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IBTEX No. 204 of 2017 October 10, 2017

USD 65.24 | EUR 76.79 | GBP 85.89 | JPY 0.58

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
18334	38350	**74.97**

Domestic Futures Price (Ex. Gin), October

Rs./Bale	Rs./Candy	USD Cent/lb
18180	38028	**74.35**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	68.95
ZCE Cotton: Yuan/MT (Jan 2018)	15,140
ZCE Cotton: USD Cents/lb	**88.42**
Cotlook A Index – Physical	**78.3**

Cotton & currency guide: Today is the 20th session cotton continues to trade in the broad range of 67 to 70 cents. Every time market makes a high near 70 or low near 67 takes a turn. Currently the December ICE is seen trading at 69.13 cents almost near the upper band of the trading range. We believe on today's trading session cotton may trade marginally positive and move towards intermittent resistance of 69.50 and then to 70 cents.

However, market may remain sideways. We have the USDA monthly report and believe that should give some clarity in the market trend as the entire world is awaiting to see how the October report will be placed and how the USDA would adjust the September crop loss due to Hurricane into its final reporting figure. We believe if the US production data continues to hold above 20+ million bales then the trend would continue to remain under pressure.

As indicated above selling could be witnessed near 70 cents. Nonetheless, needless to say drop in the figure to below 19.50 might make a chaos in the current price trend and possibly price may move towards 72+ cents. So for now our recommendation would be to take short near 69.50 areas with strict stop loss above 70.50 for a possible target of 68 cents per pound for the December future trades at ICE.

On the pricing front cotton has been though trading in the above mentioned range but making a gradual base near 67+ cents so the chart structure is slowly turning positive having strong resistance at 70 cents as mentioned above.

On the domestic front in India spot price of both old and new crop Shankar-6 variety have moved higher and effectively converged near an average price of Rs. 39400 to Rs. 39500 per candy ex-gin (77.15 cents/lb). The price for new crop Punjab J-34 also traded higher at Rs. 3865 per maund (71.90 cents/lb). The effect is clearly visible on the futures front; the October has posted a higher close at Rs. 18840 up by Rs. 170 per bale. Likewise, November and December futures have also advanced to close the session at Rs. 18430 and Rs. 18320 per bale respectively.

We believe with the ICE cotton trading marginally positive over quarter per cent this morning and Chinese cotton future for January contract trading marginally positive at 15135 Yuan/MT indicates market to remain broadly on the positive bias. The domestic November future in India may trade in the range of Rs. 18300 to Rs. 18540 per bale.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

WTO Members Grill China Over Waste Import Ban Impacting Textile Recycling

Five World Trade Organization members have questioned China's import ban on solid waste, particularly for certain scrap materials that could have an impact on the textile industry, at a recent meeting of the WTO Committee on Import Licensing.

The U.S., European Union, Australia, Canada and South Korea sought more information on which types of materials would be affected, with some noting that this issue was of great interest to their business sectors.

In July, China had notified the WTO that it would be imposing a ban on imports of certain kinds of solid waste by the end of 2017 as a pollution control measure, similar to recent inspections and shut downs of factories across sectors including textile dyeing and finishing plants, in a wide-reaching effort for easing China's pollution problems.

In August, the Institute of Scrap Recycling Industries submitted comments to the WTO in response to China's scrap ban criticizing the nation's move and saying the ban would curb global textile recycling progress, prevent China's manufacturing sector from accessing these recyclable materials and minimize other eco-friendly opportunities for recycling.

The ISRI said for recycled commodities such as recovered paper and fiber, and plastic and copper scrap, China accounts for more than half of the world's total imports and are "very clearly valuable scrap commodities."

The organization said China needs to provide better clarification on what is considered waste or scraps and create clear regulations for the exporting community, so they know which products are allowed for import.

At the WTO meeting, the U.S. said it had significant concerns with the changes to import licensing surrounding China's implementation of an existing import ban on plastic and paper scrap. The U.S. asked whether China was planning to extend the measure to cover ferrous and non-ferrous scrap, and if so, when this would be implemented and under what procedures.

The U.S. requested China adhere to notification obligations, particularly for ferrous and non-ferrous scrap, noting that this constituted a multi-billion-dollar market for U.S. stakeholders.

Canada said it shared that concern, as the recently announced restrictions were already creating issues for its traders. Canada said it wanted to know the specific products China intended to ban as part of the catalog of solid waste that will fall under new restrictions.

Australia said it had similarly raised concerns over this issue both in Geneva and in Beijing. The EU also asked for more details on the policy, while South Korea said it will closely monitor the measures and that it will further cooperate with China as necessary.

China's delegation responded that it will forward these concerns to its capital for consideration.

The ISRI had noted that China's ban on imported scraps could also take a toll on the industry's recent textile recycling progress.

"With more than $5.2 billion in scrap commodities exported from the United States to China last year alone, the trade in specification-grade commodities between the United States and China is of critical importance to the health and success of the U.S.-based recycling industry and China's manufacturing sector," ISRI noted.

