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IBTEX No. 132 of 2019 July 08, 2019

SD 68.65| EUR 77.08 | GBP 86.03 | JPY 0.63

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
21292	44500	**82.66**

Domestic Futures Price (Ex. Warehouse Rajkot), July

Rs./Bale	Rs./Candy	USD Cent/lb
21300	44517	**82.70**

International Futures Price

NY ICE USD Cents/lb (December 2019)	66.82
ZCE Cotton: Yuan/MT (September 2019)	13,850
ZCE Cotton: USD Cents/lb	91.13
Cotlook A Index – Physical	**78.35**

Cotton Guide: **Net Upland Sales** – Net Upland Sales were seen at 141,500 RB for 2018/2019 which marks an increase of 96 percent as compared to the previous figure last week much higher than the 4 week average. The destinations were as follows:

Country	Increases in Running Bales (RB)
Vietnam	49,900
India	45,600
China	14,900
Indonesia	13,200
South Korea	9,900

Table 1: Net Upland Sales for 2018/2019

Reductions were noted for Japan 4,900 RB, Bangladesh 4,500 RB, Mexico 4,000 RB, Pakistan 2,300 RB. For 2019/2020, net upland sales were seen at 55,300 RB for the following destinations:

Country	Increases in Running Bales (RB)
Bangladesh	18,800
Turkey	9,400
Mexico	7,700
Indonesia	6,900

Table 2: Net Upland Sales for 2019/2020

Reductions were noted for China 1,300 RB and Thailand 900 RB.

Upland Shipments –

Shipments were seen at 340,400 RB i.e. an increase of 6 percent from the previous week and 4 percent from the 4 week average. The destinations were as follows;

Country	Increases in Running Bales
India	83,100
Vietnam	64,700
Turkey	55,400
Indonesia	21,400
Mexico	16,600

Table 3: Upland Shipments

Net Pima Sales –

For 2018/2019 Net sales of Pima were recorded at 2,500 RB. They were mainly for India 1,400 RB, Bangladesh 400 RB, Pakistan 300 RB, China 200 RB and Japan 200 RB. For 2019/2020 Net Sales of just 100 RB were reported for Indonesia.

Pima Shipments-

Exports declined and were at 16,300 RB citing a decrease of 5 percent as compared to the previous week and 6 percent from the prior 4 week average. The destinations were Vietnam 6,500 RB, India 3,700 RB, China 3,300 RB, Thailand 900 RB and Egypt 400 RB.

ICE Futures –

Although with decent US Export sales, the figures could not be pushed to newer support levels. The ICE contracts emanated minute declines ranging from -7 to -43 points. The most important ICE December contract settled at 66.82 cents/lb with a change of -43 points.

The high and the low figures in the 1 cent trading range namely 67.43 as the high figure and 66.43 as the low figure. The ICE March contract settled at 67.82 cents/lb with a change of -29 points.

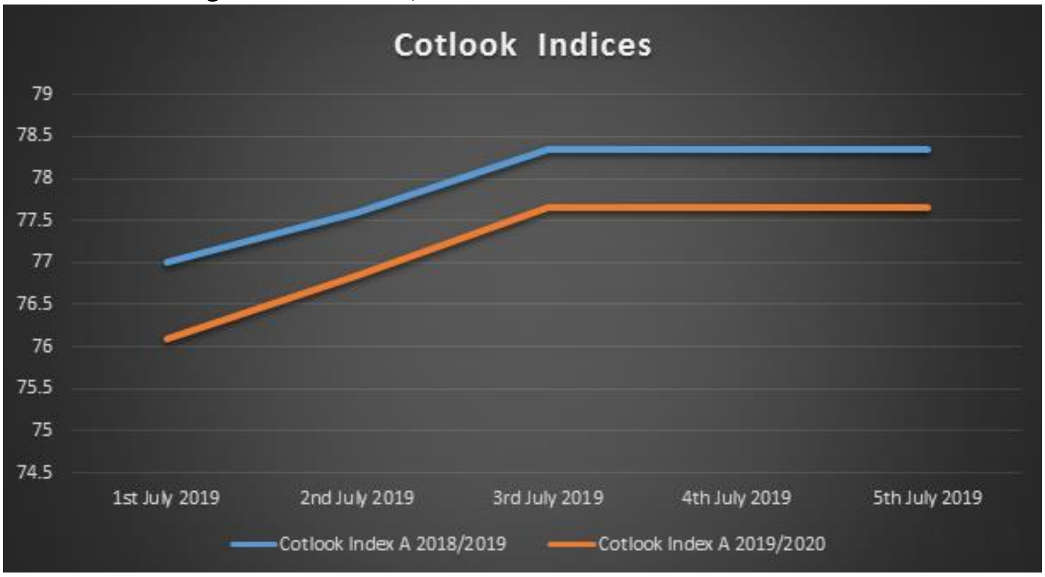
The total volumes were weak at 15,466 contracts considering a virtually long weekend where market participants were quiet. For the upcoming week, we can already hear bearish news coming in where Chinese Media indicated that China is still not ready to purchase Cotton from the USA.

MCX Futures –

The MCX Futures showed significant declines. The MCX July contract settled at 21,300 Rs/Bale with a change of -170 Rs. The MCX August Contract settled at 20,830 Rs/Bale with a change of -350 Rs whereas the MCX October contract settled at 20,240 Rs/Bale showing a change of -250 Rs. The total volumes were under 2000 lots once again at 1989 lots.

Spot Prices-

The Domestic spot prices of Shankar 6 are at 44,500 Rs/Candy. The Cotlook Index A has remained unchanged for a third day in a row at 78.35 cents/lb whereas the Cotlook Index A 2019/2020 has also remained unchanged at 77.65 ents/lb.



Spinners across India are seen to opt for reduction in their productions as a result of cash losses and penurious yarn demand in the domestic yarn market.

For today we keep our stance towards the downside for both the international and the domestic market as we see no positive signs in the Fundamental and Geopolitical situations currently.

CFTC Report –

The CFTC report was released on Friday, July 5, 2019 as below:

Futures Based On:	Call Cotton Based New York				Open Futures Contracts ICE Futures U.S.	
	Unfixed Call Sales	Change From Previous Week	Unfixed Call Purchases	Change From Previous Week	At Close 06/28/2019	Change From Previous Week
July 2019	84	-122	90	-392	14	-382
October 2019	0	0	0	0	187	1
December 2019	32,814	17	39,149	496	130,017	-2,364
March 2020	21,136	-46	3,500	156	28,209	2,405
May 2020	8,327	-37	431	0	3,568	5
July 2020	13,440	-9	1,925	0	4,008	42
December 2020	6,737	174	13,237	422	9,563	255
March 2021	2,179	-1	574	0	192	-13
May 2021	636	-1	0	0	0	0
July 2021	583	322	0	0	0	0
December 2021	0	0	331	0	0	0
Totals	85,936	297	59,237	682	175,758	-51
Source: https://www.cftc.gov/MarketReports/CottonOnCall/index.htm						

Technical View-

ICE Cotton futures continued to trade sideways as it failed to hold on the rally and witnessed decline towards 9 day EMA at 66.70 level. Price is still going nowhere and consolidating in the same range of 68.00-65.45. Meanwhile RSI in the daily charts is moving towards 50 level, suggesting sideways trend in the market. However, price need to sustain above the crucial resistance zone of 68-69, to move further higher towards 70-72 levels. Likewise, crucial support exists around 66.00, followed by 65.45 level. The trading range for MCX is expected to be 21,100-21,500 Rs/Bale..

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

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INTERNATIONAL NEWS

US-China trade war to torpedo $1.5 trillion global trade

A global escalation of the China-US trade war could cost nearly $1.5 trillion in lost trade by the end of 2020, according to Atradius, a global credit insurance provider with a strategic presence in over 50 countries.

That is the equivalent of all Japanese exports grinding to a halt for two years, in the case of Hong Kong for three years and if you are located in Singapore it would mean no exports for a whopping four years, the financial expert said in its report.

Trade policy uncertainty is forecast to contribute to an increase in the number of corporate insolvencies in advanced markets, after nearly a decade of sizeable annual improvements.

