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IBTEX No. 224 of 2017 November 10, 2017

USD 65.06 | EUR 75.86 | GBP 85.64 | JPY 0.57

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
17688	37000	**72.65**

Domestic Futures Price (Ex. Gin), October

Rs./Bale	Rs./Candy	USD Cent/lb
18250	38175	**74.96**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	68.29
ZCE Cotton: Yuan/MT (Jan 2018)	15,160
ZCE Cotton: USD Cents/lb	**88.19**
Cotlook A Index – Physical	**79.50**

Cotton & currency guide: USDA Update: Not so friendly report, US supplies are at a good momentum

The November monthly USDA supply/Demand report turned out to be not so friendly. The numbers have outpaced expectation. Especially the US cotton production stood higher at 21.38 million bales up by 0.48 million bales from October estimates. Cotton ending stocks also rose by 0.30 million bales from 5.80 to 6.10 million bales.

Market was cynical about the Texas crop situation in entire October due to freezing weather and anticipated possible crop loss. The average yield estimate stood at 900 pounds per acre better than previous number may have added to higher production estimate in US.

On global front worldwide cotton production estimates rose to 121.50 million bales vs. 120.90. However the ending stock is pegged slightly lower at 91 vs. 92 million bales.

At this moment we wouldn't comment much on ending stocks while believe the actual figure would be known as we progress through the season.

Also World ending stocks were lowered by USDA, primarily the result of historical revisions that lowered ending stocks by 900,000 bales. World consumption was raised 1.24 million bales, which was partially offset by a 600,000-bale increase in world production. The net of all the global numbers was ending stocks projected near 91 million bales.

Market analysis:

Just prior to the USDA report on Thursday ICE December future rose to 69.47 and post the report released it fell over 100 points. Finally the contract ended lower at 68.30- down by around 35 points from previous close. Nonetheless the reaction has been very restricted. In fact this has been two consecutive weeks that cotton has further shrunk to a narrow band of 2 cents although seven weeks past the broad range is within 4 cents.

More on the market the trading volumes were high out of which major chunk is from spread trading. The December rollover to March and spread trading between the two contracts at a premium range of 10 to 40 points has created highest volume. In fact with roll over of position the open interest in March is now higher than the December futures. The December 1st notice period is on 25th of November and good amount of roll over is ruling the market.

This morning ICE cotton is seen trading at 68.56 slightly higher from previous close and trading within the same range. We expect market to remain steady and the trading range would be 68.10 to 69.30 cents. Another point that we would like to highlight here is despite so much supply driven data the ICE is facing strong support near 68 cents area this in turn suggest on call booking, speculative funds participation and good export numbers are holding the market from a major decline.

On the domestic front the approach is slightly different. Amid higher arrivals of around 140K+ bales a day the spot price is slowly declining. In fact as of latest quote the S-6 traded near Rs. 37400 to Rs. 37500 per candy. There has been substantial decline in the price in less than one month from around Rs. 40K per candy to around Rs. 37500. We believe with the supply factors ruling the market the trend in the near term may remain on the weaker side.

Lastly on the futures front on Thursday the MCX cotton ended the session marginally higher post it made an intraday decline to around Rs. 18180. The November future settled at Rs. 18300 per bale. We believe the effect of USDA report and price action isn't felt on the domestic cotton futures which may be observed on today's trading session. The trading range for the day should be Rs. 18140 to 18370 per bale and recommend selling on rise for the day.

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

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INTERNATIONAL NEWS

Meeting on TPP deal between eleven nations kicks off

Ministerial meeting on the Trans Pacific Partnership free trade agreement between 11 signatory countries kicked off Wednesday and expected to run depending on the progress of negotiations.

The meeting aims to reach a broad agreement for the pact to take effect without the United States, which has pulled out of the deal.

At a breakfast meeting held on the first day, Toshimitsu Motegi, minister in charge of economic revitalization, called on the participants to sort out the issues to be addressed to reach an agreement, as well as specific points to be discussed.

The countries are yet to reach a broad agreement on some issues, such as which agreed-upon regulations should be frozen until the United States returns.

Through talks by chief negotiators of these countries and other means, decisions have been made on about half of the approximately 50 items suggested for freezing. The remaining are set to be decided politically.

Motegi plans to hold bilateral talks with ministers from almost all the countries and urge them to work toward a broad agreement to be reached as soon as possible.

Vietnam is also the focus of attention. It disagrees with other countries over such issues as relaxing rules for eliminating tariffs on textile products, a field in which it is strong, and securing the free flow of data used in e-commerce transactions.

Source yarnsandfibers.com- Nov 09, 2017

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Roundup: Chinese companies keep investing in Ethiopia

As Ethiopia strives to become the manufacturing hub of Africa, more and more Chinese companies are showing an interest in investing in the east African country.

The latest Chinese company that will soon establish a presence in Ethiopia is the Wuxi No. 1 Cotton Mill, which is part of the Guolian Development Group and one of the largest textile manufacturers in China, according to the Ethiopian Investment Commission (EIC).

The company has signed an investment agreement with the Ethiopian government to establish an integrated textile industry in Ethiopia's second largest city Dire Dawa, some 446 km east of Ethiopia's capital Addis Ababa.

According to the EIC, Chinese companies, with close to 379 projects that were either operational or under implementation in 2012-2017 period, are on top of Ethiopia's investment landscape, both in number and financial capital.

Among these companies, 279 were operational in Ethiopia with projects that worth over 13.16 billion Ethiopian birr (over 572 million U.S. dollars) during the reported period, while the remaining 100 are under implementation.

In terms of employment creation, Chinese companies have created more than 28,300 jobs in various sectors in Ethiopia during the reported period, of which over 19,000 were created in Ethiopia's manufacturing as it is the leading sector in attracting companies from China.