"If implemented, a ban on scrap imports will result in the loss of tens of thousands of jobs and the closure of many recycling businesses throughout the United States."

Source: sourcingjournalonline.com- Oct 09, 2017

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Factory Output, Product Compliance Issues Up During Q3

Powerhouse manufacturing regions continue full-steam ahead, while ethical compliance and structural safety mars the record for some countries and industries in the third quarter of 2017. Further, the textile industry, in particular, continues to struggle with product compliance, resulting in more issues than any other sector.

These are among the findings from Asia Inpsection's 2017 Q4 Barometer, which tallies performance of a range of industries based on 250,000 inspections, audits and lab tests in 85 countries.

Growth

Inspection data implies China is up 11.6%, putting it on track to best its 6.7% forecast for the year. Cambodia's inspection and audit volumes are up 22.7% year on year, Taiwan and Thailand continue to expand and Pakistan volumes were up 18.7% in the quarter. Beyond Asia, Latin America shows a 65 percent increase year to date, while Africa continues to strengthen. Textile and apparel inspection volumes for South Africa and Lesotho rose 7.1% and 13.6%, respectively.

"With feet on the ground in 85 countries on all continents, we have a first-hand perspective on the constant evolution of global supply chains," said Sebastien Breteau, the founder and CEO of AsiaInspection.

"Even though China remains the powerhouse for consumer product manufacturing, we see regional hubs emerging across the globe, as brands and retailers diversify their sourcing geography and adapt to changing macro-economic trends."

Ethical compliance & structural safety

The pressures of delivering for the critical holiday window has taken its toll on compliance. Asia Inspection has found the number of fully-compliant, or green, companies dropped to 30 percent from 34 percent last year. The number of factories with critical non-compliances shot up by 34.7% compared to a 27.3% increase in 2016. The remaining 35.3% received an "Amber" score, indicating the need for corrective action.

Specifically, China's performance was among the best at 7.5 out of 10 and South and Southeast Asia scored 7 percent higher over the previous year. Overall, the ethical scores for textile and apparel factories dipped slightly during the quarter to 7.6 from 7.8 during the prior year, just missing the 7.7 cross-industry average.

According to AI factory audits, working hours and wage compliance are the two top ethics issues factories are grappling with, pulling scores down to 6.4 out of 10 from 7.3 in 2016.

Though the percent of factories deemed structurally safe remains at 32 percent from the end of last year to this year, the ratio of factories in need of immediate remediation jumped from 2.5% to 6.7%. In the 61.3% of factories where remediation is still incomplete, medium-term risks were discovered.

Product quality & compliance

Asia Inspection found that manufacturing quality in factory "shows some improvement" in the third quarter, with the total number of products below acceptable levels 4 points lower than the same period last year.

Regionally, quality performance remained pretty consistent, with China making incremental improvements with 19.7% of goods outside acceptable levels from 22.2% in 2016. South Asia performed as expected with a quarter to half of products failing factory inspections in India, Bangladesh and Pakistan.

In the industry comparison, textiles was the worst, owing to the manual, low-skilled nature of the work, the report stated. About 30 percent of onsite inspections uncovered more defects than allowed.
Compliance in lab fared much worse overall during Q3, with 12 percent of lots headed to the U.S. found to contain excessive amounts of lead, cadmium and other heavy metals compared to 8 percent in the first half of this year.

Additionally, 11 percent had banned phthalates, an increase over the 8.7%. On the other hand, products intended for the EU produced half the failure rates in the quarter compared to the first half at 2 percent and 5 percent for metals and phthalates, respectively.

Source: sourcingjournalonline.com - Oct 09, 2017

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Wage Hike in Cambodia Rises Higher Than Expected

Next year, garment workers in Cambodia will be earning 11 percent higher wages. The agreed upon increase was higher than originally outlined, and workers' unions—though pleased for now—have already committed to continuing the fight for fairer pay.

In August Cambodian Prime Minsiter Hun Sen passed a benefits package that would have seen workers' wages rise from the current $153 per month to $168, an almost 10 percent jump. The final settled-on wage, however, was $170, an 11 percent jump. The higher rate followed Hun Sen's stream of meetings with garment workers—who have largely protested his government and there's a general election set for 2018. The new pay rate will take effect from Jan. 1, 2018.

The problem for Cambodia, as has been the case in many low-cost sourcing countries, is the battle between giving workers better pay and maintaining the country's competitiveness.

As such, the country's Ministry of Labor and Vocational training said, according to Reuters, that the Cambodian government will continue to hold off on taxing textile sector profits and will eliminate export management fees.

In the last five years alone, wages in Cambodia have increased more than 150 percent, climbing from $61 per month in 2012 to the present $153. If hikes continue at that clip, wages in Cambodia could reach $384 a month by 2022.

Not surprisingly, workers unions in Cambodia and garment manufacturers are divided over how the hike—and future hikes—will impact the country's garment sector.

Pav Sina, president of the Collective Union Movement of Workers, said higher wages won't make Cambodia less competitive. "The prime minister always adds it every year, this is appropriate to what we tried to achieve," Pav Sina told Reuters, implying perhaps that the wage rate is climbing at an agreed-upon pace that's in keeping with general inflation.

