TEXTILE INTELLIGENCE CENTRE
IBTEX
INFORMATION BUREAU
TEXPROCIL
TEXPROCIL NEWS CLIPPINGS
An ISO 9001:2015 CERTIFIED COMPANY

The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 31 of 2019 February 11, 2019

USD 71.18| EUR 80.61 | GBP 92.06 | JPY 0.65

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
20191	42200	**75.45**

Domestic Futures Price (Ex. Warehouse Rajkot), February

Rs./Bale	Rs./Candy	USD Cent/lb
20580	43012	**76.91**

International Futures Price

NY ICE USD Cents/lb (March 2019)	72.55
ZCE Cotton: Yuan/MT (May 2019)	15,250
ZCE Cotton: USD Cents/lb	102.56
Cotlook A Index – Physical	**82.05**

Cotton Guide: **Broad theme of Cotton:** The fact is that India and China crop numbers are significantly lower this year but price continues to trade mixed to down. There has been no respite to price; the trading activity is mostly lethargic. Meanwhile, New York Cotton price has been fluctuating under the influence of dollar and Crude Oil which showed an erratic behavior.

Market Last week: Indian Cotton price at spot market continued to trade near Rs. 42,200-42,300 per candy. The arrivals have come down marginally because of affected north zone by poor weather. The average daily arrivals have come down to 155,000 bales which used to be more than 175,000 bales in the earlier week.

From Pakistan, the price continued to rule steady but the imports are increasing considerably. As per report and preliminary estimates around 3 million bales of import orders have been already place in Pakistan while Future imports between 1stFebruary to 30th June will be customs duty and sales tax free. On the US from ICE Cotton has declined from its recent high of 75 cents and posted a lower close near 72.50 cents.

The US cotton exports have been good as per the recent USDA export report released. However, the US cotton has been very erratic due to the influence from the US dollar, crude oil and other market factors. Chinese markets were closed in the last week due to Lunar New Year. Therefore, trading volume from ZCE was nil while global trade participations were largely less. Lastly Indian cotton future was prune to both domestic spot and International market hence observed more volatility. Its swung between Rs. 22350 to 23,890 per bale.

Factors and events that moved the market:

The USD gained marginally by end of the week but was highly volatile. The Crude oil slumped by more than 4% pulled cotton and few other commodity price down. The month long delayed USDA-WASDE Report was released for the month of February while no data seen for January. In the reports, USDA has decreased its US cotton production forecast to 18.39 million bales (480 lbs), a decline of 200,000 bales from December's figure (18.59 million). USDA cited the reason for the decrease due to "small declines outside the Southeast". US exports were left unchanged this month while ending stocks and mill use were slightly lowered, down 100,000 bales each. The net effect on the season's ending stock is now estimated at 4.3 million bales, down from 4.4 million in December. The US-China talk hasn't reached to any conclusion but the optimism that initially developed two weeks ago now seems fading with the recent Trump's statement on the deal.

The market estimates for rest of February and likely price range

The ICE cotton has failed to break 75 cents; hence it might continue to face resistance to break onto the higher side. This might lead to an initial decline in the price. The ICE March that is closed the previous week around 72.50 cents might see decline towards 71 Cents.

We are revising our near term price range to 71.50 to 73.50 while the broad trend is expected to remain in the range of 71 to 75 cents. Unless either side is broken out we will not be able to see any clear trend in cotton.

Money managers have turned bearish. As per latest CFTC report the speculative net long positions have been reduced and the net short positions have increased marginally. Short positions outnumbered long ones by 4,980. Before it could reverse again it might spend some time to revive.

The US –China trade talk will have significant impact on the market in the near term. With the 1st March deadline fast approaching, 90-day truce coming to an end US and Chinese officials resume negotiations next week to prevent escalation of a trade dispute that has major implications for the global economy. China's economy already has shown signs of slowing, while the trade war has shaken the confidence of US businesses, as retaliatory tariffs have raised prices and helped choke off a key export market. And President Donald Trump's aggressive strategy has failed to produce a reduction in the US trade deficit with China, which he set as a primary goal.

Mixed economic data releases from the US will have volatile week for the US dollar performance. We expect ICE cotton to trade in the range of 71.50 to 73.50 in the coming week and 71 to 75 in the near term. Indian spot cotton for Shankar-6 might hold Rs. 42,000 per candy. The MCX cotton future for February contract might trade in the range of Rs. 20350-20890 per bale.

Indian rupee might trade in the range of 70.80 to 71.60 per one US dollar. The currency might initially see appreciation but might weaken from lower level. The crude oil price might continue to remain weak and the short term trading range will be 50.75/51 to 54 USD per barrel.

Currency Guide

Indian rupee may witness mixed trade against the US dollar but general bias remains weak. Rupee has recovered from recent lows but is still holding above 71 levels. Rupee has benefitted from general correction in crude oil price. Brent crude trades weaker near $61 per barrel weighed down by demand concerns and Russia’s unease with production cuts. However, weighing on rupee are concerns about wide fiscal deficit post announcement of sops in the Budget. Also weighing on the currency is RBI’s dovish stance as it cut interest rates and shifted monetary policy stance to neutral. Also weighing on rupee and other emerging market currencies is general weaker risk sentiment amid concerns about US-China trade talks and possibility of another US government shutdown. US-China will hold lower levels talks Monday in Beijing followed by meetings with US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin on February 14 and 15. The US and China still have a wide gap to fill over issues like technology transfers and this has fuelled uncertainty about a deal in the near term. Concerns about another US government shutdown rose as reports noted that talks to avert a new over funding for border-security funding broke down late on Saturday. The US dollar has risen against major currencies amid shift in monetary policy stance of major central banks and amid safe haven buying on back of global uncertainty. Rupee has come off the lows however sustained gains are unlikely amid weaker risk sentiment and general uptrend in crude oil. USDINR may trade in a range of 71.05-71.65 and bias may be on the upside.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	Trade war opens commodity floodgates
2	China/Brazil lead global cotton charge: USDA
3	IMF warns of global economic 'storm' as growth undershoots
4	Cotton Prices Seen Holding Steady, But Global Uncertainties Persist
5	National Cotton Council (NCC): Ongoing Trade Tensions Between The U.S. And China Creating Uncertainty In The World Economy And Global Cotton Market
6	New Adaptive Fabric Cools Down as You Heat Up
7	Brazilian cotton prices drop due to lower quality in Jan
8	NYFW: A knocking brick for China to enter int'l fashion world
9	Vietnam: Businesses advised to take better advantage of FTA benefits
10	Bangladesh exporters receive $23 mn orders at trade fair
11	Bangladeshi participation encouraged ahead of Techtextil and Texprocess
12	Bangladesh: Surge in textile sector investment
13	Pakistan: Cotton prices stable on renewed demand
14	Why Bangladesh overtook Pakistan

NATIONAL NEWS	
1	Indian cotton fabric, yarn exports fall due to high duties: Study
2	India, Peru to hold next round of FTA talks in March in Lima
3	MEA will help textiles ministry to promote silk in global markets: Swaraj
4	Hiring, production outlook to improve in manufacturing sector in Q3: Survey
5	India's exports to China set to touch record high as market access widens
6	India hopes to sign FTA with EU in 'foreseeable future'
7	On GST Council table: Tax relief for real estate, duty relaxation for exporters
8	How automation is creating disruptions in the textile industry
9	A rescue plan for liquidity-hit MSMEs

INTERNATIONAL NEWS

Trade war opens commodity floodgates

Tariffs and China slowdown combine to shrink demand

The U.S.-China trade war is adding to excess supply for products from steel to soybeans, with export-discouraging tariffs in the U.S. and weakened equipment investment in China causing stockpiles to build up and prices to deflate.

If Washington and Beijing fail to break their trade deadlock by the March 1 deadline, a new wave of tariffs will automatically kick in, heightening the risk to the global economy in a parallel to how protectionist policies drove down prices in the 1930s and exacerbated the Great Depression.

Prices for Japan's exports of hot-rolled steel coil -- used in appliances and construction materials -- to the rest of Asia have fallen to about $550 per ton, down from more than $600 in the fall.

Exporters were able to close some contracts before the Lunar New Year. But "we can't predict when prices will stop falling," said a sales representative with a major Japanese steelmaker.

The problems stem from a drop in prices for Chinese-made hot-rolled steel coil. Export prices fell roughly 20% from last summer to around $467 per ton as of late January.

The administration of U.S. President Donald Trump slapped extra 25% tariffs on steel products from China and elsewhere starting in March 2018. According to official statistics, China's exports to the U.S. for January-November fell 14% year on year.

China's equipment investment has also slowed due to fears about the trade war's economic impact.

Domestic demand is losing steam. Global consumption of iron and steel in 2019 will climb 1.4% on the year to 1.68 billion tons, estimates the World Steel Association -- slowing significantly from 2018's 3.9% growth, in a stark reflection of China's stalling demand.

The gap between crude steel output and steel product consumption widened by 12% in 2018 to about 150 million tons. China's closing down of excess steel production capacity and its falling asset prices had helped balance supply and demand, but the gap has now widened more than 30% from its slimmest spot in recent years, in 2016. Increased output in markets like China played a role.

It is difficult to picture a decrease in global output in 2019 that would shrink the supply-demand gap, voices in the steel industry have said. While China is expected to continue adjusting output capacity, there are signs of increased output elsewhere, such as United States Steel's restarting of some blast furnaces.

U.S. newspapers report that with steelmakers like Nucor adding equipment, American steel production capacity is set to rise 16 million tons, or 18% over pre-trade war levels.

The U.S. is beginning to show its own signs of oversupply as sales flag for the auto industry, a chief consumer of steel products. American prices of hot-rolled steel coil have fallen to about $760 per ton from over $1,000 per ton in July.

Japanese businesses are facing pressure to address gluts as well. The country's biggest supplier of raw materials for nylon fibers, Ube Industries, may be forced to lower production for the first time since 2012. Export prices to the rest of Asia for caprolactam, used in fibers, have fallen rapidly due to excess supply, with spot prices in late January hitting $1,670 per ton -- 15% below the previous month.

China accounts for half the world's demand for nylon fiber feedstock as a major producer of the material. With the Chinese economy cooling due to trade friction with the U.S., Chinese textile makers expect apparel demand to drop. "They want to keep as low a stock as possible of materials," said an Ube representative.

Also weighing heavily is an expansion of facilities in China on expectations of medium- to long-term demand growth. Facilities starting up there add output capacity of more than 100,000 tons, or about one-third Japan's total capacity, fueling a sense of oversupply.

