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US 70.49 | EUR 78.93 | GBP 85.59 | JPY 0.67

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	Rs./Candy	USD Cent/lb
19952	41700	75.36
Domestic Futures Price (Ex. Warehouse Rajkot), August		
Rs./Bale	Rs./Candy	USD Cent/lb
20280	42385	76.60
International Futures Price		
NY ICE USD Cents/lb (December 2019)		59.58
ZCE Cotton: Yuan/MT (September 2019)		12,220
ZCE Cotton: USD Cents/lb		78.62
Cotlook A Index – Physical		70.30
<p>Cotton Guide: We were expecting prices to dip first and then rise (as predicted in our previous report) due to our presumption of a weaker export sales data. On the contrary, the prices did not dip but rose from their current levels as the Export Sales data (to everyone's surprise) emanated that China has purchased decent amount of Cotton from USA (Last week).</p> <p>ICE took cues also from the dryer weather prevailing at Texas which is one of the major cotton growing states in the Unites States.</p> <p>US Cotton Export sales-</p> <p>Upland-</p>		

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Net sales for 2019/2020 summed up to 179,500 Running Bales starting August 1, 2019. Reductions were reported for Honduras at 400 Running Bales. A total of 7,372,800 Running Bales in Sales were carried over from the previous marketing year.

Country	Increases in Running Bales (RB)
China	60,100
India	28,700
Japan	18,100
Vietnam	14,300
Pakistan	12,300

Table 1: Net export sales

Export Shipments for August 1 were reported at 72,800 running bales and for the previous year the shipments amounted to 272,700 Running Bales.

Country	Export Shipments
Vietnam	35,800
Turkey	8,800
China	5,400
India	5,100
Bangladesh	4,800

Table 2: Export Shipments for August 1

Country	Upland Exports
Vietnam	71,800
Turkey	40,500
India	36,100
Indonesia	23,100
China	17,700

Table 3: Upland Exports for 2018/2019

Pima –

Net Pima Sales for 2019/2020 totalled 8,800 RB.

Country	Increases in Running Bales
Bangladesh	5,200
India	1,000
Hong Kong	900
Bahrain	400
Turkey	400

Table 4: Net Pima Sales

Upland exports for the marketing year 2018/2019 totalled to 13,158,900, which shows a decline of 11 percent from the previous year's amount of 14,830,600.

While analysing the situations internationally, ZCE September contract settled lower at 12,220 Yuan/tonne with a change of -40 Yuan. The losses for the other ZCE contracts were mapped in the range of -40 and -95 yuan. Today, we can see yuan at a 11 year high of 7.05 USDCNY. While speaking about international trade, Ministry of Commerce in China, has indicated that it plans to remove import quotas on some agricultural products. It will be interesting to see the way forward for US Cotton Imported in China.

ICE settled positive across the board with the most active ICE December contract settling at 59.58 cents/lb with a change of +75 points. On the Domestic front, while we are writing this report now at 8 am, there is fresh news coming in that due to incessant torrential rains in Maharashtra, there is some amount of crop damage being reported. This can push the domestic market prices up for the short term. Meanwhile the prices of Shankar 6 are averaged at 41,700 Rs/Candy.

Cotlook Index A has remained unchanged at 70.30 cents/lb. Fundamentally speaking, for today, we keep our stance consolidated with a positive bias in the short term as we expect prices to rebound to the early 60's soon.

Pima Exports for August 1 totalled to 2,200 running bales.

Country	Export Shipments
China	1,100
Bangladesh	400
India	400
Peru	300

Table 5: Net Pima Exports

On the technical front, Prices made a hammer bullish candlestick formation near the Support but trading in the range of 57.30-60.14 from the last 4 trading days. Meanwhile the recent fall after the breakdown of the bearish flag has completed the 100% (Fibonacci extension) mark at 58.00, which may provide an immediate support for price to rebound towards the near term resistance zone at 60. RSI recovered from the oversold zone and trading at 32 still suggesting the weakness in the prices. So for the day we recommend to trade in the range of 58-60 with a sideways view. In the domestic market MCX Aug future is expected to trade in the range of 20000-20600 with a sideways to positive bias. While a close below 20000 will weaken the price trend.

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INTERNATIONAL NEWS

World economy edges closer to a recession as trade fears spread

US-China trade is nudging the world economy toward its first recession in a decade.

The escalating trade war between the U.S. and China is nudging the world economy toward its first recession in a decade with investors demanding politicians and central bankers act fast to change course.

In the U.S. alone, the recession risk is “much higher than it needs to be and much higher than it was two months ago,” Lawrence Summers, a former U.S. Treasury secretary and a White House economic adviser during the last downturn, told Bloomberg Television. “You can often play with fire and not have anything untoward happen, but if you do it too much you eventually get burned.”

Summers, who teaches at Harvard University, still sees a less than 50/50 chance that the U.S. enters a recession in the next 12 months. Investors are much more bearish: A closely watched segment of the yield curve, the difference between 10-year and three-month notes, inverted the most since 2007, indicating bets on protracted weakness.

New Zealand’s central bank on Wednesday stunned investors by dropping its benchmark rate by 50 basis points, double the expected reduction and sending the kiwi tumbling. Thailand also surprised, cutting by 25 basis points. India’s central bank lowered its rate by an unconventional 35 basis points.

While tight labor markets globally and the recent shift by central banks should provide a cushion, economists are starting to war game for how a recession could happen. Their fears are mainly centered on trade.

Under one scenario, U.S. President Donald Trump would carry through with his latest threat to impose 10% tariffs on a further \$300 billion of Chinese goods, drawing a retaliation from President Xi Jinping. While the direct cost of those tariffs is likely to be small, it is the uncertainty created by a further

escalation of the trade war that could weigh on investment, hiring and ultimately consumption.

