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IBTEX No. 144 of 2018 July 11, 2018

USD 68.84| EUR 80.73 | GBP 91.29 | JPY 0.62

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
22278	46600	**86.49**

Domestic Futures Price (Ex. Gin), July

Rs./Bale	Rs./Candy	USD Cent/lb
22730	47546	**88.25**

International Futures Price

NY ICE USD Cents/lb (Dec 2018)	86.02
ZCE Cotton: Yuan/MT (Jan 2019)	15,775
ZCE Cotton: USD Cents/lb	**91.93**
Cotlook A Index – Physical	**92.85**

Cotton guide: Market had taken little breather in last two days; some of the asset classes recuperated from the lows but all of sudden new episode from Mr. Trump on having extra tariff on Chinese goods have shaken the entire world trade. This morning the Asian equity markets are in red down by nearly 2%, Commodities are down in the range of 2 to 4%, Bond yields have declined especially US and Australia and some of the currencies are also trading weak.

No respite to cotton market. The ICE December future that posted a very positive close on Tuesday at 86.38 cents is also down by 1.60% this morning and trading below 85 cents per pound. In the similar lines the ZCE cotton is also trading lower.

The macros have again become depressed and likely that the new episode will continue to weigh on most of the markets next few days. For detailed report please connect with Kotak Commodities Research Desk.

Currency Guide:

Indian rupee trades little changed near 68.82 levels against the US dollar. Weighing on rupee is weakness in global equity markets amid intensifying trade war worries. US President Trump's decision to announce additional tariffs on China has dented risk appetite.

The US dollar index is also supported by optimism about US economy and Fed's monetary tightening outlook. However, supporting rupee is correction in crude oil price on reports that US may give exemptions to some countries from sanctions on Iranian oil.

Rupee has managed to hold below 69 levels however we expect some weakness on general weaker risk sentiment and stability in US dollar against major currencies. USDINR may trade in a range of 68.65-69 and bias may be on the upside..

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	Trade war: US lists next USD 200 bn Chinese goods to face tariffs
2	China Producer Inflation Hits 6-Month High, Limited Tariff Impact so Far
3	USA: Retail Cargo Imports to Set Record in July Even as Tariffs Take Effect
4	Levi Strauss Enjoys Another Quarter of Global Growth
5	Sourcing Shifts Take Hold in Denim Amid Trade Conflicts
6	Uzbekistan, Germany strengthen textile cooperation
7	Vietnam, RoK see bright prospects in textiles partnership
8	Nepal's SEZ authority to operate GPZ within next fiscal
9	Egyptian cotton exports rises 37 per cent
10	Pakistan: Buyers remain eager for second grade of lint amid firm physical prices
11	Italian denim brand Replay partners with Reliance Brands
12	Bangladesh may lose duty free access on RMG exports
13	Without value-addition, Pakistan’s exports unlikely to go north or even close
	NATIONAL NEWS
1	India, S. Korea set sights on $50-billion trade
2	India imposes anti-dumping duty on Chinese polyester yarn
3	GST Council unveils draft of changes proposed to GST law
4	More business-friendly: Govt proposes clutch of amendment to GST law
5	Cotton sowing only in 45% area so far on less rains: CAI
6	Indian company gets the nod to import GMO cotton seeds
7	Govt allotted Rs 40 crore to help handloom weavers: Manian

INTERNATIONAL NEWS

Trade war: US lists next USD 200 bn Chinese goods to face tariffs

The United States today announced it was starting the process to slap 10 per cent tariffs on another USD 200 billion in Chinese export goods as soon as September, escalating the trade war between the world's two largest economies.

President Donald Trump vowed to hit back on a growing list of products after China retaliated in kind for the first round of 25 per cent tariffs on USD 34 billion worth of imports that Washington imposed last week. If he goes ahead it would mean thousands of products from fish to chemicals, metals and tires would face new taxes.

