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# IBTEX No. 203 of 2017 October 09, 2017

USD 65.30 | EUR 76.65 | GBP 85.52 | JPY 0.58

## Cotton Market

| Spot Price ( Ex. Gin), 28.50-29 mm | | |
|---|---|---|
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 18190 | 38050 | **74.33** |
| **Domestic Futures Price (Ex. Gin), October** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 18180 | 38028 | **74.29** |

| International Futures Price | |
|---|---|
| NY ICE USD Cents/lb ( Dec 2017) | 68.27 |
| ZCE Cotton: Yuan/MT ( Jan 2018) | 15,150 |
| ZCE Cotton: USD Cents/lb | **87.80** |
| **Cotlook A Index – Physical** | **77.6** |

**Cotton & currency guide:** Three weeks past Cotton market continues to be in a tight range of 67 to 70 cents per pound. Predominantly market is quite as no major cues running on market. However in between certain factors like Hurricane "Nate" makes the noise in the market but the entire effect is subjective to how it moves near the US region (cotton growing areas).

From the price point of view last week on Friday the December settled at 68.84 near the week's mid-point. This week on 12th the USDA Monthly report will be released and until then market may remain sideways. From the trading perspective on an average nearly 20K contracts are being traded at ICE which indicates a steady trend in the market. We shall discuss in detail the market factors and likely trend in our weekly report releasing today.

In the meanwhile cotton this morning is seen trading lower at 68.40 down by nearly half per cent and believe market continue to trade in the range of 68 to 68.80 cents per pound. On the domestic front, November future has posted weekly close at Rs. 18310 and believe market should continue to trade in the range of Rs. 18200 to Rs. 18470 per bale.

**Currency Guide:**

Indian rupee trades little changed near 65.3 levels against the US dollar. Supporting rupee is continuing strength in equity market despite geopolitical tensions. However, supporting US dollar is increased Fed's rate hike expectations despite mixed non-farm payrolls data. Mixed factors may keep rupee range bound however Fed's rate hike expectations will continue to weigh. USDINR may trade in a range of 65.25-65.45 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

## Chinese industrial policy up for grabs

Forty years ago, China's economic growth engine was its northeast. Liaoning province, a heavy-industrial centre bordering North Korea, was outranked in per capita income only by Shanghai, Beijing and Tianjin. Like the other northeastern provinces, neighbouring Jilin and Heilongjiang, its major industries were pillars of the command economy, benefiting from artificially cheap inputs and monopoly prices for their products.

The market-based reforms that enabled China's unprecedented growth and poverty reduction in the 1980s and 90s exposed much of the industrial northeast to competitive forces it was not prepared to face. By 2016, Liaoning had fallen from China's fourth-richest province to its 14th — and its slowest-growing. In April that year, it reported negative quarterly growth, the first province in seven years to do so. Once the home of the 'iron rice bowl', the three northeastern provinces are now China's rustbelt.

For years, Chinese policymakers have been confronted by revitalising the northeast. The path forward remains unclear. How the Chinese government, at all levels, responds to the economic hardship in this region will be an important indicator of how China will manage change in its growth model — and whether it can engineer the country's transition from middle to high income.

The economic difficulties in northeast China can't and won't be contained to just three Chinese provinces. They also matter for any economy that interacts with the world's biggest trading nation.

After 40 years of rapid growth, China's economy is beginning to slow, albeit more gradually than many international commentators expected. The makeup of the economy has changed, with consumption overtaking investment as the country's biggest growth driver. Policymakers have turned to new areas of reform, seeking to improve competition in monopolised sectors; liberalise financial markets while revamping regulation; and reduce overcapacity in heavy industries, where deeply indebted zombie firms continue to drag down China's economic prospects. Allowing interest rates and exchange rates to follow the market more closely will improve the allocation of capital and help China achieve reform.

But what do these reform objectives mean for the embattled northeast?

China’s economic development — like that of Japan, Hong Kong, Singapore or South Korea — has depended on encouraging industries that aligned with the country’s comparative advantage. Like Japanese cars or Chinese textiles in the 1980s, these are industries that would succeed even if exposed to an open global market. Governments played a major role by investing in public goods like education and infrastructure, identifying growth industries and export markets, and supporting some companies that took risks to innovate.

In a new report, a team at Peking University, led by former World Bank chief economist Justin Yifu Lin, seeks to apply these strategies to the ailing northeast. Its conclusions have sparked a deep debate among China’s heavy-hitting economists. The Jilin Report argues that the northeast region has long ignored light industry and that Jilin must ‘encourage the development of manufacturing in the textile, household appliance and electronics sectors’ as one of five industrial clusters.