In the case of a severe intensification of the trade war, trade growth could grind to a halt this year, driving growth in corporate insolvencies much higher than the 2% rise currently expected, it stated.

The application of increasingly stringent protectionist measures, particularly in trade between the US and China, is forecast to have negative effects on other economies as well, in particular the main trade partners of the eastern giant, such as Japan, Taiwan, Vietnam and South Korea, where exports to China have slumped by 10 to 20%.

On the flipside, some trade from these economies is being diverted from China to the US, said the expert.

Vietnam, for example, has seen a 40% surge in exports to the US this year, benefitting from their competitive labour costs and export sectors, especially textiles.

In Japan, on the other hand, the opportunities for trade diversion are less drastic as relative costs are more expensive and their exporting sector is more devoted to higher value-added goods. As such, insolvencies are forecast to increase 2%, it added.

“As trade policies remain uncertain and trade relationships tense, insolvencies are on the rise. We expect trade growth to slow to only 2% this year, before recovering slightly in 2020, and business failures to increase by 2% this year,” remarked Andreas Tesch, the chief market officer of Atradius.

"Against this backdrop, the most prominent downside risk is that businesses become increasingly vulnerable, especially in corporate debt. For this reason, it is of paramount importance for suppliers selling on credit to perform an accurate assessment of their buyers’ creditworthiness availing themselves of the most up to date credit information," stated Tesch.

"This to avoid serious cash flow issues that might set back their business. In this regard, commercial credit insurance and its embedded information services remain the most effective tools for insuring the livelihood of suppliers, should buyers fail to pay," he added.

Albirich Tang, the regional head of risk services for North Asia and Guangdong, said: "At Atradius Asia, since President Trump took office in 2017, we have proactively built the possible effects of the trade war and its further escalation into our underwriting strategy."

"We have been working closely with our clients and have been successful in advising to them that it is important to balance and diversify their customer portfolios especially on counterparty risks in China and in nearby countries which are exposed to the trade war,"" observed Tang.

"As a result, we have been able to help our customers grow their business profitably and at the same time, managing the trade credit risk," he added.

Source: tradearabia.com- July 08, 2019

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Economic 'game changer'? African leaders launch historic free-trade zone

The summit will see heads of state and trade delegations trying to iron out the details of the trade pact

A landmark free-trade agreement removing most tariffs and other commercial barriers in the African continent expanded to encompass 54 signatories, after Benin and Nigeria joined the accord on Sunday.

Albert Muchanga, the African Union's commissioner for trade and industry, announced Benin's intention to join at the bloc's summit officially launching the pact, in Niger's capital Niamey. Nigeria said it would ratify the deal during the two-day summit that's also set to discuss migration and security -- issues affecting the host country Niger.

"Nigeria is Africa's biggest economy and most populous country," Niger's President Mahamadou Issoufou said in an interview from Niamey. "Without Nigeria, the free trade zone would've been handicapped."

Ghana was selected to host the secretariat -- or permanent office -- for the trade zone, amid competition from Egypt, Ethiopia, Swaziland, Kenya, Senegal and Madagascar, the West African nation's presidency said in an emailed statement. President Nana Addo Dankwa Akufo-Addo said Ghana is ready to give $10 million to help set up the pact's office.

The summit will see heads of state and trade delegations trying to iron out the details of the trade pact. Key issues include the removal of non-tariff barriers and regulations controlling trade liberalization, rules of origin and the development of a digital payment system.

The African Free Trade Agreement commits governments to greater economic integration, as the signatory states move toward removing trade barriers including tariffs on 90% of commodities.

The duty-free movement of goods is expected to boost intra-regional trade, while also helping countries move away from mainly exporting raw materials and build manufacturing capacity to attract foreign investment.

Trading will start in July 2020 to give member states time to adopt the framework and prepare their business communities for the "emerging market," Muchanga said. "We haven't yet agreed on rules of origin and tariff confessions, but the framework we have is enough to start trading on July 1, 2020," he said.

Rules of origin and mechanisms for monitoring, reporting and the elimination of non-trade barriers should also be agreed upon during the summit.

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

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New EU-Vietnam free trade deal threatens Thailand

Vietnam's new trade deal with the EU is threatening Thailand's trade and investment. The European Union-Vietnam Free Trade Agreement and the EU-Vietnam Investment Protection Agreement were signed on June 30 in Hanoi. Thailand has no free trade agreement with the EU so all Thai export products are subject to EU tariffs.

A spokesperson from the Trade Policy and Strategy Office says that the newly signed FTA is the most ambitious and comprehensive deal that the EU has signed with a developing country. In the new FTA there is a reduction of customs duties at both ends – Vietnam's tariffs will decline for 65% of EU products, then for the remainder of products within 10 years.

Vietnam already has lower wages than Thailand. Thai exports of cars, computers and electric circuits to the EU are now under threat from the new Vietnam-EU trade and investment deal.

Under the Investment Protection Agreement, the EU provides assistance to the Vietnamese government and companies to develop investment, law enforcement and transparency to attract new investment into the country.

The Thai Trade Policy and Strategy Office believes that many European car makers will likely move their manufacturing facilities to Vietnam from Thailand because of the removal of tariffs.

The office is recommending that Thailand's industry will have to improve efficiency and speed up production of new-generation vehicles. The Office is warning that computers, related components and electric circuits may also suffer under the new arrangements.

The two new agreements could also affect clothing, textiles, jewellery, jewellery accessories, rice and processed seafood. But the Office says' they're optimistic that the EU will engage in similar negotiations with Thailand because the bloc wants access to Thailand's market's medicines, cars and alcoholic beverages, according to the Bangkok Post.

Source: thethaiger.com- July 07, 2019

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Egypt: Trade War: Threats and Opportunities

The world has been keeping a close eye on the trade war ignited by the United States that has set up barriers provoking retaliation by mainly China and leaving many countries wary of threats and contemplating opportunities.

The Trade War

Since 1998, the United States has become the largest importer of Chinese goods. In 2015, China became the United States' largest trade partner instead of Canada as the size of goods exchange between both countries hit $500 billion occupying 15 percent of total U.S. trade.

Professor of Economics, Investment and International Finance, and Chairman of the Egyptian Forum for Economic Studies Rashad Abdo tells Egypt Today that U.S. President Donald Trump made clear in his campaign that "America First" and that he would "face the ultimate threat embodied in China." The economics professor adds that the U.S. president declared at the time he would impose tariffs on steel imports.

"After Trump had become President, the trade war started with raising tariffs to be 25 percent on steel imports and 10 percent on aluminum imports. The affected countries included the U.S. allies and not just China which ranks fifth as a steel and aluminum exporter to the United States.

The top four are in order, Canada, Mexico, South Korea, and Brazil. Consequently, Canada threatened it would increase tariffs on its imports from the U.S. as well," the economics professor explains.

"China is the main target of the tariffs because it exports countless and diverse products to the United States while imports very little from it. That has caused the balance of trade to be in favor of China.

The goal of the U.S. tariffs is to push China to purchase more U.S. products. Another reason behind such trade war waged by the United States is that China steals product ideas developed by American companies. China develops those ideas and sells the products at lower prices," Abdo clarifies.

In May 2017, the United State penalized ZTE, the Chinese telecommunications equipment company, for exporting U.S. goods to North Korean and Iran violating the sanctions imposed against them. The penalty included a fine worth $1.19 billion and a punishment against the employees involved.

The company did not abide by the latter penalty so the U.S. Commerce Department threatened to bar all American firms from selling key parts, such as microchips, to ZTE. In April 2018, the United States started to implement a seven-year ban on exports to ZTE. Two months later, the ban was lifted and replaced by a $1 billion fine while allowing a new compliance team staffed by American experts, as reported by CNBC.

"The United States imposed additional tariffs worth $60 billion. China responded by levying tariffs on certain imports such as soybeans. The tariffs are imposed on imports from all countries which will negatively impact their purchasing power. In turn, that will take its toll on the U.S. exports. For instance, European imports of the United States vehicles may decline," Abdo highlights.