US Trade Representative Robert Lighthizer said Washington did a thorough investigation to justify imposing tariffs on USD 50 billion worth of imports to compensate for the harm to the US economy caused by China's unfair trading practices, including theft or forced transfer of American technology. But China has rebuffed US complaints and denied any harm was done to US companies, and instead retaliated "without any international legal basis or justification," Lighthizer said.

"As a result of China's retaliation and failure to change its practices, the president has ordered USTR to begin the process of imposing tariffs of 10 per cent on an additional USD 200 billion of Chinese imports," he said in a statement. USTR will hold hearings in late August on the list of targeted products, and an administration official said it would take about two months to finalize, at which point Trump would decide whether to go ahead with the tariffs.

The goal is to bring the total amount of Chinese imports up to 40 per cent of the total imported from the Asian power, since the US products hit by Beijing's retaliation represent that share of exports, an official told reporters in a conference call. This dispute comes alongside the US confrontation with other allies and major trading partners including Canada, Mexico and the European Union, for the steep tariffs imposed on steel and aluminum. Those nations also have retaliated.

The trade confrontation between Washington and Beijing has been escalating for months, despite Trump's repeated statements that he has a good relationship with China's President Xi Jinping. China accused the US of starting "the largest trade war in economic history," after the first round of tariffs took effect last week.

But Trump has said continuously that China has taken advantage of the US economy, and he has vowed to hit nearly all the country's products with tariffs, as much as USD 450 billion. The US trade deficit in goods with China ballooned to a record USD 375.2 billion last year, stoking his anger over trade policies.

For now, the USTR continues to work on the process of finalizing an additional USD 16 billion in goods to face 25 per cent tariffs to bring the total up to USD 50 billion.

Beijing has vowed to retaliate dollar-for-dollar. The new list of goods to face 10 per cent punitive duties includes frozen meats, live and fresh fish and seafood, butter, onions, garlic and other vegetables, fruits, nuts, metals, and a massive list of chemicals, as well as tires, leather, fabrics, wood and papers.

The officials said they tried to target goods that would reduce the harm to US consumers. They also said they remain open to working with China to try to resolve the dispute, but the response from Beijing so far has been unsatisfactory.

"For over a year, the Trump Administration has patiently urged China to stop its unfair practices, open its market, and engage in true market competition,"Lighthizer said.

"Unfortunately, China has not changed its behaviour." But he added that "the United States is willing to engage in efforts that could lead to a resolution of our concerns."

Source: financialexpress.com- July 11, 2018

HOME

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China Producer Inflation Hits 6-Month High, Limited Tariff Impact so Far

China's producer inflation accelerated to a six-month high in June, lifted by strong commodity prices and threatening to put more pressure on the country's exporters as a trade war escalates between Washington and Beijing.

Annual consumer inflation also edged up as food prices rose at a faster pace, official data showed on Tuesday. But retail price pressures remain modest, allowing the central bank to remain more focused on ways to support the slowing economy.

The United States and China slapped tariffs on $34 billion worth of each others' goods last week, fuelling fears of a prolonged battle that would hurt global investment and growth, damage U.S. farm exports and potentially drive up food prices in China.

The producer price index (PPI)—a gauge of industrial profitability—rose by a stronger-than-expected 4.7 percent in June from a year earlier, compared with a 4.1 percent increase in May, according to the National Bureau of Statistics (NBS).

China's producer inflation has now picked up for three months in a row after easing in late 2017, though month-on-month growth dipped to 0.3 percent in June.

Analysts polled by Reuters had expected June producer inflation would pick up to 4.5 percent, buoyed by a recent recovery in global commodity prices.

June's price gains were driven by increases in oil and gas production, coal mining, metals and chemicals processing and manufacturing sectors.

With oil prices up, China on Monday raised retail gasoline prices by the most since December 2016.

The higher prices have helped fuel a jump in earnings, with profits at China's industrial firms growing at a sizzling pace in May, but some analysts say the latest gains would have less of an impact on profits.

“Unlike the broad based pick-up in PPI last year, the recent rebound has been more narrowly driven by oil prices and so is less supportive of corporate profits,” Julian Evans-Pritchard, Senior China Economist at Capital Economics, wrote in a note.

