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IBTEX No. 95 of 2018 May 09, 2018

USD 67.34| EUR 79.80 | GBP 91.12 | JPY 0.61

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19864	41550	**78.93**

Domestic Futures Price (Ex. Gin), May

Rs./Bale	Rs./Candy	USD Cent/lb
20790	43488	**82.62**

International Futures Price

NY ICE USD Cents/lb (July 2018)	85.99
ZCE Cotton: Yuan/MT (May 2018)	15,680
ZCE Cotton: USD Cents/lb	**94.95**
Cotlook A Index – Physical	**93.25**

Cotton guide: Second consecutive day cotton has corrected down. The July future ended the session at 85.38 cents per pound down by 61 points. From the recent top of 88.08 cents the counter has declined 271 points.

It’s the mere profit booking that is taking place from the recent high and buyers may be reluctant to take fresh position. We believe the fall in the price could be intermittent while underlying fundamentals continues to be bullish.

From the aggregate trading front, trading volumes were around 30K contracts while aggregate open interests have been added more.

As of latest number the total OI is around 285K contracts. Historically anytime the aggregate OI reaches to these levels between 280 to 300K contracts market tends to make a strong bend.

However, in this season price have come off the high but the open interest continues to build. This means the overall trend is still positive and buying from lower level could be emerged in the near term. For more details please get in touch with kotak commodity research desk.

Currency Guide:

Indian rupee depreciated by 0.4% to trade near 67.33 levels against the US dollar. Rupee has slumped to the lowest level since Feb.2017 pressurized by concerns about impact of higher crude oil price on trade deficit and inflation.

The US dollar index has also tested the highest level since Dec.2017 on widening gap between monetary policy of Fed and other central banks.

Higher US yields have also caused concerns about investor outflows from India. Rupee may remain under pressure amid higher crude price. USDINR may trade in a range of 67.15-67.55 and bias may be on the upside.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

Asean and its growing importance for member countries

Asean took shape on August 8, 1967, the Association of Southeast Asian Nations, ASEAN, was comprised Indonesia, Philippines, Malaysia, Singapore, and Thailand and today it has expanded to Cambodia, Lao PDR, Brunei Darussalam, Myanmar, and Vietnam.

The intent of the association formed between ten Southeast Asian countries was to promote inter-country trade, governmental cooperation, and economic, political and socio-cultural integration of the member countries, and globally.

Additionally, it also aims to protect the member states' regional stability and instill peace amongst them in times of conflict resolution. In 2015, ASEAN organization's nominal GDP (combined) was around $2.8 trillion, making it a global powerhouse. ASEAN shares its physical borders with major apparel trade giants like India, China, and Bangladesh.

It has been the foundation of several establishments like East Asia Summit, EAS, and Regional Comprehensive Economic Partnership, RCEP (FTA between ASEAN, Australia, China, Japan, South Korea, New Zealand and India).

Free trade agreements

Free Trade Agreements within ASEAN countries are led by the ASEAN Trade in Goods Agreement (ATIGA) andAsean and its growing importance for member countries 1 the Agreement on Customs. The ASEAN Free Trade Area (AFTA) is a trade bloc agreement, which launched the Common Effective Preferential Tariff Scheme (CEPT).

CEPT states that the tariff will be reduced to 0-5 per cent, on the goods being traded within ASEAN region, if the goods meet a 40 per cent ASEAN content requirement.

Apart from the establishment of AFTA within the member states, ASEAN trade bloc has also signed various free trade agreements with major Asia-Pacific economies, such as ASEAN-China FTA (ACFTA), ASEAN-Australia-New Zealand FTA (AANZFTA), ASEAN-Korea FTA (AKFTA), ASEAN-India FTA (AIFTA), and ASEAN-Japan Comprehensive Economic Partnership (AJCEP).

These FTAs encourage and promote businesses in the ASEAN trade bloc, irrespective of their size, by enabling regional and international trade without any tariff barriers. They also offer businesses an easy access to the new export markets with simplified import and export.

Competitive edge

ASEAN countries do not face a high degree of competition for consumer and finished products, and product diversification has enabled ASEAN economies to aggressively export to the global textile & apparel market. The process of trade liberalization through AFTA, various FTAs and the ASEAN Economic Community's creation in 2015, has not only led to tariff reduction and elimination but also in integration and elimination of the non-tariff barriers that ASEAN players face in the industry.

Owing to this advantage, exports value of ASEAN5 including Malaysia, Thailand, Indonesia, Philippines and Vietnam nearly tripled from $24.4 billion in 2001 to $71.8 billion in 2014. The biggest gainer has been Vietnam with a 10-fold increase in the apparel and textile exports value in the same time period. Apart from the ASEAN advantage, Vietnam's accession to the World Trade Organization (WTO), 2007 was also an additional factor that allowed Vietnam to export to larger markets without tariff barriers.
India ties

In 2010, India achieved a milestone to expand its economic and political relationship with its neighbours, through the ASEAN-India FTA (AIFTA). This agreement resulted in duty liberalisation between India and ASEAN countries to enhance bilateral trade. Under AIFTA, each trading partner can keep some products out of the agreements, till the time they amount to less than 5 per cent of bilateral traded imports. This FTA can trigger a positive trade between India and ASEAN countries.

The agreement set tariff liberalisation on over 90 per cent products traded between India and ASEAN. Additionally, AIFTA can also bring in investments from ASEAN textile manufacturers in the Indian manufacturing sector, catering both to the country's domestic and export markets.