In a statement sent to Xinhua on Thursday, the EIC indicated that the Wuxi No. 1 Cotton Mill and the Guolian Development Group will bring state-of-the art manufacturing technology, knowhow and excellence accumulated over a span of 100 years to Ethiopia.

Noting that the company currently has a weaving capacity of 26,000 tons of yarns and 30 million meters of gray fabrics yearly, the EIC expects Wuxi No. 1 Cotton Investment Company to play a big role in Ethiopia's ambition in putting its export industry in the map.

As part of the investment agreement, which was signed in Wuxi City in China on November 2 between the EIC and officials of the company, the Wuxi No. 1 Cotton Mill has agreed to invest in a large scale and integrated fabric mill and spinning plant in Dire Dawa, targeting the export market.

The Ethiopian government also envisages that high profile companies, such as Wuxi No.1 Cotton Mill which is said to be known for supplying leading global brands where 75 percent of its products are mainly exported to Europe, America, Japan, and Southeast Asia, will help push Ethiopia to be the leading player in Africa's apparel and textile manufacturing sector.

Abebe Abebayehu, Deputy Commissioner of the EIC, believes the arrival of such investors in the country will help Ethiopia realize its target.

"This investment would contribute immensely to our government's vision to build a sustainable, vertically integrated and export-oriented, apparel and textile manufacturing hub in Ethiopia. Indeed, our vision is to make Ethiopia the leading manufacturing hub in Africa," the statement quoted Abebayehu as saying.

According to the EIC, in addition to creating direct employment opportunities and boosting Ethiopia's foreign exchange reserves through exports, this investment is expected to create significant backward and forward linkages in the country's fast growing textile and garment industry.

In a bid to create better market opportunities for large scale cotton production in the country, the project plans to purchase raw materials such as cotton from local sources, it was noted.

Source: xinhuanet.com - Nov 09, 2017

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USA: Apparel Imports Increased in September, Led Largely by Vietnam

U.S. apparel imports rose in September, reversing a three-month trend of declines, but the increase was below that of overall goods and services imports, according to data released late last week by the U.S. Census Bureau.

Total apparel imports increased by 2.6% in the month to $8.5 billion on a CIF basis, while total U.S. goods and services imports increased by 4.7%, to $196.5 billion.

Apparel exports dropped by 1.4% to $482 million. Total U.S. goods and services exports increased by 2.6%.

Year-to-date apparel imports have fallen compared to last year, according to OTEXA, the International Trade Administration's Office of Textiles and Apparel.

Total apparel imports declined by 1.4% on an MFA basis in the first nine months of the year, to $60.8 billion from $61.6 billion in the same period in 2016.

Among the top 10 U.S. apparel trading partners, only Vietnam, India, Nicaragua and Mexico have grown their apparel shipments to the U.S. this year.

On a square meter equivalent (SME) basis, imports have edged up by 1.1% this year, continuing the trend toward lower-cost goods, despite upward pressure on labor and raw material prices. The average cost per unit of an imported garment fell by 2.4% in the first three quarters of the year.

The average cost per SME increased by 12.5% from Mexico and 4.2% for El Salvador, and was flat from Honduras, but dropped for all other key trading partners, with the cost per SME from China suffering the biggest drop, down by 6.2%.

Vietnam's apparel shipments to the U.S. continued to grow, increasing by 6.5% to $8.7 billion in the year-to-date period, gaining over a percentage of U.S. apparel import market share so far this year, to 14.4%.

Mexico's apparel exports to the U.S. increased by 6 percent to $2.7 billion, helped by near-sourcing efforts on the part of many U.S. brands. Mexico's share of U.S. apparel imports increased by 0.3 percentage points.

China has lost the most share of U.S. apparel imports in the period, down 90 basis points to 31.8% of the total, to $20.4 billion.

Bangladesh also lost share, with apparel shipments to the U.S. down by 5.6% year-to-date, to 6.8% of total U.S. apparel imports.

Source: sourcingjournalonline.com- Nov 09, 2017

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Bangladesh Gets $457 Million in World Bank Financing to Aid Garment Industry and Infrastructure

Bangladesh is getting a financial boost from the World Bank to improve infrastructure and obtain long-term financing for industries ranging from container terminals to the garment industry.

The financing will come from two different programs. A total of $357 million will come from an Investment Promotion and Financing Facility Project II from the World Bank, approved in April, which aims to increase long-term financing for infrastructure and to build capacity of the local financial institutions for promoting private sector-led infrastructure financing in container terminals, land ports, roads and bridges, as well as power and energy, information and communication technology, waste management, water treatment and energy saving equipment.

The remainder of the funding will come from World Bank's $100 million Export Competitiveness for Jobs Project, which promises to help create 90,000 jobs by focusing beyond the ready-made garments sector.

It will help firms access international markets, overcome technology, infrastructure and skills shortfalls, plus enable those in the garment industry in Bangladesh to comply with international quality standards.

The bank approved the Export Competitiveness for Jobs Project in June to help the country diversify export and create better jobs in targeted sectors.

"Bangladesh is the world's second largest garments exporter after China and it can boost growth by diversifying its exports, and repeat the garment sector success story in other sectors," Qimiao Fan, World Bank country director for Bangladesh, Bhutan and Nepal, said when the deal was approved. "The project will help the economy to integrate further into the world trading system, and provide better jobs to Bangladeshi youth entering the labor market in the next decade, with a particular focus in improving female labor participation."

The project will help firms to access international markets and enhance their ability to comply with international standards through awareness building and matching grants. The project will also support marketing and branding efforts to strengthen linkages to existing and new markets. It will also address the shortage of skills development, especially in industrial training for women, as well as in infrastructure and technology.