Professor of Economics at Ain Shams University Yomn al-Hamaky tells Egypt Today, "The United States is even setting up barriers with countries it has free trade agreements with such as NAFTA states, and EU states.

Those are considered violations of freedom of trade and breaches of the WTO regulations. Protectionism always hurts everybody"

Global-Scale Impact

“The size of international trade will shrink. Many countries will produce less and the manufacturing inputs they import from other countries will decline,” Abdo says.

“On the short run, the world will experience a decline in international trade, and international economic growth. On the long run, it is hard to make speculations. Yet, Trump's policies do not indicate a de-escalation will occur.

Click here for more details

Source: egypttoday.com- July 07, 2019

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VCCI, EuroCham to help SMEs extract EVFTA gains

SMEs will be counseled on how to benefit the most from the newly-signed EU-Vietnam Free Trade Agreement.

Small and medium-sized enterprises (SMEs) are a priority target under the EVFTA, said Vu Tien Loc, president of Vietnam Chamber of Commerce and Industry (VCCI).

He was speaking at a conference titled "The EVFTA: What happens next", which was organized by VCCI and the European Chamber of Commerce (EuroCham). The conference gathered enterprises from textile, coffee, communication, pharmacy and other industries to discuss EVFTA regulations and ways to benefit from tax and investment incentives.

Loc said EVFTA carried the highest-level of freedom and fairness in which EU and Vietnam businesses shared the vision of sustainable development.

However, in discussions, experts pointed out limitations like the lack of information access among Vietnamese SMEs. Many enterprises in key manufacturing sectors did not know when the tax rate of products exported to the EU will return to zero percent or what that rate is for upcoming years, they said.

"After the signing of EVFTA, Vietnamese enterprises, especially SMEs, need to be fully-equipped to benefit from tax and investment incentives, which would enhance their competitiveness in the domestic market and enable exports to the EU," Loc said.

He said that the VCCI, in association with EuroCham, will carry out counseling and support programs for Vietnamese enterprises, including training courses and establishment of business associations with emphasis on governance capacity.

Activities and seminars regarding EVFTA will be organized, aiming at introducing opportunities and guidelines for Vietnamese businesses, especially in the most affected areas, he said.

"Enterprises themselves need to improve the quality of human resources and corporate governance. The most important thing is that enterprises must study the agreement, then restructure products, technology, partners and markets."

Nicolas Audier, EuroCham chairman, said Vietnamese businesses need to learn European standards and find ways to apply these, and look for EU partners to easily access markets.

EuroCham suggested that guidelines are provided for companies to come and invest in Vietnam. It also suggested that specific industry committees are formed, for paper, medicine, automotive, food, etc., so the most appropriate support can be provided.

VCCI and EuroCham will jointly establish the EU-Vietnam Business Council, and hold an annual event called the "Vietnam-EU Economic Summit" to promote economic, trade and investment cooperation between the two sides.

The EVFTA was signed in Hanoi on June 30 after nine years of negotiations.

The EU will eliminate 99.7 percent of tariff lines for Vietnam's exports in seven years after the deal comes into force. Up to 70.3 percent of Vietnamese products exported to the EU will be free of tariffs immediately, said Minister of Industry and Trade Tran Tuan Anh. Only 42 percent now enjoys zero tariffs.

In response, Vietnam will eliminate tariffs on 64.5 percent of imports from the EU, rising to 97.1 percent in seven years.

Source: e.vnexpress.net- July 07, 2019

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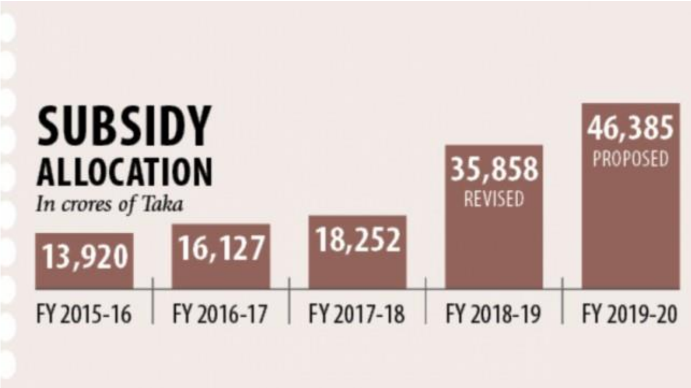
Bangladesh: Subsidy burden gets heavier

The government's subsidy expenditure has soared 29.36 percent to Tk 46,385 crore this fiscal year largely due to its concessions on demands from pressure groups.



For instance, Tk 6,825 crore has been set aside for exporters, up by a staggering 70.63 percent year-on-year. The government has extended 1 percent cash incentive to all garment exporters to prop up their competitiveness this fiscal year.

Previously, 26 sectors -- including garment, which accounts for more than 80 percent of the country's exports -- were given cash incentives ranging from 2 percent to 20 percent of their export proceeds.

Garment makers who use local yarn enjoy subsidy of 4 percent on their export earnings. Those who export to new markets -- destinations other than the US and the EU -- also get cash subsidy. But from July 1, all apparel exporters have been enjoying 1 percent cash incentive on their export receipts.

The handout for garment exporters came at a time when there were calls for providing cash subsidy to the country's nearly two crore farmers to help them offset losses from Boro harvest because of low paddy prices.

"While we have to be mindful of the political management compulsions that governments in all countries have to cede to more or less, the economic rationale must also be at least congruent to such allocations to be in national interest and sustainable," Zahid Hussain, a former World Bank economist, told The Daily Star.

Speaking at a pre-budget discussion on June 12, Debapriya Bhattacharya, a distinguished fellow of the Centre for Policy Dialogue, said injustice was done to farmers. The government did not take the right decision at the right time.

A farmer had to spend Tk 24,000 to grow a tonne of paddy, which the millers bought for Tk 15,000, causing Tk 9,000 loss a tonne to farmers, according to growers and the agriculture ministry.

The government, in turn, bought paddy from millers at Tk 26,000 a tonne, giving them a Tk 5,850 profit outright. "Under the circumstances, a farmer deserves Tk 5,000 to make up for the losses," Debapriya added.

About Tk 9,100 crore may be required in the budget for the one-off incentive for rice growers, according to the CPD. Incentives for the agriculture sector, still the backbone of the economy, remained the same at Tk 9,000 crore as in fiscal 2018-19.

According to Zahid, budgetary allocation in the form of subsidies, incentives and transfers, when compared on an individual-sector basis this fiscal year, exceeds the allocation to sectors such as health, energy and power, local government and rural development and so on at 1.6 percent of the GDP.

"The question therefore is that of prioritisation and economic justification. This is understandable in case of agriculture, particularly at a time when bumper crop, paradoxical as it may seem, has meant distress for small and marginal farmers."

Additional cash transfers to these farmers would have been justified on the grounds of equity. "That unfortunately has not been proposed," he added.

OTHER ALLOCATIONS

Some Tk 9,500 crore has been set aside for the power sector, where the Awami League-led government enjoyed the most success in its past two terms spanning a decade.

As of May 29, the country generated 12,893 megawatts of electricity, the highest yet and a straight fourfold increase from fiscal 2009-10 when the AL assumed power.

As much as 93 percent of the population now have access to power, and the number of beneficiaries doubled in the last one decade.

“By the next year, each upazila will have 100 percent access to electricity,” Finance Minister AHM Mustafa Kamal said in his maiden budget speech on June 13.

This fiscal year, the subsidy allocation to the power sector is 3.26 percent higher than that in the last fiscal year, which raises the question of whether it would be a permanent feature of the budget.

Up to Tk 5,000 crore has been earmarked for subsidising the prices of gas, whose production cost has spiralled for the addition of costlier imported liquefied natural gas to the gridfrom this fiscal year, said finance ministry officials.

In fiscal 2018-19, Tk 2,500 crore was set aside for the gas sector.

The government is spending about Tk 35 for each cubic metre of imported LNG, while the cost of locally produced gas is about Tk 5, according to officials of Bangladesh Energy Regulatory Commission (BERC).

When LNG is blended with local gas, per unit cost of production stands at Tk 12.60, added the officials.