Soybeans face similar problems. The U.S. Department of Agriculture expects world soybean stores to grow 9% on the year to 106.72 million tons in autumn 2019. In the U.S., the crop's trade volumes have thinned due to retaliatory tariffs imposed by China, and expanding exports to Europe has failed to make up the difference, leaving stockpiles growing. Brazil has also upped production in an effort to capture Chinese demand.

Planting has gone at a faster clip compared to other years, said Akio Shibata of Japan's Natural Resource Research Institute. Meanwhile, international prices of the crop have fallen year on year.

Countries tend to reap the most profit when they specialize in producing particular goods for which they have a comparative advantage -- meaning they enjoy lower opportunity costs to make them than other countries do -- while importing other products.

In the 19th century, British economist David Ricardo extolled the virtues of free trade based on the principle of comparative advantage. The idea caught on worldwide and contributed greatly to economic development.

But this order began to break down in the 1930s. The economically depressed U.S. slapped high duties, known as the Smoot-Hawley tariffs, on agricultural and other goods to protect American business. The U.K. and other countries likewise put up tariffs and other defenses. The resulting crash in international trade is seen by some to have deepened the Great Depression.

The current turmoil in the global economy falls short of that seen in the 1930s. But "as long as China's excess production and excess inventory go unresolved, it is possible downside risk will build in the medium term," said Ryutaro Kono at BNP Paribas Securities.

If trade restrictions drag on -- for instance, if the U.S. and China fail to reach a quick agreement -- supply gluts will grow, adding deflationary pressure.

Source: asia.nikkei.com - Feb 10, 2019

HOME

****

China/Brazil lead global cotton charge: USDA

World cotton production for the 2018/19 season is forecast up slightly, led by larger crops in China, Brazil, and Australia more than offsetting lower production in Turkey and India, according to the latest report from the United States Department of Agriculture (USDA).

Trade is projected up on higher imports for China and Turkey.

Global cotton use is down, mainly in China and India on slower economic growth.

US production is down almost 200,000 bales and consumption is reduced 100,000 bales to 3.2 million bales. The US season average farm price is lowered 2 cents to 72 cents/lbs.

Australian production falls to 2.6 million bales

The USDA estimates the 2018/19 Australia cotton crop will produce 2.6 million bales (0.566 million tonnes), up 0.1 million bales from December but down 2.1 million bales, or 45 per cent, from last year.

The harvested area in Australia is estimated at 0.3 million hectares, unchanged from December, but down 43pc from last year.

Yield is forecast at 1.887 tonnes per hectare, 2pc below the five-year average.

Yield is expected to increase from last year because of an estimated decrease in the share of the area sown to lower-yielding dryland cotton.

A notable factor this season is the increase in cotton area in southern New South Wales. Early harvest results indicate irrigated yields are better than expected.

Record Brazil exports

The USDA says Brazil's burgeoning production amidst greater global demand is expected to propel 2018/19 record exports even higher this month, driven by a record crop.

This growth is mainly attributed to production in the states of Mato Grosso and Bahia, which combined accounted for almost 90 per cent of 2017/18's record production.

Mato Grosso has witnessed greater production during the second crop (safrina) season (the bulk of harvest is July through September), and Bahia is quickly expanding area amid strong price signals.

November and December 2018 Brazil exports showed record monthly numbers. China was the primary destination as favourable Brazilian prices and high Chinese tariffs on US cotton made Brazil's Southern Hemisphere crop an attractive alternate.

With China's imports raised to 7.5 million tonnes this month and its domestic stocks the lowest since 2010/11, Brazil is forecast to help meet this shift in demand.

Continued improvement in grading and classification of Brazil's cotton is also supporting strong interest from overseas buyers.

In 2018, the country introduced the Standard Brazil High Volume Inspection (HVI) Program, aiming to better standardize classifications.

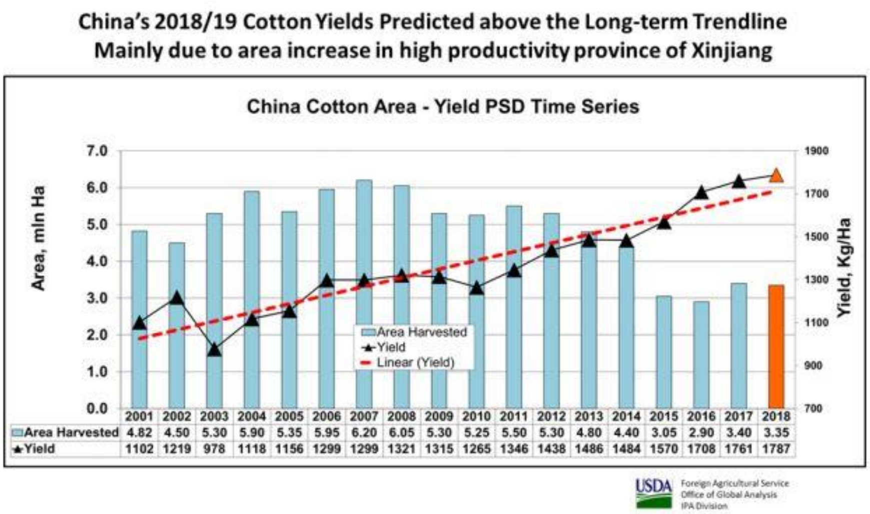
Stagnant demand by Brazil's domestic yarn and textile industry is expected to encourage future shipments amidst record supplies.

Expanding arable land and two crops per year support Brazil's expanded export competitiveness as 2018/19 exports are forecast to be more than a third higher than last year

Record yields in China

The USDA estimates China's 2018/19 cotton production at 27.5 million bales (5.99 million tonnes), up 1.9pc from December, unchanged from last year, and up 1.9pc from the five-year average.

The area of cotton in China is estimated at 3.35 million hectares, unchanged from the previous estimate, but down 1.5pc from last year.



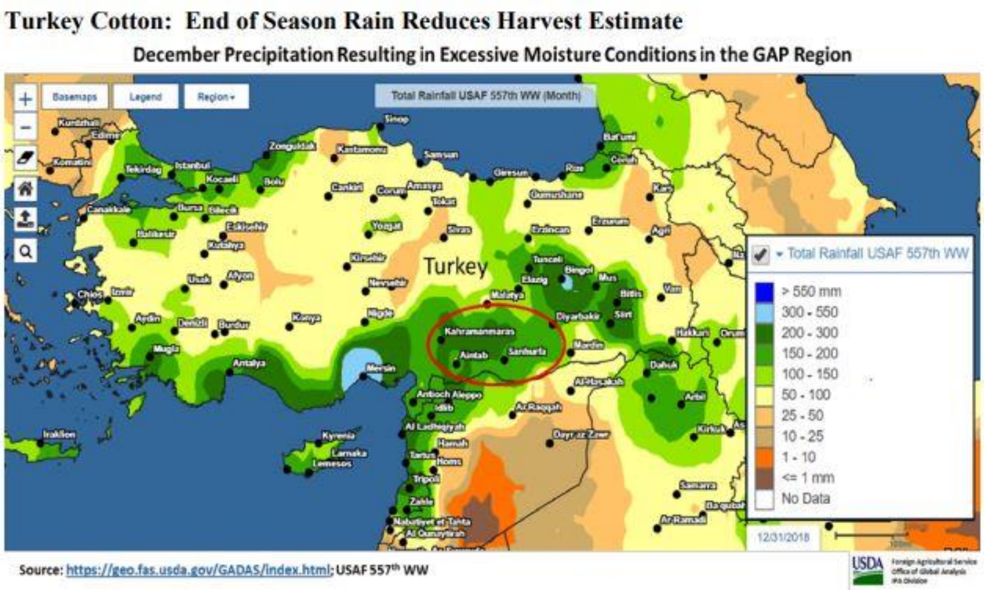
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Area Harvested	4.82	4.50	5.30	5.90	5.35	5.95	6.20	6.05	5.30	5.25	5.50	5.30	4.80	4.40	3.05	2.90	3.40	3.35
Yield	1102	1219	978	1118	1156	1299	1299	1321	1315	1265	1346	1438	1486	1484	1570	1708	1761	1787

Yield is estimated at a record 1.787t/ha, up 1.8pc from the previous estimate and up 1.5pc from last year's record of 1.761t/ha.

The projected yield is slightly above the long-term trend due to an increased share of cotton planted in Xinjiang province where yield is nearly twice the national average.

Reduced harvest for Turkey

The USDA estimates 2018/19 cotton production in Turkey will be 3.7 million bales, down 0.6 million from December, and down 8pc from last year's record.



With harvest wrapping up in December, the harvested area is estimated at 520,000 hectares, unchanged from December, up 11pc from last year and up 30pc from the five-year average.

Yield in Turkey is estimated at 1.549t/ha, down 14pc from December.

Weak monsoon cuts Indian production

A weak 2018 south west monsoon in India has resulted in the USDA estimating 2018/19 Indian cotton production to be 27.0 million bales, down nearly 7pc from 2017/18.

The cotton area in India is estimated at 12.3 million hectares, down almost 2pc. The Indian yield is estimated at 0.480t/ha, down slightly from December and down 5pc from last year.

The yield adjustment is due to the rainfall deficit and pest infestation in the major cotton producing areas of Gujarat and Maharashtra. The month-to-month change is due to lower market arrivals and lower yields. Lower arrivals indicate reduced cotton production.

The below-average monsoon rainfall coupled with pest infestation truncated India's cotton harvesting. After the first picking, trade sources reported farmers in non-irrigated areas abandoning crops in Gujarat in November.

Source: graincentral.com- Feb 11, 2019

HOME

****

IMF warns of global economic 'storm' as growth undershoots

Lagarde said trade tensions -- mainly in the shape of a tariff spat between the United States and China, the world's two biggest economies -- are already having a global impact.

The International Monetary Fund on Sunday warned governments to gear up for a possible economic storm as growth undershoots expectations. "The bottom-line — we see an economy that is growing more slowly than we had anticipated," IMF Managing Director Christine Lagarde told the World Government Summit in Dubai.

Last month, the IMF lowered its global economic growth forecast for this year from 3.7 per cent to 3.5 per cent. Lagarde cited what she called "four clouds" as the main factors undermining the global economy and warned that a "storm" might strike.

The risks include "trade tensions and tariff escalations, financial tightening, uncertainty related to (the) Brexit outcome and spillover impact and an accelerated slowdown of the Chinese economy", she said. Lagarde said trade tensions — mainly in the shape of a tariff spat between the United States and China, the world's two biggest economies — are already having a global impact.