Although the garment sector constitutes 82 percent of exports, employment growth in the sector has stalled.

The credit from the World Bank's International Development Association, which provides grants or zero-interest loans, has a 38-year term, including a six-year grace period, and a 0.75% service charge.

The World Bank has committed nearly $26 billion in grants and interest-free credits to Bangladesh overall, and in recent years, Bangladesh has been the largest recipient of the World Bank's interest-free credits.

Financing for both projects was formally delivered this week in the capital of Dhaka.

Source: sourcingjournalonline.com- Nov 09, 2017

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Industry 4.0 – Is Africa ready for the march of the robots?

The world is on a relentless race for the adoption of the latest technology. The truth of the matter is that if Africa does not foster the right environment for its people and businesses to faster embrace the new technologies, it may find itself left far behind. And the technological chasm that needs to be bridged, will only increase over time.

While Africa is still grappling and taking its time to resolve the many fundamental issues with its economic development, the world is moving at a faster and faster pace, especially with the digital economy. No longer about simple mechanisation and mass production, manufacturing is now much more advanced by being capital and skills intensive, rather than labour intensive. Industrialisation has barely taken root on the African continent and this nascent industry is already facing imminent threats from the robots.

Industry 4.0 and the future of work

Industry 4.0 is about the next wave of industrialisation and advanced manufacturing that will encompass the latest cutting edge and disruptive technologies. Industry 4.0 is already starting in countries where there is a very strong manufacturing sector, like China, Germany, Japan, South Korea, United States and others. In the near future, the whole manufacturing sector will be completely disrupted and transformed. Manufacturing will no longer be about making products in bulk by a large pool of cheap labour.

Manufacturing will be about the deployment of collaborative robots (cobots), that not only will be able to self-programme, but are also collaborating and interfacing easily with other cobots and human beings. Moreover, Industry 4.0 will be much more complex and will require the integration of traditional production together with the latest additive manufacturing technologies, as well as the use of disruptive technologies like virtual reality, internet of things, cloud computing, big data analytics with artificial intelligence, and others.

All these technologies integrated together will be the backbone of the smart factories of the future. While traditional manufacturing is mainly related to the use and deployment of a large pool of cheap labour on the factory floor, the future smart factories will be mainly capital intensive and use cutting edge technology, requiring few but highly skilled workers to operate. This means that Africa should not expect that modern manufacturing will create a massive number of jobs.

Instead, the future of manufacturing will not only be for those African countries with highly skilled labour, but will also require them to develop the necessary competencies among its labour force for it to take place.

China and manufacturing in Africa

In the 1980s, China experimented with the setting up of the first four foreign trade-oriented special economic zones (SEZs) in Shantou, Shenzhen, Guangdong and Xiamen. This experiment proved to be so successful that China further opened its economy with the creation of another 14 SEZs. Eventually, China opened up more regions for development. With China's large pool of cheap labour and the special treatment given to foreign investors in these SEZs, manufacturing developed and blossomed rapidly. As labour costs rose in the developed economies, more and more international companies invested in China and delocalised their operations to these SEZs.

China has also evolved over time and its leaders have constantly adapted their economic policies to the changing economic environment, so as to constantly attract more foreign investments and technical know-how in the manufacturing sector. This eventually led China to become the world's current manufacturing powerhouse. However, as the labour costs in China started to rise, the manufacturing companies started to delocalise to southeast Asian countries, like Vietnam, and other Asian countries, like Bangladesh.

Eventually, Africa has also become the destination for some of these delocalising Chinese companies. For instance, white goods manufacturers Haier and Hisense are manufacturing their electronic consumer goods in South Africa, while apparel and footwear manufacturer Huajian is investing heavily in Ethiopia. However, the latest Industry 4.0 trends of automating and robotising the factory floor in China may eventually drastically impede this manufacturing delocalisation towards Asian and African countries in the near future.

Global trends in robotics and smart factories

According to the International Federation of Robotics, by 2019 more than a million industrial robots will be installed worldwide and by then, there will be around 2.6 million robots in operation. In terms of robot density per 10,000 workers, South Korea is the world leader with 531 robots, while in Europe, Germany leads with 301 robots.

While there are more European countries in the automation and robotics race, Asian countries, like China, will be the biggest market for industrial robots. Currently, China has about 49 robots per 10,000 workers, but its aim to reach a robot density of 150 by 2020 will require more than 600,000 robots to be installed. Hence, Africa cannot afford to ignore these trends, since they will have a great impact in terms of job creation within the continent in the future.

Moreover, unlike in the past where industrial robots were mainly meant for repetitive tasks, the new generations of industrial cobots will work seamlessly with humans. Furthermore, these cobots will be integrated with a whole range of disruptive digital innovations that will make the whole factory smarter.

With all these innovations, the productivity of workers will be greatly improved, but overall, the factory will require much less people to operate. As a result, manufacturing will no longer be about massive job creation for unskilled workers. Consequently, for the large pool of unskilled workers in Africa, this will be detrimental to their future job prospects. Besides, these trends will affect the overall economic potential of the emerging African countries.

China is embarking and rapidly adopting the Industry 4.0 trends. It has been building capabilities by acquiring robotics and automation companies worldwide. In 2016, some of its biggest acquisitions were Kuka, Dematic, KrausMaffei, Paslin and Gimatic. The Chinese government is advocating the use of new technologies to mitigate the rising labour costs, as well as stem the flow of delocalisation of its manufacturing companies. As a result, many of its manufacturing companies are installing more and more robots on the factory floor to boost productivity and manage operational costs. Therefore, the need to delocalise to cheaper pools of workers in Asia and Africa will no longer be needed.

