard to export strategy, the Chairman, TEXPROCIL said it is reassuring that the revised FTP identifies markets in Africa and Latin America to be its new focus areas as part of the Government ‘s goal of exploring new markets .

The revised FTP has introduced a new scheme known as Self Ratification Scheme under which Advance Authorizations will be issued in those cases where there are no SION/valid Adhoc Norms for an export product and where SION has been notified but exporter intends to use additional inputs in the manufacturing process on the basis of self declaration.

The textiles sector especially technical textiles sector will benefit immensely from this scheme, according to the Chairman, TEXPROCIL. The scheme also allows domestic procurements which will promote “Make in India”, said shri Lahoti.

TEXPROCIL has been representing for enhanced benefits for Cotton Shopping bags covered under Chapter 42 of the ITC (HS) Classification. Shri Lahoti welcomed the increase in MEIS rate for Cotton shopping Bags from 3% to 5%.

While the Mid Term Review of FTP 2015-20 has addressed many of the issues faced by the exporters, there are still some areas that need to be addressed immediately to promote exports of textiles, according to Shri Lahoti. He pointed out that Cotton Yarn continues to be denied any benefit under the FTP.

Shri Lahoti urged the Government to include Cotton Yarn under MEIS and 3% Interest Equalization Scheme, extend the benefit of 3% Interest Equalization Scheme to merchant exporters, cover Fabrics under RoSL, increase MEIS rates for fabrics and to allow domestic procurements against EPCG Authorizations and Advance Authorizations without payment of GST for export production.

Source: Texprocil Textile Intelligence- Dec 06, 2017

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Relief for exporters: Higher duty drawback rates to offset taxes

Exporters hit by the sharp decrease in duty drawback rates on various items following implementation of the Goods and Services Tax (GST) regime would soon get some relief as the government is finalising higher rates to compensate for embedded taxes.

“The GK Pillai committee has worked out the new structure of duty drawback which would take into account embedded taxes on inputs on which credit is not available. It will be finalised once the Finance Ministry approves it,” a government official told *BusinessLine*.

Duty drawback compensates exporters for the duties paid on inputs used to manufacture exported products. The higher duty drawback rates compensating for embedded taxes is likely to be announced before June 2018, when the higher rates of export incentives for labour-intensive sectors announced by the Centre on Tuesday will lapse.

Exporters allege that as the duty drawback rates do not provide for embedded taxes, their operations are coming under severe stress. Embedded taxes are levies imposed on inputs used to make products that are not taxed and, therefore, exporters cannot get a credit on them. The taxes have to be thus absorbed in the price of the item affecting its competitiveness.

"Cotton is a zero duty item. But the fertiliser, pesticides and insecticides used are taxed and that becomes part of the price because you can't get refund on it. That is embedding," explained Ajay Sahai from exporters body FIEO.

"The higher duty drawback rates together with timely refunds will help exporters retain their competitiveness when the higher incentives lapse," the government official said.

The increased incentives of 2 per cent under the Merchandise Export Incentive Scheme for labour-intensive sectors announced by the Centre has come as a relief for exporters struggling under the new GST regime. Duty drawback rates and rebate of State levies (ROSL) were revised downwards across sectors from October 1, 2017.

The textiles and garments sector was amongst the ones most affected. Drawback rate for cotton garments was dropped to 2 per cent from 7.7 per cent, for garments containing cotton and man-made fiber blends to 2.5 per cent from 9.5 per cent, and the rate on garments made of man-made fibres to 2.5 per cent from 9.8 per cent.

WTO conditions

The government also has to be careful now in giving duty drawback and ensure it is strictly according to inputs consumed as India is no more eligible to give export subsidies as per global trade rules as its per capita Gross National Income has crossed $1,000 for the third year in a row.

The MEIS scheme, too, could be questioned by WTO members as it is an export subsidy and no more permitted.

Source: thehindubusinessline.com- Dec 06, 2017

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Textiles, agriculture industry hails mid-term review of Foreign Trade Policy

The textile and agri industry today said the government's mid-term review of Foreign Trade Policy (FTP) would help boost exports in labour-intensive sectors like textiles and agriculture.

"The mid-term review of FTP is progressive, growth-oriented and I am glad the government has recognized the urgent need to address the challenges being faced by the exporters on account of the GST roll-out by focusing on reducing procedural burden," the Cotton Textiles Export Promotion Council (Texprocil) chairman Ujwal Lahoti said.