Tian Guoqiang of the Shanghai University of Finance and Economics said the report is undermining the goals of structural reform, asking: ‘Should scholars or government policy determine the development of specific industries … or should the market make the call? The Jilin Report led by Lin almost ignores reform and systemic problems’.

In our lead essay this week, Hu Shuli points out that the roots of northeastern China’s economic predicament run deeper than its out-of-date industrial structure.

The debate should not focus on whether Jilin should develop light industry’, she writes, ‘but whether local governments can change their planned-economy mindset to embrace a more market-oriented economic system’.

Hu’s comments touch on another central element of China’s reform story — the relationship between local and central governments. Considering local governments’ share of revenue and expenditure, China is the most decentralised nation on earth — developing or otherwise — as Arthur Kroeber has observed.

The often opposing objectives of local and central governments are sometimes summed up in a Chinese saying, 'The higher-ups have policies, while the lower-downs have ways of getting around them'. 'Northeast China has failed to attract investment because it is known as a place where local governments frequently interfere in companies' market activities', Hu observes. And for outside investors looking in, one bad experience 'can scare off a fleet of enterprises looking to invest'.

'Changes need to be made to make market forces more effective', Hu concludes — and even amid the discordant response to the Jilin Report, this seems to be a sentiment that is widely shared.

The debate that rages now over what to do about the northeast rust belt is central to the course of China's industrial future. Now, as in the past, for Chinese reforms to be successful, they need to be pursued with both social stability and the global market in mind. Without that, the benefits are likely to only be short-lived.

Source: eastasiaforum.org- Oct 09, 2017

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## Uptake of 'sustainable cotton' needs a boost from brands, retailers

In order to take the eco-friendly route, many leading brands from apparel industry's and retailers need to significantly increase their uptake of 'sustainable cotton', says a WWF study, Pesticides Action Network (PAN) UK and Solidaridad. The report ranks apparel brands and retailers who use more than 10,000 tons of lint cotton on their use and uptake of 'sustainable cottons' such as organic cotton and 'identity cottons' such as the Better Cotton Initiative, Cotton made in Africa, Fairtrade and others.

Findings reflect Ikea, Tschibo, C&A, Marks & Spencer, and H&M are the leading brandswhen it comes to reporting sustainable cotton use. A matter of concern is that top brands such as Walmart, s.Oliver, Amazon, Footlocker and Giorgio Armani, all scored zero in the report. Of all the companies, C&A made the biggest advance in uptake almost doubling its score. In terms of policy, Gap Inc, IKEA and Marks & Spencer were making the biggest advances while in terms of traceability, M&S, C&A and H&M expanded their list of public suppliers.

**A lot more needs to be done**

While the results are encouraging, it also showcases a lot still needs to be achieved. Only around half of all assessed companies have a policy on sustainable cotton. While company performance on uptake and traceability is considerably low on policy. Only 11 companies have time-bound commitments or targets for greater use of sustainable cotton and uptake of sustainable cotton remains relatively low with most of the ‘heavy lifting’ being done by a handful of leaders.

The report calls for brands that use large volumes of cotton to encourage further expansion of sustainable cottons to support farmers to switch to more environmentally-friendly ways of cultivation. It says brand should set public targets for using 100 per cent sustainable cotton by 2020; adopt policies on cotton that tackle key challenges such as hazardous pesticides, water, biodiversity, labour conditions and recycling; and report transparently each year on policies, strategies and targets, as well as performance and progress.

Critics feel this is essentially a self-assessment exercise, and some brands may be tempted to put a gloss on their sourcing practices. In addition, brands regularly suggest to Ecotextile News that to improve uptake of sustainable cotton it could be that donors should stop funding more production and instead support market mechanisms and finance. For example, by providing finance that would encourage cotton traders and mills to hold sustainable cotton stocks. A common problem in uptake is when a brand finalises its collection plan, there is no cotton available as no one will hold a stock which may remain unsold, so sustainable cotton gets sold as conventional.

Bram Verkerke, Solidaridad points out donors should stop funding (the shift to) sustainable cotton production. Sustainable cotton is still only 15 per cent of global production, so this needs to grow and will require donor funding. In a context where International Development Aid is generally becoming less accessible, it remains an important mechanism of international wealth re-distribution and should continue to support the most vulnerable in the cotton sector, i.e. farmers, their families and their workers.

Besides funding, there needs to be other strong market incentives as well, in this case primarily demand from retailers and brands that traders and spinners can count on, for them to stock sustainable cotton. This too, just like improved production projects, needs to be self-sustaining after an initial investment has overcome the initial extra costs, and this will only be the case if there is a business case (i.e. demand).

Source: fashionatingworld.com - Oct 07, 2017

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## Bangladesh exports dip 9.8 pct in September y/y

Bangladesh's exports fell to $2 billion in September, down 9.8 percent from the same month a year ago and 27 percent below target, data showed on Sunday.