The jump in prices of resources such as oil and steel has benefitted producers but raised input costs for manufacturers like exporters which are further along supply chains. Business surveys show Chinese manufacturers are already reporting softer export orders as the trade row deepens.

Few signs of tariff impact for consumers yet

There are few signs in official data that tariff jitters are percolating through to most Chinese consumers just yet.

The consumer price index (CPI) rose 1.9 percent in June from a year earlier, in line with expectations for a slight pick-up from May’s gain of 1.8 percent. On a month-on-month basis, the CPI fell 0.1 percent.

The core consumer price index, which strips out volatile food and energy prices, was unchanged at 1.9 percent in June.

The food price index rose 0.3 percent from a year earlier, after ticking up 0.1 percent in May. Non-food prices rose 2.2 percent, compared with 2.2 percent growth a month earlier.

Still, investors are closely watching for signs of any upward price pressure from American retail goods hit by higher Chinese duties, ranging from pet food to mixed nuts and whiskey.

German automaker BMW said on Friday that it will have to raise prices on U.S.-made models that are imported by China.

Tesla has raised prices on its Model X and S models sold in China by more than $20,000, automotive news website Electrek reported on Monday.

But analysts believe retail price rises will likely be limited, capped by higher borrowing costs and waning domestic demand.

"We believe the government is likely to introduce special measures such as returning the charged 25 percent tariffs on some agricultural products to importers," economists at Nomura said in a note.

China has set an inflation goal of 3 percent for 2018, the same as last year.

Some analysts think a shift in monetary policy towards loosening is already underway.

The central bank pumped more cash into the economy by cutting reserve requirements for banks this month, and regulators have told lenders to lower borrowing costs for smaller companies.

"We still think that a broader easing of price pressures on the back of slower domestic activity will help keep inflation subdued, giving the People's Bank ample room to further loosen monetary policy in the coming months," wrote Evans-Pritchard.

Source: sourcingjournal.com- July 10, 2018

HOME

****

USA: Retail Cargo Imports to Set Record in July Even as Tariffs Take Effect

Driven by increased consumer demand and strong retail sales, imports at the nation's major retail container ports are expected to set a new record this month even as new tariffs on goods from China went into effect, according to the monthly Global Port Tracker report released Monday by the National Retail Federation and Hackett Associates.

"Retailers cannot easily or quickly change their global supply chains, so imports from China and elsewhere are expected to continue to grow for the foreseeable future," Jonathan Gold, vice president for supply chain and customs policy at NRF, said.

"As tariffs begin to hit imported consumer goods or the parts and equipment needed to produce U.S. goods, these hidden taxes will mean higher prices for Americans rather than significant changes to international trade."

However, on Friday, the Commerce Department's Office of Textiles & Apparel reported that U.S. textile and apparel imports from China fell 2.2% to $2.92 billion worth of goods in May, compared to a year earlier. Apparel imports were hit the hardest, falling 2.23% to 805 million square meter equivalents in the month compared to May 2017, while textile imports from China were down 0.2% in value to $1.12 billion.

Commenting onto the imposition of U.S. tariffs on $34 billion in Chinese products that took effect on Friday, Hackett Associates founder Ben Hackett said, "July 6 was the beginning of the United States' trade war. There will be no winners, only losers–particularly consumers–as costs increase."

As the wave of summer merchandise began to arrive, ports covered by Global Port Tracker handled 1.82 million Twenty-Foot Equivalent Units in May, an 11.6% increase from April and up 4.3% from a year earlier. A TEU is one 20-foot-long cargo container or its equivalent.

June cargo shipments are estimated at reach 1.83 million TEU, up 6.8% year-over-year, while July imports are seen increasing 3.8% to 1.87 million TEU. Heading into back-to-school and earlier fall goods arriving, August shipments are predicted to rise 4.2% to 1.91 million TEU, with September imports growing 2.1% to 1.82 million TEU, October's increasing 5.3% to 1.89 million TEU and November's climbing 2.6% to 1.81 million TEU.