Source: fashionatingworld.com- May 08, 2018

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Time to take EU-Bangladesh relations to new heights

Reflecting on the EU-Bangladesh relationship on Europe Day

Bangladesh and the European Union have long been sharing a friendly relationship, which has grown stronger and warmer over time.

Since the establishment of formal diplomatic ties in 1973, both Bangladesh and the EU have come a long way and witnessed socio-economic changes over the long four decades.

The EU has established itself as the largest trade bloc in the world — average GDP per capita in the EU has almost doubled over the past 20 years.

In the meantime, Bangladesh has also attained remarkable socio-economic development and appeared as a model of development.

Evolving from the rubble of the devastating war in 1971, the country now has an expanding economy with macroeconomic stability, 7%+ annual average GDP growth, robust performance of exports, and strong foreign currency reserves.

The EU has consistently been a trusted partner of development of Bangladesh, and has contributed to attaining the status of middle-income country.

Now we need to focus on how the partnership between Bangladesh and the EU could be further deepened in the future, especially when Bangladesh is on track for confirming its presence in the middle-income country club by 2024.

Figures and policies in our favour

The EU is a major player in the global economy in terms of trade and investment. The trade bloc is also the top trading partner for 80 countries. Also for Bangladesh, the EU continues to be a strong trading partner and a source of investment for more than four decades. The EU's imports from Bangladesh reached $19.35 billion in 2016-2017 fiscal year, accounting for around 55.84% of Bangladesh's total trade.

It is mainly due to the trade preferences Bangladesh gets from the EU under its "everything but arms" arrangement, which grants duty free, quota free access for all exports, except arms and ammunition.

It's encouraging to note that our trade with the EU is growing. EU's imports from Bangladesh have almost trebled from $7.5bn to $19.3bn in the period between 2008-2007 and 2016-2017 fiscal years. The accumulated growth of Bangladesh's exports to the EU was 156.27% in the last 10 years.

Currently, apparel is the main export item of Bangladesh, which represents around 92% of our total exports to the EU. In recent times, frozen food, agri-products, footwear, leather products, and bicycles have also appeared to be promising items of export to the EU market. On the other hand, Bangladesh is also a potential market for the EU whose major export items are machinery, transport equipment, and chemicals.

The EU's exports to Bangladesh almost doubled in the last 10 years from $1.87bn to $2.83bn. The EU relaxed the rules of origin (RoO) in 2010 and brought it from 2-stage to 1-stage work processing for apparel, making it more favourable for our ready-made garment exports to the EU under Generalized System of Preferences (GSP) scheme.

Under the revised RoO, apparel exporters are enjoying duty-free access to the EU even if the apparel is made of imported fabrics. This has helped our apparel industry to register robust growth in the EU market in recent years and to secure 63% share of our total garment exports to the world.

The EU has been a major partner of the development of Bangladesh's garment industry, not only as a major importer, but also through its contribution to build capacity of the industry.

The EU's role to support our garment industry to improve workplace safety, labour rights, and general business conduct is widely acclaimed.

Progress and achievements

In 2013, the EU together with Bangladesh government, the ILO, and the US, adopted the Sustainability Compact, which has facilitated remarkable progress in the apparel industry in terms of workplace safety.

Bangladesh has achieved a paradigm shift in workplace safety in its garment industry where the Accord on Fire and Building Safety in Bangladesh, an initiative by leading EU brands and retailers sourcing garments from Bangladeshi factories, played a crucial role.

All export-oriented apparel factories have been inspected for structural, fire, and electrical safety by Accord, Alliance, and the National Initiative. Remediation is nearing completion, as the progress is around 83% in Accord affiliated factories and 88% for Alliance. We believe our safety standards will encourage European brands to source more garments from Bangladesh.

The EU is not only a trading partner of Bangladesh but also a good friend who assists our country to address various challenges on the way to development.

Apart from economic and trade development, the EU provides support to Bangladesh for human and social development, good governance, and human rights.

EU 'ssupport to Bangladesh also covers environment and disaster management, as well as food security and nutrition. We have witnessed how the EU has come forward to help us deal with the Rohingya issue and provided 13 million euros in the wake of the refugee crisis.

However, Bangladesh is gradually becoming economically strong, and we believe in the near future Bangladesh would reach a stage when development assistance would no longer be necessary.

Since Bangladesh is on its way to attain the status of a middle-income country, the country will require strong industrial development and investment to realize its vision.

The government has been working to accelerate industrial growth in the country by formulating business-friendly policies and building necessary infrastructure. Roads and highways are being upgraded, while steps are taken to enhance the capacity of sea ports.

Electricity generation has been increased to meet the growing demand of the expanding industrial sector, while an LNG terminal is being built to address the energy requirement in the country.

The government is also working to make Bangladesh a preferred destination of investment. Foreign investment in Bangladesh has hit a record in 2016-17 fiscal year, which was $2.45bn. Initiatives have been taken to simplify business processes in Bangladesh, and to improve our ranking in the World Bank's Doing Business Index.

The government has taken massive steps to develop 100 economic zones in next 15 years. Besides, we have a young and vibrant population which is a valuable asset to our country for investors.

The backward and forward linkage industries to the garment sector, man-made fibre based high-end textiles, pharmaceuticals, and footwear and leather products, frozen foods, ship-building have become promising industries in Bangladesh where foreign investment can be highly feasible.

Bangladesh has immense opportunities to diversify its export items, and the EU can play a key role in enabling Bangladesh to tap into those potentials. The EU can extend its support in enhancing Bangladesh's supply side capacity and promoting export-oriented FDI flows to Bangladesh.

The time is ripe for shaping the EU-Bangladesh relationship in line with the demands of the changing times.