But for July-September, the first quarter of the country's 2017-18 financial year, exports rose 7 percent to $8.7 billion on a year ago, the Export Promotion Bureau said.

Shipments of readymade garments, comprising knitwear and woven items, totalled $7.14 billion in July-September, up 7.17 percent.

The garments industry is a key foreign-exchange earner for the South Asian nation, whose low wages and duty-free access to Western markets have helped make it the world's second-largest clothing exporter after China.

The industry, which supplies many Western brands, came under scrutiny after a series of fatal factory accidents, including a 2013 building collapse that killed more than 1,130 people.

The government has set an export target of $37.5 billion for the 2017-18 financial year, with ready-made garments earning $30.16 billion.

Exports in the previous financial year that ended in June rose 1.7 percent to $34.7 billion, but that was the slowest growth in 15 years, with garment sales up just 0.2 percent.

Exporters blamed the weak growth last year on a number of factors, including sluggish demand in key markets, structural reforms in the clothing industry, a weak euro and appreciation of the local currency against the U.S. dollar.

In July Bangladesh's central bank left key interest rates unchanged, saying it was trying to balance economic growth and inflation risks.

Source: in.reuters.com- Oct 08, 2017

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## Pakistan: Export package termed short-term solution

Value-added textile export associations have welcomed approval of the export package for 2017-18, but suggest it is a short-term solution to a long-term problem.

"The long-term solution is to reduce the cost of inputs like electricity, gas and water tariffs," said a joint statement issued by the associations on Saturday.

The Economic Coordination Committee (ECC) of the cabinet approved the export package on Thursday in a bid to give a boost to shrinking exports of the country.

Under the package, 50% of the incentive will be offered to eligible textile and non-textile exporters on the same terms as given for the period January to June 2017 without the condition of 10% increase in shipments.

The remaining 50% of the incentive will be provided if an exporter achieves increase of 10% or more in shipments compared to the corresponding period of previous year.

In the statement, Pakistan Apparel Forum, Pakistan Hosiery Manufacturers Association and others said an additional 2% duty drawback on exports to non-traditional markets like Africa, Latin America, non-EU countries, Commonwealth of Independent States (CIS) and Oceania as well as expeditious settlement of payment claims were great initiatives of the government.

The incentive amount should be credited to the exporter account at the time of realisation of export proceeds as all export-related information were submitted online and available with the government, the statement said.

They urged the government to take on board the stakeholders while drafting and finalising the Duty Drawback of Taxes Order 2017-18 and share the draft for review.

They proposed that the government should bring the cost of inputs up to 20% in order to bring it on a par with those faced by regional competitors.

Source: tribune.com.pk - Oct 08, 2017

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## Global Air Freight Continues Rapid Growth Trajectory

Global air freight volume 12.1% in August compared to the same period a year ago, the fifth time in the last six months of double-digit gains on the previous year's performance, according to the International Air Transport Association.

Demand is growing at exceptional speed when compared to the five-year average growth rate of 4.4%, while freight capacity, measured in available freight ton kilometers, grew 4.7% year-on-year in August.

The strong performance of air freight demand corresponds with the pick-up in global trade. World trade volumes grew 4.2% in the first seven months of 2017 compared to 2016, their strongest performance since 2011. This is consistent with rising export orders, which are currently around their highest levels since March 2011, and upbeat business confidence indicators.

The apparel industry is utilizing air fright more than in the past to meet demands for fast turns times on production and as e-commerce increases and brings the need for at-once order fulfillment.

The outlook for air freight remains strong. With several months of double-digit growth in 2017, the current IATA forecast of 7.5% growth in air freight demand for 2017 appears to have significant upside potential, even if analysts forecast the approach of a cyclical peak.

"Demand for air cargo grew at a double-digit rate for the fourth month in a row, outperforming demand for passenger travel for the fourth consecutive month," said Alexandre de Juniac, director general and chief executive officer of the IATA. "Rapid growth in cargo demand means that cargo capacity is now growing in response to real cargo demand rather than automatically…The pace of capacity growth, however, has slowed even as freighter fleets are being utilized more intensely. Overall, that should be good news for much beleaguered cargo yields."

All regions, with the exception of Latin America, posted double digit freight growth in August.

North American carriers posted an increase in freight volumes of 11.7% in August and a capacity increase of 3.7%. IATA noted that the strength of the dollar has boosted the inbound freight market over the past few years. Data from the U.S. Census Bureau shows a 12.7% increase in air imports to the U.S. in the first seven months of 2017.

Asia-Pacific airlines' freight volumes grew 11.3% in the month compared to the same period a year earlier, and capacity increased 5.7%. Demand growth was strong on all the major routes to, from and within Asia-Pacific, consistent with strong export order books for the region's manufacturers.