The June number tied the record of 1.83 million TEU imported during a single month set in August 2017 and the forecast for July would break that record, while August should set yet another record, the report noted. While cargo numbers do not correlate directly with sales, the record imports mirror strong results seen by retailers this spring and expectations of continued growth through the remainder of the year, it added.

Retail sales calculated by NRF, excluding automobiles, restaurants and gasoline stations, were up 5.6% year-over-year in May and 4.6% on a three-month moving average. NRF is forecasting that total 2018 sales will be up between 3.8% and 4.4% over 2017.

Retail cargo imports in the first half should reach 10.3 million TEU, an increase of 4.9% over the first half of 2017. The total for 2017 was 20.5 million TEU, 7.6% more than 2016's previous record of 19.1 million TEU.

Global Port Tracker covers the U.S. ports of Los Angeles-Long Beach and Oakland, Calif., and Seattle and Tacoma, Wash., on the West Coast; New York-New Jersey; Port of Virginia, Charleston, S.C.; Savannah, Ga., and Port Everglades, Miami and Jacksonville, Fla., on the East Coast, and Houston on the Gulf Coast.

Source: sourcingjournal.com- July 10, 2018

HOME

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Levi Strauss Enjoys Another Quarter of Global Growth

Levi's Strauss & Co.'s (LS&Co.) Q2 performance even surprised the company itself.

LS&Co. is reaping the benefits of being an iconic name, both domestically and globally.

The company reported Tuesday that Q2 revenues increased 17 percent, driven by growth in both its wholesale and direct-to-consumer segments. In the Americas, the company saw sales increase 11 percent, in Europe 19 percent and in Asia 9 percent.

As a result, the San Francisco-based company raised its guidance to 8 percent to 10 percent in constant currency terms.

Sales: Net revenues increased 17 percent on a reported basis and 13 percent excluding $35 million in favorable currency translation effects, driven by Levi's brand growth in all regions and channels. Direct-to-consumer revenues from both online and brick-and-mortar grew 19 percent.

The company had 53 more company-operated stores at the end of the second quarter of 2018 than it did a year prior. Wholesale reported revenues grew 14 percent reflecting higher revenues in all regions.

Earnings: LS&Co.'s net income increased $59 million primarily reflecting gains on the company's hedging contracts in the second quarter of 2018 as compared with losses on hedging contracts and a debt refinancing charge in the second quarter of 2017.

CEO's Take: "We delivered our third consecutive quarter of double-digit revenue growth, driven by the disciplined execution of our strategies and our more diversified portfolio," Chip Bergh, president and chief executive officer of Levi Strauss & Co., said. "These results have outpaced the industry and exceeded even our own expectations, and as a result, we are raising our full-year revenue guidance."

Source: sourcingjournal.com- July 10, 2018

HOME

****

Sourcing Shifts Take Hold in Denim Amid Trade Conflicts

The political upheaval in global trade brought on in great part by U.S. policy and attempts to upturn international commerce, seems to clearly be having an effect on where countries source that most American of wardrobe staples—denim jeans.

Analysis of U.S. denim import data from the Commerce Department's Office of Textiles & Apparel (OTEXA) in the first five months of the year shows some obvious gainers and losers in market share, and indicators of the direction sourcing executives are taking.

Declines in shipments from Mexico come amid attempts by the Trump administration to renegotiate the North American Free Trade Agreement, while a market share decline from China occurred in the midst of two-way tariff wars from the world's two largest economies.

At the same time, gains and inroads are apparent from countries the U.S. has not taken to task, such as Bangladesh and Colombia—even if they have their own set of problems—as companies take to risk-aversion strategies to protect future orders and maintain price stability in the face of actual and potential tariffs. Longer term shifts also continued, including increases from countries in Sub-Saharan Africa and Central American nations.

Looking at the top two denim jeans suppliers, Mexico and China, the market has definitively made some decisions to lower its threshold in the two countries amid the political derisiveness.