Adding separately in local reports, however, Pav Sina said the hike was welcome but still insufficient.

"$170 is not enough for a decent living yet. However, it is a good start for this year to increase the minimum wage to this level plus other benefits offered to workers which are paid by employers," he told Radio Free Asia.

Other benefits in the new package include free health care from employers and free access to public transport, which employers will also be expected to pay for or provide.

From the garment manufacturers' perspective, the new wage rate could mean tough times ahead.

With the hike, Kaing Monika, deputy secretary general of the Garment Manufacturers Association in Cambodia, told Reuters, the minimum wage is "beyond the affordability of some of our members and the competitive level of the country.

By comparison, minimum wages in neighboring Vietnam will rise 6.5% to between $121 and $175 (depending on the region) at the start of next year. In Myanmar, which is also close by, battles are ongoing for what could end up being a 55 percent wage jump, bringing the country's monthly pay rate from $67 to $99, and making it a much more cost-competitive sourcing option than Cambodia.

For the year to date, according to data from OTEXA, Cambodia makes up a 2.6% share of U.S. apparel imports, compared to 14.4% from Vietnam and Bangladesh's 6.6% share. Myanmar's share remains too small on the global scale to say much about as a point of comparison.

Source: sourcingjournalonline.com- Oct 09, 2017

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Turkish towel exports increases by 121 pc to Denmark this year

Denizli Exporters Association who serves its members in a coordination with Ministry of Economy and Turkish Exporters Assembly are mainly from home textile sector that produces first quality towels, bathrobes, bed sheet and other product types.

Denizli is leading manufacturer and exporter of worldwide famous “Turkish Towels” who for the first time last year in scope of UR-GE (development of international competitiveness) project, entered new market in Denmark and Sweden has began to yield results.

As part of clustering project in Denmark and Sweden last year with participation of 9 companies, denib member firms who met its products by contacting companies in several countries were still removing Denmark and Sweden this year.

Denizlili Home Textiles Companies opened to the world under the brand name ' Turkish Towns ', the export of towels to Denmark increased by 121 percent in 9 months of this year.

Denib member 9 Home textile Company met in Copenhagen as part of a clustering project with 11 different Danish firms. Denizli Chamber of Commerce Chamber of Parliament President Huseyin Memisoglu, in a statement concerning negotiations, after positive returns last year Denizli exporters Union's second-year group as a travel to Denmark and Sweden He said that his priorities are to make Turkish towel a world brand.

In order to introduce Turkish towel brand in local markets, products should be placed on shelves, said Memisoglu. They want to show and sell their products. It was a successful trip. Memisoglu, emphasized that its aims to increase exports of Turkey and to provide employment.

Copenhagen trade chief Emine Şendil also said that there was a big increase in towel exports to Denmark, when they look at towels section of their exports to Denmark, there is a 121 percent increase in 9 months of this year compared to previous year.

Denizli Home Textile Set Committee Chairman Osman Nuri Kes, apart from European trends they know, they have color scales, especially those that prefer gray and dull colors. They prefer simple embroidery. They want a collection of more modern designs combined with dull colors, not Alli Güllü Morlu. They already have a lot of them.

The owner of Global Design, Jan Helmer Freij said that he was trading with Turkey through companies he worked with before. He wants to prepare his firm for future stronger, against increasing demand for home textiles.

Economy will add value to domestic cotton Turkish towels Economy Turkish towel exports target 1 billion dollars.

The rapid increase in export volume of textile products by Turkey was paralleled by an increase of the number of exporters who deals with the production and exportation of textile and apparel in Denizli and its environs.

Source: yarnsandfibers.com - Oct 09, 2017

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Sri Lanka brings transparency in freight charges

The island nation of Sri Lanka has successfully introduced transparency in fixing of charges by freight service providers at ports. The Joint Apparel Association Forum (JAAF) of Sri Lanka had lobbied with the government, which issued a regulation directing freight forwarders, non-vessel carrier operators, etc to ensure transparency in the imposition of charges.

Under 'The Licensing of Shipping Agents, Freight Forwarders, Non-Vessel Operating Common Carriers and Container Operators Act', charges are required to be collected from the contacting party who is liable to pay the freight and not from other party.

The main points of the regulation are it prohibits 'zero' freight; identifies the delivery and destination points as either container yard or container freight station; restricts the imposition of any other charge on exporter other than the freight if he is bound to pay such as per the contract; and restrict the imposition of any other charge on importer other than the freight if he is bound to pay such as per the contract but a delivery order fee may be imposed on importers.

The regulation mentions that all chargers on containerised cargo covering the entire cost of carriage of goods from delivery to destination shall be included in all-inclusive freight specified in the bill of lading and that it should be recovered from the party who is contractually bound to pay the same. Further, any change in the delivery order is subject to the approval of the Director Merchant Shipping.