Morgan Stanley economists predict that if the U.S. puts 25% tariffs on all Chinese imports for four to six months and the country hits back, a global economic contraction is likely within three quarters. The tensions also extend beyond the U.S and China to include Japan and South Korea as well as Britain's future relationship with the European Union.

Global Fallout

The worry is without a trade truce soon, markets will extend their recent slide and uncertainty-plagued companies would pull back further on investment, extending the pain of manufacturers to the services sector. Then, an otherwise tight job market would start to crack and consumers would retrench.

While central banks would likely cut interest rates and perhaps resume quantitative easing, that may no longer be enough to revive animal spirits this time and governments might not be fast enough to loosen fiscal policy.

"With no end in sight, there are significant downside risks to our forecasts for U.S. and global growth," Bank of America Corp. economists warned clients this week. "If the trade war escalates -- this could include a more explicit currency war -- uncertainty would be considerably higher and financial conditions much tighter."

Much depends on consumer and corporate confidence.

JPMorgan Chase & Co.'s global manufacturing purchasing managers index already shows contraction. June data on industrial production in Germany, Europe's biggest economy, showed the biggest annual slump in a decade. The European Central Bank is poised to unleash a renewed round of stimulus as soon as September, potentially including a rate cut further into negative territory, to fight a deepening slowdown.

In the U.S., manufacturing growth has slowed for 4 straight months and Citigroup Inc. equity strategists have cut their earnings forecast for S&P 500 companies.

Then there are consumers. Those in China and the U.S. have continued to spend, perhaps encouraged to by tight labor markets. But JPMorgan economists reckon the pace of global hiring in the second half of this year will slow to its softest since 2012-13. One early warning sign: Car sales in China are reeling from a historic slump.

Barely finished cleaning up from their last recessions, central banks are swinging back toward rescue mode. Having cut rates a week ago for the first time since 2008, the Federal Reserve is on course to do so again next month and investors price in further action by year-end. That's despite Chairman Jerome Powell's signal that he's undertaking more of a mid-cycle adjustment than a pronounced easing cycle.

But this time around central bankers may not be powerful enough given rates are already low and further action may not offset the fallout from the trade troubles. Investors surveyed recently by Bank of America Corp. identified monetary policy impotency as their biggest concern.

"We are using interest rates to fix problems that they cannot solve," said Patrick Bennett, head of macro strategy for Asia at Canadian Imperial Bank of Commerce in Hong Kong.

An added complication is the U.S. Treasury's decision this week to label China a currency manipulator after China allowed the yuan to weaken past 7 against the dollar for the first time since 2008.

"We have gone from some degree of uncertainty to bucket loads of uncertainty yet again," said Fraser Howie, who has two decades of experience in China's financial markets and co-wrote the 2010 book "Red Capitalism."

Source: economictimes.com- Aug 08, 2019

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USA: How a '\$30 Billion Tariff Tax' on Consumers Will Impact Retail Margins

As retail and apparel firms think about earnings guidance for 2019, given the backdrop of a planned \$30 billion tariff tax on consumers, they'll have to take into account margin compression and the feasibility of vendor negotiations to cut some production costs.

Currently, the plan is a 10 percent hike on \$300 billion in Tranche 4 imports from China on Sept. 1, and there's the very real possibility of that levy eventually rising even higher to 25 percent.

Kimberly Greenberger, equity analyst at Morgan Stanley, said Wednesday that "gross margin compression could be the real headline" in connection to the upcoming second quarter reporting period that begins next week, particularly at the department store sector.

That's because traffic was down an estimated 5.3 percent as a cooler May and a wetter June likely hurt seasonal apparel sales, the analyst noted. The weather forecast—a cooler August and September, but then a hotter October than usual—will continue to impact the third quarter.

And if a weak first quarter, traffic-wise, is followed by an equally soft second quarter, the upcoming planned tariffs will likely keep the pressure on for the department store sector in the third quarter, too.

"This incremental tariff represents a \$30 billion tax on consumers (\$300 billion x 10 percent tariff). What is not clear is how this implicit tax will impact demand and the economy beyond the discrete exposure of rising product costs to retailers," Greenberger said.

She expects retailers in the department store sector to lower fiscal 2019 guidance, although many may also decide to wait until the third quarter to do so. That's a period that could provide better clarity to the fourth quarter and outlook further down the road.

Jay Sole, UBS equity analyst for softlines, said Wednesday he expects downward earnings revisions could continue into April 2020. One reason is due to his conclusion that the "probability of the tariff rate rising to 25 percent has increased significantly."

While he expects a 10 percent hike is “actually relatively manageable” for most softlines firms within his coverage group, an increase in the tariff rate would be “much more difficult for the industry to handle,” Sole said. Because of the wide range of possible outcomes, he thinks it could take about five to six months before anyone will know which scenario will play out.

Moreover, he noted that incoming tariffed merchandise won’t hit the sales floor until the middle of the fourth quarter. That means publicly-listed retail and apparel firms probably won’t discuss what the impact will be on their bottom lines until they provide updates to the holiday selling season, which usually begins in January.

Sole has already lowered his earnings estimates—9 percent below Wall Street’s consensus, on average—for the softlines companies he covers. There was evidence of weak sales growth through the third quarter even before tariff hike was announced, according to Sole, who added that “tariffs likely turn softlines into a no-growth industry over the next year.”

Dana Telsey at Telsey Advisory Group expects apparel and footwear firms to feel the biggest negative impact since they have not been impacted as much by the tariffs connected to Tranche 1, 2 and 3 merchandise. “It would not surprise us to see earnings estimates come down as companies start to discuss the potential impact” on upcoming second quarter earnings conference calls, she said.