For the men's and boys' category, imports from Mexico for the year to date through May fell 3.75% to $249.1 million worth of goods, as shipments of women's and girl's jeans from the country declined 10.58% to $34.25 million, OTEXA reported. Mexico maintained its spot as the No. 1 supplier of men's and boy's denim jeans at 36.55% market share, but that represented an 8.94% share erosion year over year for the 12 months ended May 31.

U.S. imports of women's denim jeans from China increased 4.09% to $217.97 million for the year to May, while its shipments of men's and boy's jeans inched up 0.55% to $68.21 million. China kept its top spot in the women's and girls' category with a 37.99% market share, but that was brought down 0.4% for the year, according to OTEXA.

Among major Asian suppliers, Bangladesh has made a strong showing this year, as have Vietnam, Pakistan and Cambodia. Denim imports from Bangladesh rose 19.9% in women's and girls' to $71.9 million and increased 21.15% to $94.54 million in men's and boys'. Vietnam's shipments advanced 39.57% to $54.51 in women's and girl's, while jumping 41.75% to $21.09 million in men's and boys'.

Imports from Pakistan grew 29.09% in women's and girls' to $52.13 million in the period and rose 8.38% to $33.09 million in men's and boys'. Cambodia's shipments were up 45.84% to $32.72 million in women's and girls', and rose 8.38% to $33.09 in men's and boys'.

Several countries that are part of the Central American Free Trade Agreement did well so far this year, combining for a 13.75% increase in women's and girls' to $14.18 million, although shipments of men's and boy's fell 16.61% to $29.3 million.

Guatemala's women's and girl's denim exports to the U.S. were up 26.84% to $6.5 million; Nicaragua's rose 5 percent to $7.66 million in the same category, but fell 12.78% to $25.49 million in men's and boys, and Colombia's jumped 62.73% to $8.45 million in women's and girls', and ballooned 66.97% to $16.35 million in men's and boys'.

On a smaller but significant scale, denim jeans imports from Sub-Saharan Africa countries that are part of the African Growth & Opportunity Act rose 58 percent in women's and girls' to $10.31 million, although men's and boys' shipments dipped 6.75% to $39.68 million.

Notably, imports from Lesotho increased 41.26% to $4.24 million in women's and girls', but fell 12.97% to $21.52 million in men's and boys'.

Elsewhere, Turkey's jeans exports to the U.S. increased 27.95% to $12.25 million in women's and girls', but declined 16.04% to $6.41 million in men's and boys'.

Egypt also saw some gains, with increases of 11.1% in women's and girls' to $24.72 million and 6.97% in men's and boys' to $33.81 million.

Source: sourcingjournal.com- July 10, 2018

HOME

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Uzbekistan, Germany strengthen textile cooperation

German companies and the Uztuqimachiliksanoat (Uzbekistan Textile Industry) Association recently signed agreements and export contracts worth $6.5 million in the presence of German ambassador to Uzbekistan Gunter Overfeld.

Developing a technical assistance program and knowledge transfer in textile production, dyeing, finishing and design were discussed.

Both sides also discussed issues of increasing export of finished textile products to the European market through certification collaborating with European scientific research institutes, according to a Uzbek news agency report.

The agreements included a $4 million investment pact, three framework agreements and six export contracts worth $2.5 million.

Uztuqimachiliksanoat Association and the Uzstandard Agency are working with the Hohenstein Institute in Germany on a project to create scientific laboratories in Uzbekistan after an agreement to that effect was signed by the two sides on May 17.

Source: fibre2fashion.com- July 11, 2018

HOME

****

Vietnam, RoK see bright prospects in textiles partnership

Vietnam and the Republic of Korea (RoK) have secured successful outcomes in the textiles sector based on their establishment of a cooperative system that supplements one another with technology and human resources.

According to Ahn Seong Ho, Trade Counsellor at the RoK's Consulate General in Ho Chi Minh City, the two countries have enjoyed fruitful economic cooperation over the years, with two-way trade growing by more than 20 percent annually to reach 64 billion USD in 2017. The Vietnam-Korea Free Trade Agreement (VKFTA) will be soon coming into effect, opening up more opportunities for bilateral trade.