We hope this relationship will reach a newer height, where the EU will be a strong and reliable partner in Bangladesh's journey towards prosperity, driven by trade and investment.

Source: dhakatribune.com- May 08, 2018

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Chinese pour funds into Vietnam

Chinese investments in Vietnam have been increasing continuously over the last decade. In Vietnam, China ranks third in the number of projects and fourth in total investment value. China has become the second largest FDI contributor to Vietnam, after Singapore.

The FDI flowing in from China now covers textiles, garments, services, metal processing, manufacturing, and processing industries. They amount to 50 per cent of the total capital investment.

Chinese industrialists and investors have used a diversified strategy over the years. They began by entering into joint ventures and later graduated to 100 per cent fully foreign owned businesses. In the previous year alone they set up 284 fresh projects totaling 1.41 billion dollars.

There are mixed reactions in Vietnam about these investments. Some cite risks like industrial pollution, use of outdated technology by the Chinese and migration of Chinese labor, all of which can disturb Vietnam's economic and social environment.

Most Chinese-invested projects in Vietnam are concentrated in areas which have cheap labor but face a high risk of pollution such as garment and textiles, hydropower, steel production, chemicals and cement.

However, there are others who welcome Chinese capital on the grounds that Vietnam needs investments especially in high technologies, startup development, and key industries.

Source: fashionatingworld.com- May 07, 2018

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Cambodia and Romania talk trade, EBA

Cambodia has pleaded with the European Union to continue trading with the kingdom under the Everything-but-arms initiative, arguing it plays a key role in the development of the country.

The request was made by Cambodian officials during a meeting Monday with a visiting delegation from Romania, a member of the EU located in Southeastern Europe.

Tek Reth Kamrang, Cambodia's Secretary of State at the Ministry of Commerce, told the Romanian Deputy Minister of Foreign Affairs, Monica Dorina Gheorghita, that EBA has helped the kingdom reduce poverty levels and diversify its industry.

"The visit of the Romanian delegation is very important as it allows them to see first-hand the positive impact of the EBA treaty in our economic development," said Ms Reth Kamrang.

Everything-but-arms, or EBA, is an initiative of the EU under which all imports to the bloc from the Least Developed Countries are duty-free and quota-free, with the exception of arms. EBA entered into force in 2001 as part of EU's Generalized System of Preferences, or GSP.

Ms Gheorghita acknowledged the impact of EBA on Cambodia's economic development and agreed to ask fellow European leaders to continue to support the scheme.

In late February, EU's foreign ministers issued a statement expressing concern over the deterioration of democracy in Cambodia, and urged the government to engage in a constructive dialogue with the elected opposition.

The statement pointed out that the EU is Cambodia's biggest export market, and that the European bloc grants the kingdom preferential access to its vast market under the EBA scheme.

Kaing Monika, deputy secretary general of the Garment Manufacturers Association in Cambodia, told Khmer Times that despite its relatively small size, Romania has a lot of potential when it comes to trade.

“It has a sizable population of about 20 million and is one of the fastest growing economies in the EU. The country could absorb a lot of our exports,” he said.

The EU market now absorbs nearly 40 percent of Cambodia’s garment and footwear exports, according to the General Department of Customs and Excise.

Source: khmertimeskh.com- May 09, 2018

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New Zealand fabric making a dying art, industry says

New Zealand's fabric making industry is slowly dying out, pushing most designers to source materials overseas, a former designer for Pumpkin Patch says.

Carly Tolley was commenting on recent revelations that Kiwi fashion label World used a small percentage of overseas-made clothes and components, and repurposed them, labelling them New Zealand-made.

Tolley said over the last two decades very few clothes were being made in New Zealand, after heavy import duties and quotas were scrapped in the early 2000s.

"As it's become cheaper to import from overseas, more brands are doing just that. There were many local fabric weavers in before the 1990s but with growing demand, it's just become to expensive for them to work out of New Zealand," Tolley said.

It's very sad."

Local fabric weavers used to knit imported cotton yarn, but today most fabrics that were produced in New Zealand were merino and knitwear, Tolley said. Tolley said if something was assembled in New Zealand, but constituted some materials from overseas, it could still be considered New Zealand made. But most designers imported their fabric from China and manufactured their there, she said.

According to the Commerce Commission, if important components are imported or if part of the manufacturing process is undertaken off shore, then a 'New Zealand made' claim risks breaching the Fair Trading Act.

Inter-weave is one of the country's last fabric producers. Managing director Tracy March said as long as the market was price driven and there was poor education about the cheap fabrics polluting the environment, there would be no revival of New Zealand's fabric industry.

"It's expensive to produce fabric in New Zealand because of such high compliance costs. In the past there were high tariffs that protected our industry against importers but that's all gone now," March said.

"Designers can get their fabrics from China for $2 per metre, where as it costs us $20 per metre to produce our raw materials. How can we compete with that?"

Inter-weave's production is primarily exported to Australia, Britain and the United States.

"We need to change the mindset of New Zealand consumers that think US or British made clothes are better. New Zealanders should appreciate what's in their own backyards, manufacturing more fabrics that are sustainable, like wool."

March said the fashion industry was increasingly price driven.

The debate ramped up when World's co-owner Dame Denise L'Estrange-Corbet's told the media that she could not find any New Zealand-based t-shirt manufacturers.

That was rebuffed by Ben Kepes, the owner of Christchurch-based clothing brand Cactus Outdoor, who said L'Estrange-Corbet's claims were a "blatant lie" as there were still manufacturers of t-shirts here, although there were limited fabric options in the country.