European airlines posted an 11.8% increase in freight demand in August and a capacity increase of 5.1%, with double-digit growth in international demand recorded in 10 of the past 12 months.

Source: sourcingjournalonline.com- Oct 07, 2017

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# NATIONAL NEWS

## Texprocil hails decision to provide relief to exporters

The Cotton Textiles Export Promotion Council (Texprocil) today welcomed the Centre's decision to provide relief and resolving the liquidity issues faced by the textile exporters.

"We are happy that the government has provided far reaching relief to the exporting community at the GST Council meeting on Friday," Texprocil chairman Ujwal Lahoti said in a statement.

"The government ensured that refunds for GST amounts filed during the months of July/August will be made available by October 10th and 18th respectively. The government has tried to resolve the liquidity issues faced by the exporters," Lahoti added.

Lahoti also said the facility given to the merchant exporters, who account for almost 40 per cent of India's textile exports, to pay a nominal amount of 0.1 per cent as GST while claiming goods from manufacturers for export goods will ensure that they do not face cash flow problems.

This step has come as a great relief to the trade. The other measures like exempting export promotion schemes like advance authorisation scheme; EPCG from the payment of GST up to March 31, 2018 should lead to a spurt in investments, he added.

Reducing the GST on manmade fibre yarn from 18 per cent to 12 per cent and duty credit scrips from 5 per cent to 'zero' would also give a boost to exports, he claimed.

Source: business-standard.com- Oct 07, 2017

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# Rethink on five-year export target

The commerce ministry will revisit the $900-billion exports target for 2019-20 as growth in shipments was slow in the first three years of the target period.

After holding an over three-hour long meeting with exporters yesterday, commerce secretary Rita Teaotia said there was certainly a need to revisit the five-year export target because nobody factored in the swing in global commodity prices and currency fluctuations.

"We are certainly not going to aim for the same target because we have not been able to show that growth rate in the first three years," she told reporters here.

On April 1, 2015, the government had announced a slew of incentives and new institutional mechanisms as part of the new Foreign Trade Policy (2015-2020) to nearly double the country's goods and services exports to $900 billion by 2019-20.

India exports goods worth around $300 billion per financial year, while services exports amounted to around $150 billion annually.

On whether the ministry would come out with a mid-term review of the foreign trade policy, Teaotia said commerce and industry minister Suresh Prabhu would take a call after returning from Morocco, where he is going for a WTO (World Trade Organisation) meeting.

"Whether we will issue a formal statement of intent (on the policy), the minister has to take a view on that," she said.
However, she added that the mid-term review is on and some issues got addressed through the goods and services tax (GST).

Speaking to reporters, Prabhu said it was agreed in the meeting that each export promotion council (EPC) "is now going to prepare a concrete strategic action plan for what can be done in the foreseeable future" to boost exports.

He said the ministry would act on the suggestions made by the stakeholders.

"We will together act on those inputs in the next two-three weeks and, therefore, we will also prepare a plan," he said.

Most of the issues are related to the finance ministry and "we are going to take up those issues with them", Prabhu added.

People who participated in the meeting include leading exporters, export promotion councils and industry associations.

Minister for textiles Smriti Irani also participated in the meeting.

Prabhu also stressed the importance of export-led growth and called for enhancing competitiveness and integration with the global value chain. The deliberations flagged global and domestic challenges faced by the exporters.

GST related issues regarding working capital blockage, delay in refunds and usability of the MEIS/SEIS (Merchandise Exports from India Scheme and Service Exports from India Scheme) scrips were raised by the exporters.

In the context of the mid-term review of the FTP, exporters requested that more products be included under the MEIS and the interest subsidy scheme and sought an increase in the rates of incentive.

The meeting also provided inputs for a new export strategy to integrate India into the regional and global value chain, focus on high and medium technology sectors of exports and unleash potential of services such as tourism and e-commerce.

In a series of tweets, Prabhu said: "We must align our standards with global standards. Benchmarking will stimulate exports, ensure India's integration with the global value chain".

"We are working on short, medium and long term strategies. There can be short-term challenges but the future belongs to India," he said.

Source: telegraphindia.com- Oct 08, 2017

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## Indian textile exports to Canada may double by 2020

It is likely that the Indian textiles and apparel exports to Canada may double by 2020, according to North American Brands Group, organiser of Apparel Textile Souring Canada (ATSC) fair. The exporters of India have a huge scope for expansion and growth to fill the gaps in the Canadian texiles and apparel market including its FTA partners.