Some firms felt the Tranche 3 impact when tariffs on that list were hiked to 25 percent. Telsey pointed to G-III Apparel Group, which said an incremental 15 percent tariff on its handbag and leather outwear businesses, representing 7 percent of fiscal 2019 sales, would increase costs by \$6 million for the remainder of fiscal 2020. As of Jan. 31, 2019, roughly 61 percent of the goods G-III sells are made in China. According to Telsey, “Tariffs on apparel would likely result in price increases to customers and vendor negotiations for price concessions.”

Other companies, like VF Corp., see limited impact because of a wider sourcing base, according to Telsey. But some apparel firms, like Oxford Industries, are working to reduce exposure to China as they look to share the increase from tariffs with manufacturers. Roughly 54 percent of Oxford Industries’ product base is apparel related. For Vince Holdings, although it works with more than 40 manufacturers across nine countries, 88 percent of

its goods are still produced in China, according to 2018 data. So far, tariffs have had minimal impact since its handbag business is small, but the “imposition of List 4 tariffs could have a pronounced impact when throwing apparel into the mix,” Telsey said.

Source: sourcingjournal.com- Aug 08, 2019

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USA: NCTO welcomes new Trump tariffs

The Washington-based National Council of Textile Organizations (NCTO) – representing the full spectrum of US textiles from fibres through to finished sewn products – has welcomed President Trump’s announcement that he will impose a 10% tariff on the remaining US\$ 300 billion of imports from China on 1 September.

The US textiles industry has long supported the administration’s efforts to crack down on China’s abuse of intellectual property rights while also calling on the administration to include finished apparel and home furnishings in any retaliatory tariffs against China.

Chinese imports of finished goods into the US market, which have had the most significant impact and disruption on domestic textiles and apparel production, investment and jobs, will finally be included in the administration’s retaliatory tariffs.

“China’s rampant abuse of intellectual property rights and IP theft has gone on far too long at the direct expense of the US textile industry and its supply chain, resulting in the loss of US manufacturing jobs in this critical sector,” said Kim Glas, NCTO President and CEO. “We have long encouraged the administration to include finished products on the tariff list, given China’s rampant intellectual property abuses and the significant impact it has had on our sector.”

Underscoring the penetration by China into the US market, finished apparel, home furnishings and other made-up textile goods equate to 93.5% of US imports from China in the textiles sector, while fibre, yarn and fabric imports from China only represent 6.5%.

“We believe this move will lead to more re-shoring of production to the United States and the Western Hemisphere production platform and will also address and mitigate China’s rampant trade distortions,” said Ms Glas.

“While we support the inclusion of finished products in the latest retaliatory tariffs, our industry has very serious concerns that certain inputs already vetted by the administration and removed from previous retaliatory tariff lists are on this list. These inputs include but machinery, dyes and chemicals and textile components not available domestically, like rayon staple fibre.”

The US textiles supply chain employed 594,147 people in 2018 according to NCTO figures, and the value of shipments for US textiles and apparel was \$76.8 billion last year.

US exports of fibres, textiles and apparel in 2018 were US\$ 30,1 billion, while capital expenditures for textiles and apparel production in 2017 totalled US\$ 2 billion.

Source: innovationintextiles.com- Aug 08, 2019

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China remains reliable supplier of global fashion brands amid trade tensions with U.S. -- industry

With its high efficiency, research and development capacity as well as a mature transport and logistics services, China's textile and apparel industry remains the most reliable suppliers of global fashion brands despite potential supply chain disturbances from the ongoing U.S.-China trade tensions.

This was a key message shared by industry insiders at the 20th China Textile and Apparel Trade Show at New York's Javits Center in late July.

Over 500 Chinese garment, fabric and textile companies, plus other 300 companies from 16 countries and regions attended the show, which was held in parallel with Home Textiles Sourcing, Apparel Sourcing USA and Texworld USA expos.

UNPARALLELED PRODUCTION CAPACITY

There were only 192 Chinese exhibitors when the China-featured trade show debuted in the United States at Pier 92 along Hudson River in June 2000, recalled Xu Yingxin, vice-president of China National Textile and Apparel Council (CNTAC).

In the past 20 years, Xu said, China has established the most complete industry value chain in the textile and apparel business.

Chinese industry players now cover supply of raw materials, designing and development, weaving, dyeing and processing, garment making as well as operation and retail, he said.

"This is one of the big strengths for the Chinese industry and part of why China is the top supplier and we think China will remain the top supplier," said Julia K. Hughes, president of U.S. Fashion Industry Association (USFIA).

The year 2018 saw China processing 54.6 million tons of fibers, accounting for half of the world's total, and exporting 276.73 billion U.S. dollars in textile and apparel, or 36 percent of the world's total, showed the CNTAC statistics.

"No other country or region in the world could match China's enormous production capacity in the textile and apparel industry in the foreseeable future," said the 6th annual Fashion Industry Benchmarking Study, penned by Sheng Lu, associate professor at the Department of Fashion and Apparel Studies of the University of Delaware, in cooperation with the USFIA.

"There is no problem for China's textile and apparel industry to keep competitiveness for at least ten years given Chinese unrivaled output of chemical fiber, lower costs of raw materials, sound talent and technological resources as well as one of the most dynamic and biggest domestic market in the world, " said Li Bo, vice president of China Textile Information Center.

MOVING UP VALUE CHAIN

The Chinese textile manufacturers are "proactively" moving toward automation and smart production through technological innovation, and nurturing indigenous brands to "move up the value chain," noted Xu.