Subsequently, Petrobangla, the state-run oil and gas company, had called for hiking the gas prices ranging from Tk 7 to Tk 40 per unit for certain users such as power plants, fertiliser manufacturers and CNG-run auto-rickshaws.

On June 30, the government hiked the gas prices for all including households.

For power plants, the price was increased 40.8 percent, for CNG-run auto-rickshaws 7.5 percent and for industries 37.89 percent.

The hikes have not brought the gas price on a par with the production cost, so the government is making up the difference, mentioned the BERC officials.

Zahid said subsidies for electricity and gas can be justified as transitional measures to allow time to users and providers to move towards full-cost recovery.

"It would have been helpful if that was made absolutely clear ...," he added.

This fiscal year, the government is introducing 2 percent cash incentive for migrant workers to encourage them to send remittance through the official channels.

Some Tk 3,060 crore has been allocated for this purpose.

"Could we not achieve the same objectives by allowing correction in the existing overvaluation of the taka?" asked Zahid.

By letting the taka float, the government would not only have been able to avoid the subsidy expenditure but also stem the erosion of foreign exchange reserves and reduce drainage of liquidity from the banking system, he noted.

Source: thedailystar.net- July 08, 2019

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Bangladesh: Increased gas prices to push up yarn, fabrics production costs

RMG sector to be affected in the long run

Production cost of per kilogram yarn and fabrics will go up by Tk6.66 and Tk7.61 respectively as new gas tariff takes effect, ultimately hitting the $34 billion apparel industry.

The rise in production cost, caused by sharp increase in gas prices, may prompt apparel manufacturers to import yarn and fabrics from where it will cost less, the sector people have said.

As of now, Bangladeshi fabric producers are meeting 95% of the demand of knitwear sector while 40% of woven sector.

According to a rough estimation of Bangladesh Textile Mills Association (BTMA), new gas price will increase production cost of per kg yarn by Tk6.66.

At the current tariff rate, it takes Tk21.81 to produce a kg of yarn, which was Tk15.15 at the previous rate.

On the other hand, the production cost of per kg fabrics also would increase by Tk7.61 to Tk24.93, which was Tk17.32 at previous rate.

On June 30, the Bangladesh Energy Regulatory Commission (BERC) issued a circular increasing gas prices at different rates effective from July 1.

For industrial use, gas price has been increased by 37.88% from Tk7.76 to Tk10.70 per cubic metre, while for captive power it has been increased by 43.97% from Tk9.62 to Tk13.85.

Gas price for the power sector has been increased from Tk3.16 to Tk4.45 per cubic metre with a 40.82% rise.

Talking to Dhaka Tribune on the recent sharp hike of gas prices, especially for the captive power and industrial consumption, the primary textile sector people have expressed deep concerns.

They fear that it will encourage import of fabrics and yarn from other countries offering lower prices and the ultimate loser will be the apparel sector.

“From the current fiscal year, the government is implementing VAT. In this context, a sharp rise in gas prices will put a huge burden on the textile and apparel sector, pushing up the production cost,” Bangladesh Textile Mills Association President Mohammad Ali Khokon has told Dhaka Tribune.

"In addition, in the apparel sector compliance has already cost huge but prices of finished goods did not increase. So the rise in gas prices would leave the textile sector, highly dependent on captive power, in tougher competition," Khokon points out.

In the given situation, the government should have increased the prices of gas gradually, which would not put pressures on the manufacturers at a time, he added.

Meanwhile, fabrics manufacturers have observed that supply chain of apparel raw materials may be hit by the gas price hike.

“Supply of yarn and fabrics from local sources is a blessing for the country’s apparel exporters as it reduces lead time and ensures low cost,” Abdus Salam Murshedy, managing director of Envoy Textile, has told Dhaka Tribune.

The sharp rise in gas prices will hit the country’s textile industry hard and it will ultimately deal a blow to the apparel sector, Salam warns.

Currently, local fabrics manufacturers are providing almost 100% supply for the knitwear sector, while about 40% for the woven industry, which is growing very fast.

"In the present context, the sharp rise in gas prices will hurt the growth of the sector especially the woven fabrics manufacturers. So the government should rethink the gas prices considering the contribution of textile industry," says the former BGMEA president.

The apparel makers have already projected that that the production cost of apparel sector will go up by 1%, which will hit the competitiveness in global market and make it difficult to sustain the present export growth.

“In the just concluded fiscal year, Bangladesh apparel export has registered a double digit growth. The new gas price will make it difficult for the sector to sustain its growth,” Mohammad Hatem, a former vice president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), has said.

As per the BTMA, there are 430 yarn manufacturing mills, 802 fabrics manufacturing mills, and 244 dyeing-printing finishing mills in Bangladesh, along with 32 denim fabrics manufacturing mills and 22 home textile manufacturing mills.

Source: dhakatribune.com- July 07, 2019

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Taiwanese investment capital in Vietnam exceeds $31 bn

Taiwan's total direct investment capital in Vietnam exceeds $31 billion, primarily focussed on production and processing, and significantly contributing to the country's export revenue, particularly of garment-textile and footwear, Vietnam Chamber of Commerce and Industry (VCCI) president Vu Tien Loc told a forum in Ho Chi Minh City recently.

Wang Wen-yuan, chairman of Taiwan's Chinese National Federation of Industries, said Vietnam is an investment destination Taiwan has targeted in its development strategy. Taiwan wants to invest in garment-textile, footwear and support industry in Vietnam in the time ahead, he added.

Vu Duc Giang, president of the Vietnam Textile and Apparel Association (VITAS), said VITAS hopes to soon set up an information exchange channel with Taiwanese garment-textile firms in Vietnam to connect supply sources of materials with the local garment-textile sector, according to a news agency.

Giang called on Taiwanese businesses to increase investments in yarn, weaving and dying steps in Vietnam to ease the country's shortage of materials.

Source: fibre2fashion.com- July 06, 2019

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Pakistan: 'Tariff structure being rationalised to ensure competitiveness in global market'

Tariff structure was being rationalised and streamlined to ensure country's competitiveness in the global market and ease of doing business, a government official said on Saturday.

Talking to representatives of Punjab industries and all other departments concerned, Adviser to the Prime Minister on Commerce, Textile, Industry and Production, Abdul Razak Dawood said that the government had resolved the business community's major problem of access to international markets, and efforts were being put in place to ensure competitiveness of Pakistani products in the global markets.

The government has reduced/eliminated various duties on import of industrial raw materials, and is also considering other ways and means for Pakistani products’ competitiveness in the global market, he said, adding that Pakistan needed consistency in its policies on this count.

China’s imports from the world currently hovered around $2.1 trillion and Pakistan should take optimum benefits from this opportunity, which could be possible through industrial sector promotion, establishment of state-of-the-art special economic zones and industrial estates.

Dawood said that China had committed to import Pakistani goods worth up to $1 billion, for which sugar and rice export targets had been completed, while yarn was being exported to China.

China had also promised to import another Pakistani goods consignment of the same value, ie, $1 billion after completion of shipments of the first phase. However, Pakistan was targeting to carve out $200 billion share from Chinese imports, he said.

China was also relocating its industrial units to Pakistan and the government was focused on improvement of industrial structures, as well as full facilitation of the industrialists and business community in an effort to enhance good quality and export-oriented industrial production that would definitely increase country’s overall exports' volume and revenues, as well.”

“You people are doing a lot of good job,” he said, adding that the provincial government should continue to work with the same spirit for investment and industrial promotion for which the federal government would support them fully.

The adviser said the Japanese government was ready to provide “technology fund” purely for the Small and Medium Enterprises (SMEs); however, “We need to understand that the provincial government has to decide, who wants it and who should get it.”

Provincial Minister Mian Aslam Iqbal said that the Punjab government was working on the import substitution to reduce the import bill.

"As per the vision of Prime Minister Imran Khan, the Punjab government was fully committed to attract maximum foreign direct investment and industrial promotion, which would not only help create huge employment opportunities, but also enhance exports volume and revenues," he said.

The meeting also discussed various matters pertaining to Allama Iqbal Industrial City Faisalabad, Quaid-e-Azam Apparel

Park Sheikhupura, Sundar Industrial Estate, and establishment of expo centre in Faisalabad.