"Canada's FTA with the United States, Mexico, Chile, Costa Rica and Honduras contain tariff preference level (TPL) provisions for certain textile and apparel goods being imported or exported within the respective free trade zones. TPL-eligible goods are goods that do not meet the requirements of the FTA Rules of Origin but can still receive the same preferential tariff treatment as goods from the country of origin, up to a negotiated quantity," said John Banker, director, ATSC.

"The total value of apparel production in Canada continues to decrease while apparel imports continue to increase," added Banker. Since 2011, apparel imports have increased by C$3.4 billion or 8.3 per cent annually (average) to total $12.5 billion in 2015. Between 2010 and 2014, the total number of establishments contracted by approximately 12 per cent or 199 establishments. In 2015, approximately 20,000 employees were employed in the sector.

The ATSC fair supported by the Indian High Commission in Canada, emerged as a great platform for manufacturers to interact directly with the Canadian buyers and fashion and apparel experts. The Indian participants attracted interest from brands like Aritzia, Le Chateau, Walmart-Canada, Jockey-Canada, Gildan, Canadian Goose and Roots.

The new Canadian buyers who visited the fair this time included, Assent Lebel, Attraction, Cananda Goose, YKK, New Era Cap, Ozeol, Remco, etc from the apparel, textiles fashion and accessories areas.

It was seen that 45 per cent of the visitors were looking for apparel, 32 per cent for accessories and 23 per cent for textiles. The other countries that participated included China, Bangladesh, Pakistan, and the US, the UK, Canada, Turkey, Jordan, Switzerland, Vietnam, Nepal, etc.

"The post show report reveals that the Apparel Textile Sourcing Canada (ATSC) fair was a huge success; the fair expanded by more than 50 per cent from last year. Also, visitors' growth was more than 67 per cent compared to previous fair, depicting huge potential that Canada as a market has for apparel and textiles. The increase in the number of participants clearly indicated the value that the event brings to manufacturers," said Banker.

"We are the sole partner responsible for Indian Pavilion for the coming year's trade fair. We will be helping the Indian manufacturers to connect with the North American market, on continued basis.

There are huge opportunities for Indian exporters; the apparel and textiles exports from India to Canada, is slated to double by 2020," said Dr Anurag Sinha, president and Sandeep Keshari, director, North American Brands Group, who represented at the second edition of ATSC as the organising partner.

The next edition of the fair will be held in 20- 22 August, 2018 in Toronto.

Source: fibre2fashion.com- Oct 07, 2017

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## Textile machinery group sees exports picking up

*International demand promising, says industry association*

Exports of textile machinery are expected to pick up this fiscal, after a year of marginal growth due to tepid international demand in 2016-2017.

According to data available with the Textile Machinery Manufacturers' Association, machinery exports in 2016-2017 were worth ₹2,438 crore compared with ₹2,351 crore the previous year. Total production of textile machinery in the country was to the tune of ₹6,650 crore, including spares and accessories.

S. Chakraborty, secretary for the association, said the international market did not see much growth last year. Further, for exports to grow in a particular market, the manufacturers needed to have local facilities to provide after sales and service support.

This year, export of equipment for spinning, spinning accessories, weaving preparatory and of other accessories was likely to see an increase in the range of about 15-20%, he said. The association data also showed that only about 32% of domestic demand was met indigenously. Imports amounted to ₹10,098 crore in the last fiscal year.

**Imports from China**

Mr. Chakraborty said China had been a big supplier of looms as they were available at very low prices. Accessories and spares from China were also coming into India in large quantities, he said.

Demonetisation and GST had hampered domestic investments, he said. However, this was expected to correct in five to six months and investments would pick up, he added.

Textile industry sources said the Centre should promote local manufacturing of machinery through foreign direct investment or joint ventures. While spinning and processing machinery were mostly available in the country, machinery for weaving and garment sectors were largely imported.

Source: thehindu.com- Oct 07, 2017

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## Course correction — on GST Council's alterations

Nearly 100 days after India's tryst with the new Goods and Services Tax regime began, the GST Council empowered to oversee its implementation has approved several alterations. These relate to coverage and compliance norms with a view to easing the burden of paperwork and stretched cash flows imposed on smaller businesses and exporters.

The Council lowered the rates on 27 items, including dried sliced mango, *khakhra*, unbranded *namkeen* and, more importantly, yarn and sewing threads to soothe the textile industry that has been in distress over GST norms and is a bulwark for job-creation.

Prime Minister Narendra Modi has said the Council's decisions at its 22nd meeting, taken at his behest to overcome the GST system's apparent shortcomings, are akin to an early Deepavali. That the meeting was advanced by almost 20 days, and that it has tried to deliver on the Prime Minister's promise to fix the problems faced by traders in the first quarter of GST is welcome.

The decision to switch the requirement to file three monthly returns and an annual return to a quarterly frequency for firms with a turnover of ₹1.5 crore will ease the burden of compliances on small and medium enterprises, and reduce the workload on the tax regime's fledgling IT backbone.