The revised FTP has increased MEIS rates across the board by two per cent for labour intensive sectors. Earlier the MEIS rates for garments and made-ups were increased from two per cent to four per cent. The enhanced MEIS rates will provide the much needed relief to exporters and will certainly have a positive impact on the overall exports especially of textile products, Lahoti said.

He also said the increase in the validity of duty credit scrips issued under the MEIS from 18 months to 24 months will increase the utility of such scrips.

With regard to export strategy, the Texprocil chairman said it is reassuring that the revised FTP identifies markets in Africa and Latin America to be its new focus areas as part of the government's goal of exploring new markets. The textiles sector especially technical textiles will benefit immensely from this scheme. Also, it allows domestic procurements which will promote "Make in India," initiative, Lahoti added.

Lahoti pointed out that cotton yarn continue to be denied any benefit under the FTP. Ruchi Soya Industries managing director and CEO Dinesh Shahra said, "The increase of Rs 1,354 crore in the incentives for agriculture and related products will given an additional boost to agri industries, which will in turn benefit all stakeholders including the farmers."

It is heartening to see agro-processing as a focus area in the government's drive to increase exports to new and un-tapped markets, and this is a big positive for the industry.

We also look forward to the new agricultural exports policy to give a long-term direction to the industry through a stable policy regime, Shahra said.

Meanwhile, engineering exporters' body EEPC India said that the RBI needs to help exporters by reducing the cost of borrowing. "The RBI could have joined the government in helping the exporters by reducing the cost of borrowing," EEPC India chairman T S Bhasin said.

The RBI policy review has taken place a day after the commerce ministry has come out with a pragmatic review of the Foreign Trade Policy. As exports are picking up due to demand pick up in some of the key markets, the domestic exporters must be strengthened to face the increasing competition from countries like China where the cost of capital is significantly lower than India, Bhasin said.

Source: financialexpress.com- Dec 06, 2017

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Hike in incentives good, but to crack export markets, here is the critical step India must take

A recent article in The Wall Street Journal explains globalisation through the humble cashew. Cashew trees were transported to India by Portuguese explorers sailing from Brazil in the16th century and India started exporting them to the US in the 1920s.

With the industry doing well—in the 1990s, India controlled 80% of the global trade—it got unionised and hefty wage hikes followed. Vietnam copied Indian techniques initially, but soon enough, automated the process—the government in Kerala, meanwhile, discouraged this; between 2011 and 2016, Vietnam's exports rose 100%, India's fell 38%. If this was a one-off, in an excessively pro-labour state, it wouldn't matter as much.

In the case of textiles and apparel, India's exports grew from $30 billion in 2011 to just $34 billion in 2016, while those of Vietnam grew from $20 billion to $32 billion and Bangladesh's from $19 billion to $28 billion. In overall terms, in Apr-Oct 2017, while India's exports grew 9.5%, Vietnam's grew 23.8%, South Korea 18.4%, Indonesia 17.8%—so, at a time when global exports are recovering, India is not making the most of it.

Commerce minister Suresh Prabhu has done well to, on Tuesday, increase export incentives under the MEIS scheme by another two percentage points for labour-intensive exports. This is a 33% hike in incentive levels from the existing Rs 25,000 crore—these are labelled incentives but they are actually a payment to negate disadvantages due to taxes, etc—and the hike in the case of readymade garments is over Rs 2,700 crore.

The policy also has more simplification like duty-free imports of inputs for exports based on just self-assessment by exporters and there are promises to fix the GST problems exporters face in terms of delayed tax refunds. The problem, however, is that until the big bottlenecks to production aren't removed, India's exports simply cannot do better.

If labour laws ensure India has mostly small ready-made garment firms and these are just not competitive, either in price/quality or in the ability to supply large volumes fast enough, a 2% higher MEIS may not do the trick. That is why, as Crisil points out, the 'revealed comparative advantage' of gems and jewellery fell from 6.38 in 2006 to 3.96 in 2016, from 3.12 to 1.97 for leather and from 2.43 to 2.22 for readymade garments.

Fixing this requires repealing choking labour laws, finding ways to dramatically lower rentals and various infrastructure costs, among others, but apart from sporadic attempts, not too much has been done—a special policy was announced for apparel last year to take care of the labour issue but that has not been fully implemented so far. Agriculture is another big export potential area—exports jumped from $13 billion in FY10 to $24.5 billon in FY17. But the policy is anti-farmer—as long as local prices are low, exports are fine; once they rise, exports are banned.