The provincial minister also constituted a committee, comprising heads of relevant departments that would present a report on the way forward for bridging the electricity demand and supply gap to industrial estates on an emergent basis.

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

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Cotton sowing in Pakistan rises by 14%

Cotton sowing in Pakistan witnessed a 14 per cent growth this cotton season compared to the figure in the same period last year. During the current season, cotton was cultivated over 2.65 million hectares to produce over 12.72 million bales. The sowing target for the 2019-20 crop season was 2.78 million hectares, said cotton commissioner Khalid Abdullah.

Abdullah said cotton cultivation is over for around 95.2 per cent of the targeted land area, according to Pakistani media reports. Cotton growing in the Punjab province recorded about 9 per cent growth as an area of 2.044 million hectares was under the crop compared to the target of 2.145 million hectares. The production target for the province was 7.9 million bales during this season, he said.

Cotton sowing in Sindh increased by 35 per cent compared to the corresponding period last season. In Sindh, crop was cultivated over 0.608 million hectares as against the set target of 0.64 million hectares to produce about 4.6 million cotton bales during the period under review, he said. Sindh achieved 95 per cent of its sowing target.

The crop was cultivated over 0.02 million hectares in Khyber Pakhtunkhwa and over 0.2 million hectares in Balochistan.

Source: fibre2fashion.com- July 07, 2019

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The business of Pakistan's fashion & textile industry

The fashion manufacturing world internationally is facing the undesirable task of keeping up with modern politics. Fashion is one of the most exposed sectors in the ongoing US – China trade war because when two super powers work against each other, the global supply chain gets affected.

Since such heavy tariffs have been implemented on Chinese products by the US, brands are setting their eyes on more lucrative lands. With Pakistan already being in the running for best apparel wear makers, can it pick up the spill over from its neighboring country or lose to Bangladesh, Vietnam, Cambodia, India and the likes? What steps are needed to capture market share?

The decision depends on the product category, material required, labour cost and skill, workers' rights, compliance, access to ports, manufacturing equipment, tariff structures, distance to end market and most importantly production capacity.

So if Pakistan were to establish itself at the top, it would have to check all these requirements but manufacturers now have the additional obstacle of taxation by the government.

As the new budget for 2019-2020 has been passed, manufacturers – particularly those producing apparel – are concerned with some going on strike and even shutting down temporarily.

Shahkam Industries is a local manufacturing company that exports garments like hoodies, track pants and polos to brands like American Eagle, Zara, Primark, Pull and Bear, Forever 21 and Urban Outfitters. Having been in the market since 1992, their CEO Shahid Butt is in a good position to talk about whether the market is equipped to progress and benefit from the shifts in trade.

“Pakistan has excellent raw material, readily available yarn and factories which, after the lifting of quotas in 2005 and the cotton crisis of 2009 survived and remained so we are very competitive. This positions us well to capture the market however, our problems are increasing,” he shares.

The main issue, according to him, is the government’s lack of support in comparison to competitors like Vietnam and Bangladesh. “Vietnam is 17% duty free to the US, whereas Bangladesh has the same situation as ours with Europe so we have no advantage and their wages are considerably lower than Pakistan’s.

Additionally, their industry is preferred by their government and given protection because it forms 80% of their industry.” He feels the only reason the Pakistani industry is able to survive is because other places import their fabric/raw material and Pakistan makes its own.

Butt believes the government needs to incentivize downstream value addition. “It needs to punish export of raw material (yarn and cotton) and compel the value addition of them.

If they don’t the exports will remain low – our yarn is sometimes being sold to Bangladesh and other Asian countries and they use it to compete against our local apparel, companies of which Shahkam is one.” Interloop is another successful manufacturing company established in 1992 that focuses on hosiery as well as active wear, knitwear and denim and almost all of it is exported.

Its client list includes major global athletic wear brands like Nike, Reebok, Adidas, and Puma, as well as other major clothing brands like H&M, Uniqlo, Target, and Levi’s. Awais Ashraf, their Head of Marketing shares, “The new 17% sales tax means that the price of everything has gone up so if our raw material is local, it can end up being more expensive than if we’re importing raw materials.

This means that people will start importing their raw materials which will kill our local industry so there’s a multifold impact. The customer won’t bear the cost when you’re exporting, they will just buy it from the literal world of options they have including India or Bangladesh.”

The budget has not had an immediate impact yet in his experience but he predicts this will be the result inevitably.

Butt feels that Pakistan also needs to focus on vocational training as well as literacy training. “They cost margins to exporters because they make mistakes on the job where they are taught everything they know. If the labour force was trained it would make a difference between Pakistan and Bangladesh, Vietnam and Egypt where emphasis is placed,” he says.

“We also have to import machinery and technology and have to do it according to our devalued currency. The nation needs exports to double but they can’t if the government doesn’t support, which may lead to downsizing because there is no national pride. Each looking out for own business.”

Electricity and gas prices are also increasing so the bigger companies like Interloop are slowly trying to generate their own electricity but smaller ones who can’t shift will seemingly not be able to sustain their business.

Ashraf says, “Other countries facilitate their industries with electricity and gas. They get uninterrupted supply and industrial zones are created, which are duty free and everything is subsidized. All these things are lacking in Pakistan. I’m worried about the future of textile trade because the numbers are poor, there is devaluation and the dollar is up.”

While countries like Myanmar and Ethiopia continue to attract fashion players to their shores due to very low labour cost, the infrastructure isn’t yet sophisticated enough to compete with larger rivals. Bangladesh is the top contender followed closely by Vietnam with India following closely behind according to stats.

Pakistan had a chance to join the big league export players given its presence of materials and low labour costs but ticking off the other requirements seem difficult without the governments support. The potential in the apparel category is great but with even established companies feeling the heat, there needs to be a serious reevaluation of policies.

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

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Bangladesh: Big opportunity for local exporters

$10,400m gain for other apparel suppliers likely

US apparel import from suppliers other than China will increase as much as US$10,400 million due to tariff war between the world's two largest economies, according to a study.

It says that trade diversion effect of the tariff war will bring more apparel imports into the US market from Asian suppliers other than China.

"A supply chain shift as a result of the intensified tariff war has created an opportunity for Asian suppliers to grab even a larger share in the US apparel market," says the study which carried out recently by the Department of Fashion Studies and Apparel of University of Delaware.

The study cites that when the punitive tariff is imposed on textile and apparel products, the value of US apparel import from China will decline ranging from US$4673 million to US$8858 million annually compared to base year level in 2017.

Analysts said, the supply chain shift creates big opportunity for Bangladesh to grab an even bigger share in the US apparel market. "Garment exports from Bangladesh to the US has been growing over the last few months because of shifting orders from China to Bangladesh as a result of intensified Sino-American trade war," Dr Ahsan H Mansur, Executive Director of the Policy Research Institute (PRI), told The New Nation.

Bangladesh's apparel exports to the US saw a 15.57 per cent growth in the US market during January-March of the current calendar year.

The country's apparel export to the US stood at US$5.40 billion in 2018, showing a 6.65 per cent year-on-year growth, according to Office of Textiles and Apparel (Otexa) data released on March 6.
Dr Ahsan Mansur cited that Bangladeshi manufacturers would have to concentrate more on improving capacity and product diversification to grab the opportunity, created from US-China trade war.

"Not only Bangladesh, other Asian manufacturers like Vietnam, Indonesia and Cambodia might gain from the trade war," he noted.

Triggered by the US concern over China's unfair trade practices, a large-scale tariff war was broken out between the United States and China in mid-2018. As of May 2009, as much as US$ 260 billion of worth China's exports to the US and US$110 billion in US export to China, including some textile products, were subjected to punitive tariff ranging from 10 per cent to 25 per cent on top of the regular tariff rate.

"The shift in supply chain dynamics from the trade conflict between the world's two biggest economies could help Bangladesh emerge as a potential winner," Dr Khondaker Golam Moazzem, an Industrial Economist and Research Director at the Center for Policy Dialogue (CPD), told The New Nation.

He said, Bangladesh could benefit from increasing import by the US, especially, ready-made garments (RMG), which accounts for 80 per cent of Bangladesh's total exports.