Equally critical is the expansion and proposed simplification of the composition scheme, under which firms with an annual turnover of up to ₹1 crore pay a flat and low tax, and the six-month suspension of the reverse charge mechanism that required large firms to deduct tax on supplies from firms outside the GST net. This should spur fresh confidence among small firms and help expand the tax base.

The promise of faster tax refunds, starting Tuesday, for exporters facing a working capital crunch too is re-assuring. Time will tell how smoothly these decisions pan out on the ground, but suspension for six months of the payment of integrated GST (IGST) on inputs used for exports will bring immediate relief. While putting off the e-way bill provisions dealing with movement of goods that were making businesses and transporters nervous, the Council is instead considering a staggered introduction.

So the system would begin with one or more States from January 2018 and cover the entire country by April 2018. It is not clear how this will impact inter-State movement of goods in the interim three months, and industry has good reason to worry about fresh complications.

Amidst this flurry of adjustments, suspense persists on the operationalisation of the GST law's anti-profiteering provisions, which cramp pricing decisions by businesses.

The government needs to move swiftly to bring clarity on all such remaining grey areas.

Lastly, though some of the latest rate revisions may be based on impeccable economic rationale, it is important to resist giving the impression that some tweaks, even if they are warranted, are based on the Assembly election schedules.

Source: thehindu.com- Oct 09, 2017

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## Unhappy with new GST measures: Surat textile traders

Textile traders in Surat said they were unhappy with the relief measures relating to GST announced by Union Finance Minister Arun Jaitley on Friday.

After the GST Council meeting, the government had announced that traders whose annual turnover is below Rs 1.5 crore will now have to file returns quarterly, instead of monthly.

Moreover, GST on yarn has been reduced from 18 per cent to 12 per cent and zari items from 12 to 5 per cent.

"We are unhappy with the announcements made by the Union minister as no relaxation has been given to textile traders.

We had made representations to the GST Council members and even delegates who came to Surat.

Not a single demand of ours has been taken into consideration," Manoj Agrawal, president of Federation of Surat Textile Traders Association (FOSTTA), told The Sunday Express.

Source: indianexpress.com- Oct 07, 2017

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# Merchant textile exporters see GST relief easing cash-flow issues

Textile merchant exporters have heaved a sigh of relief with the Central government allowing them to pay a nominal GST of 0.1 per cent on the goods manufactured for exports.

The move will ease unnecessary blockage of working capital as, otherwise, exporters would pay the GST and wait for refunds.

Merchant exporters account for 40 per cent of overall textile exports from India.

After the roll out of GST, the government slashed duty drawback on garment exports to 2 per cent from 7.5 per cent.

Ujwal R Lahoti, Chairman, Texprocil, said the facility given to merchant exporters on goods manufactured for export will ensure that they do not face cash flow problems.

This apart, he said the measures exempting export promotion schemes such as Advance Authorisation Scheme and Export Promotion Capital Goods from GST till March-end should lead to a spurt in investments.

Complimenting Finance Minister Arun Jaitley for the far reaching relief given to the exporting community at the GST Council Meeting held last Friday, Lahoti said the government has tried to resolve exporters' liquidity issues by ensuring that refund of GST paid in July and August will be done by October 10 and 18.

The Council also reduced GST on Manmade Fibre Yarn to 12 per cent from 18 per cent and Duty Credit Scrips to zero from 5 per cent to boost exports. These measures would instil confidence in exporters and enable them to work towards achieving the export targets, Lahoti added.

Source: thehindubusinessline.com- Oct 08, 2017

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## Government keeping a close watch on cotton prices

As India is looking at a bumper cotton crop, government agencies are keeping an eye on the market to check that prices don't fall below the government supported price levels. However, trade expects prices to remain above support levels till December, except in Telengana.

Industry body Cotton Association of India (CAI) will come out with its crop study report about two weeks from now. However, the trade expects India's 2017-18 cotton production to be about 375 lakh bales. The International Cotton Advisory Committee (ICAC) has projected world cotton production to increase by 10 per cent during 2017/18 reaching 25.4 million tons.

The private procurement presently on in Telengana is below the minimum support price. However, traders say that prices are low because crop has more moisture due to recent spell of rainfall and expect better quality and increased arrival post Diwali.

SK Panigrahi, Chief General Manager, CCI said: "Presently, cotton price of the fair and average quality (FAQ) is ruling above MSP. We are all prepared to enter into market if prices touch MSP or below."

A section of the trade thinks that even if CCI does MSP procurement operations, it will not be a big operation. "Even if the production has increased, the consumption is also likely to increase. The number of spindles is increasing in Gujarat due to the incentives extended by the state government," said a source, who did not want to be identified.