Ma Jiaqiang, head of home textile division with Jihua 3542 Textile Co., Ltd., said his company has long set up its own laboratory and a nation-level technological center in Xiangyang, Hubei Province in central China.

The company exhibited multiple functional fabrics like bamboo tencel and modal, as well as fabrics containing pearl, coconut and coffee fibers, which offer extra care for skin, remove peculiar smell or restrain bacteria.

"We're the earliest to develop such functional fabrics in the market, and we remain unchallenged in comparison with competitors," said Ma.

Hou Chunshui, a sales manager with Shandong Charming Hometextile Company Limited, said the company, which specializes in fabrication of bed linens, cushions and coverlets, has been constantly updating their original designs to stay attractive to global buyers.

Rory O'Mara, CEO and owner of e-commerce platform Saphyr Home, which offers linen and cotton bedding products, said she got her best choice from Hou's company.

Cashmere yarn exporter Consinee has invested 80 million dollars with its partners to realize the unmanned automatic operation of the entire process of transporting, loading, locking, pressing, dyeing, dehydrating, unloading and drying of raw materials. The production line will become highly automated.

The ongoing trade dispute between the United States and China "actually is pushing Chinese manufacturers to move up more upscale" and "shift their production away from products that don't need to be made in China," said Hughes.

"That's actually going to make China more competitive in the long run," she added.

EXPANDING GLOBAL FOOTPRINT

Chinese textile and apparel players are also expanding their presence in Southeast Asia, Africa, Americas in a bid to seize new market opportunities and reduce risks.

Like what happened in developed economies, Li said, "it's a natural trend for China to transfer labor-intensive businesses outside of the country and retain the parts with high added value or technologies."

Chinese textile and apparel companies' investment in the United States picked up 20.7 percent in 2018 and the accumulative investment in the United States totaled 214 million U.S. dollars from 2015 to 2018, according to the CNTAC.

Xiaofeng Li, managing director of Nantong Fenglan Textile Co., Ltd., added two plants in Bangladesh in 2012 while maintaining operation of his own production capacity in China.

"We have plants in China, Cambodia as well as Central and South America and registered a company in the United States," said Simon Lu, managing director of Feiya America Inc..

The arrangement could allow customers to collect their orders at the warehouse of Feiya America Inc. in Florida and it only take three or four days to ship products to the United States from its plants in Central and South America, according to Lu.

"CHINA IS HERE TO STAY"

The tariffs battle with the U.S. will do little to shake China's role as a dominant textile and apparel supplier for the U.S. market with only 6.7 percent of respondents expecting to decrease sourcing from China significantly in the next two years, a recent industry survey found.

With silk and cashmere products at its core, it is really difficult for U.S. fashion brand Vince to source outside of China for reasons of supply chain, skill-sets and many others, said Mark Engebretson, executive vice president of global operations with Vince in a recent interview with Xinhua.

Vince works with just a few suppliers in China and this makes Vince and its Chinese suppliers highly dependent on each other.

"China isn't gone away. It's here to stay." Engebretson said.

"Now, we just offer a bottom price to our U.S. customers and would not bear any additional costs," Whiskey Zhang, manager of Chinese company Tongxiang Yuhang Fur Product Co., Ltd., told Xinhua at Texworld USA.

"U.S. importers have no choice but to bear most of the costs as only China has such a complete industry value chain in fur business," he said.

Nicolas Becerra, director of sourcing/fabric & new source development at Weissman, a company that makes costumes such as ballet wear, said "no place can beat" Shaoxing, a city in eastern China's Zhejiang Province, in terms of "product quality, price, service, and flexibility."

"If tariffs go up, we'll have to raise price, so does every one of our competitors. Consumers will have to pay more," said Becerra.

Source: xinhuanet.com- Aug 08, 2019

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Mexico is finally the US's number-one trading partner

After a slow and steady rise, Mexico is now the US's number-one trading partner.

According to the US Census, for the first six months of 2019, the US and Mexico traded \$309 billion worth of goods, just over 15% of all US trade. This puts Mexico just above Canada (\$306 billion) and China (\$271 billion), making Japan a distant fourth (\$110 billion).

If Mexico finishes 2019 as the US's top trading partner, it will be the first time it will be recorded as ending a year in that spot. The Census estimates trade with major partners going back to 1811 (pdf). Monthly US trade data is available going back to 2002, and Mexico has never been number one after six months.

In 2018, China was the US's largest trading partner through the first six months, and also ended the year at number one. The US-China trade war has led to a decline in both US exports to China and Chinese exports to the US.

With the US set to raise tariffs by 10% on \$300 billion worth of Chinese imports in September and Chinese retaliation expected, it is unlikely that China will return to the top spot in the near future.

Mexico's rise is the culmination of a decades-long trend of the value its trade with the US consistently increasing. At the same time, US exchange with Canada, historically America's top trading partner, stayed relatively flat—even while US's overall global trade has increased.

The North American Free Trade Agreement (NAFTA)—which lowered tariffs between the US, Mexico and Canada after it was signed in 1997—played a role in increasing trade between the US and Mexico. But exchange between the two nations was already growing rapidly through the 1980s and early 1990s.

The US and Mexico are natural trading partners given their proximity and their workers' complimentary skills. Mexico's cheaper labor means it can export lower-skill manufacturing products and agricultural goods to the US, while the more skilled American workforce sends higher-end products back to Mexico, as well as parts to be used at Mexican manufacturing plants.

Yet Mexico may never have become the US's top partner if not for Donald Trump's aggressive stance toward China. From 2015 to 2018, more than 20% of all US imports came from China. As recently as 2002, that number was under 10%. This rise was in large part was a result of China entering the World Trade Organization in 2001, allowing it to export goods to the US more cheaply. Some researchers suggests the increase exacerbated the decline of US manufacturing jobs.