"As the trade war escalated, the country's garment shipments saw a significant growth as American buyers are placing more work orders with local factories in order to sustain their businesses from increasing tariffs," he said.

Dr Khondaker Golam Moazzem, however, expressed skeptical view over grabbing full opportunity by local exporters when they are constraining with value addition product diversification.

"Bangladeshi apparel manufacturers need to make value-added products and improve negotiation skills to reap full benefit from US-China trade war," he added.

Source: thedailynewnation.com- July 07, 2019

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NATIONAL NEWS

TEXPROCIL Chairman Welcomes Union Budget 2019-20

"The Union Budget for 2019-20 announced by the Hon'ble Union Finance Minister Smt. Nirmala Sitharaman is growth oriented and in line with the aspirations of modern India", Said Dr. K.V. Srinivasan, Chairman of The Cotton Textiles Export Promotion Council (TEXPROCIL).

The budget has emphasized on the development of inland waterways for cargo movement which will certainly bring down the cost of transport especially for bulk products like raw cotton, according to the Chairman, TEXPROCIL.

As per the Budget, the Central Government will work with the State Governments to remove barriers like cross subsidy surcharges, duties on open access sales and captive generation for industrial and other bulk power consumers.

Further, a package of power sector tariff and structural reforms would soon be announced. Dr. Srinivasan said these are welcome steps as it will lead to reduction in power costs for the exporters.

NBFCs have been assured of all kinds of Government support which according to the Chairman, TEXPROCIL is a step in the right direction. He said this will help the exporters to access alternate sources of export finance at lower cost.

The Government had earlier approved the change in criteria for classifying MSMEs from "Investment in Plant & machinery" to annual turnover. Dr. Srinivasan urged the Government to implement this criteria of annual turnover as this will encourage ease of doing business.

Source: Texprocil Textile Intelligence- July 06, 2019

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Asean delegation to visit India next week to discuss RCEP negotiations

Asean members – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam – are keen on finalising RCEP in time for a summit in November.

A delegation led by Association of East Asian Nations (Asean) secretary general Lim Jock Hoi will visit New Delhi next week for talks aimed at nudging India to speed up negotiations for the Regional Comprehensive Economic Partnership (RCEP), people familiar with developments said.

Asean members – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam – are keen on finalising RCEP in time for a summit in November. RCEP also comprises Australia, China, Japan, South Korea and New Zealand.

The visit comes close on the heels of a push from some quarters for the finalisation of RCEP by an "Asean + 3" grouping, leaving Australia, India and New Zealand to join the free trade pact at a later date.

The Asean delegation will assess India's commitment to the early conclusion of the negotiations so that the pact can be inked by year end, the people cited above said.

A section of Indian policy-makers are in favour of concluding the deal in view of the larger markets that RCEP will open up, though the people said the final decision will be made by the political establishment.

Negotiations on RCEP began during the Asean Summit in Cambodia in November 2012, and once concluded, will lead to the largest regional trade bloc accounting for 30% of global commerce.

Last year, New Delhi had asked for the deadline to be moved to 2019 in view of elections in Australia, India, Indonesia and Thailand.

Source: hindustantimes.com- July 07, 2019

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Dry spell, monsoon delay may hit cotton crop yield

Rain deficit in Punjab and Haryana stands close to 50% as the monsoon is moving at a sluggish pace

A prolonged dry spell in Punjab, Haryana and northern parts of Rajasthan and a delay in the onset of monsoon could impact the yield of cotton crop.

Union Agriculture Ministry data show that in Punjab the cotton crop has been sown in a little over 4 lakh hectares during the ongoing season. In neighbouring Haryana, farmers have sown cotton in 6.7 lakh hectares. While in Rajasthan, the crop has been sown in 3.4 lakh hectares.

The rain deficit in Punjab and Haryana stands close to 50% as the monsoon this year has been moving at a sluggish pace. It is, however, likely to cover both the States in the next 48 hours, as per the Indian Meteorological Department (IMD).

“Adequate irrigation facilities are available in the northern parts of our country, barring some areas in lower Rajasthan. And it’s true that cotton plants need only moderate water.

However, the delay in monsoon rain is a cause for concern for the cotton crop. Widespread rain is badly required in the entire cotton belt of Punjab, Haryana and Rajasthan for satisfactory vegetative growth of cotton plants,” said Rakesh Rathi, former president of India Cotton Association Limited.
‘Better yield’

Mr. Rathi said that a moderate spell of rain on cotton plants helps in washing away certain types of insects on the leaves and stems and stimulates growth of the crop. “Sufficient vegetative growth leads to sufficient flowers and a better yield,” he said.

Meanwhile, according to the IMD, conditions are becoming favourable for further advance of the southwest monsoon into the remaining parts of Haryana, Punjab and some more parts of Rajasthan during the next 48 hours.

"There has been a delay in the onset of monsoon. We are expecting the monsoon to cover most parts of Punjab and Haryana in the next 2-3 days and rain could be widespread, which will certainly be beneficial not just for the cotton crop but for other kharif (summer) season crops as well," Surinder Pal, Director at the IMD, Chandigarh told The Hindu.

"A moderate widespread rain for cotton will boost its yield," he said.

Source: thehindu.com- July 07, 2019

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3 apparel units in Tirupur get eco-friendly certification

Three apparel units, including a dyeing unit, have obtained 'GreenCo' rating certification given by the Confederation of Indian Industry (CII) this year in Tirupur.

The certificate would be awarded by assessing performances in parameters such as effective utilization of energy, water conservation, waste minimization and reuse, and installation of renewable energy.

"A denim manufacturing unit in Erode was utilizing only around 10 litres of water for manufacturing a pair of denims, which is so eco-friendly competitive in the industry. Such eco-friendly factors should be audited to benefit the environment. CII Green Business Center brought the GreenCo rating certification to help the industrials units in that front," R Azhahia Manavalan of Virtual Research and Company, an energy auditing partner of CII, said.

Since the introduction of the rating system, which validates the units with bronze, silver, gold and platinum certificates based on their performances in utilization of energy and resources, five industrial units in Tirupur apparel cluster have obtained them. Last year, two units got them while three others including two knitwear exporters and a dyeing unit obtained them this year.

"The rating would be done by giving more weightage to the performances in utilization of energy and resources instead of system adopted in the units, which should renew the certificate every three years. The certificates would be distributed in an annual event organized by CII this year in Delhi," Azhahia Manavalan added.

A Kathiresan, managing director of a knitwear unit which received the certification, said "In our cluster, which was constituted by 90% of MSME units, the units would rarely audit the energy and resources utilized. This certification helps us to find where the unit stands, and what the areas to be improved. Moreover, it would be an edge in the business competition."

Source: timesofindia.com- July 08, 2019

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Exports to suffer as India seeks external borrowings

A widening trade deficit at this time will come as a double whammy for the economy, which already faces a slowdown in internal consumption.

India's exports might become an unwarranted casualty of the government's plans to raise a part of its gross borrowings from external markets, according to analysts.

Presenting the Union Budget 2019-20 on Friday, Finance Minister Nirmala Sitharaman proposed to raise a part of the government's gross borrowings from abroad.

The move, designed to free up additional liquidity in the domestic market, is expected to strengthen the Indian rupee, consequently hurting the country's exports.

"Sovereign bond demand will rise which will appreciate the price of rupee slightly... this might impact our exports by up to 5 per cent in the short-run. Since India's export basket has significant representation of primary and labour intensive products, the elasticity test will work and can be a stabiliser, in the long-run," Export Promotion Council of India Chairman Mohit Singla told IANS.

"Despite the fact that India's sovereign debt is certainly lower than many other nations, the country's credit rating is still quite modest compared to the US, Japan, and Australia, whose debt-to-GDP ratio is almost around 150 per cent but the credit rating is of 'AAA' category," he added.

Currently, rising trade protectionism, along with tensions in the Middle East, have hampered merchandise exports and widened India's trade deficit.

A widening trade deficit at this time will come as a double whammy for the economy, which already faces a slowdown in internal consumption.