While wheat and rice exports were banned/restricted between 2007 and 2011, restrictions were put on onion exports just last month. Prabhu's policy talks of a "stable and 'open' export policy for the long term", but does this mean the government won't ban exports or put stockholding limits on traders the moment local prices start rising? Till such issues are sorted out, it is unlikely there will be any major growth in India's exports on a sustained basis.

Source: financialexpress.com- Dec 07, 2017

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FTA strategy: India may well give up hope to become global manufacturing hub and exporter; here is why

Indian policy on free trade agreements (FTAs) and, more generally, over the country's external trade policy remains confused with India out of sync in various trade negotiations. It is unable to generate interest among members at the Regional Comprehensive Economic Partnership (RCEP) on its demand for greater market access in services.

It is unable to decide on how to proceed on pending FTAs with the European Union, Australia and Canada. And at the World Trade Organisation (WTO), it continues to block other proposals (for example, multilateral rules on e-commerce), while not finding takers for its own (for example, trade facilitation agreement on services).

Why is India so confused on trade and why are its positions at global and regional trade talks so much at variance with most of the rest of the world, developed and developing?

The nature of India's economic integration with the world and its mindset on imports are important reasons in this regard. As the world globalised from the 1980s onwards, production begun getting offshored, with developed economies outsourcing several key functions to developing countries.

Many among the latter—such as China, Mexico, Turkey, Thailand, Ethiopia, Vietnam, Bangladesh and Cambodia—benefited by picking up labour-intensive outsourced manufacturing. These economies specialised in exporting manufactures back to countries like the US that outsourced production in the first place.

India, too, benefited, but not as extensively. Limitations on expanding scale, difficulty in accessing cheap credit and lack of adequate labour with the right skills prevented India from exploiting manufacturing offshoring as much as many others.

However, the country benefited significantly from globalisation and outsourcing in another respect. It picked up the largest chunks of global outsourcing in information technology (IT), communication and financial services from developed nations.

It also became one of the largest suppliers of specialists to advanced country markets as businesses in the latter invested billions in software, digital technology applications and new financial products.

With globalisation easing labour mobility, Indians began moving overseas to various professions in large numbers, across a range of skills, elevating India to its current status of the largest remittance recipient in the world. This pattern of India's economic integration has had a great influence on its vision of trade and FTAs.

Many other developing countries from Asia and America, which are bigger manufacturing exporters than India, aggressively push for greater liberalisation in market access for manufacturing exports. India, while not reluctant on such access, contrasts the rest in its forceful demand for liberal market access in services, particularly movement of skilled professionals. The relative contrasts often become sources of contestation in trade negotiations between each other.

India's relatively lesser prowess as a manufacturing exporter has also been due to the peculiar mindset that exports are good, but imports are bad. The mindset has been responsible for maintaining high tariffs on several products, including several items that are necessary for manufacturing exports.

Notions of imports being 'bad' for the country—both as economic flows incurring foreign exchange and being injurious for prospects of domestic industry—have inhibited India's growth as a manufacturing exporter.

The first justifies perpetuation of tariffs for a fiscally strained government and the second enables domestic industry to keep lobbying for protection. Both impressions put India in a tight corner in negotiating with Asian countries, such as in RCEP, where others have lesser or zero tariffs across the entire spectrum of manufactured products given their proclivities as manufacturing exporters.

This characteristic makes them far more receptive to imports compared with India. However, they are hardly as receptive when it comes to service imports, particularly labour movements from other countries.

The latter step into the politically sensitive arena of immigration, where most countries, including India, are sceptical to liberal commitments given the sociocultural and security implications. It is ironical that while making India a global manufacturing powerhouse is an acceptable slogan for all political parties and industry houses, the practical necessity of a more liberal import policy for accomplishing the goal is unacceptable.

Imports keep raising red flags with unfailing regularity among all the stakeholders involved in trade, making India inherently suspicious of FTAs it has signed and is negotiating.

The RCEP negotiations are hampered by the nagging fear of imports, more so because Southeast Asia, Japan and South Korea are those with whom India has FTAs, and which, arguably, have deluded the country with imports, notwithstanding evidence pointing to limited use of these FTAs.

Concerns over RCEP are heightened by the presence of China, which, even without an FTA, is among the largest sources of India's manufacturing imports.

The current government is focusing hard on removing domestic infrastructure constraints. This would reduce production costs and make Indian exports more competitive. But that would take several years. And even then, imports would remain necessary for exports, as India is unlikely to become as broad-based a manufacturing economy as China, Japan, Thailand or Mexico.

The government's silence on FTAs and trade engagement is conspicuous and baffling. If the strategy is to stay away from FTAs since they enable imports, India might as well give up hopes of becoming a global manufacturing hub and manufacturing exporter in the foreseeable future.