For Africa, all these trends are a major threat to its industrialisation. Being the most industrialised country, South Africa has the most industrial robots, particularly in its automotive sector. However, Africa still remains at the lowest level of the manufacturing value chain. The imminent threat is that the competitive advantages of Africa with its large and labour force will be eroded and eventually vanish, as other countries with a strong manufacturing base retool their factories with the latest technologies.

Potential leapfrogging of technology

There are always possibilities for African countries to leapfrog technology and embrace the trends of Industry 4.0. However, the major impediments will be about the need for African governments to invest massively in the education of its young population and equip their labour force with the necessary digital competencies. Moreover, they need to implement policies that will provide the right impetus for their companies to adopt new technologies, so that they have a better chance to compete in the digital economy.

The 1.2 billion people in Africa represent a large potential market for any global company. African countries can therefore leverage their large domestic and regional markets to attract manufacturing companies. The automotive industry will be at the forefront of technologies, brought about by Industry 4.0 and the large African markets will incentivise the automotive companies to do some manufacturing locally.

With the rising middle class, other sectors like the electronic consumer goods sector can be attractive for local manufacturing. By shrewdly using its large domestic markets as a competitive advantage, African countries can potentially encourage advanced manufacturing to take place in any sector, like apparel and textile manufacturing, food production and many others. However, unlike traditional manufacturing, there will not be massive job creation in the future manufacturing factories.

The major risks faced by Africa

The future of manufacturing will no longer be about massive job creation. Therefore, with a young population and relatively high unemployment in Africa, manufacturing will not be the main solution to create a large number of jobs. With its growing population, African countries will have to develop other industries to deploy their large labour pool and create other solutions to provide a means of living for its people.

Moreover, higher value-added manufacturing will mainly require highly skilled workers. Hence, only those who are educated and highly trained will be part of the future workforce needed in smart factories. Not only will they have better opportunities, but they will also enjoy higher income. As a result, this will create a wider social inequality between the skilled and unskilled workers. There will be a great need to train and upskill workers so that they have better opportunities.

If African countries remain stagnant in the global and relentless pursuit of the newest technology, Africa may completely miss the technological train. This may potentially leave Africa at the lowest rung of the value-chain ladder. Therefore, African countries need to focus on the education of their young population and the training and development of their overall workforce. Doing so will be the main key to unlock the potential opportunities of Industry 4.0.

Source: howwemadeitinafrica.com - Nov 09, 2017

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Brazilian textile firms to assess raw materials in Egypt

Backed by the Arab Brazilian Chamber of Commerce and the Consulate of Egypt in Sao Paulo, three Brazilian companies — textile maker Fiama, yarn maker Círculo and elastic band manufacturer Damenny — have been invited by the Egyptian Government to the November 11-12 textile industry expo Destination Africa in Cairo to assess Egyptian raw materials.

The three enterprises will be involved in a textile industry purchasing project carried out by the government of Egypt, according to a news agency report.

The expo will feature 100 companies from 15 African countries and over 300 international buyers.

About 1,300 tonnes of Egyptian cotton and yarn were imported to Brazil till September this year, with sales amounting to $6 million.

In September, a Mercosur-Egypt free-trade agreement entered into force that covers cotton and textiles.

Source: fibre2fashion.com - Nov 10, 2017

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Pakistan: Textile sector's spinning dilemma

Things are getting worse for the basic textile sector having lost sizeable domestic market due to closure of thousands of power looms and slow yarn exports. To top it all, now smog is damaging the quality of the cotton crop.
In the current scenario, even the efficient mills are finding it difficult to operate at optimum capacity. Quality cotton is simply not available in the market; those having some stocks are charging commercially unviable rates.

Cotton imports from India have been effectively stopped due to non-tariff barriers like quarantine and testing of quality of the commodity at places far away from the Wagah border. Going is getting tough with every passing day, a spinner said.

The spinning industry has become unviable not only due to high power and energy cost but also due to its inability to operate at full capacity. Spinning mills, according to experts are designed the world over to operate 24/7 at full installed capacity.

Operating a spinning mill substantially below its capacity increases its cost, as the high fixed charges are then divided on the operating capacity. Experts point out that besides the closure of over a hundred mills; the remaining mills are finding it hard to operate at full capacity. Even after reducing production, most of the surviving mills are sitting on huge unsold stocks.

The production cost has also increased substantially due to high power cost and higher cotton rates. If the situation persists, many more mills will go out of production. The mills that are surviving are mostly composite mills that produce yarn and convert it into fabric. The firms that are thriving are those that process their fabric and convert it into apparel. It is interesting to note that most of these composite units have also upgraded their technology.

These mills are operating at optimum capacity and their costs are much lower than the mills that are in trouble. The mills that are producing yarn from inefficient technology have unfortunately lost their main local consumer; the small power loom owner.

Hundreds of thousands of these looms are closed after the export of fabric declined. These looms also lost the domestic market to the high value brands that have emerged in the domestic market in recent years. Unfortunately, this cyclic process has played havoc with both the spinners and the power loom sector.

If we look at big names in the basic textile industry they are on recovery path after a brief period of recession. These big textile houses soon realised that they will not only have to upgrade their technology but also find a solid footing in the domestic market.

Two years back the share of domestically produced textiles was 20 percent in the domestic market, while 80 percent was exported. Now 35 percent of the textiles produced in the country are consumed locally and only 65 percent is exported.

In value terms, the sales of textiles sold in the domestic market has reached Rs800 billion (nearly $8 billion) while the exports are down to $12 billion only.

It is worth noting that the basic textile exports have declined across the board affecting both the inefficient and efficient mills and the composite mills. The composite mills have made up the export loss by increasing value-added apparel exports.