Latest official figures show India's merchandise exports rose 3.93 per cent in May on a year-on-year basis to $29.99 billion, from $28.86 billion reported for the corresponding month of last year.

However, the trade deficit during May widened to $15.36 billion as against the deficit of $14.62 billion in May 2018.

Offloading sovereign bonds is a mechanism available to governments for raising cheaper funds from international markets.

"India's sovereign external debt to GDP is among the lowest globally at less than 5 per cent," Sitharaman said in her maiden Budget speech in Parliament on Friday.

"The government would start raising a part of its gross borrowing programme in external markets in external currencies. This will also have beneficial impact on demand situation for the government securities in domestic market," she added.

A sovereign bond is a debt security issued by a national government. Sovereign bonds can be denominated in a foreign currency or the government's domestic currency.

It will be a maiden such bond issuance. In 2013, the government had considered the idea, but never implemented it. At that time, the country was faced with major fiscal and current account deficits.

Instead, the Reserve Bank of India (RBI) at that time announced a scheme to incentivise foreign currency non-resident (FCNR) deposits, which brought in nearly $34 billion. As a result, most of India's debt is rupee-denominated.

The government's latest move is being seen as prudent in the face of limited options to raise funds as a slowing economy curtails tax revenue, while the borrowing target of a record Rs 7.1 trillion ($104 billion) this fiscal year remains a tough task.

According to Sajal Gupta, Head, Forex and Rates, Edelweiss Securities, "the Budget aiming for a lower interest rate regime and foreign investment being opened in various forms looks to make rupee stronger in the coming times."

"What needs to be seen is RBI's intervention to stem it," he added.

Source: newindianexpress.com- July 07, 2019

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Freight charges to go up for India’s exporters/importers

Container lines to levy war risk surcharge for shipments to/from Arabian Gulf

India’s exporters and importers will have to pay more on freight as global container lines start levying a war risk surcharge ranging between $36 and $42 for shipping cargo containers to and from the Arabian Gulf transiting through the Strait of Hormuz in the wake of escalating tensions in the region.

French container line CMA CGM has started charging an Extra Risk Coverage Surcharge of $36 per twenty-foot equivalent unit or TEU from July 5 for shipments to/from Oman, the UAE, Qatar, Bahrain, Saudi Arabia (Dammam + Jubail), Kuwait and Iraq.

The Extra Risk Coverage Surcharge follows “the recent incidents in the Strait of Hormuz and the related significantly increasing insurance costs in the Middle East Gulf region” and is payable by the freight paying entity, the Marseille, France-based line said.

Geneva-based Mediterranean Shipping Company (MSC) said it will start collecting a War Risk Surcharge of $40 per TEU from July 8 for all cargoes moving to/from the Arabian Gulf (Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia (Gulf Area: Dammam, Jubail) and UAE. “In view of the tensions in the area we are compelled to implement a War Risk Surcharge for all cargoes moving to/from the Arabian Gulf," it said.

Maersk Line, the world's biggest container shipping company, will impose a Gulf Emergency Risk Surcharge (GRS) of $42 per dry, special and reefer TEU to/from Saudi Arabia (Eastern Province, i.e. Dammam & Jubail), Bahrain, Qatar, UAE, Kuwait, Iraq and Oman (only Sohar and Muscat ports), effective July 10 for non-regulated corridors and August 1 for regulated corridors.

" ...we now see a notable impact on our cost base for our shipping and logistic activities. Accordingly, to cover this cost increase, Maersk is introducing the Gulf Emergency Risk Surcharge for all cargo to/from Saudi Arabia (Eastern Province, i.e. Dammam & Jubail), Bahrain, Qatar, UAE, Kuwait, Iraq and Oman (only Sohar and Muscat ports), Maersk said in a notice to its customers.

German container carrier Hapag Lloyd announced it will levy a Vessel Risk Surcharge of $42 per TEU from July 15 for cargo to/from and via the Arabian Gulf (Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia Eastern Province Ports Dammam & Jubail and the UAE). "As a result of recent maritime incidents that took place in the Strait of Hormuz, operating costs for our services in the Middle East Gulf region have increased. Hapag-Lloyd will therefore implement a Vessel Risk Surcharge (VRS) of $42 per TEU from July 15," it said.

Global marine insurers have imposed an additional war risk premium of 0.10 per cent to 0.40 per cent of the value of a ship for every transit through the Strait of Hormuz — the only channel for ships to enter and exit the Persian Gulf carrying cargo — in the wake of recent attacks on oil tankers in the region amidst rising tensions between Iran and the US over the former's nuclear programme.

Source: thehindubusinessline.com- July 08, 2019

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Budget 2019 shows a great disconnect

Budget 2019 India: Since the February interim budget, the global economy has changed dramatically. We now know that the US-China trade tensions have not only had a much larger direct effect on both countries and those connected to the China supply chain but also its indirect impact, via dampening business sentiment, has been so large that global capital spending is now tracking its lowest in several years.

Notwithstanding the assurance made by both China and the US in the recent G-20 meeting to return to negotiations, the languishing of global investment has forced many analysts and major central banks to lower growth forecasts and prepare for a potentially sharp economic slowdown.

From the Fed to the ECB, almost all central banks, including those in India and other emerging market economies, even those with large current account deficits, are planning to provide substantial policy support to keep growth afloat. In India, the economic situation isn't any better: last quarter's official growth rate, at 5.8%, was the lowest in five years, while the NSS's estimated unemployment rate is at a 45-year high.

But you wouldn't know this from reading the Budget. The lack of any meaningful discussion on the changing global environment or the slowdown in activity in India was glaring by its absence. Consistent with this view, the budget stuck to its interim deficit target in rupee terms, which implied a marginal lowering as a share of GDP from 3.4% to 3.3%. Not that I am complaining.

Sticking to the deficit target was the right thing to do, but for entirely different reasons than I suspect the government believes in. Even with a lower deficit at 3.3% of GDP, the total public sector borrowing (including off-balance sheet funds) is likely to remain around 8.5-9% of GDP. This by itself is higher than the financial savings of households at 6.5% of GDP.

Consequently, the public sector is already eating into corporate savings and any material recovery in investment would also mean higher foreign borrowing, and, in turn, a higher current account deficit.

The slowdown in India is not cyclical. If one simply charts India's investment and exports as shares of GDP from the 1990s, the two lines are virtually indistinguishable. This correlation is the same for most emerging economies.

Global trade has been the life blood of emerging markets, just as it has been for India. Private investment in India has floundered not because funding costs are too high or banks are hamstrung with bad loans or the exchange rate is too appreciated, as is collectively bemoaned.

It is because global trade has languished since 2012 and is unlikely to recover to its past pace with the maturing of supply chains and the rise of anti-globalisation politics. Fiscal policy does have a role, but it is to restructure taxes and spending to encourage new domestic growth engines, not to increase the deficit.

Separately, the Budget pushed for greater reliance on foreign funding to relieve the current liquidity pressures on the domestic capital market and the government is now looking to issue foreign currency bonds. This is a remarkable departure from India's long-standing policy of avoiding the "original sin". Issuing dollar-denominated government bonds will be successful, but it is unlikely to raise overall foreign funding.

The buyers of local and foreign currency bonds are the same investors. With the government taking on the currency risk, these investors would be more than willing to shift to dollar bonds by selling their holding of local-currency bonds.

Prior to the 2013 Taper Tantrum, India's authorities also encouraged foreign funding by increasing the approval of external commercial borrowing (ECB) by corporates. We know how that story ended. Cannibalising the local-currency bond market and taking on currency risk isn't a prudent strategy in today's risky global environment.

Source: financialexpress.com- July 06, 2019

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No hike in allocation for textile and clothing sector

Cutback in funds for infrastructure upgrade

The 2019-2020 Budget has not increased allocations for key schemes expected to encourage investments in the textile and clothing sector — the Amended Technology Upgradation Fund Scheme and textile infrastructure programmes.

The Budgetary allocation for the Amended Technology Upgradation Fund Scheme is ₹700 crore as against the revised allocation of ₹622.63 crore for the last financial year.

The total allocation for textile infrastructure schemes for 2019-2020 is ₹58.55 crore against ₹3,729.83 crore last fiscal.
Pending payments

The total pending payments for Technology Upgradation Scheme is almost ₹10,000 crore.