In bringing the legislation and implementing it, the government had not interfered in fixing the charges but established few cardinal principles. First, the cost of carriage of containers from origin to destination has to be identified as all-inclusive freight without dividing them as land based cost and freight component.

Second, payments had to be recovered by the service provider only from the user of service to whom the service is provided and not from a third party who had no such contractual responsibility. This point protects non-contracting parties to international transportation from being forcibly dragged into payments that are not within their choice or control and then into extra liabilities such as insurance cover.

Finally, no surcharges can be imposed on non-contracting parties.

“The issue of transparency in freight charges has now been controlled in Sri Lanka but the exporters and importers in India, Singapore and African continent are still struggling with these issues,” Tuli Cooray, secretary general, JAAF, told Fibre2Fashion.

“Our desire is to elevate our regulation to an international level where all-inclusive freight should be charged on market driven formulas. We want to work towards international recognition of Sri Lankan practices, as this type of legislation will improve and assist the promotion of international rule based ethical and fair trade,” he added.

Source: fibre2fashion.com- Oct 09, 2017

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China: Intertextile Shanghai Apparel Fabrics ready to open doors on October 11

From October 11 and global apparel fabrics & accessories industry will congregate in Shanghai to showcase the latest and the best trends the industry for the three-day Intertextile Shanghai Apparel Fabrics event. Shanghai will become a point of intersection between East and West. And as Wendy Wen, Senior General Manager of Messe Frankfurt (HK) explains, “Intertextile Shanghai Apparel Fabrics is first and foremost a business-focused sales platform. Nowhere else can over 4,500 quality suppliers from across the entire apparel sector be in immediate reach of buyers. And at no other event can these suppliers gain exposure to so many trade buyers from the international market. It is this unrivalled combination that creates the right conditions for business to flourish.”

As a global sourcing hub, the fair attracts buyers big and small, domestic and international. It is also a major source of inspiration for leading fashion brands which will participate in the fair’s business matching programme. This includes labels such as American Eagle Outfitters, Bestseller, C&A, Calvin Klein, E.Land, Eral, GVSSJEE, Joeone, L.L.Bean, Lily, Ports, PurCotton, Quiksilver, s.Oliver, Skechers, Trands and many more.

Autumn edition 2017 at a glance

The latest edition has a lineup of 4,538 exhibitors from 32 countries & regions, and is set to host close to 70,000+ trade buyers from 100+ countries & regions.

There are country specific pavilions from France, Germany, Hong Kong, India, Japan, Korea, Milano Unica (Italy), Pakistan, Taiwan and Thailand. Chinese exhibitors are grouped by product end-use in eight halls. And there are group pavilions by Better Cotton Initiative (BCI), Button & Garment Accessories Industry Chamber, DuPont, ECOCERT, Hyosung, INVISTA, Lenzing, OEKO-TEX and more.

Innovative product zones such as Accessories Vision, All about Sustainability, Beyond Denim, Functional Lab, Premium Wool Zone and Verve for Design, would enthrall the visitors. Fringe programme comprising of eight international and domestic trend forums, seven panel discussions, 30+ seminars, Digital Printing Forum and more, would keep the visitors engaged during the show. There are concurrent fairs held alongside the expo, including Yarn Expo Autumn, fashion garment fair CHIC and knitting fair PH Value to cash in on the potential.

Convergence of fashion & innovation

While an unmatched event in terms of sourcing from the entire apparel fabrics and accessories product spectrum, Intertextile Shanghai is also valued by buyers for its quality of products as well. Those looking for up-to-the-minute fashions are well served with the likes of the France and Japan Pavilions, while SalonEurope area presents the best of Europe. Cutting-edge original pattern designs can be found in Verve for Design, stylish accessories are on offer in Accessories Vision, while many new Chinese fashion brands are beginning to emerge at the fair.

The fair is also a focal point for fabric innovations. The Functional Lab is the centerpiece of the fair's innovative offerings, there is plenty more to be discovered, especially from around the Asian region.

Korea and Taiwan, in particular, are breeding grounds for textile innovation, and their pavilions will draw crowds of buyers from the first to the last minute of the fair.

The Group Pavilions are a showcase of the industry's best innovators, combined with the wide range of solutions offered by their partner mills within the pavilions.

There are also many innovative products and solutions for environmental protection on offer at the fair this year, naturally in the All about Sustainability zone, but also in Accessories Vision and Beyond Denim, as well as throughout the domestic exhibitor halls.

Source: fashionatingworld.com- Oct 09, 2017

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Garments 2nd highest exports of Myanmar

Myanmar earned more than $1 billion from garment exports between April and early September this year, making apparel the second leading item in the export sector, according to the country's commerce ministry.

Garments are exported to Japan, Europe, South Korea, China and the United States and exports were estimated to be worth $2 billion in fiscal 2016-17.

Myanmar's garment units operate on the cutting-making and packing (CMP) system and are striving to transform into the free on board (FOB) system, according to a report in a Myanmarese newspaper.

There are over 400 garment factories in Myanmar, with a labour force of more than 300,000.