ICAC has projected increase in global as well as India's cotton mill use. Global cotton mill use is expected to increase at an improved growth rate of 2.7% during 2017/18 reaching 25.2 million tons. In comparison, during 2016/17 world cotton mill use grew by 1.6%. "Mill use in China is projected to grow by 1.5% to 8.1 million tons. Cotton mill use is also projected to grow moderately in India, Pakistan, Turkey, Bangladesh, Vietnam and Brazil," said the world cotton body in its latest report.

Cotton arrivals have started in Gujarat and in Maharashtra from past 20 days. In the Khandesh area of Mahararashtra, where new season's cotton has started arriving in markets, prices of cotton with permissible moisture levels are ruling above MSP. Traders and industry think that cotton prices may remain above MSP till December.

"We believe that cotton prices in Maharashtra may remain higher than MSP at list till December," said Pradip Jain, president, Khandesh Ginners Association.

Irrespective of the market prices, yarn manufactures want CCI to procure cotton. "We have requested the CCI to procure about 30 lakh bales to 40 lakh bales of cotton to help the industry during lean period," said JThulasidharan, president, Indian Cotton Federation.

However, the CCI will enter into commercial procurement of cotton only if it does not get enough cotton through its MSP operations. The cotton purchase done by CCI when prices are above MSP level fall in the commercial operations.

Source: economictimes.com- Oct 08, 2017

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## Exporters' pending GST refunds to be cleared in 2 months

The government will clear pending GST refunds of exporters by November-end and over the next six months no tax will be levied on exports as the Council has decided to revert to the pre-GST era, Revenue Secretary Hasmukh Adhia said.

Over July-August, an estimated Rs 67,000 crore has accumulated as the Integrated GST (IGST), of which only about Rs 5,000-10,000 crore will be due as refunds to exporters, he told in an interview here.

While no tax will has to be paid on goods to be exported in the remaining months of current fiscal, from April 1 an e- wallet service will be launched that will give exporters notional credits that can be used to pay GST, he said. The credit in the wallet would be transferable.

The Goods and Services Tax (GST), the amalgamation of over a dozen indirect taxes like excise duty and VAT, does not provide for any exemptions, and so exporters are required to first pay Integrated-GST (IGST) on manufactured goods and claim refunds after exporting them. This put severe liquidity crunch, particularly on aggregators.

To ease their problems, the GST Council on Friday decided a package for them that includes extending the Advance Authorisation / Export Promotion Capital Goods (EPCG) / 100 per cent EOU (Export Oriented Unit) schemes to sourcing inputs from abroad as well as domestic suppliers till March 31, thus not requiring to pay IGST.

"For a period of 6 months we are actually reverting back to the pre-GST scenario (where manufacturing exporters or those who manufacture goods for exports did not pay any tax). So, they have no reason for any complain now," he said.

A nominal 0.1 per cent tax will be levied on merchant exporter as they themselves do not manufacture.

"Under GST even a merchant exporter who collects goods from many producers and exports has to pay full rate of duty and seek refund. But, he is only an aggregator. So, that was the problem and it has been sorted out," he said.

Asked by when the issue of refunds to exporters would be settled, Adhia said "it will be solved in a month or two".

After March 31, there will be a system of e-wallet, where a notional credit will be made into the holder's account so that the same could be used for payment of GST.

The credit would be made to exporters based on their past performance or on the basis of export orders in hand, he said, adding this would mean no hard cash is spent on taxes.

"It is possible that the manufacturing exporter himself has no liability to pay, but the supplier who gave him inputs may have. So, he can transfer credit (from e-wallet) to the supplier account. So, the e-wallet would be transferable, just like any other wallets, but the only restriction is that it can't be given in cash, it can be only used for payment of duty," he said.

After executing the export order, a refund application will have to be made and the refund will be credited in form of credit to the same e-wallet.

"So, his account will get replenished by the refund. So, the refund process will take place, but he is not deprived of funds and will not have to invest his own working capital. Liquidity will be maintained with him," he said.

Adhia said with these measures, issues faced by exporters have been taken care of. "It's an innovative idea that we have come out with, while not compromising on GST's basic structure wherein ideally exemption should be given".

On refunds on taxes paid already paid since introduction of GST in July, he said the rules provide that if IGST is paid on export, immediate refunds should be made.

But, since that system is not ready, the refund claims of July totalling about Rs 600 crore will start from October 10 and another Rs 800 crore for August from October 18, he said.

However, for claiming the refunds, exporters have to fill Table 6A while filing GSTR-1 for July, August and September.