"We have no idea how it is going to pan out and what we know is that it is already beginning to have an effect on trade, on confidence and on markets," she said, warning governments to avoid protectionism.

Lagarde also pointed to the risks posed by rising borrowing costs within a context of "heavy debt" racked up by governments, firms and households. "When there are too many clouds, it takes one lightning (bolt) to start the storm," she said.

Source: financialexpress.com- Feb 10, 2019

HOME

****

Cotton Prices Seen Holding Steady, But Global Uncertainties Persist

Cotton prices are feeling some pressure over concerns about overall economic growth, but should remain steady thanks solid fundamentals, according to a new report from the International Cotton Advisory Committee (ICAC).

Cotlook A Index, an average of global prices, is projected to have a mean of 87 cents per pound in 2018-2019 season compared to 88 cents per pound in 2017-2018, the CSC noted.

Spot prices for U.S. cotton averaged 69.81 cents per pound for the week ended Jan. 31, according to the U.S. Department of Agriculture. This was up from 69.17 cents per pound the previous week, but down from 75.71 cents per pound a year earlier.

Easing potential price volatility from trade tensions, notably the U.S.-China tariff conflict, which the ICAC feels is not impacting prices, is a better balance in supply and demand developing.

By the end of the 2018-19 season cotton season, world stocks are projected to drop to 17.6 million tons, a decrease of 5 percent compared to the prior year, ICAC projected. It would be the fourth straight year of stock, or inventory, declines.

Global consumption is expected to be unchanged at 26.8 million tons, but a 3 percent drop in global production to 25.9 million tons will draw down the world's warehouses. Production in China is expected to increase 1 percent to 5.94 million tons.

Combined with a 7 percent falloff in India's production due to insufficient rainfall, China will regain the top spot for cotton production for the first time since it fell below India in the 2015-16 season.

Cotton Incorporated's most recent price outlook said this is "an uncertain time for the market," noting that "even though we are nearly halfway through the crop year, more questions than answers appear to be presenting themselves."

Cotton Inc. said an expected increase in Chinese cotton imports has not been seen, which it said is likely caused by the lingering trade dispute with the U.S. and China.

The organization agreed with ICAC that the weakening global economic outlook is also adding to general uncertainty.

"Since the summer, forecasts for global GDP have been adjusted lower," Cotton Inc.'s Monthly Economic Letter said. "A chief concern is the slowdown in China and slow growth in Europe...Slower global economic growth is associated with slower demand growth.

This is true across commodities, with the sharp declines in oil prices since October partially attributed to expectations of slower economic activity in China."

Source: sourcingjournal.com- Feb 08, 2019

HOME

****

National Cotton Council (NCC): Ongoing Trade Tensions Between The U.S. And China Creating Uncertainty In The World Economy And Global Cotton Market

National Cotton Council economists point to a few key factors that will shape the U.S. cotton industry's 2019 economic outlook. This past year can be characterized as a year with significant uncertainty and volatility in the global economy and the world cotton market.

For this outlook, the ultimate fate of the tariffs is a significant wildcard impacting the global market. Based on the positive statements resulting from the recent negotiations, the NCC assumes that the additional tariffs being imposed by the two countries will be removed in advance of the 2019 marketing year.

In her analysis of the NCC Annual Planting Intentions survey results, Campiche said the NCC projects 2019 U.S. cotton acreage to be 14.5 million acres, 2.9 percent more than 2018. However, it is important to note that although the survey results suggest a slight increase in acreage, the increase is largely the result of weaker competition from soybeans.

Overall abandonment is projected to be lower in 2019 because most regions currently have adequate moisture levels. With abandonment assumed at approximately 10 percent for the United States, Cotton Belt harvested area totals 13.0 million acres. Using an average 2019 U.S. yield per harvested acre of 840 pounds generates a cotton crop of 22.7 million bales, with 21.9 million upland bales and 782,000 extra-long staple bales. U.S. cottonseed production is projected to increase to 7.0 million tons in 2019.

Regarding domestic mill cotton use, the NCC is projecting a modest increase of U.S. mill use to 3.25 million bales in the 2019 crop year. As the single largest user of U.S. cotton, U.S. mills continue to be critically important to the health of the cotton industry.

In the face of rising textile imports from Asian suppliers, the U.S. textile industry has focused on new investment and technology adoption in order to remain competitive.

Campiche noted that export markets continue to be U.S. raw fiber's primary outlet. World trade is projected to be higher in the 2018 marketing year, but the trade tensions and increased competition from other major exporting countries has led to a decline in the U.S. trade share. Despite the decline, the U.S. will remain the largest exporter of cotton in 2018. U.S. exports are projected to reach 15.0 million bales in the 2018 marketing year.

Prior to the implementation of tariffs, the United States was in a prime position to capitalize on the increase in Chinese cotton imports. With the imposition of the 25.0 percent tariff, China has turned to other suppliers during the 2018 marketing year, allowing Brazil, Australia, and other countries to gain market share. Vietnam is currently the top export market for the 2018 crop year, followed by China and Mexico.

China is projected to consume 40.5 million bales in 2018. For the 2018 crop year, China is expected to import 7.5 million bales, which is 1.8 million bales higher than in 2017.

The gap between China's cotton consumption and production is currently around 13 million bales. From 2015-2018, the gap was filled with reserve sales and a small level of imports. The reserve stock level now is considered to be approaching a normal or maintainable level, and China is expected to increase imports in 2019.

Assuming a resolution to the U.S.-China trade dispute, China is expected to increase mill use in 2019 to 41.4 million bales. With a further reduction in stocks for the 2018 crop year, China's imports are expected to increase in the 2019 crop year to 11.1 million bales. Chinese stocks are projected to fall by 4.2 million bales during the 2019 marketing year to 28.2 million bales.

With a resolution to the U.S.-China trade dispute, the United States is expected to export more cotton to China in the 2019 marketing year and gain back some market share.

U.S. exports are projected to increase to 17.4 million bales in the 2019 marketing year. If realized, it would represent the 2nd highest level of U.S. exports, second only to the 2005 marketing year.

When combined with U.S. mill use, total offtake falls short of expected production, and ending stocks are projected at 6.1 million bales. In absolute terms, stocks would be the highest since the end of the 2008 marketing year. A stocks-to-use ratio of 29.4 percent would be the highest since the 2015 marketing year.

Campiche said world production is estimated to increase by 7.0 million bales in 2019 to 125.5 million bales, which would be the highest level since the 2011 crop. World mill use is projected to increase to 126.5 million bales in 2019.

Ending stocks are projected to decline by 1.3 million bales in the 2019 marketing year to 74.2 million bales, resulting in a stocks-to-use ratio of 58.7 percent. Stocks outside of China are projected to increase to a record level in 2019.

Based on the underlying assumptions and resulting cotton balance sheet, the level of stocks outside of China in the 2018 marketing year along with higher projected production in 2019 may contribute to a more bearish tone for cotton prices in the coming year.

However, the increase in world trade due to higher Chinese imports along with a resolution to the U.S.-China trade dispute could provide some price support.

As with any projections into the future, there are uncertainties and unknowns that can change the outcome. For the coming year, a key factor affecting the U.S. cotton industry is the ongoing U.S.-China trade dispute and the 25 percent tariff on U.S. cotton imported into China.

Under a scenario with tariffs remaining in place, the projected expansion in world trade and the opportunity to backfill trade into other markets would allow U.S. exports in the 2019 marketing year to increase from 2018, but not to the extent as expected in the absence of tariffs.

The longer-term imposition of tariffs also would dramatically increase the likelihood of permanent losses in market share in China.

Source: textileworld.com- Feb 09, 2019

HOME

****

New Adaptive Fabric Cools Down as You Heat Up

There's nothing quite as uncomfortable as a clammy, sweat-soaked shirt. For decades exercise-wear manufacturers have attempted to make this sensation obsolete; to regulate wearers' body temperatures, they have developed synthetic fibers with coatings that wick away perspiration and experimented with loose, breathable weaves. Now scientists have developed what they claim is the first textile that automatically changes its structure in response to outside conditions, releasing more heat as temperature and humidity rise.

Researchers at the University of Maryland, College Park, led by YuHuang Wang and Ouyang Min, constructed this self-regulating fabric from infrared-sensitive yarn that reacts to temperature and humidity. When the microenvironment between a person's skin and the garment changes, the strands constrict to vent more heat—or expand to hold that warmth closer to the body. The fabric is described in a study published this month in Science.

Our bodies absorb and lose heat primarily via infrared radiation. Traditionally we pile on textiles in winter months to capture this energy, then switch to more breathable material in warmer, more humid conditions so we can release it.

But in the modern world one might routinely transition from a rushed, sweaty commute to a frigid, air-conditioned office every day. The researchers working on the new fabric thought a single garment that adapts to these different situations would be more practical and comfortable.

Despite advances in perspiration-wicking materials, developing a dynamic fabric—which sheds infrared energy when one is hot and retains it when one is not—has remained a challenge. "Our breakthrough is creating a dynamic effect for getting heat away from the body," says co-author Wang. "The fabric responds to your personal needs."

The yarn's responsiveness comes from its coating: The polymer fibers are covered with a thin layer of carbon nanotubes. When the wearer gets hot or sweaty, the carbon layer tightens, drawing the strands closer together and creating gaps in the fabric. This makes it more breathable, allowing heat to radiate so the wearer can cool down. If the microenvironment next to the skin becomes cold or dry, the fibers expand to capture heat.

The researchers report the adaptive textile altered heat radiation by over 35 percent, adjusting for relative humidity. “Now you can have a one-base-layer garment that can keep you comfortable in a wider range of temperatures and wider range of activities,” Wang says.

Consumer brands involved in outdoor recreation, fitness and endurance sports have long pursued textiles that regulate body temperature. Most of these materials do this in two ways: Increasing the breathability to let heat escape, and quickly pulling perspiration away from the body after intense activity.

Emily Walzer, managing editor at Textile Insight, a trade magazine covering materials used in the outdoor and sporting goods industry, says she has seen multiple approaches to manufacturing comfort-improving technical fabrics. Most have one thing in common: “Moisture management is a key ingredient in performance base layers and close-to-the-skin garments,” Walzer says. “Consumers expect moisture to move faster and more efficiently, and any new technology has to do that function sustainably.”