Kepes said his company imported its materials from around the world, mostly Europe, and then made clothes in small factories in the South Island.

Recently New Zealand's largest textiles supplier, Cooper Watkinson Textiles, quit its fabric wholesaling operation, and Tolley said its departure would leave a hole in the fashion industry, despite it sourcing some material from overseas.

"They supported many young designers, we're not going to have that any more."

Tolley said the fashion industry in New Zealand had increasingly moved toward outsourcing production.

"Once patterns, cutting, sewing, were all an inhouse operation. Now we're seeing, like with most industries, the fashion industry outsources different people for each of those steps."

Sue Bailey runs pattern making business Pattern Potential in Morrinsville that provides clothing for the big local designers and she agreed the local fashion industry was no longer what it once was.

"New Zealand made is expensive. Even I can't afford some of the clothes my clients make," Bailey said.

"Every time there is a financial crisis there is a terrible impact on the trade. Everything has become digital and online shopping has changed things," she said.

Source: stuff.co.nz- May 08, 2018

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Pakistan: Short supplies restrict trading on cotton market

Strong de--mand for quality cotton pushed prices higher on Tuesday. However, limited cotton stocks with ginners and acute shortage of quality lint restricted trading activity.

Market sources said that some small spinners still need cotton to meet their seasonal demand. Overall, shortage of quality cotton and fear of delay in arrival of next crop kept prices on higher side.

Higher off-take of cotton yarn is inducing spinners to build up their stocks. However, ginners holding quality cotton are demanding high prices which is inhibiting spinners from entering into deals. Barring a deal done at high rate of Rs8,000, the spinners were unable to get hold of quality lint.

Reports of rains in upper Sindh and Punjab are a positive development for cotton sowing as well as other Kharif crops.

However, lower Sindh continues to face shortage of irrigation water.

The world leading cotton markets were firm on higher demand from export as well as domestic markets.

The Karachi Cotton Asso-ciation (KCA) official spot rate was revised upward by Rs100 to Rs7,600 per maund.

The following deals were reported to have changed hands on ready counter: 400 bales, Rahimyar Khan, at Rs8,000; and 200 bales, Ahmedpur East, at Rs6,975.

Source: dawn.com - May 09, 2018

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Kenya should exploit potential in textiles sector

The textiles and apparels sector has been identified as a priority sector by the government. Its prominence in the manufacturing pillar under the 'Big Four' agenda and the Kenya Industrial Transformation Programme is a manifestation of its importance to the government in income generation.

But why should the government concentrate on growing the manufacturing sector? According to the Human Development Index (HDI) 2017, Kenya has an unemployment rate of 39.1 per cent.

This large number of unemployed people is a ticking time bomb whose blast could create adverse social and political effects. The sector, fortunately has the ability to create employment opportunities within a short duration of time.

The sector also boosts farming of cotton as well as the revival and expansion of textile mills. Through this, a fully developed value chain has the capacity to significantly expand employment prospects.

Additionally, cotton farming and apparels manufacturing are labour intensive, thus a source of employment opportunities. The sector is also currently a critical foreign exchange earner in manufacturing.

Currently, Kenya is the largest exporter of apparels under African Growth and Opportunity Act (Agoa) with about Sh35 billion worth of exports in 2017.

With the changes in the global apparels sourcing supply chain, Kenya has attracted a substantial number of world buyers and these figures have the potential to grow when we enhance our competitiveness and diversify our markets. Kenya can borrow best practices from Bangladesh, a rising giant exporter of textiles and apparels.

The South Asian country exports about $33 billion (Sh3.2 trillion) worth of apparels. At least $6 billion (Sh595 billion) of these exports are to the United States while about $27 billion (Sh2.6 trillion) are to the European Union and the rest of the world.

To put these figures into perspective, Bangladesh's textiles and apparels exports are about Sh700 billion higher than Kenya's 2017/18 National Budget. Secondly, Bangladesh exports performed about 18 times better than Kenya in the US market in spite of the fact that Kenya enjoys duty free access to the US market which is not the case with Bangladesh.

Thirdly, Bangladesh performs well in the European market, in spite of the fact that both Kenya and Bangladesh have duty free access to that market. The textiles and apparels sector has historically been the pioneer industry that drives industrialisation around the world.

An analysis of major international companies illustrates this as many of them started out with operations in the sector's value chain.

The situation is not different in Kenya as many of our top companies have their genesis in this sector. The growth of the value chain in Kenya will translate to more players in the manufacturing space who will ultimately diversify into other manufacturing sectors.

Without belabouring the point, the sector has the ability to fill in the gaps in our economy, our social challenges and our industrialisation journey.

Source: mediamaxnetwork.co.ke - May 08, 2018

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NATIONAL NEWS

Govt to prepare sectoral action plan within next 2 days to boost exports

Apart from the two departments making up the commerce and industry ministry, this will apply to Ministries of Electronics and IT, Agriculture, Textiles, Petroleum, among others

Keen to take advantage of growing global demand and forecasts of faster rise in international trade in 2018-19, the government has decided to prepare sectoral action plan within the next two days to boost exports.

On Tuesday, during the first inter-ministerial meeting on sectoral export promotion strategy, Commerce and Industry Minister Suresh Prabhu asked officials from across ministries to prepare separate action plan on boosting exports of products being handled by their respective ministries and send it to the Department of Commerce within the next fortnight. The action plan will focus on short-term targets to boost outbound shipment of products, which are achievable within the next two months.