Source: businesstoday.in- Oct 08, 2017

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## How to create jobs in India? The problem is getting harder to solve

The Labour Bureau's Annual Employment Unemployment Survey (2015-16) is the most recent data source that provides a comprehensive picture of India's employment scenario. As of July 2015, the total number of workers by usual status (principal and subsidiary status) stood at 467.65 million, a decline from March 2014, when employment stood at 480.38 million.

In the manufacturing sector specifically, employment declined from 51.4 million to 48.1 million. The only sector to have witnessed a significant increase in employment during this period was wholesale and retail trade, where employment increased from 43.7 million to 48.1 million.

Post 2015-16, we have no comprehensive data on employment from any official source. However, an analysis of India's National Accounts Statistics (NAS), which reports key macroeconomic aggregates, indicates that the task of job creation is getting even harder than before. The NAS reports GDP by aggregating Private Final Consumption Expenditure (PFCE), Government Final Consumption Expenditure (GFCE), Gross Fixed Capital Formation (GFCF) and Net Exports.

Between 2015-16 and 2016-17, growth rate of GDP slowed down to 7.1%, as opposed to 8% in the previous year. While growth rates exceeding 7% are reflective of a fast-growing economy, the fact is that these numbers in India have largely been driven by consumption expenditure. In 2016-17, PFCE and GFCE accounted for 55% and 10% of GDP, respectively. GFCE, in particular, has risen sharply by 20.8% between 2015-16 and 2016-17, as opposed to 3% in the previous year.

This highlights the importance of GFCE in boosting GDP growth during this period. On the other hand, investment, which plays a crucial role in a country's growth and employment generation, has been steadily declining with GFCF falling from 32.5% of GDP in 2013-14 to 29.5% in 2016-17. Exports growth has also been slowing, suggesting that India cannot export its way to employment growth via labour-intensive manufacturing activities.

Growth driven by a consumption boom while investment is contracting is not sustainable. Given that this is happening in the absence of job creation, consumers may eventually cut back on their spending too. Further, there are fiscal limits to which government spending can also fuel growth.

John Stuart Mill's insight that 'demand for commodities is not demand for labour' seems to hold true in India as consumer demand has not translated into increased employment. Perhaps this is because 'consumers' don't employ people, businesses do. For genuine economic recovery to take place, private investment needs to accelerate as this will create both jobs and healthy growth.

The NAS also reports that Gross Value Added (GVA) grew at 6.6% in 2016-17 as opposed to 7.9% in 2015-16. A sectoral breakdown of GVA reflects that the sectors which witnessed relatively faster growth were not employment-intensive.

For instance, the sectors ‘financial, real estate and professional services’ and ‘public administration, defence and other services’ together accounted for close to 40% of GVA growth during this period, but less than 10% of total employment. On the other hand, agriculture employed close to half the workforce, but accounted for only 11.3% of GVA growth.

Let us look in detail at the manufacturing sector, which has been heralded as a beacon of job creation. Manufacturing accounted for 21.2% of GVA growth during 2015-16 and 2016-17, with its GVA growing at 7.9%. However, it accounted for a paltry 10.2% of total employment (2015-16). This disconnect between jobs and GVA growth can be explained as follows. In the NAS, the manufacturing sector is classified into two categories—private corporate sector (PCS) and the household sector. While there are methodological differences, these two groups loosely replace the classification of organised and unorganised sectors, respectively, in the earlier NAS series.

Although we do not have disaggregated GVA data for PCS and household sector for 2016-17, data for previous years indicates that it is the PCS which accounts for a disproportionately large share of GVA (roughly 87%). Further, even within the PCS, much of the GVA growth has come from capital-intensive industries such as manufacture of coke, petroleum, rubber, chemical and related products and machinery and equipment.

While the PCS has accounted for the lion’s share of GVA, it accounts for a significantly smaller share of employment as compared to the household manufacturing sector. There are no official estimates of employment for the PCS and household sector.

However, using data from the recently released Annual Survey of Industries (2014-15) to proxy for employment in the PCS, and NSS’s Unincorporated Enterprise Survey of Non-Agricultural Enterprises (2015-16) to proxy for employment in the household sector, we find that employment in the former stood at approximately 13 million, compared to 36 million in the latter.

Importantly, the pace of job creation in the PCS, which is where productive formal jobs lie, has been quite sluggish with just over 300,000 jobs being added between 2013-14 and 2014-15.

Looking at the different components of aggregate demand and GVA, it is evident that growth in India has not been employment-intensive.

The nature of India's industrial performance, in particular, has been such that labour-intensive industries and industries that can absorb large swathes of India's low-skilled and unskilled workforce have not performed well.

If the existing structural pattern persists, the challenge of job creation will only get harder. The urgency of accelerating growth and investment in sectors that have greater employment potential cannot be understated. The greater the delay in doing this, the more the jobs crisis will aggravate.

Source: financialexpress.com- Oct 08, 2017

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