The RoK holds strengths in the field of technology, while Vietnam has an abundant supply of labourers – a supplementary factor in the bilateral partnership, he said. In 2017, RoK firms invested in 44 textile projects in Vietnam, with a combined registered capital of 178.16 million USD. These projects use modern technologies and have a particular design focus.

Statistics from the Korea International Trade Association showed that in the first three months of 2018, Vietnamese textile products made up 34.05 percent of the Korean market in terms of value, an annual increase of 2.33 percent. These figures helped Vietnam rise to the top in terms of textile imports, surpassing China.

Vu Duc Giang, President of the Vietnam Textiles and Apparel Association (VITAS), said the RoK is among several countries with the most foreign direct investment in Vietnam, particularly in the textile sector.

According to him, in a bid to enhance the Vietnam-RoK collaboration in the textile industry, VITAS and the Korea Institute of Industrial Technology (KITECH) have jointly organised a host of activities on trade promotion, technological transfer, and personnel training over the past three years. Giang said VITAS and KITECH have planned to step up their collaboration in the future.

Nam Seung Il, Director of Fashion Sales Research at the Korean-based E-Land Group, advised Vietnamese firms who wish to acquire more share in the RoK market to pay special attention to apparel materials and functions.

He suggested that garments should be made wrinkle-resistant, dry fast, and comfortable, adding that Korean consumers prefer items with feathers to boost warmth.

Experts have explained how fashion is shifting from seasonal trends to periodical trends, with trend lifecycles spanning from four to five weeks. As a result, automatic technologies in textile production are needed to to cut manufacturing times so items can be shelf-ready quickly.

Source: en.vietnamplus.vn- July 10, 2018

HOME

****

Nepal's SEZ authority to operate GPZ within next fiscal

The garment processing zone (GPZ) in Nepal's Simara Special Economic Zone (SEZ) will be operationalised within the next fiscal year, according to the country's SEZ Development Authority, which said construction of the GPZ's physical infrastructure is under way in full swing and is expected to be completed within the next six to seven months.

Collaborative efforts from all government authorities involved is crucial to operationalise the GPZ at the earliest, said authority executive director Chandika Bhatta.

The GPZ was conceptualised after the United States extended zero tariff preference for 66 products, including apparels, into its market through 'Trade Facilitation and Trade Enforcement Act' in February 2016, according to a report in a Kathmandu-based English-language daily.

The GPZ is likely to bring down the production and export costs of Nepal, which is relatively higher compared to other regional neighbours, and slash the high transport and shipment costs due to Nepal's landlocked status as it is located near the country's only rail-linked dry port in Birgunj.

Source: fibre2fashion.com- July 11, 2018

HOME

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Egyptian cotton exports rises 37 per cent

Egyptian cotton production is on to rebound with help from a devalued currency and bigger cultivation area, recovering from a slide in exports since 2011.

Nabil al-Santaricy, Head, Alexandria Cotton Exporters Association says cotton exports are expected to reach about 52,000 tons in the 2017-18 season that ends in August, up nearly 37 per cent from the previous year.

Production fell drastically in 2011, when political upheaval meant regulations to maintain quality was not enforced. But demand for the Egyptian product, known locally as 'white gold' has picked up as rules to ensure quality have been strictly imposed again since 2016.

Ahmed Elbosaty, Chairman of Modern Nile Cotton, Egypt's largest cotton trading company stated Egypt is the world's second largest exporter of long-staple cotton, used mainly to make luxury linens, behind the United States.

The Agriculture Ministry has increased cultivation area in 2018-19 to lift exports from Egypt, where sunny skies and superior seed produce cotton with unusually long fibres used to make light and durable fabrics with sheen and soft touch.

Cotton cultivation could expand further as the authorities push farmers to avoid water intensive crops, such as rice, to prevent shortages as Ethiopia prepares to start filling a huge dam on the Nile, considered Egypt's lifeline.