Source: fibre2fashion.com- Oct 09, 2017

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Indonesia: Big firms tap into specialty textile market

Several big firms have started pushing up production in specialty textiles or fabrics for special purposes, such as sofa and shoes amid the country's dependence on the import of these materials.

"Generally, some big firms have begun investing in the segment [specialty textiles]," Prama Yudha Amdan, the executive member of Indonesian Association of Synthetic Fiber Producers (APSyFI), said on Monday.

Publicly listed PT Asia Pacific Fibers is one company that has entered this market.

To keep the investment going and be able to fulfill national demand, Yudha added, the government must lower gas prices, electricity tariffs and labor costs in Indonesia that remain higher than rivals China and India.

"Specialty textiles need bigger investment [than common textiles] so it's important that the government lower gas prices and other costs," Yudha added.

Indonesia's gas price, at US$9 per million British thermal units (mmbtu), for example, is among the highest in the world. APSyFI urged the government to lower it to $6 per mmbtu as energy contributed to 25 to 30 percent of production cost structure in upstream textile industries.

Previously, shoes and sofa makers complained that volume and variety of local specialty textiles to make furniture, accessories and shoes are still limited. About 60 percent of furniture materials including textiles are still imported, according to Indonesian Society of Interior Designers (HDII).

Source: thejakartapost.com- Oct 09, 2017

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Vietnam: VITAS recommends removing tariffs on polyester fibre

Vietnam Textile and Apparel Association (VITAS) has petitioned the Ministry of Finance and the Ministry of Industry and Trade to not increase import tariffs on polyester fibre from zero to 2 per cent.

VITAS's move aims to remove difficulties for textile and garment enterprises, following feedback and recommendations of enterprises.

According to VITAS, enterprises still have to import materials and produce goods domestically. However, many are being forced to close operation as they cannot bear the high cost and expense, such as the Đình Vũ Polyester Fibre Plant in the northern province of Hải Phòng.

VITAS has also proposed that the Government consider not raising regional minimum wage in 2018 and consider adjusting the insurance premium rates paid by firms to a more reasonable level, so that enterprises can mobilise resources aand improve their competitiveness to expand production and create jobs in rural and mountainous areas.

VITAS also recommended that the Ministry of Information and Communications (MIC) advise the Government on the amendment of Decree 60/2014/NĐ-CP on the conditions for licensing the import of printers for textile products.

According to this decree, the owner of a business will be allowed to import printers if they have a college diploma or higher in the printing industry or they must be granted a certificate of professional training by the MIC.

Source: vietnamnews.vn- Oct 09, 2017

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Leicester wants ethical textiles industry

Representatives from British government agencies met in Leicester recently to discuss ways of developing a skilled and ethical textiles industry that can be emulated across the United Kingdom. Many retailers want to source more garments locally, but unethical and illegal work practices in the industry are a barrier, Leicester city mayor Peter Soulsby said.

Leicester wants ensure the highest standards of employment, with workers properly paid, well-trained, and working in safe environments.

Leicester city council and the Leicester and Leicestershire Enterprise Partnership (LLEP) have already prioritised the textile sector as one with the potential for future growth. More than £2 million from the government's Regional Growth Fund has been invested in that sector and the LLEP is discussing with the government on how to attract further support, according to a press release from the council.

The Leicester and Leicestershire area has the second highest concentration of textile manufacturing in the United Kingdom, with 1,500 businesses employing around 10,000 people

Source: fibre2fashion.com- Oct 09, 2017

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Pakistan: Textile sector losing out

For years, the textile sector has been the country's backbone as it provides employment and export revenues. The sector absorbs 40% of the total industrial workforce and contributes 62% towards exports. However, the sector is losing its competitiveness at the international level due to a number of challenges at global and domestic levels.

According to the Economic Survey of Pakistan, exports of the clothing sector, towels, knitwear, carpets and rugs showed a negative growth rate during 2016-17. The exports from subsectors, including cotton yarn and cloth, hosiery, knitwear, bed wear, towel, ready-made garments and synthetic fabrics, are less than their potential.

And the total potential for direct exports forgone per annum is $3,602 million. This is a huge loss not only for the textile sector but also for Pakistan as underutilisation means millions of workers who can get the job remain unemployed because there is a decrease of 30-35% of production capacities of the industry. Resultantly, factories are shutting down and causing production and revenue losses.

The export growth of textile and clothing in other countries has been higher in the last few years. During 2011-16, India's exports increased 31% from $27.7 billion to $36.4 billion, while Bangladesh's and Vietnam's exports showed a 63% and 107% growth, respectively.

On the contrary, Pakistan's exports showed a negative growth rate of 10% from $3.8 billion to $12.5 billion. Despite being the fourth-largest producer of cotton, Pakistan is not even in the list of the top 10 exporters.

Energy cost is a serious concern for the textile sector as spinning, weaving and processing industries heavily rely upon energy consumption. Industrial gas tariff of Pakistan is 100% higher and electricity tariff is almost 50% higher as compared to other regional competitors.

With energy as a major cost of production, the sector is losing its competitiveness by consuming expensive energy.