Apart from the two departments making up the commerce and industry ministry, this will apply to Ministries of Electronics and IT, Agriculture, Textiles, Petroleum, among others. Keen on boosting the manufacture of Indian defence equipment, the government has also asked the Department of Defence Production under the defence ministry to submit a plan to improve India's export competitiveness in the sector.

Prabhu also announced that after submission, the findings of the plans will be discussed with export promotion councils, and exporters. A 'Best Exporting Ministry/Dept. Award' is planned as of now.

Official statistics reveal that the export spurt in 2017-18, whereby the country managed to achieve more than $300 billion worth of outbound trade after two years, was accompanies by a slowdown in export of labour-intensive sectors such as textiles, gems, and leather which have remained among India's strengths. The NITI Aayog has suggested that expanding the basket of products and targeting newer export categories and markets is the need of the hour.

India's share of exports continue to remain high in goods which are less traded and low in goods that are traded more in the world.

The government has focused on sectors the export share of which in India's total exports is less compared to the share of the sector in world exports, a senior official said.

On Tuesday, Prabhu said India has engaged with about 150 countries in the last few months to improve bilateral trade apart from creating a task force on special economic zones from where a sizable chunk of exports originate.

He said the commerce ministry will tap the external affairs ministry to implement the action plans through India's commercial missions abroad.

Commerce Secretary Rita Teaotia said that while there has been a 10 per cent growth in goods exports in the current year, India's share in global trade remained static at 1.7 per cent for merchandise exports and 3.4 per cent for services exports.

She pointed out that inadequate focus on fast emerging markets in Latin America, Africa, and Asia continued to hold back trade growth.

The Centre has now set its eyes on district-level export plans.

Regional Authorities of the Directorate General of Foreign Trade have been assigned an enhanced role to liaise with state governments to speed up the process of creating their export strategies.

Officers have also been asked to identify a few districts under their jurisdiction to assess and prepare a dossier on their export potential, according to the commerce department.

The EXIM Bank will also prepare an action plan to alleviate the financial difficulties being faced by exporters.

Source: business-standard.com- May 09, 2018

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What the future holds for Indian exports

Recent macroeconomic events provide a favourable opportunity for a rebound of Indian exports in the near future

The Economic Survey of 2017-18 identified exports as the biggest source of upside potential for growth in FY18. The optimism seems appropriate with exports growing for the fifth consecutive month in January. But do the recent macroeconomic developments pose a threat or an opportunity for Indian exports?

The US Federal Reserve hiked the benchmark funds rate from 1.5% to 1.75% in March amid mounting concerns over the impact of Trumponomics —fiscal loosening and trade protectionism—on inflation in the US. An interesting development is the expectation of a more aggressive monetary tightening in the future, with successive hikes over the next couple of years. Such a hawkish stance has tremendous implications for the rest of the world, especially the emerging market economies. A significant capital outflow, stock market downswing, depreciating currency and growth slump are what usually follows. However, there is a silver lining and it is exports.

The ghosts of the May 2013 taper tantrum still haunt Indian policymakers. In anticipation of higher yields in the US, foreign institutional investors pulled out a huge chunk of their capital from India (around $13 billion) sending the rupee into a free fall—from 54.39 to 62.68—in the next three months. The upside: exports grew at 12.98% on a year-on-year basis in Q2 2013-14, the highest in a quarter for the five-year period between 2012-13 and 2016-17.

The current situation provides a favourable opportunity for an exports rebound in the coming quarters. There are at least four factors that augur well.

First is the spillover effects from dollar appreciation. A Nomura report forecasts the 10-year US treasury yields to rise to 3.25% in Q3 2018 from 2.95% currently. It identifies Q3 2018 as a quarter holding significant potential for dollar appreciation. This has implications not only for Indo-US trade but also for India's trade with other countries, as over 88% of Indian exports are invoiced in dollars.

Consider an Indian trader shipping goods to Japan and invoicing in dollars. Since most exporters set prices in rupee and invoice in dollars, the Japanese importer will have to pay less when the rupee weakens against the dollar, further stimulating Indian exports. This wouldn't have been the case if the invoicing was done in the Indian rupee or Japanese yen.

Second, the inevitable trade war between the US and China offers another opportunity. US President Donald Trump imposed tariffs on $50 billion worth of imports from China, to which China retaliated immediately and equally. US importers from China cannot just shift this entire demand to US manufacturers as the local economy is already operating at close to full employment.

Moreover, "reshoring" of labour-intensive assembling in the high-wage US will be too expensive. India can take advantage of the situation and further strengthen its trade ties with the US. With factory wages in China escalating to the highest in emerging Asia, India can enjoy an export boom in sectors otherwise dominated by China like electronics and apparel.

Third is a revival of demand from the European Union (EU). Financial crisis and PIIGS (Poland, Italy, Ireland, Greece, Spain) debt crisis broke the back of EU's economic growth. This led to a decline in demand from EU for Indian exports. Arguably, 2017 marked the onset of growth revival in EU when it grew at 2.5%, the fastest since 2007. The projections for 2018 remain good, according to a European Commission report. With the EU regaining the share in India's total exports it lost between 2008-09 and 2014-15 (from 21% to 16%), the resurgence in demand from the West will act as a boon for Indian exporters.

Fourth is the diversification of China's manufacturing sector. The growth in the manufacturing sector in February was at its lowest in the past 18 months due to a crackdown over pollution in major industrial provinces.

Understanding the long-term limitations, China has started diversifying its trading pattern by focusing more on technology-driven sophisticated goods and developing a comparative advantage in this segment. It has already become a major exporter of green tech. This is creating a vacuum in the manufactured goods export segment.