Due to Trump's tariffs, the value of imports from China to the US dipped from \$250 billion in the first six months of 2018 to just \$219 billion in 2019. Among the products that saw the largest decline: semiconductors, video game consoles and aluminum, according to a Quartz analysis of US Census data.

China's tariffs on US goods also have had a dampening effect. US exports to China fell from \$64 billion in the first six months of 2018 to just \$51 billion in the same period for 2019. Soya beans and petroleum oil were among the products with the largest declines. US exports to Mexico over this time remained about the same.

As the US distances itself from its trade relationship with China, there will be ample opportunities for other countries to fill that gap. Vietnam, South Korea and Taiwan have also seen their share of their trade with the US grow, and as supply chains adjust, that is likely to continue. Yet few country's exporters have a better chance to take advantage of the US's reoriented trade approach than Mexico.

Source: qz.com- Aug 08, 2019

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Pakistan's self-inflicted trade wounds: Cutting trade ties will hurt it much more than India

Even as Pakistan seeks a \$6 billion bailout from the IMF for mere survival, it has decided to suspend trade relations with India in a move, which, ironically, will hurt Pakistan itself much more than it will hit India. Pakistan took this decision as retaliation to India revoking the provisions of Article 370 from the state of Jammu & Kashmir.

Pakistan depends on India to a large extent for its cotton imports. India accounts for more than one-third of Pakistan's total cotton imports, which will soon stop due to its own move. Pakistan also depends on India for its organic chemicals imports. India accounts for around 12 per cent of Pakistan's organic chemical imports, which the nation will not get anymore from its neighbour.

As far as India's dependence on Pakistan is concerned, major items that India imports from Pakistan are salts, fruits, and nuts. However, the share of Pakistan in India's imports of these items is only 2-3 per cent. Pakistan's decision will cut it off from the Indian market where it sells 1.86% of its total exports. However, the same makes very little difference to India as Pakistan accounts for a mere 0.6 per cent of India's total annual exports, according to the Department of Commerce. India is in a trade surplus of \$1.66 billion with Pakistan.

At a time when Pakistan is struggling to get through its mounting current account deficit, cutting its trade ties with India does not appear to help the nation to get into a better position. Previously, India had taken away the most-favoured nation status from Pakistan after the terrorist attack in

Pulwama that killed 40 CRPF personnel in February. India also imposed duty up to 200 per cent on imports from Pakistan.

Source: financialexpress.com- Aug 08, 2019

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ECC constitutes committee to review cotton prices

In addition to taking several other decision, the Economic Coordination Committee (ECC) of the Cabinet Thursday decided to constitute a Price Review Committee headed by Advisor Ministry of Commerce and Textile, to review and suggest the indicative price and other measures to be taken in case of abnormal fluctuations in the cotton prices.

The Committee which was chaired by Dr. Abdul Hafeez Shaikh, took this decision on a summary of Ministry of National Food Security and Research (MNF&R) that sought minimum support price for cotton to protect the local farmers and encourage cotton cultivation in the country.

The ECC was also briefed by the Ministry on the wheat situation in the country, saying that PASSCO and provincial food departments had reported wheat stocks at the level of 7.519 million tones as on August 2nd, 2019 as compared to 11.183 million tons during the corresponding period last year.

Source: app.com.pk- Aug 08, 2019

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NATIONAL NEWS

India must resolve differences with America to seize opportunities from US-China trade war

Earlier this week, the United States and China escalated their trade war with Beijing letting its currency, Renminbi, fall by 1.4 per cent and Washington accusing the communist nation of being a currency manipulator. The latest round of tit-for-tat moves came after the United States signalled its intention to impose 10 per cent tariffs on Chinese products worth \$300 billion, beginning next month.

In response, China announced that it will stop buying US agricultural products and would increase tariffs on products it has already purchased. With the markets reacting predictably — Dow had the biggest plunge of the year on Monday — the fear is that the fallout from the year-long conflict could affect other global economies, including India, Japan and the European economies.

However, in the short run, India and other emerging economies of Asia have benefitted from the trade between the world's two largest economies. India has seen an increase in its exports to China, owing to higher tariffs on US products, as well as the United States, though not by as much. India's overall exports to the US grew by just 9.46 per cent to \$52.4 billion in Fiscal Year 2019, whereas China saw a growth of 25.6 per cent to \$16.7 billion, indicating a paradigm shift in the future.

“Looking at the products on which China and USA have imposed tariffs on each other, India has made modest gains in capturing such market,” said Soumya Kanti Ghosh, Group Chief Economic Adviser, State Bank of India, in a recent report.

As expected, India has widened its market share in both countries, which is reflecting in textile exports to the US. American textile imports from China have declined, shifting their focus to Vietnam, India and Bangladesh. Meanwhile, the Indian commerce ministry has identified 203 products where exports could be increased to the US, replacing Chinese goods, and 151 items where exports to China could rise, due to the trade war.

In the case of exports to China, India is looking at replacing the US in 47 lines of products from the US, which are facing a steep 25 per cent tariff, including some chemicals, granite, inverters, copper ore and concentrates. Ever since the US-China trade war began, there have been talks of India reaping benefits from it. However, India's gains so far have been significant but not substantial. At the moment, India is nowhere near positioning itself as an alternative industrial hub. In order to get there, the country has to urgently expand its struggling manufacturing sector and open up for more investments in diverse fields.

There is also the issue of India's own trade war with China. Tensions have been simmering on the India-US bilateral trade front since Trump became President, even though strategically the two countries have remained closer than ever. It began with the US announcing higher duties on Indian steel and aluminium in 2018, citing national interest. Earlier this year, Washington terminated the Generalized System of Preferences (GSP) program benefits to New Delhi, amounting to a withdrawal of \$5.6 billion trade concessions given.