Source: financialexpress.com- Dec 07, 2017

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RBI keeps policy repo rate unchanged at 6%

In its fifth bi-monthly monetary policy statement, 2017-18, the Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) has kept the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.0 per cent. Consequently, the reverse repo rate under the LAF remains at 5.75 per cent, and MSF and Bank Rates at 6.25 per cent.

The MPC has taken the decision on the basis of an assessment of the current and evolving macroeconomic situation. It (the decision of the MPC) is consistent with a neutral stance of monetary policy in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth, RBI said in a statement.

In the MPC's assessment, there have been several significant developments in the recent period which augur well for growth prospects, going forward. First, capital raised from the primary capital market has increased significantly after several years of sluggish activity. As the capital raised is deployed to set up new projects, it will add to demand in the short run and boost the growth potential of the economy over the medium-term.

Second, the improvement in the ease of doing business ranking should help sustain foreign direct investment in the economy. Third, large distressed borrowers are being referenced to the insolvency and bankruptcy code (IBC) and public sector banks are being recapitalised, which should enhance allocative efficiency.

The MPC noted that the impact of these factors can be buttressed by reducing the cost of domestic borrowings through improved transmission by banks of past monetary policy changes on outstanding loans.

The next meeting of the MPC is scheduled on February 6 and 7, 2018.

Source: fibre2fashion.com- Dec 06, 2017

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AEPC, SIMA welcome new measures under FTP 2015-20

The Apparel Export Promotion Council (AEPC) and The Southern India Mills' Association (SIMA) have welcomed the new measures announced by the Indian government in its mid-term review of Foreign Trade Policy (FTP) 2015-20. Incentives worth Rs 8,000 crore, focus on MSMEs, labour-intensive segments and agriculture sector are among the highlights of the review.

"The mid-term review of the FTP 2015-20 has made provisions which will boost trade facilitation and ease of doing business. The extension of validity of scrips from 18 months to 24 months along with the provision of zero GST on sale of scrips are surely going to help the industry in a big way," commented AEPC chairman Ashok Rajani.

"The other initiatives like the doing away with the testing of samples for drawback purpose and the introduction of e-sealing facility for exporters will lead to quick clearances of the consignment. This will not only help in easing the port congestion but will also aid in quick movement of the cargo. However, the exporters were hoping for measures which improve market access and cost competitiveness," he added.

The mid-term review of FTP, released by the ministry of commerce and industry, has given thrust on ease of doing business, ease of trading across borders, exploring new export markets, new export products, simplification of procedures and processes and establishing National Trade Facilitation Committee headed by Cabinet Secretary to boost exports.

SIMA chairman P Nataraj has also appreciated the formation of National Trade Facilitation Committee (NTFC) under Cabinet Secretary to focus on transparency, technology, simplification of procedures, infrastructure augmentation, etc. In a press release, he said that the 24x7 customs clearance extended to 19 sea ports and 17 air cargo complexes would help exporters.

"The Government is yet to consider the long pending demand of including cotton yarn exports under MEIS and IES schemes and also to consider fabric exports under RoSL—that are essential to utilise the highly capital and labour intensive surplus production capacities in the spinning, weaving, knitting and processing segments," said Nataraj.

He also stated the Government could have considered the industry's demand of GST free domestic procurement against EPCG and Advance Authorization Scheme to boost exports under mid-term review.

He hoped that the Government would soon announce the enhanced duty drawback rates for all textiles taking into account all the embedded/blocked levies and enable the exporters to continue to have the level of export competitiveness that they had under pre-GST era.

Source: fibre2fashion.com- Dec 06, 2017

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Sops to exporters boon to SMEs : Chamber

The Indian Chamber of Commerce and Industry, Coimbatore (ICCIC) has hailed the positive features in the mid-term review of the Foreign Trade Policy 2015-20.

Vanitha Mohan, President, ICCIC, said the trust-based approach as reflected in the new self- ratification scheme for duty-free import of raw materials would help expedite export of important products like engineering, textiles and chemicals among others.

The incentives worth ₹8,450-crore package announced would give a fillip to export of goods and services mainly from labour- intensive segments and the Micro, Small and Medium Enterprises, besides increasing employment opportunities and creating value addition.

The Chamber has also welcomed the reduction in GST rates on transfer / sale of scrips to zero, and roll out of E-wallet for exporters from April 1, 2018.