Chinese micro, small and medium enterprises, riding on the back of low wages, cost of capital and an undervalued currency, have been eating India's lunch when it comes to low-end, labour-intensive manufacturing. India should now capitalize on the opportunity.

However, it's easier said than done. The real challenge for India lies not in the volume of its exports but the structure. One look at the top exports is enough to spot the conundrum. The biggest labour-intensive export industry—gems and precious metals—provides one-time value addition with negligible power to boost real economic transformation.

Even in the context of seizing the opportunity in labour-intensive sectors such as apparels and electronics, India struggles for comparative advantage against low-end manufacturers, such as Bangladesh and Vietnam. This weakening competitiveness needs to be addressed to sustain employment-generating export growth.

Although India may not be able to cater to the world market like China did for two decades, it should not lose out to rivals like Bangladesh and Vietnam.

India hasn't missed the bus yet. The key lies in improving infrastructure, easing land acquisition and boosting human capital.

Source: livemint.com- May 8 2018

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Cotton output for April estimated at 360 lakh bales: CAI

The Cotton Association of India (CAI) has retained its April estimate of the cotton crop for the season 2017-18, at 360 lakh bales of 170 kgs each, but has revised state output figures.

The CAI has revised the state outputs, and for Maharashtra and Karnataka the production are estimated to be higher by 2 lakh bales and 50,000 bales, respectively, CAI said in a release issued here.

While the production in Telangana and Andhra Pradesh are now estimated lower by 1.50 lakh bales and 1 lakh bales, respectively.

In Gujarat the total output was estimated at 105 lakh bales this season compared to 89 lakh bales last year.

The total cotton production was 337.25 lakh bales in 2016-17 season. The cotton marketing season begins from October 1.

The Statistics Committee of the Association has projected total supply up to April 30, at 347 lakh bales, that included arrivals of 311 lakh bales up to April 30, and imports which was estimated at 6 lakh bales up to the end of last month.

Further, the committee has estimated cotton consumption from October 2017 to April 2018 at 189 lakh bales at an average of 27 lakh bales per month while the shipment of cotton till April 30, has been estimated at 61 lakh bales.

The stock at the end of April 2018, is estimated at 97 lakh bales including 52 lakh bales with textile mills while the remaining 45 lakh bales are estimated to be held by the Cotton Corporation of India (CCI) and others including MNCs, traders, ginners among oth ..

The total cotton supply for this season up to September 30, is projected at 410 lakh bales, which includes opening stock of 30 lakh bales at the beginning of the season.

The CAI has estimated domestic consumption for the season at 324 lakh bales while the exports are estimated to be 65 lakh bales.

The carry-over stock at the end of 2017-18 season is estimated at 21 lakh bales, CAI said.

Source: economictimes.com- May 08, 2018

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India, Guatemala agree to promote trade, economic relations

India and Guatemala have agreed to promote trade and economic relations and called upon the private sectors to explore and take advantage of the pro-business climate existing in both countries. The economic relations between the two nations were discussed as Vice President M Venkaiah Naidu met his Guatemalan counterpart Jafeth Cabrera here yesterday.

This the first ever visit of an Indian Vice President to the Republic of Guatemala.

During the meeting, the two leaders reviewed the main issues of the bilateral relations and agreed to explore and strengthen their cooperation linkages in different areas such as agriculture, culture, education, renewable energy, environment conservation, trade and investment.

The two sides agreed to promote trade and economic relations and called upon the private sectors to explore and take advantage of the pro-business climate existing in both countries, according to a statement issued by the Ministry of External Affairs in New Delhi.

The two countries also exchanged views on regional and multilateral issues. India reiterated its invitation for Guatemala to join the International Solar Alliance, which is under process, it said.

On the multilateral front, the subjects of UN Security Council expansion and reform, fight against terrorism and sustainable development were discussed.

During the visit, a Memorandum of Understanding between the Ministry of Foreign Affairs of Guatemala, and the Ministry of External Affairs of India through their respective Foreign Service Institutes for strengthening diplomatic cooperation through education was signed.

A Letter of Intent was handed over to the Guatemalan authorities on organising a special course for Guatemalan English Teachers in India under the Indian Technical and Economic Cooperation (ITEC) programme, the statement said.

Naidu expressed India's readiness to assist Guatemala under South-South Cooperation and to share experience in areas of interest to the central American nation.

The two sides agreed to implement proposals on solar energy technologies in Guatemala as the promote women empowerment through training in the use of renewable energy and hence promote use of clean energy.

Naidu is accompanied by a high-level delegation including Members of Parliament representing different political parties.

They visited the Guatemalan Parliament and had a meeting with the Speaker of the House during which they discussed issues of common interest including democracy and legislation, with the purpose of expanding the ties of friendship between Guatemala and India in the parliamentary ambit.

The diplomatic relations between Guatemala and India were established on 16th May 1972.

Naidu earlier also called on Guatemalan President Jimmy Morales Jimmy Morales Cabrera.

Source: moneycontrol.com- May 09, 2018

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Direct Bengaluru flight to boost textile trade

Textile traders and exporters in the country's largest man-made fabric (MMF) sector are upbeat following announcement by budget carrier AirAsia India of launching its flight service between Bengaluru and Surat from June 1.

Bengaluru being a major textile and garment hub in south India, textile traders will have a direct linkage with wholesalers and manufacturers once AirAsia connects Surat with Bengaluru from June 1.

Industry sources said Karnataka has over 5 lakh garment workers and that Bengaluru alone houses more than 1,300 garment manufacturing units, which uses both MMF and cotton fabrics.

Until now, dealers and manufacturers from Bengaluru were reluctant to visit Surat due to treacherous rail and road journey as Surat wasn't connected with air route.