In pursuit of that ability textile manufacturers including Switzerland-based Schoeller Textil are also trying to develop garments with cooling effects built into the yarn, the knit construction and the finishing coating. According to the company’s North America president, Stephen Kerns, “People are more active than they have ever been. Having clothing that allows them to take off an outer garment and not be completely wet is a big advantage.“

Schoeller was not involved in creating the new adaptive fabric. But Wang says textile-manufacturing experts from other companies (including Milliken and Under Armour) did contribute, along with a team of scientists from a variety of disciplines including chemistry, physics and materials science.

With help from industry, Wang plans to continue developing the adaptive textile. He hopes to test clothing made from it this year and eventually scale up production. Bringing it to the nearest sporting-apparel store, however, could be difficult. “The challenge is in commercialization, cost and design capabilities of these new fibers,” Walzer says.

Nevertheless, Wang says his yarn could eventually reach a commercial market: Companies can dye, knit or wash it with the machines and methods currently used to manufacture other performance fabrics, he says. “Our performance is on par or even better than the current standard,” Wang says.

He added in an e-mail that the eventual consumer price will be similar to that of other enhanced fabrics. “Based on our cost analysis, we anticipate our production will be competitive at scale,” he wrote.

Any such adaptive textile will have to compete with a crowded field—many activewear brands already produce breathable, sweat-wicking clothing. Some have even developed materials that respond to outside temperatures, albeit with a slightly different mechanism.

Schoeller, for example, has incorporated so-called phase-change materials (PCMs) that can store and later release heat into some of its products. “With our PCM, Schoeller offers cooling yarns with their dynamic reaction to environment and body-temperature changes,” Kerns says.

Wang maintains his fabric is the first to actually change form in response to the environment, which might give it an edge. Still, even with apparel that keeps your body at a comfortable temperature, you will probably want to change out of your workout clothes before you arrive at the office.

Source: scientificamerican.com- Feb 10, 2019

HOME

****

Brazilian cotton prices drop due to lower quality in Jan

Cotton prices in the Brazilian market dropped last month as most of the cotton traded was of lower quality, according to Center for Advanced Studies on Applied Economics (CEPEA).

Between December 28 and January 31, the CEPEA/ESALQ cotton Index, with payment in 8 days, dropped 4.03 per cent, closing at 2.9422 BRL per pound on January 31, 2019.

The price average in January, at 2.9625 BRL per pound, was 2.08 per cent lower than that from December 2018, the latest report from CEPEA said.

The trading pace was slow during the month as buyers had difficulties in closing new deals because there was a single bidding price for different types of cotton in the batches supplied.

As the exports pace has been firm this season (shipments may have surpassed 120,000 tons in January, according to Secex), higher quality cotton ended up sold to the international market.

Meanwhile, in Mato Grosso, the main cotton-producing state in Brazil, Imea (Mato Gross institute of agricultural economics) estimates the area to be sown with cotton in the 2018-19 crop to total 937,800 hectares. Around 72.42 per cent of the area had been sown until January 25.

According to data from the BBM (Brazilian Commodity Exchange) tabulated by CEPEA, 64.8 per cent of the 2017-18 Brazilian crop, estimated at 2.005 million tons, might have been traded until January 29.

Of this total, 57 per cent was allocated to the domestic market, 31.2 per cent to the international market, and 11.8 per cent to flex contracts (exports with an option to sell in the Brazilian market).

For the next season, data indicates that at least 23.5 per cent of the 2018-19 output (forecast at 2.363 million tons by Conab) has been traded, with 48.2 per cent of the total allocated to the domestic market, 24.9 per cent to exports, and 26.8 per cent to flex contracts.

Source: fibre2fashion.com- Feb 08, 2019

HOME

****

NYFW: A knocking brick for China to enter int'l fashion world

New York Fashion Week (NYFW) is approaching. The upcoming season will be the first where men's and women's showcase have been merged. Up to now, 22 Chinese designers are expected to showcase their newest collections at the event.

In recent years, Chinese brands and designers have frequently appeared in the NYFW. With the rapid development of the Chinese fashion industry, a new generation of Chinese designers has opened the door of the NYFW. Their designs bring the fashion concept of integrating Chinese elements to a broader stage.

Some designers say that the NYFW, compared with the high threshold of "old fashion week" such as Paris and Milan, is the ideal "knocking brick" for Chinese brands to enter the international fashion world.

They believe that for Chinese brands, the NYFW has a significant advantage in openness and vitality compared with the slowing market in Europe.

In 2018, Li Ning, a Chinese sports brand that has been silent for several years, made a strong appearance in the NYFW. The show instantly exploded social media.

Praises and inquiries immediately flooded Li Ning's official Weibo and WeChat accounts. Some popular items of Li Ning were soon sold out.

Thanks to its eye-catching show in the NYFW, Li Ning's share price rose from 6.04 HKD to 7.29 HKD, up 20 percent from February to March that year. The brand's market value has appreciated by 2.725 billion HKD in the month after the fashion week.

Li Ning's rise is a reflection of China's industry upgrading. Many textile and garment companies began to accelerate the pace of overseas mergers and acquisitions, and an increasing number of world-renowned brands have become their main target.

China's domestic brand ICICLE bought French fashion brand Carven; Ruyi Group bought Bally and some other international famous brands. The integration of global resources has promoted Chinese textile and garment enterprises to the high-end of the value chain.

The degree of technological application and the quality of products are the ruler of a country's industrial development and important yardsticks to measure the actual level of its manufacturing.

While China's low-cost advantage is gradually fading, its textile and garment industry is remolding manufacturing advantages in the global production networks by making exquisite craftsmanship and improving quality and designs.

With an increasing number of enterprises "going out" and the rise of collaborative manufacturing, experience economy, sharing business and other modes of international cooperation, the integration of Chinese culture and local culture has led to more creative designs and technological innovation.

By creating an international show, building a shared factory, and using the industrial Internet to achieve cross-border innovation, "borderless," creative ecology has promoted China's garment industry and unleashed more potential of the country's creativity.

Source: cgtn.com- Feb 09, 2019

HOME

****

Vietnam: Businesses advised to take better advantage of FTA benefits

Vietnam's joining of free trade agreements (FTAs) is quite suitable in the context of trade globalization. However, to promote the efficiency of boosting exports, a concerted policy system is needed to help businesses successfully take advantage of benefits brought by the FTAs, according to insiders.

A survey by the Vietnam Chamber of Commerce and Industry (VCCI) shows that the rate of taking advantage of FTA benefits by Vietnamese enterprises is falling.

Businesses attributed the fall to shortcomings in State offices' enforcement of policies, strict rules of origin, and their lack of information about commitments and how to take full advantage of the FTAs. Many also acknowledged that their firms' competitiveness is weaker than that of partners whose countries are also members of the FTAs.

The garment and textile sector is considered one of those taking the most advantage of FTA benefits in Vietnam. However, President of the Ho Chi Minh City Textile and Garment - Embroidery Association Pham Xuan Hong said that the sector only succeeds in doing so with the Republic of Korea, while the rates with other partners remain low.

The reason is that different FTAs have different requirements on rules of origin, Hong elaborated, adding that many FTAs request clarification of origin of yarn, while Vietnam mainly imports materials from China.

According to experts, the rate of enterprises bringing into full play the FTAs has been improved remarkably, from 10 percent at first to 38 percent at present. However, it is not enough to equilibrate the trade balance with partners.

They said that together with tariff reduction, new-generation FTAs include strict regulations on technical standards, source of origin, and intellectual property, which have made Vietnamese enterprises fail to be adaptive to these agreements.

To meet expectations when joining FTAs, Vietnam should carry out measures in a concerted way to increase competitiveness of exporters, experts said.

Pham Quynh Mai, deputy head of the Multilateral Trade Policy Department under the Ministry of Industry and Trade, suggested businesses take the initiative in accessing information about the FTAs and their contents to make use of rules on origin in a systematic and effective manner.

Enterprises should also improve technology and increase product quality, as all kinds of products which hope to enjoy tariff incentives and be welcomed by consumers must meet all quality and technical requirements committed, Mai added.

Nguyen Thi Tue Anh, deputy director of the Central Institute for Economic Management (CIEM), said that the small scale is a week point of Vietnamese enterprises, so they are incapable of meeting big orders.

She suggested they connect with others in the same sector to share orders, or cooperate with multi-national groups and businesses to bring opportunities into full play to participate in the regional and global supply chains.

Besides efforts of enterprises, the Vietnamese Government should focus on supporting enterprises to export their strong products by guiding them to implement rules of origin and simplifying procedures of certification and specific inspections, experts advised.

Source: en.vietnamplus.vn - Feb 08, 2019

HOME

****

Bangladesh exporters receive $23 mn orders at trade fair

Bangladesh exporters have received spot orders worth $23 million from international buyers at the 24th edition of the country's annual Dhaka International Trade Fair (DITF).

It was nearly $4 million higher compared to the previous year, Commerce Minister Tipu Munshi said at the concluding ceremony of the country's largest trade show on Saturday.

President Abdul Hamid had inaugurated the month-long fair on January 9, reports Xinhua news agency.

Like in the previous years, the fair was held at the Bangabandhu International Conference Centre here. The DITF is aimed at showcasing local products to foreign buyers.

A total of 500 stalls, pavilions and mini pavilions were set up this year. Countries like India, China, Pakistan and Malaysia participated in the fair.

Source: business-standard.com- Feb 10, 2019

HOME

****

Bangladeshi participation encouraged ahead of Techtextil and Texprocess

Omer Salahuddin, CEO of Messe Frankfurt Bangladesh and Gunter Veit, Chairman of VDMA (Textile Machinery Association) Textile Care, Fabric and Leather Technologies made the particular call for Bangladeshi visitors while speaking about Texprocess and Techtextil at a press conference at Pacific Sonargaon Dhaka in the capital on Sunday.

The leading international trade fair is going to cover all aspects of technical textiles, non-wovens and functional apparel textiles as well as their manufacture and processing.

They said that a number of leading businesses from Bangladesh attended the event in Germany's business and financial hub last year to learn new techniques and innovations. Some of the leading Giant Group, Metro Group, Nassa Group, Evince Group, Dekko Group, Islam Garments and others.

Gunter Veit said that Bangladesh is their most important market in world. "Bangladesh is doing great in garments industry. Technical support is further needed here.

Messe Frankfurt is the world's leading textile trade fair organiser and has over 150 events, of which some fifty are textiles-only events held across four continents.

However, VDMA, (a textile machinery-makers' association) represents more than 3,200-member companies in the mechanical engineering industry in Germany and Europe.