Sales tax refunds are also not being paid by the government which is causing a financial crisis for exporters. Exchange rate overvaluation is another concern owing to which the exports are expensive in the global market. High level of indirect taxes are also increasing the financial burden for the businesses and making it difficult for them to keep their product price compatible at the international level.

Technological improvement is another aspect where Pakistan lags behind. Not enough investment has been made in technology because of which the productive capacity of the sector remains stagnant. In 2006, Pakistan made $1 billion investment per annum whereas in 2016-17 this investment reduced to $0.56 billion.

Investors are also unwilling to invest due to the high cost of doing business as there are abundance of taxes and regulatory procedures which have to be followed by them. On the other hand, countries like China, India and Bangladesh are providing extensive investment incentives to enhance investment and production activities. But for Pakistan, the decline in investment further results in unemployment and production losses.

However, the government has recently announced export package for the industry which will help in its modernisation and development. The package contains new duty drawback rates on products, including processed fabric, textile and garments, yarn and grey fabric and made-up textile articles. It is required that the government implements the Prime Minister's Export led Growth package which will generate millions of jobs and increase the exports.

Exporters also require duty-free import of cotton so that they can have competitive raw materials. Other measures are also needed. Although textile exports heavily rely upon few products, including cotton, apparel and clothing, contributions from other textile products are currently quite dismal and needs to be enhanced to develop the export base. The government must also pay the pending sales tax refunds to the industry to ease its financial burden. Exchange rate should also be adjusted according to market conditions to avoid any uncertainty in policy measure.

Source: tribune.com.pk- Oct 10, 2017

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NATIONAL NEWS

Maharashtra to start online cotton registration soon

Maharashtra cooperation, marketing and textiles minister Subhash Deshmukh has directed the Agriculture Produce Market Committees to commence online registration of farmers for the purchase of cotton from October 18 for the 2017-18 season.

Cotton prices, however, are yet to reach minimum support price (MSP) levels. He cautioned farmers against distress sales.

The Maharashtra State Marketing Federation (MSMF) will set up cotton procurement centres under the Cotton Corporation of India (CCI), a report in a top financial daily quoted Deshmukh as saying. The federation will open 60 centres and CCI may also open another 60 centres.

Cotton MSP has been raised by Rs 160 per quintal to Rs 4,020 per quintal for medium staple cotton and Rs 4,320 per quintal for long staple cotton. CCI and the National Agricultural Cooperative Marketing Federation of India Limited (NAFED) are the two agencies appointed by the government to extend the necessary marketing support to cotton growers in selling their produce at the most competitive prices.

Normally, CCI opens some 341 procurement centres across the country. However, this season, another additional 20 centres are expected to be established, CCI chief MM Chokalingam said.

In other regions, arrivals should begin from October 15 and a price fall is expected once arrivals start in full swing, he added.

Cotton had been sown on 111.55 lakh hectares till July 28 this year against 92.33 lakh hectares in the same period last year, according to statistics from the union ministry of agriculture.

Source: fibre2fashion.com- Oct 09, 2017

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Fiscal test: As India's smaller firms struggle, PM Narendra Modi faces stimulus dilemma

India's festive season should be a time of celebration for textiles businessman Habib Ansari, who usually spends October counting a boom in profits from supplying retailers ahead of a month of peak shopping.

This year Ansari is grappling with losses, and blames a 50 percent drop in sales in the last three months on confusion wrought by the July launch of a national sales tax and the after-effects of a government crackdown on untaxed wealth.

"Small garment units are not buying due to weak demand. We have cut down our workforce to 600 from 1200," Ansari said from a textiles hub outside Mumbai, as laid off labourers napped in nearby warehouses.

Ansari's woes highlight how Asia's third-largest economy has cooled rapidly over five consecutive quarters as small and -medium-sized businesses across India report tumbling sales, undermining job creation and damaging sentiment in industries crucial to Prime Minister Narendra Modi's political powerbase. That has pushed Modi into a tight corner - stepping up stimulus could reduce political damage ahead of a round of state elections beginning in December but shatter the confidence of investors wo ..

The government is considering spending between 400 to 500 billion rupees ($7.7 billion) more this financial year than it had budgeted for, two senior finance ministry officials told Reuters.

New Delhi has already cut petrol and diesel taxes, but the focus now is on whether to spend more money on rural jobs, housing and recapitalisation of state-run banks, or to give targeted relief to sectors hit hardest by sliding growth, the officials said.

"We face our toughest challenge in three years," said a government official, adding fiscal consolidation was under pressure amid slowing revenue receipts. The economy grew at an annual 5.7 percent year-on-year in the three months to end-June, its slowest in three years, while tax collection is falling - a turnaround from a year ago when India boasted the fastest growth among major economies.

SMALL BUSINESS CRUNCHED

Acknowledging the slide in sentiment, Modi took the rare step last week of defending his record in a 90-minute speech, calling the economic slowdown a blip, and promising relief.

Small and medium-sized businesses across India are meanwhile cutting staff because of falling demand.