The efficient mills belonging to big houses created a loyal domestic market. They opened hundreds of brand outlets across the country and have raised their rates substantially much more than what they used to get when they disposed their fabric through dealers.

Another interesting point is that the sales in terms of value have increased substantially, though the sales in terms of quantity have declined. The earnings however are higher than before.

These brands have gone into stitching to cater to both domestic and foreign markets. They are expecting to make a mark in value-added exports instead of yarn and fabric export. The future of inefficient mills is bleak. Their main consumers were power looms that no more exist in large numbers.

In fact Faisalabad that used to be the major producer of power loom fabric has turned into a junkyard of these looms, which are being sold at or below the rate of steel to the junk dealers.

Source: thenews.com.pk- Nov 10, 2017

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Pakistan: Textile industry seeks withdrawal of restrictions on cotton import

APTMA Chairman Aamir Fayyaz has urged federal government to immediately withdraw restrictions on import of cotton to let the industry meet the export requirement of quality textile products by the international buyers. The industry is badly in need of contamination-free fine and medium staple cotton to produce goods meant for exports.

The government should immediately announce withdrawal of 4 percent Customs duty and 5 percent Sales tax as per the announcement made by the prime minister vide an initiative of export led growth package, he stressed. Also, he stressed, the government must withdraw non-tariff measures (NTM)/restrictions on import of cotton from India and Brazil, which was restricted to import uptil 30th May 2017 since these cottons are being exported at all destinations without any such restriction.

He said the local cotton production is estimated at 12 million bales for the current cotton crop season. The industry has so far procured only around 40-50 percent of its requirement till date. Persistently hot weather in October 2017 has badly affected quality of cotton crop. Resultantly, cotton-dependent textile value chain has been exposed/forced to procure quality cotton to meet its demand for international buyers.

He said the above restrictions were imposed despite promises to the contrary under PM Export Package to ensure right price to the cotton farmers and now that over 70% of the crop is out of the hands of farmers, the government must withdraw duties/restrictions (NTMs) immediately as an emergency like situation has developed to protect our international export orders. If this is not done swiftly, it is feared our textile producers weighed down by unfair restrictions would not be able to compete with regional competitors.

He has urged both the Prime Minister Shahid Khaqan Abbasi and the Federal Textile Minister Pervaiz Malik to enable the industry to procure raw materials at competitive price.

The future exports of the industry are heavily dependent on producing quality products, he added. It is worth noting that 30 – 35 percent textile capacity has already been impaired and a continuity of these restrictions would prove detrimental across the textile value chain.

Source: nation.com.pk- Nov 10, 2017

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Pakistan: Diversification, skill development key to boost exports: UK envoy

British Prime Minister’s Trade Envoy for Pakistan Rehman Chishti on Thursday identified diversification and upgrading skills as the two key catalysts to inject a new life in exports to UK.

“You have abundance of raw materials...Diversifying has a huge potential,” Chishti said. “Your younger generation needs skill sets.” For the past three fiscal years, Pakistan’s exports to UK, which is still a member of European Union (EU), remained stagnant at $1.6 billion: $1.64 billion in FY2015, $1.63 billion FY2016, $1.62 billion in FY2017, according to the State Bank of Pakistan. Exports are mainly of textile and clothing and leather items.

Imports from UK amounted to $772 million in FY2015, $653 million in FY2016 and $795 million in FY2017 and they included machinery. Chishti, who is currently on a Pakistan’s trip to expand trade ties in view of Brexit, told journalists that the UK government finds a unique opportunity to enhance its relationship with Pakistan at every level.

“I think what I see a unique opportunity is having brilliant trade relationship.” he said, referring to UK’s exit from 28-member EU block. “We missed out many many years and now we have to redouble our assets and connect with key countries around the world.”

Last year, Britain decided to exit from EU in a historical referendum. The divorce terms are under discussion and the separation is expected to take place next year.

“We have come out of the single market, customs union,” Chishti, who is said to be close to Prime Minister Theresa May, said. “We are in discussions with EU partners on the kind of arrangement we have with them [post-Brexit].”

Trade envoys are a network of British PM appointed parliamentarians. There are 28 trade envoys covering more than 50 markets. Chishti said Pakistan has made a significant progress on security front. “We need stability as we are leaving the European Union. Let’s maintain stability.”

The diplomat praised infrastructure projects in the country. He said the UK government can invest in railways as it had done in the region over a century ago. “We have great engineering capacity,” he added. “Upgrading railways connectivity is massive.”

The Britain, the envoy said is exploring ways to collaborate in infrastructure engineering, financial and technology sectors. He said the country could benefit from UK’s technology to improve preservation of foods and pharmaceuticals.

British officials said the UK is more optimistic on Pakistan. They said foreign investors are more likely to invest now than a couple of years ago. But, ease of doing business is quite a big problem, they added, referring to taxation issues and infringement of copyrights.

The officials said the UK wants a better trade deal than generalised scheme of preferences (GSP) plus granted by EU to Pakistan in 2014.

Pakistan's exports rose 38 percent to EU due to the tax incentives under the scheme. Currently, the UK accounts for a quarter of Pakistan-EU trade of around seven billion dollars.

Source: thenews.com.pk- Nov 10, 2017

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Europe turns to Morocco for its clothing needs

Morocco is working hard to become a sourcing hub for Europe's fast fashion industry. The North African country has expertise in denim, wovens and knitwear. The textile and clothing industry is an important one for Morocco, employing over 1,83,000 people, representing 26 per cent of the country's industrial jobs, and produces 1.1 billion garments every year.

European retailers are interested in sourcing from Morocco, particularly as prices in Asia have increased. Morocco is already a key sourcing market, along with Portugal and Turkey, for Spanish giant Inditex, which is renowned for its ability to get trend-led product into stores quickly.