The textile sector expects that the export of polyester fabric is likely to witness a boost with more international connectivity to be provided by AirAsia from Bengaluru.

Southern Gujarat Chamber of Commerce and Industry's textile committee chairman Devkishan Manghani said, "As Delhi is the textile hub in north India and Kolkata in east India, Bengaluru is of south India.

AirAsia's announcement about Bengaluru-Surat flight service has made local traders and those in textile sector here happy. AirAsia is operating on international routes as well and the connectivity to Bengaluru is going to boost export of textiles from Surat."

Federation of Surat Textile Traders' Association (FOSTTA) secretary Champalal Bothra said, "South India alone has 25 per cent market share for fabrics manufactured in Surat. Bengaluru is the hub of textile trade and it is connected with all the textile mandis in south India.

The flight connection with Bengaluru will definitely boost the textile business. We have been demanding air connectivity to South India for the past 10 years. At last, AirAsia has fulfilled our dream.

Central government should consider Surat as a tier-I city and provide all infrastructural and transportation facilities to us."

Source: timesofindia.com- May 09, 2018

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Tamil Nadu textile entrepreneurs turn to local market for growth

A section of textile entrepreneurs in Tamil Nadu's western belt are making a concerted effort to tap into the domestic market, especially into the widening ecommerce market, as a hedge against the vagaries of the exports market that they have been faced with for the past few decades.

A section of textile entrepreneurs in Tamil Nadu's western belt are making a concerted effort to tap into the domestic market, especially into the widening ecommerce market, as a hedge against the vagaries of the exports market that they have been faced with for the past few decades.

"We have seen reports that the online fashion market in India is projected to grow nearly 3.5 times, from the current size to about $14 billion," said Prabhu Damodharan, a textile mill owner and secretary of entrepreneur association Indian Texpreneurs Federation.

"Our entrepreneurs should not miss the wave; secondly, considering the kind of growth we see in the exports industry, it is imperative that textile businesses should look at tapping the home market. We can easily create over a dozen clothing brands that can rake in Rs 500 crore in revenue in the domestic market, if we focus on it."

According to a report by ratings agency Icra, the global apparel trade has been seeing sustained sluggish growth. According to data by the agency, Indian apparel exports declined to $16.7 billion during 2017-18 from $17.3 billion on sharp reduction in exports to the UAE at $2.8 billion.

In the absence of free trade agreements or similar arrangements enjoyed by competing nations, Indian entrepreneurs have begun to look at the domestic market. Conscious of the need to get deeper into the domestic market, a few manufacturers have come up with new brands and marketing campaigns to woo local buyers. One of the forerunners in Tamil Nadu who had gone domestic was Anugraha Fashion in Tirupur, dubbed 'Dollar City' for its export-oriented units.

Source: economictimes.com- May 08, 2018

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Depreciation of Indian Currency will help exporters but how long will it last: FIEO DG Ajay Sahai

With the weakening of Indian rupee against the US dollar, the domestic unit hover around 67.14 currently against the US currency. The depreciated value is seen as good news for the exporters as they get more money for their exports.

“This depreciating rupee will definitely benefit the traditional sectors of the economy as exports of the sectors will go up in long run but how long it will last depends on the future exchange rates,” said Ajay Sahai, Director General and CEO of Federation of Indian Export organization (FIEO) while talking to KNN.

The rupee's weakness against the US dollar continued today. The rupee fell to 67.27 per US dollar today at day's low, it’s lowest since February 8, 2017. The rupee had breached the key 67 mark against the US dollar the previous day and had ended at 67.13 against the US dollar.

Currency value is one of the key factors driving exports, though the overall growth in the importing country is also important.

Ajay Sahai said the MSMEs are gradually recovering from the post GST effects, but liquidity is still a challenge for them.

Though Rupee depreciation will give some comfort to MSMEs from recovering the post GST effects but how long it will last, it depends on the future market conditions, he added.

At the moment traditional sectors like textiles are benefitting from this depreciation as compared to large sectors.

Commenting over the challenges MSMEs are facing he said that high logistic cost is the biggest challenge for MSMEs.

Further, he said that India is losing its competiveness against foreign competitors because global demand is shifting with countries like Myanmar, Bangladesh and China giving tough competition to India.

The exporters in the country have been raising concerns over delay in GST refund leading to blocked working capital for them. Exporters have claimed that over 60% of their refunds are stuck with the government.

Source: knnindia.co.in- May 08, 2018

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Mapping India's success as a fashion destination and the future direction

Fashion, according to most dictionaries, is described as the latest style of clothing, hair, decoration, or behaviour. I feel it goes deeper than that. Fashion speaks to the core human desire to be a part of something larger, of belonging to a community. This is why global fashion has maintained a steady growth over the last decade and a half, even in the face of several large-scale market challenges that crippled many other industries; the sector was estimated to be worth upwards US $2.4 trillion in McKinsey's 2017 The State of Fashion report, with the apparel and footwear market accounting for US $1.7 trillion. This is why fashion destinations like Paris, London, New York, and Milan continue to attract millions of customers from the world over, and why haute couture showcases like the Paris Fashion Week remain important events on the fashion calendars of fashionistas and celebrities.

India, as a growing hub for high-end fashion, is beginning to mark its own presence on the global stage. The domestic demand for textile and clothing is expected to cross US $141 million by the end of this decade.

Many leading global fashion brands are now expanding their operations in the country to tap into this burgeoning market of fashion, apparel, footwear, and clothing in the country with highly-personalised offerings. Every step of the way, they are being given tough competition by Indian brands, which marry western forms and attire with indigenous designs and aesthetics to cater to the couture needs of the Indian customer.