India responded by imposing higher trade tariffs on 28 American products, provoking Trump's ire. He tweeted: "India, for years having put very high Tariffs against the US, just recently increased the Tariffs even further. This is unacceptable and the Tariffs must be withdrawn!" Trump airing his views on Twitter may not go well with Prime Minister Modi, who never likes to be seen kowtowing US diktats.

In fact, Washington has long been complaining to New Delhi for more market access, lower tariffs, and strengthening protection for intellectual property rights. New reports suggest that the US is planning to launch a comprehensive and intensive investigation into Indian trade practices ahead of raising them at the World Trade Organization (WTO), with potential to make it a full-blown trade war.

India has imposed price caps on medical devices, such as stents and knee implants, owing to an unreasonable extraction of money by corporate hospitals, but it has not gone down well in the US. The United States is also unhappy with India's new regulatory move that compels US credit card companies such as Visa and MasterCard to localize data storage for better compliance with government requirements in the future. Another Indian

regulatory measure that irked the US is the changes it made to e-commerce rules, which affects US giants Amazon and Wal-Mart.

India's decision to purchase antimissile systems from Russia also has the potential to become another irritant in bilateral trade relations. India's relations with Iran were another issue that Washington did not appreciate. However, under threat of sanctions, India has halted imports of Iranian oil.

Recently, India made one concession to the US, reducing tariffs on Harley-Davidson motorcycles by half from 100 per cent to 50 per cent. However, it was not enough to please Trump, as reports indicate. With all these issues in the background, the upcoming meeting between the Indian Commerce Minister and the US Trade Representative is crucial. India, which has set its sight on emerging as a \$5 trillion economy in the next five years, cannot afford to ignore the new wave of opportunities due to the developments on the US-Chinese trade front.

Source: financialexpress.com- Aug 08, 2019

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India needs 9% growth to realise \$5-tn economy target: EY

India needs to grow by 9 per cent every year for five years and raise aggregate investment rate to 38 per cent of gross domestic product (GDP) to turn a \$5-trillion economy, EY recently said. That is needed to take the economy size to \$3.3 trillion in 2020-21, \$3.6 trillion in 2021-22, \$4.1 trillion in 2022-23, \$4.5 trillion in 2023-24 and \$5 trillion in 2024-25.

The size of Indian economy will grow to \$3 trillion from \$2.7 trillion in the previous year, assuming India grows by the projected 7 per cent in the current fiscal ending March 31, 2020, EY said in its latest edition of Economy Watch.

In fiscal 2018-19, the gross investment rate, estimated at 31.3 per cent, was able to deliver a real growth rate of 6.8 per cent. The implicit incremental capital-output ratio (ICOR) was 4.6, it said. "This is relatively high because of deficient capacity utilisation."

India's average ICOR during the three-year period from FY17 to FY19 has averaged 4.23. The highest achieved investment rate in India was 39.6 per cent in 2011-12.

EY said achieving such levels would be consistent with the requirements of India's demographic dividend.

Total investment is the sum of public investment, household investment and investment by the private corporate sector.

The government may provide a policy framework to induce the state governments and the private sector to uplift their investment rates, EY said.

"Furthermore, if the central government can successfully reduce its revenue deficit, there would be room for higher capital expenditure with the same fiscal deficit. It can also induce additional investment through the CPSEs while keeping in mind, the overall constraint of resources in the form of savings in the system," it added.

Source: fibre2fashion.com- Aug 09, 2019

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Trade Ban: Pakistan's textile, pharma sectors to take a hit, \$1 billion Indian inputs among casualties

Pakistan's decision to suspend bilateral trade with India may hit its textiles and pharmaceuticals industries, which rely on imports of raw materials worth over \$450 million each from India.

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By comparison, India imports products valued at less than a fourth of its total exports to Pakistan, and is not expected to face a negative impact from the move, which was announced in response to the government's decision earlier this week to end special status for Jammu & Kashmir.

In 2018-19, Pakistan imported \$550.33 million worth of cotton and \$457.75 million worth of organic chemicals from India, according to Commerce Ministry data. Together, the two products make up around half of the

country's total imports from India, which were around \$2.07 billion during that financial year.

Provisional data for April-June 2019 shows that India has so far exported a total of \$452.51 million worth of goods to Pakistan, with \$127.87 of this being organic chemicals and \$48.33 million, cotton. Pakistan ranks behind countries like Sri Lanka, Bangladesh and Nepal in India's trade list with South Asian countries, according to the Ministry. This is not only due to strained diplomatic relations between the two countries, but also an inability of Pakistan to cater to India's import needs and its unwillingness to give India Most-Favoured Nation (MFN) status, according to trade experts.

India's major imports from Pakistan, including mineral fuels and edible fruit and nuts, were about \$131.29 million and \$103.27 million. Its total imports from the region in 2018-19 were valued at \$494.87 million, according to the Ministry. "Cotton and organic chemicals are two of the largest items India exports to Pakistan, and both of these are actually raw materials for their industries. It is a precarious situation for them (Pakistan), because it affects their textiles and pharmaceuticals industries," Indian Council for Research on International Economic Relations professor Nisha Taneja, an expert on India-Pakistan trade relations, told The Indian Express.

"Even though the volumes of the imports were not that much, there was still a dependence," she said. Around 82 per cent of India's exports to Pakistan consists of raw materials and intermediates, according to her. Pakistan's latest announcement, coupled with India's decision earlier this year to revoke the neighbouring country's MFN status and hike duties on its goods, are "the most drastic trade measures" taken in the souring relations between the nations to date, said Taneja.