"In all, it has set an ambitious target for India's exports of goods and services. It is hoped that FTP will continue to be reviewed and evaluated regularly for addressing concerns of the exporters, simplification of procedures and for promotion of exports," Mohan added.

Source: thehindubusinessline.com- Dec 06, 2017

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Indian denim producers plea for increased govt support

Denim manufacturers in India, led by the New Delhi based Denim Manufacturers Association (DMA), have requested the Central government to immediately announce increased support in the form of some enhancement in present duty drawback rates and extending some more benefits under various schemes such as ROSL, MEIS, Focus Product, Focus Market, etc.

The denim fabric manufacturing industry, which used to be the sunrise industry in the entire textile value chain of India, is currently under stress and government support is needed for the industry to come out of this situation and be able to tap the potential of export market, DMA said in a press release.

At present, there are 46 denim fabric manufacturing mills operating in India, compared to 30 mills in 2012. The installed denim fabric production capacity has also increased from 800 million metres in 2012 to 1,500 million metres in 2017, making it the world's second largest denim fabric producer, next only to China. Further, another 150 million metres of fabric production capacity expansion is in the pipeline.

As against the capacity of 1,500 million metres, the current domestic consumption is approximately 750-800 million metres, and export is 200 million metres. Thus, the industry is facing over capacity situation.

"Post introduction of the Goods and Services Tax (GST) from July 1 this year, the denim industry has temporarily closed down approx. 30-40 per cent of its capacity across the board and is currently operating at approx.. 60-70 per cent capacity due to slowdown in demand and over capacity situation in the industry," said DMA chairman Sharad Jaipuria. "Presently, the industry is bleeding and if the situation continues, there can be more production cuts."

Besides over capacity, the denim fabric making industry has also been paralysed because denim needs to be cut, sewn and washed before it can be marketed. These upstream activities are majorly done in the unorganised sectors located at the small-scale industry (SSI) hubs of Gandhi Nagar and Tank Road in Delhi, Ulhasnagar in Mumbai and Bellary near Bangalore.

"These hubs mainly slowed down due to the liquidity crunch in the economy post demonetisation and slow acceptance of GST by small players to become part of the formal economy.

As approx. 85 per cent of the fabric is sold in the domestic market, denim fabric mills are badly hit," explained Akhilesh Rathi, director of Bhaskar Denim.

"Since the upstream activities of garment sewing and washing in SSI hubs will take a while before they change for working smoothly with the formal banking system, we do not foresee any short-term recovery of market in the near future. This has led to shutdown / slowdown of many denim mills and loss of jobs in this industry," said Amit Dalmia of R&B Denims.

The negative impact of oversupply situation, coupled with low demand and liquidity crunch in the domestic market, has started becoming visible on the sales and profit volume of top denim mills in India in Q2 FY17-18 and similar impact looks to continue in Q3 as well, said Arpit Jain, VP-research at Arihant Capital & Brokerage.

"Considering the grave situation for denim industry, the government needs to announce some enhancement in present duty drawback rates and also extend some more benefits under ROSL scheme, MEIS scheme, Focus Product and Focus Market scheme so that denim mills can competitively tap the potential of export market and try to shift from the stress of domestic market," said Ashima director Atul Singh.

Source: fibre2fashion.com- Dec 06, 2017

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India loses out in global apparel exports to Vietnam, Bangladesh

India has not been able to take advantage of improving global environment, especially compared with its Asian peers. Though export growth has recovered relative to the past few years, at 9.4 per cent, it appears sedate compared with Vietnam's 23.8 per cent, South Korea's 18.4 per cent and Indonesia's 17.8 per cent.

GST has disrupted many businesses, at least in the short run. Under GST, exporters are supposed to first pay tax on the inputs they buy from suppliers and then claim tax refunds. Delay in refunds has shrunk liquidity, especially for small and medium enterprises, which contribute almost 40 per cent to exports.

Exports of gems and jewelry declined 6.8 per cent in April-October.

Exports of readymade garments, leather products and electronic goods grew 2.5 per cent, 0.6 per cent and 2.8 per cent respectively. Vietnam and Bangladesh have been able to occupy a larger share in the low-end manufacturing space being vacated by China as it moves up the sophistication ladder.

For instance, Vietnam's share in global readymade garment exports has soared from 1.7 percent to 5.3 percent in the past decade, and that of Bangladesh from 2.5 percent to 6.7 percent while India saw a mere 0.8 per cent improvement.

Lower comparative advantage has been a result of infrastructure bottlenecks, rigid land and labor laws, and inferior logistics compared with these economies.

Source: fashionatingworld.com- Dec 06, 2017

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