Last year, Messe Frankfurt textile department saw some 22,000 exhibitors and 520,000 trade visitors around the world. In the past two years, they have consistently expanded their Texpertise Network by acquiring new shows.

Techtextil covers "technical textile" and their applications such as geotextiles, medical textile, safety and security wear, protective garments and sports clothes, according to organizers.

In 2017 - 139 Bangladeshi visitors and in 2015 -113 Bangladeshi visitors attended both shows. One Exhibitor from Bangladesh was also present in 2017– Bang Jin who is now also exhibiting in Techtextil Russia. Messe Frankfurt officials said the technical textiles account for 27 percent of global textile production. By 2020, the market is expected to grow to USD 175 billion. This is double the 93 billion recorded in the year 2000.

The sector has experienced continuous growth in Europe during recent years and the significance of technical textiles is increasing further, they added. Citing data from Eurostat they said Germany is the global market leader for technical textiles with annual sales of EUR 13 billion.

They said Special focus this year will be on Urban Living - According to the United Nations, by 2050, almost 70 per cent of all people will live in metropolises and megacities. This poses new challenges – housing, mobility concepts, food supply and healthcare provisions. This area will focus on how Technical textile can make our daily life easier, better and safer.

Gunter Veit said Texprocess will be showing the whole range of textile-garment machinery from design, layout, cutting, making, trimming, digital textile printing, conditioning, finishing, textile logistics and textile recycling. Furthermore, micro-factories are the way forward for the future of clothing production and will be the main theme of Texprocess.

He said the industry is changing rapidly with both pressures from brands and consumers. Consumers will want in future to be able to order their own individual clothe and design via their phones direct from the factory.

The brands and industry are also interested in closely monitoring their own production and cutting down on lead times as well as cost. More and more factories will need to be updated with the latest techniques if they want to remain competitive in the global industry. Production will shift not just based on cost but also on quality, lead times and innovations, he added.

Both shows have more than 1750 exhibitors and 40,000 trade visitors who can see various machineries and new innovative techniques set to overhaul manufacturing processeea.

Source: unb.com.bd- Feb 09, 2019

HOME

****

Bangladesh: Surge in textile sector investment

To meet the growing demand for fabrics and yarn, Bangladeshi investors made an investment of nearly Tk 7,000 crore in the primary textile sector, the backward linkage industry for the readymade garments (RMG) sector, in the last five years.

According to the Bangladesh Textile Mills' Association (BTMA) data, local entrepreneurs invested, on average, Tk 1,400 crore per year from 2014 to 2018 in the primary textile sector to meet the demand of fabrics and yarn. During this period, 44 new textile mills also became members of the association.

BTMA president Md Mohammad Ali Khokon said the demand for yarn and fabric was high in the country as local investors made huge investments in the sector.

The primary textile sector of Bangladesh has turned into very a strong backward-linkage industry for the RMG sector.

Currently, local manufactures are capable of supplying 85 per cent of yarn and fabric, along with 40per cent of woven fabric, required by the knitwear sector, said Khokon.

"The total demand for textiles for the local market and export is more than 12 billion metres. Of them, only 3 billion metres are manufactured in the local market. The came from abroad in different ways," said BTMA secretary Monsoor Ahmed.

Monsoor Ahmed said 40 per cent of the yarn was exported from the total yarn manufactured and 30– 40 per cent of fabric was exported from the total fabric manufactured in the country.

According to Export Promotion Bureau (EPB) data, around 377,790 tonnes of cotton yarn was imported, while 551,388 tonnes of fabric was imported in 2018.

To give an idea of the growth of the country's textile market, Monsoor Ahmed said there were only 341,000 spindles in 1983, but the figure rose to 13,400,000 in 2018.

“We have enough stock of textile products,” he said, adding that the illegal import of different textile products was a threat for the country’s textile sector.

According to the Export Promotion Bureau (EPB) data released on September 11 last year, Bangladesh’s export earnings from the readymade garment sector stood at USD 5.73 billion during July and August of FY2018-19, up by 3.82 per cent compared to USD 5.52 billion in the same period a year ago.

The export earnings were 3.96 per cent higher than the target of 45.51 billion set for the month of August.

Of the total amount, knitwear products earned USD 2.91 billion, which is 1.53% higher than the USD 2.86 billion earned in the same period a year ago. Woven products earned USD 2.82 billion, up by 6.28 per cent from USD 2.65 billion a year ago.

Raw cotton consumption is projected to increase to 6.7 million bales in FY2017-18 due to stronger sales of garments and other value-added products in both domestic and foreign markets as well, said the USDA report.

The report also said yarn and fabric consumption was expected to rise to 1.13 million tonnes and 7.4 billion metres in FY2017-18 on the basis of strong international demand for clothing due to population growth, urbanisation and disposable income growth.

According to Bangladesh Bank (BB) data, Bangladesh’s textile and apparel sector received in 2017 a foreign investment of USD 421.68 million, which is 15.70% higher compared to the USD 364.44 million received in 2016.

According to BTMA data, over 86 per cent of the export earning comes from textiles and textile-related products in Bangladesh. The country has around 425 yarn manufacturing mills and around 796 fabric manufacturing mills. Here the textile sector contributes more than 13 per cent of the GDP.

Demand for quality clothing has also increased in the domestic market as wages and living standards are on the rise.

The retail market size of clothing in Bangladesh is more than USD 8 billion a year, according to industry insiders.

“This year, the demand of fabric is greater than the previous year’s. Besides, the stalls of different companies from several countries, especially China, India, Brazil, Hong Kong and Thailand, displayed different types of fabric to draw the attention of the delegates of local companies,”said Majharul Islam, manager of sales and marketing department of CEMS Bangladesh.

He was speaking about the participation of countries at the recently held Yarn & Fabric Show in Dhaka.

“The demand for fabric in the local market has increased significantly this year,” said Islam, adding that the number of stalls had increased by 30 to 40 per cent compared to last year.

“It's normal. Our exports are rising. Since the government is giving LNG supply, many more factories will come into operation and the yarn production will also grow,” said an official of the Bangladesh Garment Manufacturers' and Exporters' Association.

Commerce minister Tipu Munshi said 81.23 per cent of the total revenue came from the garments sector in the last fiscal year. “The government is working relentlessly to generate more than USD$50 billion revenue annually from this sector by 2021," he added.

A four-day long 15th Dhaka International Yarn & Fabric Show-2019 (Winter Edition) was held from January 23 to January 26 at the International Convention City (ICCB) in the capital. It was organised by CEMS Global and the Sub-Council of Textile Industry (CCPIT TEX), China.

A total of 370 international exhibitors from over 22 countries presented their fabrics, which are ready-to-use for garments, accessories, industrial use and other applications at the exhibition.

Nurnoby Hossen, assistant manager of China-based Shaozing Chunyi Modern Textile Company Limited, told The Independent that fabric consumption in the local market had increased due to higher consumption of clothing items by the people.

"We are here to exhibit our products. We have displayed three types of fabrics like Pollar fleece, Mesh, and Polly S jersey," he said.

“Last year, we got orders for around 3,000 tonnes of fabric. This year, we are expecting to get order more than last year,” he added.

An official of Purbani Yarn Dyeing Limited, a Bangladeshi company, said the demand for local yarn in the market was higher than in the previous year. “We produce around 26 tonnes of both yarn and fabric per day,” she added.

“Though the price of local yarn and fabric seems too high, the product is better than the imported one,” she said.

Md Shaharul Islam Shaharia, executive officer of China-based Bowarm Textile Company Limited, said: “We import products that are not available but have a demand in the local market.”

“Last year, we got fabric orders from local companies to the tune of around 400 tonnes. In the current fiscal year, we expect the fabric order to increase by 20–25 per cent,” he added.

Shohag, a representative of Narendra Emporis Limited of India, said they participated in the yarn and fabric expo for the first time. They were getting good response and expecting huge orders, he added.

SK Abid Mahmud, country manager of Anhui Hanlian Top Dyed Melange Yarn Company Limited, said they had several varieties of yarn. He also said there was a scope for further increase in production in the country.

Some students of the National Institute of Textile Engineering and Research (NITER) came up with their innovation in the fair.

Shahriar Shovon, a fourth-year student of the institute, told The Independent that they mainly displayed some yarn produced from waste yarns after recycling. Yarn companies do not reuse waste yarns. “We found a way to use and produce yarn from the waste yarns,” he said.

Source: theindependentbd.com- Feb 10, 2019

HOME

****

Pakistan: Cotton prices stable on renewed demand

Cotton prices remained steady on Saturday amid slow flow of buying orders originating from some needy textile spinners.

Barring a few spinners who, did not opt to import cotton, participated in trading and continued to give a steady price line generating slow to moderate business activity.

Despite short crop in both India and Pakistan, cotton prices continue to be lower and there was no major price surge which is a normal phenomenon under such situations.

Meanwhile, large textile spinning groups are currently busy in placing import orders and according to some rough estimates, 3 million bales order had been already placed. Future imports between Feb 1-Jun 30 will be customs duty and sales tax free.

According market re--ports, cotton prices in Sindh and Punjab stood in the range of Rs7,000-8,800 per maund while phutti (seed-cotton) was quoted between Rs3,000-3,500 per 40kg. Balochistan cotton was quoted at around Rs8,100 per maund and phutti at Rs3,000-3,500 per 40 kg.

The world leading cotton markets generally remained lethargic amid slow trading. The New York cotton prices fluctuated under the influence of dollar which showed an erratic behaviour. The Chinese cotton market remained closed. The Indian cotton prices were somewhat lower. The Karachi Cotton Asso-ci-ation spot rates were quoted at Rs8,600 per maund.

The following deals were reported to have changed hands on the ready counter: 400 bales from Vehari were done at Rs6,900; 400 bales, Pir Mehal, at Rs7,000; 1,000 bales, Alipur, at Rs7,800; 200 bales, Chichawatni, at Rs7,900; 400 bales, Ahmedpur East, at Rs8,000; 1,000 bales, Yezman, at Rs8,000; 100 bales, Fort Abbas, at Rs8,300 and 400 bales from Khanpur were done at Rs8,800.

Source: dawn.com - Feb 10, 2019

HOME

****

Why Bangladesh overtook Pakistan

Bangladesh is not some Scandinavian heaven. It is poor and overpopulated, undereducated and corrupt, frequented by natural catastrophes, experiences occasional terrorism, and the farcical nature of its democracy was exposed in the December 2018 elections. But the earlier caricature of a country on life support disappeared years ago.