Source: fashionatingworld.com- July 10, 2018

HOME

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Pakistan: Buyers remain eager for second grade of lint amid firm physical prices

On depleting stocks of fine grades of lint, buyers remained in hunt of second grade of produce during trading session at cotton market, traders said. However buying for all grades put general prices of lint in firm zone, traders at Karachi Cotton Association (KCA) said.

KCA kept the spot rate intact at Rs 8,100 per maund in order to provide support to weak stakeholders of raw grade to ward off minimal price level, said floor brokers.

During the trading session, buyers in Sindh and Punjab stations made forward deals for one month period on cautious note as grade issue was continued. They made deals for better grades at around Rs 7,700 per maund to Rs 7,800 per maund, floor brokers said.

Ginners offered all grades of lint on bargaining rates at around Rs 6,025 per maund to Rs 7,925 per maund in order to capitalise maximum returns on their proceeds, floor brokers said.

Spinners remained cautious and only made deals according to their immediate need of lint on back of grade issue and in anticipation of decline in spot rate, they added.

Secondary buyers in Sindh and Punjab stations bought stuff on competitive price at around Rs 6,525 per maund to Rs 6,875 per maund while private sector commercial exporters made deals for all grades in Punjab and Sindh stations at around Rs 6,675 per maund to Rs 6,700 per maund, traders said.

The garment and spinning sector is facing dearth of better grades, besides eyeing imports that would put positive impact on prices besides its market valuation, said Shakeel Ahmad a fibre analyst.

The weather in cotton growing belt in Punjab remained suitable for last picking of standing cottonseed. Due to grade issue in parts of Sindh and Punjab stations buyers made forward deals for all grades of lint at around Rs 7,100 per maund.

More than 600 bales changed hands with more than 60 percent of Punjab's share in trading. New York July Futures 2018 contract stood at around 84 cents per pound, October Futures 2018 contract at 80.18 cents per pound and Cotlook A Index was hovering around 92 cents per pound.

Source: dailytimes.com.pk- July 11, 2018

HOME

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Italian denim brand Replay partners with Reliance Brands

Replay, Italian leader in the premium denim segment, has signed a major distribution partnership with Reliance Brands Ltd, part of the Reliance Industries Group, to enter India. Boosting its global expansion, agreement signed with Reliance Brands for the distribution of Replay apparel, footwear and accessories will start with Spring/Summer 2019 collection.

Under the terms of the agreement, Reliance Brands will have the exclusive distribution rights to the Replay brand in the country. The first two flagship stores are targeted to open in Delhi and Mumbai in 2019.

Replay is known for its innovative flair, characteristic Italian design and the superb quality of its denim. Now numbering 121 mono-brand stores and 131 shop-in-shops internationally, the innovative design of Replay stores expresses the products' authenticity and its unconventional brand image.

"In the brand's ongoing internationalisation process, India represents a strategic country, and joining forces with Reliance Brands Limited, leader in the fashion and casual wear segments, will allow to implement our presence in the Indian market with a premium positioning. I am very excited to start our cooperation: indeed, the first flagship store in Delhi is scheduled to open next year," Matteo Sinigaglia, CEO of Fashion Box SpA, said.

"Denim is the most versatile garment, it's a way of life and Replay has been a synonym for the highest standards in the denim sector for more than 30 years now. Our young population, well travelled consumers and increased purchasing power are perfect catalysts for Replay's growth in India. Reliance Brands is proud to be associated with a brand which is making this world a cooler place," Darshan Mehta, president & CEO, Reliance Brands Limited, said.

Source: fibre2fashion.com - July 10, 2018

HOME

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Bangladesh may lose duty free access on RMG exports

Bangladesh will lose duty-free access given by the European Union (EU) on readymade garment (RMG) exports in 2020 as it is expected to cease being a 'least developed nation' by then.

If the central government provides adequate support to the industry then exporters could reap the benefits of Bangladesh's loss. As per data from the United Nations Conference on Trade and Development, Bangladesh's per capita income stood at $1,355 in 2016, a 39 per cent increase compared to 2013 ($974).