As part of an ambitious strategy to build the industry up by 2020, leading Moroccan manufacturers have been chosen to act as locomotives, guiding and advising smaller companies on how to modernise and improve production capabilities.

The sector has also been divided into a series of specialist areas known as eco-systems, which include fast fashion, knitwear and denim. Each area has a different focus – denim, for example, has been set the task of creating 14,800 new jobs by 2020. However, there is more to Moroccan sourcing than speed.

Manufacturers have technical expertise, there's a lot of knowhow. The quality of the product is good, as is the level of social compliance, which is very important for retailers.

Source: fashionatingworld.com - Nov 09, 2017

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Bangladesh to open six denim mills in two years

Bangladesh will open at least six new denim mills in the next two years. Increasing demand for denim fabrics from garment makers has encouraged investors to establish new factories. Currently, Bangladesh has 30 denim mills with a capacity to produce 435 million yards of fabrics a year.

Local suppliers can meet only 40 per cent of Bangladesh's annual demand for denim fabrics and the rest is met through imports from China, India and Pakistan. Last fiscal, Bangladesh exported denim goods worth $2 billion. Existing investment in the denim sector is more than $1 billion. Bangladesh is moving away from basic denim products to high-end denim products.

Many foreign companies are now coming to open offices or factories in Bangladesh, the hub for denim. With higher demand for denim, Bangladesh has overtaken China to become the largest denim supplier to the European Union. Its denim exports to the 28-nation bloc have a 21.18 per cent market share.

Bangladesh supplies denim products to major global retailers, including Levi's, Diesel, G-Star Raw, H&M, Uniqlo, Tesco, Wrangler, s.Oliver, Hugo Boss, Walmart, and Gap. Annually 2.1 billion pieces of denim are sold globally. Bangladesh's denim exports are forecast to reach seven billion dollars by the end of 2021.

Source: fashionatingworld.com - Nov 09, 2017

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China's globalistion drive: Here is what would be good for stability of world economy

The US, under President Donald Trump, seems to be withdrawing from its leadership role on global integration and is turning inward. This is, of late, quite visible from the policies that the US is undertaking towards the world economy and its exit from the Trans-Pacific Partnership (TPP).

This, somewhat, gives an idea that China is well placed to take the position. It is the world's largest exporter and, by some measures, the world's largest economy—both the IMF and the World Bank now rate China as the world's largest economy based on Purchasing Power Parity (PPP).

It is time for China to play a bigger role in setting international rules. China appears ready to take up the mantle with the meteoric rise of Xi Jinping. China is mentioning all the right things, explaining the benefits of free trade—from consumer gains to economic growth—and calling for stronger international rules.

Premier Li Keqiang recently said, "Free trade is the foundation of economic globalisation." China is planning to enter into new openness by signing free trade agreements with several countries, including Mexico.

By reducing transportation costs, China's One Belt One Road initiative could be as important as any major trade agreement. As tariffs have come down, transportation costs have become the binding constraint to trade, so creating extensive infrastructure by bridging the infrastructure gap will help integrate isolated countries into the world economy and could create a new wave of globalisation. China now needs to take bold action on domestic reform to match its global initiatives.

To be sure, it has made significant progress towards becoming a market economy since joining the WTO in 2001. It no longer runs an enormous current account surplus—after hitting 10% of GDP in 2007, its current account surplus fell below 2% of GDP in 2016.

Private and foreign-invested firms now account for over 80% of exports, up from roughly 50% before China joined the WTO.

In recent years, however, economic reform has rather slowed. Reform of behemoth state-owned firms in the field of the energy, heavy machinery, coal and steel sectors has taken the form of mega-mergers, which has reduced the number of firms without reducing the share of output coming from the state sector.

Of the 1,000 largest firms in the world by revenue, 136 were Chinese in 2014, as compared with only 41 in 2006, and 70% of these giants are state-owned. The strategy of creating super-sized state-owned firms is neither good for growth, nor good for global business.

The problem is particularly acute in some industries where Chinese state firms have become export powerhouses and are distorting global markets. Consider steel, where production grew at double-digit rates in the mid-2000s as China industrialised.

As recently as 2004, China was a net importer of steel. It is now the world's largest producer and exporter of steel products. The four largest Chinese steel companies are all state-owned.

Like steel, civil engineering and construction is an industry that grew out of the infrastructure boom in China. The four largest firms in the world in this industry are all Chinese state-owned firms. As construction has slowed in China, these firms have started bidding on global roads, bridges and metro systems, making their foreign competitors anxious.

The presence of these large state-owned firms in construction and steel raise concerns that the real intention of the One Belt One Road initiative is to export excess capacity. Reforming state-owned enterprise sectors would be good for China and for the stability of the world economy.

For China, the state firms crowd out financing to more productive private firms. China would grow faster if the most productive firms also absorbed the most capital. Indeed, as economic studies have shown, private firms accounted for most of China's rapid growth during the 1990s and 2000s.

The large state firms are also straining the global trade system. Private firms facing competition from Chinese state-owned firms are justified in believing that there is no level-playing field. State-owned firms typically are more focused on jobs and revenues than profitability, and are not subject to the same hard budget constraints as private firms.

Reforming the remaining state-owned firms, through closures and privatisation, would help China maintain strong growth and go a long way towards showing the world that it is serious about being a good global leader. It could be the belief of the US that world trade is currently unfair, hence it is turning protectionist.

But there could be some iota of truth that China is competing unfairly in steel and a handful of other sectors. Trade in principle is a win-win situation but economic studies have proved it is unfair.

It is noteworthy to know that China, which was once a harbinger of inward-looking and protectionism, is defending free trade, and investing in better global infrastructure and becoming the world's leader on free trade.