Today, some economists say it shall be the next Asian tiger. Its growth rate last year (7.8 per cent) put it at par with India (8.0pc) and well above Pakistan (5.8pc). The debt per capita for Bangladesh ($434) is less than half that for Pakistan ($974), and its foreign exchange reserves ($32 billion) are four times Pakistan's ($8bn).

Much of this growth owes to exports which zoomed from zero in 1971 to $35.8bn in 2018 (Pakistan's is $24.8bn). Bangladesh produces no cotton but, to the chagrin of Pakistan's pampered textile industry, it has eaten savagely into its market share.

The IMF calculates Bangladesh's economy growing from $180bn presently to $322bn by 2021. This means that the average Bangladeshi today is almost as wealthy as the average Pakistani and, if the rupee depreciates further, will be technically wealthier by 2020.

Other indicators are equally stunning. East Pakistan's population in the 1951 census was 42 million, while West Pakistan's was 33.7m. But today Bangladesh has far fewer people than Pakistan — 165m versus 200m.

A sustained population planning campaign helped reduce fertility in Bangladesh. No such campaign — or even its beginnings — is visible today in Pakistan.

The health sector is no less impressive — far fewer babies die at birth in Bangladesh than in Pakistan. Immunisation is common and no one gets shot dead for administering polio drops.

Life expectancy (72.5 years) is higher than Pakistan's (66.5 years). According to the ILO, females are well ahead in employment (33.2pc) as compared to Pakistan (25.1pc).

How did West Pakistan's poor cousin manage to upstage its richer relative by so much so fast? It's all the more puzzling because Bangladesh has no geostrategic assets saleable to America, China, or Saudi Arabia. It also has no nuclear weapons, no army of significance, no wise men in uniform running the country from the shadows, and no large pool of competent professionals. At birth, East Pakistan had, in fact, no trained bureaucracy; it received just one member of the former Indian Civil Service.

None should be more surprised at these new developments than those West Pakistanis — like me — who went to school during the 1950s and 1960s and grew up surrounded by unconcealed racism. Short and dark Bengalis were reputedly good only for growing jute and rice and catching fish. They were Muslims and Pakistanis, of course, but as children we were made to imagine that all good Muslims and real Pakistanis are tall, fair, and speak chaste Urdu. We'd laugh madly at the strange-sounding Bengali news broadcasts from Radio Pakistan. In our foolish macho world, they sounded terribly feminine.

The mega surrender of 1971 made West Pakistanis eat humble pie. But, even as the two-nation theory went out of the window, the overwhelming majority was loath to change its thinking. The west wing renamed itself Pakistan, many assuming this was temporary. They said Bangladesh could never survive economically and would humbly ask to be taken back.

Others optimistically imagined that the disaster had taught Pakistan a profound lesson making change inevitable. Responding enthusiastically to the popular roti, kapra, makaan slogan, they believed Pakistan would shift from pampering its hyper-privileged ones towards providing welfare for all. Equally, it was hoped that the rights of Pakistan's culturally diverse regions would be respected. None of this happened. Instead, we simply got more of what had been earlier.

Thirsting for vengeance, Pakistan's establishment could think of nothing beyond wounded honour and ways to settle scores with India. Zulfikar Ali Bhutto's secret call for the nuclear bomb led to the famed Multan meeting just six weeks after the surrender. That centralisation of authority breeds local resentment remained an unlearned lesson. In 1973, Bhutto dismissed the NAP government in Balochistan and ordered military action, starting a series of local rebellions that has never gone away. In doing so, he re-empowered those who ultimately hanged him.

In a nutshell, Bangladesh and Pakistan are different countries today because they perceive their national interest very differently. Bangladesh sees its future in human development and economic growth. Goal posts are set at increasing exports, reducing unemployment, improving health, reducing dependence upon loans and aid, and further extending micro credit. Water and boundary disputes with India are serious and Bangladesh suffers bullying by its bigger neighbour on matters of illegal immigration, drugs, etc. But its basic priorities have not wavered.

For Pakistan, human development comes a distant second. The bulk of national energies remain focused upon check-mating India. Relations with Afghanistan and Iran are therefore troubled; Pakistan accuses both of being excessively close to India. But the most expensive consequence of the security state mindset was the nurturing of extra state actors in the 1990s. Ultimately they had to be crushed after the APS massacre of Dec 16, 2014. This, coincidentally, was the day Dhaka had fallen 43 years earlier.

Bangladesh is conflicted by internal rifts. Still, being more multicultural and liberal, its civil society and activist intelligentsia have stopped armed groups from grabbing the reins of power. Although elected or quasi-elected Bangladeshi leaders are often horribly corrupt and incompetent, they don't simply endorse decisions — they actually make them. Ultimately responsible to their electorate, they are forced to invest in people instead of weapons or a massive military establishment.

For Pakistan, these are lessons to be pondered over. CPEC or no CPEC, it's impossible to match India tank for tank or missile by missile. Surely it is time to get realistic. Shouting 'Pakistan zindabad' from the rooftops while obsequiously taking dictation from the Americans, Chinese, and Saudis has taken us nowhere. Announcing that we have become targets of a fifth-generation hi-tech secret subversion inflames national paranoia but is otherwise pointless. Instead, to move forward, Pakistan must transform its war economy into ultimately becoming a peace economy.

Source: dawn.com- Feb 09, 2019

HOME

****

NATIONAL NEWS

Indian cotton fabric, yarn exports fall due to high duties: Study

Indian export of cotton yarn to the the EU and China slumped 25% in last five years

India is lagging in cotton exports to major markets due to a duty disadvantage vis-a-vis Bangladesh, Vietnam and Pakistan, a Confederation of Indian Textile Industry (CITI) study found.

Indian export of cotton yarn to the likes of the European Union (EU) and China slumped 25% in the past five years, while fabric export fell 7%.

As per the apex chamber of Indian textiles, Indian cotton yarn exports fell to $3.4 billion in 2017-18, from $4.5 billion in 2013-14. China, the largest importer of cotton yarn, has replaced India with Vietnam and Indonesia, as they have duty-free access while Indian yarn carries a 3.5% import duty. Similarly, Indian exports of cotton yarn are subject to a 4% duty in the EU, while Vietnam and Indonesia have a 3.2% tariff and least developed countries (LDCs) get duty-free access.

CITI has suggested inclusion of cotton yarn and higher incentive for fabric — from the current 2% —in the Merchandise Exports from India Scheme, to make them competitive.

“Indian spinning mills performed well in exports in 2013-14, when cotton yarn was covered under schemes such as 2% incremental export incentive, 2% interest subvention and 3% focus market incentive.

The sector could penetrate markets other than China,” said Sanjay K Jain, chairman, CITI. However, withdrawal of these incentives left the mills high and dry.

The industry, said Jain, is forced to sell cotton yarn at lower prices due to a surplus. In case of fabric, Indian exports are levied 8-10% duties, which is 6.4% maximum for other exporting countries.

As per the CITI analysis, India's raw cotton is going to various markets at zero duty instead of being converted to yarn or fabric, resulting in loss of employment and foreign exchange. India exported $1.9 billion of raw cotton in 2017-18.

"The fall in cotton yarn and fabric exports is impacting the entire value chain — from farmers to spinners, weavers and knitters. There is considerable exportable surplus but we are not able to be overcome the tariff disadvantage despite being competitive in both spinning and weaving," Jain added.

Source: economictimes.com- Feb 10, 2019

HOME

****

India, Peru to hold next round of FTA talks in March in Lima

India and Peru will hold the next round of negotiations for a proposed free-trade agreement (FTA) in the South American nation next month, a move aimed at boosting two-way commerce between the countries, an official said.

"Officials from the commerce ministry will visit Lima, capital of Peru, in March for the fourth round of negotiations. It is scheduled to begin from March 11," the official said.

The third round of talks concluded last month here. The main chapters of the trade agreement include market access for goods, trade in services, movement of professionals, investments, dispute settlement, technical barriers to trade, trade remedies, rules of origin of goods, customs procedures and trade facilitation.

In an FTA, two countries significantly reduce or eliminate duties on most of the goods traded between them besides relaxing norms and rules to promote trade in services and increase bilateral investments.

With growing uncertainties in its traditional markets, including the US and Europe, India is looking to enhance engagements with other regions such as Africa, South America and Central Asia.

The Federation of Indian Export Organisations (FIEO) said Peru holds huge potential for exports and investments for domestic exporters and businesses. "The FTA would help boost our exports.

South American markets such as Peru hold huge export potential for India. The only issue is logistics cost, which the FTA should look into to facilitate shipments," FIEO President Ganesh Kumar Gupta said.

He said India should also look at increasing investments in these regions.

Peru ranked third among export destinations for India in the Latin America and Caribbean (LAC) region.

The bilateral trade between the nations increased to USD 3.13 billion in 2017-18 from USD 1.77 billion in the previous fiscal.

Among the top-10 commodities that India exports to Peru are motor vehicle, cars, products of iron and steel, cotton yarn and fabrics. While the imports include bulk minerals and ores, gold, fertilisers, crude oil and zinc.

Source: timesofindia.com- Feb 10, 2019

HOME

****

MEA will help textiles ministry to promote silk in global markets: Swaraj

The textiles ministry distributed machines to weavers in order to eradicate thigh reeling practice in tasar silk sector

External Affairs Minister Sushma Swaraj on Saturday assured that the textiles ministry to provide all support for promoting silk in global markets.

Swaraj said that silk is a strong commodity and there is huge demand for it in the international markets.

"I assure you that the ministry of external affairs will become a facilitating ministry" to take silk to global markets, she said at a textile ministry function - Surging Silk.

"You increase production, market is there," she added.

Talking about the popularity of India made silk saree, Swaraj said her counterparts during the United Nations General Assembly meetings, often ask about the wide variety of colour, pattern and different designs of these fabrics.

The textiles ministry distributed machines to weavers in order to eradicate thigh reeling practice in tasar silk sector and to ensure rightful earning to the rural and tribal women reelers. On the target of eradicating thigh reeling and replace it with 'Buniyaad' reeling machine by end of March 2020, Swaraj said the ministry should strive for eliminating this practice this year only by distributing these equipment.

Further, she said that there could be political differences between Andhra Pradesh and Telangana, but the mulbery silk award today, brought the two states on a single platform.

Speaking at the function, Textiles Minister Smriti Zubin Irani said that silk production has increased by 41 per cent since 2013-14.