While Islamabad's plan is more obviously aimed at showing its "dissatisfaction" with India's moves in Jammu and Kashmir, an underlying reason for suspending trade is also to respond to the 200 per cent tariff imposed by New Delhi on Pakistani products, according to her.

Provisional data from the Commerce Ministry for India's trade with Pakistan in April-June 2019 shows that India has so far imported only \$7.13 million worth of goods from Pakistan after revoking its MFN status. Another trade expert, who requested anonymity, said Pakistan's move is also a way for its

Prime Minister to assuage his voter base by publicly expressing opposition to the development.

Diplomatic relations between India and Pakistan have always been strained, but trade between the two countries has mostly been positive and cooperative in terms of catering to instances of shortages in goods, according to experts. India may still have avenues to continue trade with Pakistan, as there are “informal channels” that are “well cemented and flourishing”, said Taneja. “It would be easy for formal trade to shift to informal channels, though it will mean higher transport costs,” she said.

Source: indianexpress.com- Aug 09, 2019

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Viscose yarn imports jump hurting local spinners: ITF

There is a huge jump in imports of viscose yarn compared to the previous year, which is hurting domestic yarn manufacturing spinning mills, according to the Indian Texpreneurs Federation (ITF).

This can be addressed if the domestic spinning industry is able to buy viscose fibre at international prices and is also protected from low-priced yarn imports.

In recent years, the demand and use of viscose products has increased in the Indian textile industry, as the sector is slowly and gradually moving towards making more blended products both for domestic and export markets in line with the changing fashion trends.

As a result, viscose products (including fibre, yarn, and fabric) are playing a major role in the growth of overall textile manufacturing sector, within both the MMF and blended product space.

Due to this growing momentum in viscose usage, several new capacities have been added in viscose segment with considerable investments, creating lot of job opportunities across India. Even new technologies like airjet spinning have been introduced in the domestic viscose spinning segment, ITF said in a statement.

However, these spinning mills are now getting affected due to a big jump in viscose yarn imports in recent months. Compared to imports of \$58.85 million during April-March 2018-19, the first quarter of 2019-20 registered imports of \$20.30 million, with June 2019 alone witnessing import of \$8.64 million.

In rupee terms, the June 2019 import of viscose yarn works out to around ₹60 crore. If the trend continues, it would mean import of around ₹700 crore per year. "This amount is very high because viscose use is below one-tenth of cotton consumption or production in India," ITF said.

Explaining the reason for increase in viscose yarn imports, ITF said the main reason is the lower material cost for the Chinese and Indonesian spinning mills, from where most of the imported yarn is originating.

The Indian government has protected viscose fibre by imposing duties including anti-dumping duty. There is also 20 per cent customs duty on viscose fabric. This leaves viscose yarn unprotected paving way for higher imports, according to the ITF.

Traders are exploiting this situation and are using the opportunity to import more viscose yarn and supply the same to the domestic weaving sector. "This situation calls for a level-playing field for the survival of the domestic spinning sector.

We appeal to the government to make viscose fibre available to the spinning industry at international prices, or protect the sector from the current unprecedented low-priced yarn imports," ITF added.

Source: fibre2fashion.com- Aug 08, 2019

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CARE Ratings expects retail industry to grow at 12-14% over next 3 years

Over the past two decades, the size, scope and complexity of retailing has undergone a considerable change.

CARE Ratings expects the retail industry to register growth rate of about 12-14 percent over the next 3 years to \$1,150 billion by 2021.

The credit ratings agency said in a note, "With factors such as higher demand from consumers with higher incomes, job creations, improved standard of living, brand awareness, higher discretionary spends and higher participation of producers/retailers in the organised retail market, discounted and promotional pricing, increased number of products and more private labels with retailers among others, the industry is expected to register growth going forward."

According to the company, private final consumption expenditure is expected to grow by 10-11 percent year-on-year until 2021, which has grown at about 10-12 percent historically. GDP is expected to go up to ~7.3 percent by FY21.

Over the past two decades, the size, scope and complexity of retailing has undergone a considerable change and the retail industry is split in two categories — organised and unorganised.

India's retail industry is one of the most dynamic and fast growing as several new players have entered the market apart from rising income levels, growing aspirations, favourable demographics and easy credit availability.

The retail sector contributes about 10 percent of the country's gross domestic product (GDP), around 8 percent of employment, and is valued at \$792 billion as of 2018.

Globally, India is the fourth-largest global destination in the retail space after US, China and Japan.

The industry has witnessed a CAGR of over 10 percent during 2013-18, close to double the growth witnessed during 2008–13 period.

The Indian retail market continues to be dominated by unorganised retail (mom-and-pop stores and traditional kiranas) accounting for about 88 percent of the total retail market while organised retail market is valued at about \$95 billion, which is only 12 percent of the sector.

E-tail stands at about \$24 billion in India, accounting for about 25 percent of the organised market or 3 percent of the total retail market, CARE said.

India's organised retail penetration is much lower in comparison to countries as the US which has organised retail sector penetration of 85 percent.

Source: moneycontrol.com- Aug 07, 2019

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Lifestyle and Flipkart Group enter into a strategic partnership in India

Lifestyle, India's leading fashion destination for the latest trends, announced a strategic partnership with India's leading e-commerce marketplace, Flipkart Group (Myntra, Jabong & Flipkart).

The partnership will enable consumers to access the best in fashion, in a seamless manner across the country. This partnership will bring together the unmatched combination of the premium shopping experience of Myntra along with the reach of Flipkart Group, ensuring the right growth for Lifestyle's wide fashion offering, from its successful portfolio of brands.