Source: financialexpress.com - Nov 10, 2017

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NATIONAL NEWS

India to phase in customs reform through January

Indian customs plans to roll out the already delayed use of radio-frequency identification (RFID) sealing tags for factory-stuffed exports in stages through Jan. 1, 2018 after a review found many locations lack the necessary capabilities for the digitization program.

The primary issues is with “field formations” that must still set up systems and procedures for handling RFID e-sealed containers, customs said in a trade announcement.

The agency said AEO [authorized economic operator]-accredited shippers already holding the self-sealing mandate are required to start using RFID seals beginning Nov. 8, whereas exporters whose cargo is stuffed under the supervision of customs officials at their sites have until Nov. 20 to switch to the electronic procedure.

Exporters awaiting customs’ nod for self-sealing of containers at their sites can join the program on approval, but those who have already acquired RFID tags conforming to prescribed standards have the option to start the new process immediately, subject to operational feasibility, according to the advisory.

Customs also said it would make sure all locations are equipped with scanner readers and other required assets by Dec. 31 to facilitate a nationwide enforcement of the RFID sealing program, effective Jan. 1.

RFID seals are considered tamper proof and as such, the new method enhances supply chain security. Additionally, as the process eliminates the need for physical on-site inspection by customs officials, it can save shippers on their logistics costs.

“This measure is expected to reduce transaction costs of exporters since they do not have to incur ‘merchant overtime charges’ in respect of such inspection as well as improve the timelines of their exports,” Customs said.
The agency also said the technology-based program has the potential to improve cargo velocity throughout the supply chain from inland points to gateways.

The electronic self-tagging system is expected to have a far-reaching effect on Indian export trade as the government works to further improve its ease-of-doing-business competitiveness after moving up 30 spots to 100 in the World Bank's 2018 global ease-of-doing-business index published last week.

Thanks to digitization and ease-of-doing-business measures, such as direct gate in and out of cargo, there has been a steady improvement in productivity during the past year at key Indian ports, especially Jawaharlal Nehru Port Trust (JNPT), a fact also highlighted by the World Bank in its report.

Source: joc.com- Nov 07, 2017

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Air audit can help textile mills save on energy cost

Energy conservation has become a focus for textile mills in view of the rising energy cost. Interestingly, the most expensive component in the total cost of compressed air is energy, says Anvar Jay Varadaraj, Head, Marketing and Corporate Communications, Elgi Equipments.

To demonstrate the real savings on energy, the Coimbatore-based air compressor manufacturing major has joined hands with Indian Texpreneurs Federation (ITF) and designed a comprehensive programme on air audit.

The programme includes an information session for owners and managers, on compressed air best practices, practical training sessions for maintenance engineers, and air audit programmes that help recognise cost savings.

Varadaraj said under the Elgi-ITF programme, air audits were conducted across 130 textile mills in the South over the past 12 months. The annual savings worked out to ₹14 crore with an average compressed air energy cost reduction of 43 per cent.

Elgi will look at such partnership with machinery manufacturers across different sectors such as pharmaceutical and automobile. The company has invested significant sums over the past two years, designing sustainable solutions that can help companies achieve their productivity goals, he said, without quantifying the investment.

Air alert warning

The company recently launched a service, Air Alert, which is a free-of-cost, sim-based, data-transmission service that will monitor the compressor's critical parameters to ensure optimum energy consumption and compressor failure prevention.

Varadaraj said Elgi is committed to 500 air-alert-equipped machines by the end of this calendar year. "We have, to date, inserted the air-alert sim in (Elgi) compressors owned by 21 members of the federation.

Explaining the term air audit, Varadaraj said it is a review of an operation's use of compressed air, taking into account both generation and distribution.

While review of generation is a comparison of energy consumption, current condition and application to original specification, distribution evaluates the use of compressed air in the plant, which could include leak in the air lines and general consumption.

Commenting on the tie-up, Prabhu Damodaran, Secretary, ITF, said the relationship is focussed on intelligent energy monitoring and optimising air consumption levels. "In our estimate, a spinning mill with 20,000 spindles will be able to achieve ₹1 crore savings on energy cost," he said.

Source: thehindubusinessline.com- Nov 09, 2017

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Exports to China surge 39% but trade deficit widens too

HIGHLIGHTS

- India's exports to China have increased 39 per cent in the first half of this fiscal
- However, the imports too have shot up 29 per cent, thus widening the trade deficit
- Government is looking to rationalise the trade deficit with a sector-specific strategy

India and China may have been engaged in a verbal duel over border disputes for the past few months, but the country's exports to the neighbouring nation have surged 39 per cent during the first half of the current fiscal, amid indications that Beijing is more accommodating in addressing New Delhi's long pending trade concerns.

Latest data available with the commerce department showed that exports have grown faster than the pace of import expansion with India's largest trading partner, although the trade deficit has widened given the massive shipments of electronics and pharmaceuticals from across the border.

A large part of the export jump was driven by three sectors: iron ore, cotton yarn & ferro alloys, all raw material and inputs that feed into China's manufacturing chain.

INDO-CHINA BIZ

Apr-Sept	2016	2017	Change (%)
Exports	3.9	5.4	38.5
Imports	33.2	42.9	29.2
Trade deficit	29.3	37.5	

Data in $ bn

Source: Commerce dept

But the government is looking to ensure that the best quality iron ore does not flow out of the country and only those with lower ferrous content gets loaded for ships that sail to Chinese ports, said sources.

Sources said commerce and industry minister Suresh Prabhu has also flagged several issues with the Chinese authorities to push export of Indian goods, many of which face restrictions.