During the event, best achievers in silk industry across various segments of sericulture were honoured. Awards were also given to the best performing states. A mobile application was also launched for quality certification in silkworm seed sector.

India's silk production capacity is expected to reach about 38,500 tonnes by 2020 from the current level of 32,000 tonnes. Increasing production will help in reducing imports.

India is the second largest producer of silk after China and the largest consumer of silk.

Source: business-standard.com- Feb 09, 2019

HOME

****

Hiring, production outlook to improve in manufacturing sector in Q3: Survey

Ficci's latest Quarterly Survey on Manufacturing presents a better outlook for hiring and production, the industry body said in a statement.

The cost of production as a percentage of sales for manufacturers in the survey has risen for 77 per cent respondents.

Hiring and production outlook is expected to be better, while exports will be affected due to global demand factors in manufacturing sector in October-December this fiscal, said a Ficci survey.

Ficci's latest Quarterly Survey on Manufacturing presents a better outlook for hiring and production, the industry body said in a statement.

The survey portrays a better outlook for the manufacturing sector in Q-3 (October-December 2018-19) as the percentage respondents reporting higher output growth during the third quarter was 54 per cent as compared to 47 per cent in the same period previous fiscal.

The percentage of respondents reporting low production was only 13.5 per cent in Q-3 2018-19 as compared to 15 per cent in Q-3 of 2017-18.

Similarly, on hiring front the outlook for the sector seems to have slightly improved for near future. While in Q-3 of 2017-18, 70 per cent respondents mentioned that they were not likely to hire additional workforce, this percentage has come down to 65 per cent for Q-3 of 2018-19. It is expected that hiring scenario will improve further, noted the Survey.

The study assessed the sentiments of manufacturers for Q-3 this fiscal, for eleven major sectors namely automotive, capital goods, cement and ceramics, chemicals, fertilizers and pharmaceuticals, electronics & electricals, leather and footwear, metal & metal products, paper products, textiles, textile machinery and tyre.

Responses have been drawn from over 300 manufacturing units from both large and SME segments with a combined annual turnover of over 2.2 lakh crore.

In terms of order books, 43 per cent of the respondents in October-December 2018 are expecting higher number of orders as against 42 per cent.

The outlook for exports is somewhat stable as 36 per cent of the participants are expecting a rise in exports for Q-3 2018-19 and 32 per cent are expecting exports to continue on same path as that of same quarter last year, observed the survey.

However, it said the rupee depreciation has not led to any significant increase in exports as 78 per cent of the respondents reported that the exports were not affected much by rupee depreciation. Thereby, emphasizing that there were other global factors that are restricting growth of our exports.

The survey also said that the overall capacity utilisation in manufacturing remains low at 75 per cent in Q3. The average capacity utilization for the manufacturing sector in the last few quarters has been around 75 per cent only.

High raw material prices, cost of finance, uncertainty of demand, shortage of skilled labour, high imports, requirement of technology upgradation, excess capacities, delay in disbursements of state and central subsidies are some of the major constraints which are affecting expansion plans of the respondents.

In sectors like automotive, capital goods, leather and footwear and textiles machinery average capacity utilisation has either increased or remained almost same in Q3 of 2018-19 as compared to Q2 2018-19.

For sectors such as Chemicals, Fertilizers and Pharmaceuticals, Cement and Ceramics, Electronics & Electricals, Metals & Metal Products, Paper Products and Textiles the capacity utilisation has fallen in Q-3 2018-19 vis-a-vis Q-2 2018-19.

As much as 86 per cent of the respondents maintained either more or same level of inventory, which is slightly higher as compared to 83 per cent in the previous quarter but less than 90 per cent as was the case in Q-3 of 2017-18. This has been due to low domestic and export demand.

The cost of production as a percentage of sales for manufacturers in the survey has risen for 77 per cent respondents. This is significantly higher than 62 per cent for Q-3 of 2017-18. This is primarily due to increased cost of raw materials, wages, power cost, rising crude oil prices, increase in finance cost and rupee depreciation.

Source: economictimes.com- Feb 10, 2019

HOME

****

India's exports to China set to touch record high as market access widens

Beijing's spat with US, removal of trade hurdles with New Delhi spur growth

India's export to China is expected to reach an all-time high this fiscal with the US-China trade spat creating new opportunities for exporters and Beijing removing some trade barriers in its effort to check the growing bilateral trade imbalance.

The growth is driven by marine products, organic chemicals, plastics, petroleum products, grapes and rice, according to an official release of the Commerce Ministry.

"India's exports to China have grown after several years. India is poised to achieve its highest ever exports to the country this fiscal. Between April and December 2018, exports were $12.7 billion which is closer to last year's exports of $13.33 billion," the release said.

New Delhi, however, believes that more efforts are required for greater market penetration in China. "India is hopeful of soon signing protocols for export of Indian soyabean meals, cakes and pomegranates to China in the near future, as these are in advanced stages of discussion," the release added.

Discussions are on with the Chinese for early announcement of import quotas for sugar and rice for 2019 so that Indian exporters are able to plan their exports well in time, it said.

India's trade deficit with China was a huge $63 billion in 2017-18, which was more than a third of the country's total trade deficit, with exports to China at $13.3 billion and imports from the country at $76.38 billion.

Acknowledging the need to take steps to check the deficit, China signed three export protocols — on rice, fishmeal and tobacco — to allow imports of the three items.

New Delhi is hopeful that the new protocols being discussed would boost India's exports further and rein in the deficit.

Discussions are also on for early announcement of Chinese import quotas for sugar and rice for 2019 so that Indian exporters are able to plan their exports well in time.

Making the most of the US-China trade dispute, the Department of Commerce took the initiative to identify and share with Indian exporters and other stakeholders, specific lines where the US will lose competitiveness in China and where India had an export potential, according to the release.

Source: thehindubusinessline.com- Feb 08, 2019

HOME

****

India hopes to sign FTA with EU in 'foreseeable future'

The government on Friday expressed hope that it would be able to sign a free trade agreement with the European Union (EU) in the "foreseeable future".

"We will find the necessary balance between ambition and sensitivity in the foreseeable future to have trade agreements with various countries including the EU...The FTA will happen soon I am sure," Commerce Secretary Anup Wadhawan said on the sidelines of the National standards conclave organised by the commerce ministry and CII.

Asked if auto is the only concern, he declined to elaborate but said that auto component is one of the few sectors something which is at the cutting edge of global standard and "we have to virtual find a way forward."

He also added that the EU has expressed some concerns about India's service sector. Wadhawan seemed optimistic about India surpassing the export level that had peaked during 2013-14.

"We will reach a peak level this year. Our exports had peaked at USD 314 billion in 2013-14 and I think we will go past that peak," he said. In 2013-14, the country's merchandise exports touched USD 314.4 billion level. After that, exports came under immense pressure again due to global slowdown.

On the agriculture exports showing inactivity, he said, "food exports stagnated a bit because of price issues. Global commodity prices have fallen but the volumes have not come down. The quantities are still rising. We export over USD 40 billion worth of agriculture products. We are the largest exporters of rice in the world."

The third quarter showed a slowdown in exports but the secretary attributed it to the global prices.

"Petroleum prices are coming down. Our exports are 15 per cent petroleum products and that 15 per cent is lagging. Agriculture commodity prices have come down worldwide and agriculture export is about USD 40 billion out of over USD 300 billion. So all the pressures are there and the global slowdown is coming so that will obviously have its effect," he said.

He added that certain categories like grapes have recorded a huge jump on the back of the trade war between China and US.

Asked how free trade and opening up of borders would materialise in future when global giants US and China are at loggerheads, he said,"I am sure better sense will prevail at a global level and countries will not destabilise the WTO."

It is a very very useful framework, a very useful set of rules which brings some order and predictability to global trade, so I am sure the world community and the community of nations will not allow the WTO to be disrupted, he said.

Source: deccanchronicle.com- Feb 08, 2019

HOME

****

On GST Council table: Tax relief for real estate, duty relaxation for exporters

The proposal was discussed in 26th GST Council meeting in March last year and since many technical, legal and administrative issues were identified, its implementation was put on hold.

Duty relaxation for exporters and a tax relief package for the real estate sector are likely to be discussed at the next meeting of the GST Council, which is expected to meet once before the model code of conduct kicks in ahead of the Lok Sabha elections.

Targeting the steady erosion of export competitiveness across segments, which is especially telling in labour intensive sectors such as textiles and garments, the Centre is readying a proposal for a duty drawback like scheme under the Goods and Services Tax (GST) regime that could comprehensively compensate exporters for embedded taxes.

Also, a ministerial panel set- up last month to analyse tax issues faced by the real estate sector under the GST regime is set to make a strong push for lower tax rates for under-construction residential properties and the affordable housing segment.

Currently, under the GST regime, compensation for taxes other than the basic customs duty (BCD) is not given to exporters, which ends up eroding their competitiveness. Officials involved in the exercise confirmed that the duty drawback scheme is being readied after a letter from the Directorate General of Foreign Trade (DGFT) to the Central Board of Indirect Taxes & Customs sought relief on this count.

After this, a proposal has been sent to the GST Policy Wing for a duty drawback like scheme under GST. GST officials are also discussing contours of the proposed e-wallet scheme for exporters, which was put on hold for six months until October last year.

“A scheme to provide more sops for exporters such as some relief on the front of additional levy is being worked on. It would be more clarificatory in nature aimed at freeing up the working capital of exporters,” said a government official, adding that the existing export incentive scheme Merchandise

Export from India Scheme (MEIS) could be tweaked to give some more sops to exporters.

The Commerce Ministry has been pushing for more relief to exporters including the e-wallet scheme but the Finance Ministry has raised some concerns about the possible misuse by some fly-by-night exporters, said another official. An inter-ministerial meeting regarding the e-wallet scheme for exporters has been scheduled for next week.

The e-wallet scheme or electronic e-wallets will be credited with notional or virtual currency by the DGFT. This notional/virtual currency will be used by the exporters to make the GST/IGST payment on goods imported by them so their funds are not blocked.

The proposal was discussed in 26th GST Council meeting in March last year and since many technical, legal and administrative issues were identified, its implementation was put on hold.

"It will monitor the track record of the exporter and provide relief on taxes paid on inputs. Last time, the discussion stalled as there were concerns about the availment of credit and the exporter having an edge over others since his working capital will be free compared to other exporters," an official said.

Meanwhile, the Group of Ministers (GoM), under Gujarat Deputy Chief Minister Nitin Patel, set up last month to analyse tax rates and challenges being faced by the real estate sector under the GST regime is leaning in favour of lower rates for under-construction residential properties.