The launch in July of the long-awaited Goods and Service Tax (GST), which transformed India's 29 states into a single customs union, has left firms at the bottom of the supply chain short of working capital.

That came on top of Modi's "demonetisation" decision last November, in which he suddenly banned high-denomination banknotes to force people to declare illicit or untaxed wealth

Smaller enterprises accustomed to dealing entirely in cash are now required to register themselves under the GST and to file tax returns.

Rashid Tahir Momin, treasurer of the Bhiwandi Powerloom Weavers Federation, said more than 200,000 people have lost their jobs since July in the textiles hub outside Mumbai.

Previously exempt of tax or taxed at lower rates, the requirement to pay higher taxes and then claim them back has left the government owing $10 billion to the textiles, jewellery and other exporting industries.

On Friday, the government announced it would ease tax rules to help smaller businesses.

Narendra Jadhav, a lawmaker close to Modi, said the government was operating with "a great sense of urgency" to resolve the problems faced by the small and medium enterprises.

"Complaints are being noted and addressed. We are committed to bring about structural changes, create jobs and improve infrastructure," Jadhav said.

FISCAL STABILITY

Finance Minister Arun Jaitley had estimated a 16.4 percent rise in tax receipts to $188.7 billion this year, but the government faces a shortfall of up to 1 trillion rupees following the GST launch, one of the two finance ministry officials said.

India's fiscal deficit including federal and state borrowing is close to 6 percent, and the central bank governor, Urjit Patel, warned this month that further widening could hit fiscal stability.

Mahesh Vyas, head of the Centre for Monitoring Indian Economy, said that 500 billion rupees ($7.65 billion) of extra spending would not be sufficient to turn the economy round.

"The government should send a clear message whether it wants to provide a stimulus or not," he said.

"The uncertainty is hitting markets and any small stimulus would just be a waste of money."

Source: economictimes.com- Oct 10, 2017

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Fitch lowers India's growth forecast to 6.9% in 2017-18

Due to poor outturns in 2017 first half and the gross domestic product (GDP) growth faltering in the April-June quarter, India’s economic growth forecast for the current fiscal has been lowered by Fitch Ratings to 6.9 per cent from 7.4 per cent.

Non-performing loans on bank balance sheets could, however, dampen the outlook for credit growth and investment.

The credit rating agency expects economic activity to accelerate in the second half of this fiscal as the impact of demonetisation and the goods and services tax (GST) rollout, which had dampened growth in the short term, starts waning, according to a news agency report.

The global economy has improved markedly this year and is on course to recording its fastest expansion since 2010, Fitch said in its latest global economic outlook (GEO).

India's GDP growth at 5.7 per cent in the April-June quarter, down from 6.1% in the previous year, is 'the lowest outturn' since early 2013, it said.

The manufacturing sector grew at a meagre 1.2 per cent year-on-year in that quarter. The primary sector also dampened growth, while construction and tertiary activity bounced back. On the expenditure side, net trade was a big drag on growth, with exports decelerating sharply.

Global growth has been upgraded to 3.1 per cent in 2017 from 2.9 per cent in June, and 2018 growth has been upgraded to 3.2 per cent from 3.1 per cent.

Source: fibre2fashion.com- Oct 09, 2017

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Embedded taxes on exports troubling apparel sector

Duty structure remains inverted with fabric at 5% GST: AEPC

The Apparel Export Promotion Council (AEPC), the apex body for apparel exporters in India, has raised with the government the issue of embedded taxes on exports.

In a statement, the AEPC said the measures taken by the GST Council on October 6 will give immediate relief to the apparel exports sector which has been facing stress.

'GST measures will help'

These measures include reduction in the rate of GST on man-made items including synthetic filament yarn such as nylon, polyester and acrylic, and artificial filament yarn, yarn of man-made staple fibres, real zari from 18% to 12%.

The GST Council also made a provision for refund of GST for the month of July by October 10 and for August by October 18 which will ease the working capital stress. A facility of e-wallet has also been introduced for addressing the refund issue.

“However, since the duty structure remains inverted with fabric at 5% GST, we are hopeful that the embedded taxes arising out of this inverted structure will be refunded to exporters through appropriate mechanisms,” it said.

The AEPC said the key issue of embedded taxes needed to be taken up by the Centre to address the genuine concerns of the exporters and export sentiments. Invisible taxes needed to be considered for refund under drawback and Remission of State Levies (RoSL) schemes, so that the calibrated refund provided is representative of the tax incidences incurred by the industry, it said.

In its representation to the Ministries concerned, the AEPC said in the absence of encouraging duty drawback and RoSL, exports from the sector will further witness a sharp decline just ahead of the peak festival season.

“[The] appreciating rupee and... new levies like GST on intra-company stock transfers, job work, freight and samples imposed in the GST regime have led to cost escalation for exporters further narrowing their low margins in competitive global markets,” the AEPC said.