The government is looking at easier rules for export of agricultural products, including non-basmati rice, identified as an item of significant potential and the issue is being flagged.

Now, the government is planning to bridge the trade gap by checking imports. Prabhu is looking to set up a task force under commerce secretary Rita Teaotia to rationalise the trade deficit with a sector-specific strategy, sources said.

While the government realises that it may not be possible to comp letely choke the flow of smartphones and other electronic items from China, it wants to put in place standards for a host of other products to ensure that the near unabated flow is stemmed.

Given the high dependence of Indian pharmaceutical companies on raw material from China, the government is keen to initiate steps to get domestic players to claw back into the space. While this has been discussed for years, there has hardly been any movement on this front.

Source: timesofindia.com- Nov 09, 2017

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Govt will waive weavers' loans up to RS 1 lakh: KTR

To provide relief to distressed weavers, the state government has decided to waive their loans up to `1 lakh. Making a statement on this in the state legislative Assembly on Thursday, industries minister KT Rama Rao said the scheme would be implemented with retrospective effect from Jan 2014.

The loans taken by handloom weavers from nationalised banks and District Cooperative Central Banks (DCCBs) as working capital for production of handloom products from Jan 2014 to March 2017 up to a maximum of Rs 1 lakh were considered for the waiver, Rama Rao said.

"As per the information furnished by State Level Bankers' Committee (SLBC), 2,467 handloom weavers would be freed from debt through the loan waiver scheme and, for effecting this, the government has to spend `10.10 crore.

Out of 2,467 handloom weavers, 205 repaid the loans and they will also get the benefit under the loan waiver scheme," Rama Rao said.

Government officials at the ground level will get an undertaking from bankers that they shall extend fresh loans to the extent of re-payment made to each handloom weaver, whose loans were waived for continuing the further handloom weaving activity.

"Till now, outstanding loans of 1,018 powerloom weavers till March 2015 were considered for loan waiver and the government spent `5.65 crore on the same. Thus, in all, the state government has come forward to spend `15.75 crore on waiving the bank loans taken by 3,485 weavers in both handloom and powerloom sectors." Currently, the state government is providing 20 per cent subsidy on cotton yarn.

Source: newindianexpress.com – Nov 10, 2017

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23rd GST Council meet to discuss textile sector issues

Indian textiles minister Smriti Irani recently said that the problems experienced by the domestic textiles sector over the goods and services tax (GST) would be discussed at the ongoing 23rd meeting of the GST council in Guwahati that will end today as feedback had been received from textile industry representatives over the irritants.

Though a few recent steps had offered succour to the sector, their problems would be put before the meeting for redress, a top business daily reported Irani as saying in Lucknow.

As the textiles sector generated most employment in the country after agriculture, the government is fully aware of its importance and interests of small weavers, she said.

Source: fibre2fashion.com- Nov 10, 2017

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Cotton production to exceed the rate of consumption

Global cotton stocks, outside of China, are expected to lift to a record 53 million bales for in 2017-18.

This is up from 41 million bales last season, according to a recent US Department of Agriculture report.

The USDA report is also tipping 15% expansion in cotton production, which is outpacing rising global cotton use. China's stockpile peaked at 67 million in 2014 and there was speculation a lot of what remained was poor quality.

The USDA said 2017-18 cotton production in the US was forecast to decline by 643,000 bales from last year, but globally the drop would be offset by production increases in Argentina, Brazil and Greece.

The US crop was affected by hurricanes Harvey and Irma and frosts. The USDA said major exporters in Central Asia, Africa, the US and the southern hemisphere would all "bear the brunt of the burden of high stocks.US exports are forecast to decline by 400,000 bales, "more than offset by higher exports from India, Brazil and Australia", the USDA report said.

Source: indiainfoline.com- Nov 09, 2017

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PM to take stock of RCEP deal during Manila visit on Nov 12-14

Prime Minister Narendra Modi will be travelling to Manila to attend the India-ASEAN meeting and East Asia Summit from November 12-14 and is expected to take stock of the progress made and discuss ways to move forward on the China-led mega trade deal — Regional Comprehensive Economic Partnership (RCEP).

During his visit, the Prime Minister will also discuss bilateral trade and investment issues with some countries within the 10-member ASEAN (Association of South-East Asian Nations) bloc consisting of Thailand, Singapore, the Philippines, Vietnam, Cambodia, Laos, Myanmar, Brunei, Indonesia and Malaysia, said Preeti Saran, Secretary (East), Ministry of External Affairs (MEA), here on Thursday.

In his bilateral meetings with ASEAN countries, Modi will focus on taking stock of the progress being made and also the stumbling blocks at the ongoing RCEP talks being discussed among China, India, ASEAN, Australia, Japan, South Korea and New Zealand, sources told *BusinessLine*.

RCEP talks were launched officially in 2012. However, since then they have faced several challenges and the countries are yet to finalise the products or tariff lines on which duties will be eliminated to boost greater trade in goods and services within the member countries.

The talks have moved at a snail's pace due to India's reluctance to offer greater duty cuts to Chinese goods. During the last round of negotiations held in South Korea, member countries failed to arrive at a definitive mandate to set the ball rolling during the Manila meet, sources said.

The summit-level meeting of RCEP leaders was preceded by a meeting of Trade Ministers from member countries.

Sources said during the Summit, Modi is expected to come under tremendous pressure to commit to deeper tariff cuts. The objective of having the RCEP is to eliminate duties on about 90 per cent of the traded tariff lines within the member countries.

Under pressure

Modi is also expected to raise the issue of tapping the full potential of the India-ASEAN goods Free Trade Agreement (FTA), which was implemented in 2010 and the pact on services and investment that came into effect in 2015.

Source: thehindubusinessline.com- Nov 10, 2017

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