But, with technological advancements and changing market dynamics rapidly redefining consumer behaviour, how will the future of fashion in India pan out?

Finding the answer to this question requires us to understand its history as an industry in India, as well as the evolving relationships within and outside the industry, the retail ecosystem, and current trends.

Given the country's position as a prominent centre and market along the Silk Route, it is hardly surprising that India has been a distinctively fashionable country since time immemorial. Instances of kings and queens, princes and princesses, noblemen and noblewomen wearing decorative clothing like lavish turbans, elegant dhotis, silk sarees, churidars, embroidered jamas, and salwar-kameez abound in many historical reports and accounts. We have even heard many apocryphal anecdotes of courtroom intrigues, most prominently those from the Mughal era, of courtiers and noblemen trying to gain more influence within the court by bedecking themselves in the most resplendent clothing. Independent artisans of all kinds thrived and flourished across the country throughout the ancient and medieval times, giving rise to distinctive techniques and stylistic flourishes.

This trend continued well into the British Raj; British personnel and their families often ended up inadvertently competing with the local nobility at social gatherings on the fashion statement they chose to endorse. Despite this, the concept of fashion, as it was in the west, didn't really take off in India till after the country's independence. Even then, the fashion sensibilities for a large section of the Indian population were informed by popular culture media like cinema and television. Bollywood played a major role in popularising fashion trends across the country. Consumers looked at and emulated the couture worn by their favourite movie stars in the most recent movies. Just look at how Madhubala's iconic style statement as Anarkali in the 1960 cult classic Mughal-e-Azam became all the rage across India, and continues to be popular under the moniker of that beautifully tragic character.

In fact, it was not until 1966, when Ritu Kumar established her first boutique in New Delhi, that the country got its first real taste of high-end fashion. The legendary designer, who had been exposed to western fashion sensibilities during her time abroad, played a pivotal role in ushering in a new era for fashion in India by combining western designs and styles with traditional Indian artisanal techniques. This led to a large-scale revival of several indigenous textile printing techniques such as Zardozi, ikat, bandhani, patola, chikan, and shisha. As more and more players in the domain started to experiment with this mixing and matching of Western and Indian attire, fusion fashion became a thing. It wasn't uncommon to see kurtas being worn with jeans and trousers.

The big break for fashion in India, however, came in the 80s and the 90s. With the government pushing towards opening the Indian economy to foreign investment, big global brands like Gucci, Ralph Lauren, and Chanel began eyeing the lucrative prospect that the market presented. Many Indian fashion brands, like the multi-designer boutique called Ensemble featuring top designers like Tarun Tahiliani, opened shop, even as the economic liberalisation opened the floodgates to foreign brands. Couture styles like the kurti, cocktail sari, and corset blouse emerged out of this marriage of western and Indian sensibilities.

Leading designers, like Manish Malhotra and Manish Arora, built on this success in the late 90s and the early 2000s, popularising the now-famous fashion trend of Indian kitsch, which combines bold colours and quirky prints to create inventive designs that appeal to the modern Indian consumer. Showcase events like the Indian Fashion Week and the Lakme Fashion Week were launched, rapidly rising in eminence on the global fashion calendar.

The growing prominence of large shopping malls and the rise of the 'mall culture', which saw consumers frequently heading to their nearest shopping malls for their shopping and social interaction requirements, also played a major role in popularising high-end fashion amongst the masses. Individual design labels and large fashion houses identified the potential that this development presented and started setting up their shops in top malls across the country, reaching out to a much larger section of the population than ever before.

The Indian market, too, began responding to this change in aesthetics, style, and consumption behaviour. Stylish, sensual dresses became more common amongst women, while men seemed to prefer smart casual and professional clothing. Localised manufacturing capabilities were developed by national and international fashion brands.

Retail supply and distribution chains were strengthened, even as celebrities started exerting their influence on the larger fashion ecosystem as show stoppers and brand ambassadors. India had finally arrived as a big-ticket fashion market on a global stage.

Booming, booming, boom: How the fashion market has grown since the smartphone revolution

Fashion, as an industry, has continually grown since digitisation took over the world, but the biggest impact was felt in the way fashion brands reached out to consumers. The ready availability of the internet and the proliferation of smartphones made fashion more accessible than ever before; Indians could now just go online to search the latest fashion trends and buy their choice of couture from online stores. With consumers rapidly adapting to this new paradigm, many large offline fashion businesses jumped onto the online bandwagon to maximise their revenue streams and to tap into the growing opportunity to cater to the increasing digital-first populace.

This development, however, had a insignificant impact on the retail fashion business during its initial phases. With consumers no longer required to go to a physical store to buy what they wanted, footfall at physical fashion outlets fell drastically over time. There were certain monetary benefits of opting for e-commerce over physical retail as well; since online sellers did not have to invest capital into establishing and running a physical outlet, they had higher operating margins and could offer the same items at lower prices to their customers. Industry experts predicted the end of retail fashion as we knew it, and hailed the coming of e-commerce as a game-changing development.

Time has since proven most of these predictions wrong. E-commerce, despite its strong growth, has failed to displace physical fashion retail as the top dog in the larger business landscape due to its own unique set of challenges. Shopping for fashion, for Indians, is an extremely personal decision dictated by emotions. Indian shoppers need to feel the couture that they are buying on their fingertips, they prefer to wear and see how the dress will look on them. This is just not possible with e-commerce.

Click here for more details

Source: indiaretailing.com- May 08, 2018

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