Source: thehindu.com- Oct 10, 2017

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Textile exhibition inaugurated

Press Academy chairman Vasudeva Deekhsitulu has underlined the need to wear cotton dresses to encourage the weavers and promote cotton products in the state. He said that the Andhra Pradesh and Tamil Nadu governments are extending support to the weavers and co-operative societies and promoting sales through APCO and Co-opetex.

He inaugurated the Deepavali handloom exhibition on Monday at the Film chamber hall.

Co-operative societies from various parts of the State and some parts of Tamil Nadu are taking part in the exhibition to be held from October 9 to 15. Deekshitulu, addressing the media on the occasion said that he is a big fan of cotton dresses and wears from childhood.

He has appealed to the people to purchase cotton clothes and dresses and informed that the traders are offering discounts to the customers on the occasion. Co-optex regional manager Arul Rajan, Co-optex Vijayawada manager Hasan Faruk have explained the details of the products put on sale in the week-long exhibition at the Film chamber hall.

Source: thehansindia.com- Oct 10, 2017

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India-EU talks in a muddle

No decision to resume discussions on free trade agreement: German Ambassador

India and the European Union have "failed to live up to their potential", said German Ambassador Martin Ney, expressing disappointment at the failure of the EU-India summit held in Delhi last week to agree on the resumption of talks on the investment and free trade agreement.

"There is no decision to resume negotiations on free trade agreement despite the possibility being at hand. There was no such decision taken at the last EU summit in March 2016, and the EU leaders and Prime Minister Narendra Modi failed to take such a decision during the summit two days ago," the German Ambassador said at an India-German Media Dialogue organised in the capital on Monday.

'Productive meet'

Significantly, Mr. Ney's statement came on a day Commerce Minister Suresh Prabhu met Cecilia Malmstrom, European Union Trade Commissioner in Marrakech on the sidelines of a trade meet, which he described as "productive."

Diplomatic officials say the tough comments are a signal of the growing unhappiness among European diplomats over the long period it has taken to get talks on the Bilateral Trade and Investment Agreement (BTIA), as it is known, back on track after they broke down in 2013. Since then, despite several commitments made by the leaders on the issue, including a statement by Prime Minister Narendra Modi and German Chancellor Angela Merkel in June, there has been no movement towards resuming the talks. Chief negotiators on both sides have met several times both formally and on the sidelines of other summit, and are expected to meet again in November, but diplomats hold that no real progress is yet on the cards.

Some disappointment

Diplomats who spoke to The Hindu said there was some disappointment that Mr. Modi did not refer to the trade negotiations or the BTIA directly during the EU-India summit on October 6.

There had been some hope the EU-India summit would yield a political decision on resuming the talks, as top leaders Donald Tusk, President of the European Council, and Jean Claude Juncker, President of the European Commission, met for the summit 18 months after they failed to make a breakthrough in Brussels last year.

“We will not restart talks for the sake of starting them; we want to conclude them. Once the circumstances are right — because the European Union cannot impose conditions on India because India has at least the same dignity as the European Union — we will resume,” Mr. Juncker said during the summit.

Commerce Ministry officials have repeatedly said that India is ready to restart talks, but would like to discuss a comprehensive Free Trade Agreement including investment, while the EU is keen to finalise the bilateral investment treaty first, given that India has allowed all its BITs with European countries and others to lapse in the past year. Another point of disagreement has been over whether the talks would begin afresh, or will incorporate decisions from the previous talks that broke after 16 rounds in 2013.

Source: thehindu.com- Oct 10, 2017

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India may face pressure to open up ecommerce

India is expected to face pressure to begin talks to open up cross-border digital trade and also ease investment norms in a crucial two-day meeting of trade ministers of key countries in Marrakech beginning Monday. Trade ministers of many developed and developing countries, including India, are meeting on October 9-10 for a mini-ministerial of the World Trade Organisation (WTO) ahead of the ministerial conference in Argentina later in the year.

Commerce and industry minister Suresh Prabhu will represent India at the meet whose outcome would define the broad contours for the December meet. India is likely to reiterate its demand for a permanent solution for public stockholding (PSH) of food grains and the continued relevance of the Doha Development Agenda. The previous ministerial conference in Nairobi in 2015 had culminated in a divided opinion on the issue.

“Our concern is if Doha will be mentioned at all in Argentina. Reiteration of Doha is important for us,” said an official aware of Delhi's position.

The Doha round seeks to put in place a global pact to reduce trade barriers. As part of the G-33, India floated a revised paper on PSH proposing the inclusion of procurement of foodstuff at minimum support price and their distribution at subsidised rates in the global rules for agriculture in order to safeguard the interests of low-income resource-poor farmers and ensure food security to the poor.

Delhi’s concerns are not unfounded as developed countries like the US, the EU and Japan and a few developing ones like Singapore are not only opposed to these but also want new subjects like e-commerce, investment facilitation, fisheries and MSMEs (micro, small and medium enterprises) to brought in the ambit of WTO's multilateral discourse. While India is already discussing fisheries subsidies and an outcome is likely on the issue, the official said a lot is being pushed on investment facilitation and e-commerce in the garb of these benefiting MSMEs.

Source: economictimes.com- Oct 08, 2017

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