The panel has favoured lowering the GST rate on under-construction residential properties to 5 per cent (without input tax credit) from the present rate of 12 per cent with input tax credit (after abatement of land) and for affordable housing to 3 per cent from the current rate of 8 per cent.

Source: indianexpress.com- Feb 09, 2019

HOME

****

How automation is creating disruptions in the textile industry

Man's tryst with machine began in the late 18th century Britain in the wake of the Industrial Revolution. One of the main industries that were transformed completely during this time was the textile industry. Prior to the advent of machines and factories, most of the manufacturing took place in local homes. However, a series of innovations such as the Flying Shuttle, Spinning Jenny and finally the Sewing-Machine paved the road for mass-produced clothing.

Fast forward to 2019; with the 4th Industrial Revolution dawning upon us, automation continues to cause major disruptions in the textile industry. From fibre manufacturing to spinning, knitting, weaving, dyeing, and the final assembly, the adoption of automation has helped this sector tremendously in terms of productivity, efficiency and quality. Even the packaging is now done by machines. In addition to all of this, the introduction of modern technologies has reduced the labour cost significantly, enabling merchandisers to save thousands of dollars.

Akshay Jaipuria, Partner at Vaya Home says that the turning point in the textile industry came when SoftWear Automation launched LOWRY, a sewing robot or sewbot, which is capable of making as many as 1,142 t-shirts within just 8 hours. Needless to say, the rise of automated sewing has attributed to the textile industry's growth.

While some concerns have been raised regarding job losses and machines replacing the human workforce, technology has made its presence felt in the textile manufacturing process as well as the garment making process. Apart from improved production rate, the arrival of automated machines in the textile industry has also allowed a safer work environment.

Today, various processes such as cotton picking and ginning, which were manual earlier, have been automated. Cotton fibre tests now can be carried out in seconds thanks to the High Volume Instrument (HVI) system. Automation has also been achieved in spinning with the development of machines like ring spinning, air-jet spinning, rotor spinning and Vortex spinning among others. Moreover, automation has made it possible to get an uninformed yarn quality using the yarn fault detection system.

Other sectors in the textile industry including weaving, dyeing and garment have also evolved after the incorporation of shuttleless looms, robotic handling devices and ERP systems.

"Automation has enabled the textile industry to increase the productivity by multiple times that too at a much lower cost. As we move towards the future, more advancements are expected to take place to reduce the power requirement of textile machinery, increasing their speed and efficiency. And it's only a matter of time before the textile industry becomes fully automated," said Jaipuria.

Man's tryst with machine began in the late 18th century Britain in the wake of the Industrial Revolution. One of the main industries that were transformed completely during this time was the textile industry. Prior to the advent of machines and factories, most of the manufacturing took place in local homes. However, a series of innovations such as the Flying Shuttle, Spinning Jenny and finally the Sewing-Machine paved the road for mass-produced clothing.

Fast forward to 2019; with the 4th Industrial Revolution dawning upon us, automation continues to cause major disruptions in the textile industry. From fibre manufacturing to spinning, knitting, weaving, dyeing, and the final assembly, the adoption of automation has helped this sector tremendously in terms of productivity, efficiency and quality. Even the packaging is now done by machines. In addition to all of this, the introduction of modern technologies has reduced the labour cost significantly, enabling merchandisers to save thousands of dollars.

Akshay Jaipuria, Partner at Vaya Home says that the turning point in the textile industry came when SoftWear Automation launched LOWRY, a sewing robot or sewbot, which is capable of making as many as 1,142 t-shirts within just 8 hours. Needless to say, the rise of automated sewing has attributed to the textile industry's growth.

While some concerns have been raised regarding job losses and machines replacing the human workforce, technology has made its presence felt in the textile manufacturing process as well as the garment making process. Apart from improved production rate, the arrival of automated machines in the textile industry has also allowed a safer work environment.

Today, various processes such as cotton picking and ginning, which were manual earlier, have been automated. Cotton fibre tests now can be carried out in seconds thanks to the High Volume Instrument (HVI) system. Automation has also been achieved in spinning with the development of machines like ring spinning, air-jet spinning, rotor spinning and Vortex spinning among others. Moreover, automation has made it possible to get an uninformed yarn quality using the yarn fault detection system. Other sectors in the textile industry including weaving, dyeing and garment have also evolved after the incorporation of shuttleless looms, robotic handling devices and ERP systems.

“Automation has enabled the textile industry to increase the productivity by multiple times that too at a much lower cost. As we move towards the future, more advancements are expected to take place to reduce the power requirement of textile machinery, increasing their speed and efficiency. And it’s only a matter of time before the textile industry becomes fully automated,” said Jaipuria.

Source: deccanchronicle.com- Feb 08, 2019

HOME

****

A rescue plan for liquidity-hit MSMEs

DeMo and GST have wrongly criminalised unaccounted MSME funds, which lie frozen in banks. These funds should be released

The epochal GST was expected to boost manufacturing, capex, employment, tax revenue and formalisation of the informal sector.

However, these objectives remain mostly unrealised due to disruptions in circulation of unaccounted/informal business capital/working funds following demonetisation and GST.

History shows that major macroeconomic disturbances are associated with disruptions in financial flows. Slowdown caused by such disruptions are painful and long drawn out. Widespread inter-firm payment delays/defaults and low bank credit confidence transmit liquidity shocks across businesses.

Firms and farms are experiencing a liquidity gridlock-led recessionary trend despite the volume of currency in circulation, bank credit and deposits being higher than their pre-demonetisation levels.

Narrow liquidity view

The general understanding of liquidity is bank-centric. However, over 94 lakh business units' income tax return data for FY 2014 show banks' financing covered about one-third of their total turnover. Taking into account turnover of firms below the taxable slab and unaccounted transactions, more than two-thirds of business financing is through non-bank finance channels (NFCs).

Anecdotally, only 5-10 per cent of MSMEs avail themselves of bank credit. NFCs are lenders-of-last-resort for MSMEs/unorganised businesses.

Banks' excess liquidity holding in SLR, large financial investment/liquidity holdback by financially sound firms, and flight to safety and security have created a liquidity mismatch in the financial system. This aggravates the liquidity crisis.

As such, bank-centric liquidity-enhancing measures alone will have very limited impact.

GST impact

The common explanation offered by businesses for the widespread slowdown is acute shortage of liquidity in terms of formal business capital to finance GST transactions. Available, unaccounted business capital cannot finance these.

This mismatch arising from disruption in circulation of unaccounted business capital/funds is creating unprecedented liquidity crisis across businesses. This capital carries the stigma of black money. Its use in formal transactions carries risk and fear of income tax scrutiny, harassment and retrospective tax.

Financing of numerous day-to-day formal business transactions has been hit. This aspect should have been considered while implementing GST.

Unrealistic treatment of this capital on par with black money under voluntary income disclosure schemes disincentivised its conversion into formal money. Who will pay high penalty rates for the survival/livelihood capital, so essential to run a business?

Many small firms accumulate business capital over the years out of incomes which may fall below the tax-paying slab. Tax-evasion at the individual business level becomes a necessity due to prevailing industry practices and tax evasion by competitors.

But rather than earning higher unaccounted income, stiff competition generally forces the entrepreneur to pass on gains from tax evasion into lower prices. In general, MSMEs/small traders don’t earn a fair economic return on the present value of their investment.

Further, during demonetisation, a part of unaccounted business capital got deposited in bank accounts with relaxed KYC norms. Now, with withdrawal requiring full KYC compliance and subsequent monitoring, including a trail of its uses, by income tax authorities, there have been other consequences. A part of this business capital remains invested in bank deposits. This adds to reduction in funds’ availability for businesses.

A way out

The Prime Minister’s repeated call for formalisation of MSMEs, his support mission for the unorganised sector and assurance against non-scrutiny of their past business records can work only if the conversion of this unaccounted capital but earned from legitimate business activities is formalised with a low penalty.

It is an imperative for policymakers to appreciate that this money cannot be treated at par with black income generated through a dubious manner, or by indulging in anti-social/anti-national activities.

Low penalty is thus justified. Most businesses prefer to do clean and hassle-free business under GST. Restoring full circularity of business funds increases velocity of money. This boosts liquidity, businesses’ confidence and activities.

Without this, businesses face a recession triggered by a liquidity crunch. However, survival instinct forces businesses to game the GST system. This has already started. It dents GST's objectives of formalisation of transactions and higher tax revenue.

Draft proposal

- Conversion of business capital in the forms of unaccounted cash/bank deposits into formal funds may be allowed to GST-registered firms only with 10-20 per cent progressive penalty structure.
- Conversion may be restricted to deposits up to ₹2 crore. This may facilitate a business to have an annual turnover of ₹8-10 crore with four to five working capital cycles in a year. It may cover a majority of the firms.
- Nitty-gritties of the scheme, penalty rates and conversion amount can be fine-tuned/changed after discussions with trade and industry. This will enormously help businesses to increase their business under GST.
- Employment will increase. Tax revenue may surpass the estimates. It must be recalled that in the past this money was used in financing economic activities.
    - To bring informal businesses under GST, it would be practical to have such a scheme with the following indicative conditions:
    - All the unaccounted funds/cash holdings/bank deposits of a business need to be deposited in a designated current account of a bank linked to business activities under GST;
    - The deposit can be used for business transactions only;
    - A graded penalty upfront on the total declared deposits/cash may be imposed; example, 10 per cent up to ₹50 lakh and 20 per cent for ₹50 lakh to ₹2 crore.

No doubt, some black money may flow in under the scheme. However, the saving grace is that this money will then be used for productive purposes. It may be considered a small evil to achieve larger national goals in terms of business growth, employment and formalisation of business transactions.

Advantages of the move

- The supply chain financing network can be boosted without loss of time.
- Transmission of liquidity and late payment shocks are controlled.
- Revival of the unorganised sector will be faster, steady and efficient.
- Increased funds flow helps in better farm prices. Earlier use of informal funds in purchasing of farm output by millions of traders/grain merchants during harvest time and selling these during lean season did help in holding the price-line.
- GST revenue will leapfrog with steady growth in turnover.
- Formalisation of business transactions will be easy, faster and widespread.
- Higher growth will mitigate NPA problems and lead to better NPA asset value.
- Drastic reduction in transaction velocity of money leads to widespread depression. This will be reversed.

Source: thehindubusinessline.com- Feb 10, 2019

HOME

****