The government has revised the guidelines and payments are made only after joint inspections.

“We were hoping for a higher allocation for the scheme,” said Sanjay K. Jain, chairman of Confederation of Indian Textile Industry.

Only about ₹20 crore was disbursed in the last three years under the Amended Technology Upgradation Fund Scheme, according to P. Nataraj, chairman of Southern India Mills’ Association.

“We hope there will be more funds made available later in the year.”

Mr. Jain added that textile exports were flat and imports on the rise.

“There is nothing [in the Budget] to stop imports and boost exports,” said Mr. Jain.

Source: thehindu.com- July 06, 2019

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How single-brand retailers may benefit

They may be able to export final product and get 8 years to meet sourcing norms

The easing of local sourcing norms promised to foreign single-brand retail companies in the Union Budget 2019-20 is likely to be in two areas. Such companies could have the freedom to sell their final products not just locally but also export it and at the same time benefit from a more flexible time span for meeting the average sourcing requirement.

"When I took charge of the Department of Policy for Investment and Internal Trade, I realised that it is not a good idea to restrict foreign investors in single-brand retail using 30 per cent domestically sourced inputs to sell the products only in local stores. Instead, such products should also be allowed to be exported," Commerce & Industry Minister Piyush Goyal told BusinessLine.

The government is therefore looking at allowing the items manufactured in the country by single-brand retailers with FDI, for which 30 per cent domestic sourcing has taken place, to be exported. "By allowing exports you get double benefit. Your manufacturing increases in India and you also get foreign exchange. Foreign investors also bring in new technology," Goyal said.

The proposed policy change will remove a major roadblock in the previous policy, said Pinakiranjan Mishra, Partner and National Leader, Consumer Products and Retail, EY India. "Since many brands source from India it will enable their entry. It also opens a window for players who do not have a large market in India but can set up a retail business along with manufacturing set up," he said.

While India allows 100 per cent FDI in single-brand retail, it is subject to the 30 per cent domestic sourcing condition. Last year the government somewhat relaxed the norm by stating that a foreign retailer would be able to get credit from incremental increase in sourcing for its global operations from India towards the mandatory 30 per cent local sourcing requirement for its business in the country. Single brand retailers like furniture-maker Ikea and electronics company Apple, however, sought more relaxations.

In the new round of proposed easing of conditions, there will also be more flexibility in the time span for meeting the 30 per cent sourcing requirement, Goyal said. At present, the sourcing requirement has to be met as an average of five years' total value of goods purchased, starting April 1 of the year of opening of the first store.

Subsequently, it needs to be met on an annual basis. "What we are saying now is that we will look at blocks of five years and thereafter a block of three years for meeting the sourcing condition," Goyal stated. The Minister added that more flexibility in meeting the given conditions will provide greater ease to investors and they would not live under the constant fear of slipping on the requirements in a particular year.

However, Anil Talreja, Partner, Deloitte India pointed out that the mandatory condition of 30 per cent sourcing was the core of the issue. "The sourcing condition has made some global retailers nervous. In my view, giving more time to meet this requirement may not excite these retailers as they are looking at a full exemption," he said.

Source: thehindubusinessline.com- July 07, 2019

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UAE Foreign minister arrives in India; energy, trade high on agenda of visit

United Arab Emirates Foreign Minister Sheikh Abdullah bin Zayed Al Nahyan arrived here Sunday night and will hold talks with his Indian counterpart S Jaishankar to boost cooperation in key sectors such as trade and energy.

The UAE minister will also call on Prime Minister Narendra Modi and participate in a business roundtable Monday.

The visit would provide the two sides an opportunity to explore new areas of cooperation to further strengthen their comprehensive strategic partnership, Ministry of External Affairs said earlier.

Sheikh Abdullah's visit comes at a time the issue of energy security is high on India's agenda due to the situation arising out of US sanctions on importing oil from Iran.

The ties between India and the UAE are on an upswing in the last few years.

The UAE is India's third-largest trade partner and fourth-largest energy supplier. The country is also home to 3.3 million-strong Indian community, largest in the Gulf region.

Modi had visited the UAE in August 2015 during which the two countries decided to elevate their relation to a comprehensive strategic partnership.

The prime minister also visited the UAE in February last year.

As the chair of Organisation of Islamic Cooperation, UAE invited India as the 'Guest of Honour' at the 46th Council of Foreign Ministers meeting of the grouping in Abu Dhabi in March this year.

Source: business-standard.com- July 08, 2019

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Cargo terminal at Surat airport may get operational in two weeks

Cargo movement from Surat airport will get a major boost with the Airports Authority of India (AAI) all set to throw open its state-of-the-art modular cargo terminal in the next two weeks. AAI has stated that the vetting of cargo terminal is under process and it will be completed within the next two weeks.

The modular cargo terminal, built at the cost of Rs 8 crore, is a steel-based structure constructed on the land between the Air Traffic Control (ATC) and the terminal building.

The ground base of the cargo is 1,000 square metre and the first floor will have the same size. The cargo terminal has the cold storage facility for the export of perishable items, strong room etc.

At present, the cargo movement from Surat airport has touched 3,400 metric tonne in the last one year. Thanks to the private airlines operating from Surat airport providing cargo facilities to its operational destinations across the country.

Official sources said that cargo items like textile goods including saris, dress material, courier, chemicals, valuable goods such as diamonds, lab-grown diamonds jewellery articles etc. are transported from Surat airport to various destinations including Delhi, Bengaluru, Kolkata, Hyderabad, Chennai, Mumbai and Jaipur.

Majority of the cargo movement to and from Surat airport is handled by Spice Jet followed by Air India. Spice Jet is the only airline providing high value cargo box for the shipment of valuable goods such as jewellery items, diamonds etc.

Until last year, Surat airport did not figured in the air cargo list in the country. However, in the last one year, the airport is on the 31st position in the cargo list of the country.

South Gujarat has agro and aqua export potential of more than 35,000 metric tonne per annum for mangoes, chikoo, roses, gerbera, shrimp etc.

About Rs 40,000 crore worth of polished diamonds are directly exported via the Surat Hira Bourse (SHB) custom house to Mumbai and around the world per annum. Likewise, there is an export potential of polyester fabric, hosiery etc of 2,000 metric tonne per annum.

Source: timesofindia.com- July 08, 2019

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Hyderabad: Only 3 lakh acres of cotton sown till date

Farmers in the state are unsure whether they should take up the sowing of seeds or not, with the monsoon yielding deficit rainfall so far.

Though the IMD has projected good rains in July and August, farmers saying that the state has received below average rainfall so far. Besides, the monsoon started late, and there were many dry periods between rainy days. Following the forecast of the late arrival of monsoon rains, the state government had issued an advisory to farmers not to go for early sowing and that should wait for another month.

Ms Pasya Padma, general secretary of the Telangana State Rythu Sangham, said that only around 20 per cent of the total area was sown under Kharif so far food crops. Cotton farmers had sown in around 3 lakh hectares, whereas the total area where cotton grown is 17.25 lakh hectares. She said the state government should consider taking steps to declare a drought in view of the poor rainfall.

Nationwide data suggested that the area sown under kharif crops was down by 27 per cent at 234.33 lakh hectare amid deficient monsoon rainfall last month.

According to the data released by the agriculture ministry, the area under Kharif cultivation was 234.33 lakh hectare till the last week of the kharif season of 2019-20 crop year (July-June), as against last year's 319.68 lakh hectare.

Rice, the main kharif crop, was sown in 52.47 lakh hectare till last week, down from 68.60 lakh hectare a year ago. Pulses, especially tur, urad and moong, were sown in very less area at 7.94 lakh hectare as against 27.91 lakh hectare, while coarse cereals were planted in 37.37 lakh hectare as against 50.65 lakh hectare last year, the data showed.

This deficit was seen in TS, AP, Karnataka, Maharashtra, MP, UP, TN and Rajasthan. The area under oilseeds was at 34.02 lakh hectare (59.37 lakh hectare last year).

Source: deccanchronicle.com- July 07, 2019

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