Consumers today are seeking a unified shopping experience. As leaders in their categories, both Lifestyle and Flipkart Group bring unique capabilities including relevant customer insights, Flipkart's vast reach and Myntra's deep understanding of the fashion business.

Through this partnership, Lifestyle will take its wide selection of product ranges including its fashion private label brands across womenswear, menswear, kidswear, footwear, handbags, fashion and accessories, to newer geographies, while helping serve the over 160 million consumer base of the Flipkart Group.

Having completed 20 successful years in the industry, Lifestyle currently has a network of 78 stores in India and is growing rapidly by adding one store every 45 days, aiming to have 100 stores within the next two years.

Flipkart Group's expertise in using innovation and technology to create best-in-class customer experiences combined with an unmatched reach has helped establish it as the partner of choice for Lifestyle. The move also complements Flipkart Group's strategy to bring a wide range of branded offering in important segments like women's ethnic wear, kidswear and men's formal wear. This partnership between the two players aims to provide a seamless shopping experience to customers, while exploring the strategic collaborations on loyalty programs and exciting customer engagement activations.

Speaking about the partnership, Vasanth Kumar, Managing Director – Lifestyle International Pvt. Ltd. said, "This collaboration brings together Flipkart Group's extensive reach and Lifestyle's high fashion offering, thereby enabling us to serve a larger number of fashion-conscious consumers, across the country. Our strong private label offering with a wide variety of styles and trends across categories of apparel, footwear and fashion accessories distinguishes us from the rest in the market. United by a common goal of providing customers with a unique & memorable shopping experience, we are confident this partnership will help to further expand our brands' reach, catalyzing a sharper growth trajectory for these brands."

Speaking about the strategic partnership, Rishi Vasudev, Senior Vice President and Group Head – Fashion (Flipkart, Myntra, Jabong) said, "At the Flipkart Group, we believe in collaborating with the best in the industry and this partnership with Lifestyle is a strategic move to enhance our customers' shopping experience, by offering a seamless partnership between the country's leading fashion retailer and India's leading marketplace.

With Myntra's extremely engaging fashion-conscious customer and Flipkart's pan-India reach, Lifestyle will be able to take their offerings to an even larger consumer base. Lifestyle's wide range of brands across fashion categories which highly complement our platforms will enable growth for both players. This partnership further strengthens our position as the leading fashion destination in India and is a testament to our vision in bringing the best of fashion to millions of Indian consumers. We are very excited about this partnership"

Consumers will now be able to access the latest styles from Lifestyle on both Flipkart and Myntra.

Lifestyle's private label brands are curated for addressing wardrobe needs of a wide consumer base, for every occasion. Melange, which is amongst the leading ethnicwear brands in the country, has been endorsed by leading celebrities in the past and currently by style icon, Taapsee Pannu.

Melange offers contemporary ethnicwear and represents the style sensibilities of modern Indian women, whose fashion choices are eclectic and inspired by global trends. Ginger, a westernwear brand inspired by the young girl of today, caters to the wardrobe need for the bold, young and independent. While Forca, endorsed by Bollywood superstar Tiger Shroff, offers feature rich denim-wear at highly attractive price points.

Source: indiaretailing.com- Aug 08, 2019

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India Inc seeks better transmission of policy rate cuts by banks

Finance Minister holds meeting with industry chambers; GST cut in cement, consumer durables urged

India Inc has sought better transmission of the policy rate cuts by banks and lowering of Goods and Services Tax (GST) on cement and consumer durables beside other measures to kick-start investment and consumption demand in the economy.

Finance Minister Nirmala Sitharaman met with industry representatives as part of a series of meetings to discuss the current economic situation and to get inputs for an action plan to boost the economy.

There is an apprehension that GDP growth rate could dip further in the first quarter (April-June) of the current fiscal from 5.8 per cent recorded in the January-March quarter. The latest growth number will be announced at the end of this month.

According to sources, in a meeting that lasted almost for three hours, the Finance Minister sought inputs from the corporate honchos to stimulate the economy.

TV Narendran, Vice-President of CII, said the cut in banks' lending rates have not been commensurate with that of the reduction in policy rate by the Monetary Policy Committee.

“This weak and asymmetric monetary transmission process has constrained the economic recovery process by impeding the fall in lending rates which could stoke consumption demand,” he said.

In order to lower the cost of capital, Narendran said that government needs to look at the small savings rates and reduce them in line with the market rates. If that does not happen, then the ability of banks to reduce deposit rates and hence ease the lending rates will be at best limited.

BK Goenka, President of Assocham, sought a ‘quick-fix’ stimulus package to initiate investment cycle and an immediate game plan to make the best out of the ongoing US-China trade war.

In his presentation, he said, “With the current slowdown in global and domestic markets, we need to have quick-fix solutions and observe the economy for a few years for the effectiveness of the stimulus package.”

Emphasising the immediate need to revive exports, he said sectors such as textile and garments, are suffering due to constant review and frequent changes in tax refunds/incentives schemes.

He said an investment of ₹1 crore in the garments/made up sector can create 72 new jobs. The investment-employment ratio in the textile sector is among the highest. “Our export potential in the textile industry is further encouraged by rising costs in China, but the advantage is being taken by Vietnam, Bangladesh and Mexico. We must emerge as a strong competitor,” he said.

Other industry representatives urged for lowering of GST on cement, consumer durables, automobiles including parts to 18 per cent from 28 per cent.

There were also complaints about the higher rate of corporate taxes. Reviving private sector capex is need of the hour. One of the growth drivers would be investment allowance and accelerated depreciation in greenfield projects.

There should be incorporation of accelerated depreciation system in first year or over three years. Tax rebates can be given for profits ploughed back as investment in new projects, said the industry representatives.

Source: thehindubusinessline.com- Aug 08, 2019

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