By 2020, its per capita income is predicted to overtake India's, which stood at $1,706 in 2016. As per the World Trade Organisation, if the country's per capita income remained more than $1,000 continuously for three years, it could be classified as a developing nation. Bangladesh may become a developing nation with a fast-growing economy.

Since the duty-free access given by the EU was one of main advantages enjoyed by exporters in Bangladesh, Tirupur knitwear exporters have been repeatedly saying that there was no level playing field. They have been urging the government to provide adequate sops to sustain the industry.

Tirupur Exporters Association (TEA) president Raja M Shanmugham stated Indian exporters may not benefit even though Bangladesh is predicted to be stripped of the duty-free access by the EU.

Source: fashionatingworld.com - July 10, 2018

HOME

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Without value-addition, Pakistan's exports unlikely to go north or even close

Countries export goods either because they have inherent natural resources, or they produce labour-intensive products because of low-cost but the ones that excel in this department produce either specialised items or benefit from economies of scale.

It is high time that our planners looked at the global trends in trade. They should take a decision on the way they want to proceed and formulate policies accordingly.

As far as Pakistan is concerned, it does have some advantage of having natural resources. It produced cotton for exporting textile industry and it also exports substantial quantity of rice, but it has not benefitted from its fruits and vegetables potential as there is no value-addition.

Moreover it loses a lot of foreign exchange in importing edible oil. So the trade potential from natural resources is not so high in Pakistan. In fact the trade in commodities and agricultural goods actually accounts for minor share of global trade, the actual beneficiaries are those that buy these commodities at low prices and make high value products from them.

Pakistan is still among low labor cost countries. China penetrated the global markets on the same strength. The cost of labour in the Asian giant is comparatively much higher making it difficult for it to retain markets of low value-added goods.

In Bangladesh, it is comparatively much lower than Pakistan. It has almost the same population as well. We were a force in textile sector but we grossly neglected its labour-intensive apparel sector.

Bangladeshis took advantage of this opportunity by establishing the most labour-intensive garments industries.

Pakistanis invested heavily in very low value-added products like yarn that need less labour. So we could not scale up our textile exports nor could we create a lot of jobs in this sector.

The low labour cost advantage does not look as lucrative as it was three decades back. The rapid automation in the last three decades has drastically reduced number of workers required to operate a plant. Two decades back a 25000-spindle spinning mill required 1100 workers out of which 600 worked on machines, while 500 used to pick up trash from the cotton before spinning.

The laser scanners that pick trash from cotton eliminated the entire trash picking workforce. The mills then operated with 600 workers. Now the new spindles that are not only fast but also save energy need only 150-200 workers to handle 25000 spindles. The robots have replaced many workers in numerous industries. Private sector in Pakistan would have to modernise their equipment on regular basis if they want to stay in global markets. Besides modernisation, they will have to scale up production to achieve economies of scale.

Despite the fact that countries like China and India have made great strides in global markets, the developed economies are still ahead of them in technology. They have introduced and established brands through research and development. Those brands are sold at high premium. Most of these them are produced in the developing economies at very low rates.

Companies in developing economies compete with each other to obtain orders from brands. The rates they quote are 4-5 times cheaper than the retail prices of these brands. The big brands thus make more money on their products than the producers of these brands in developing economies. The developed economies thus lose some jobs but earn five times higher than their suppliers.

The current trade war between the United States and its trading partners including China is going to impact the developing economies as well. China because of its large population of over 1.4 billion can withstand competition on the strength of its economies of scale.

India with almost same population can bank on its huge population to achieve economies of scale. However, Pakistan, which is only 200-million-strong, has to penetrate global markets to achieve economies of scale.

Source: thenews.com.pk- July 11, 2018

HOME

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NATIONAL NEWS

India, S. Korea set sights on $50-billion trade

India and South Korea have set a target to increase bilateral trade to $50 billion by 2030 from $20 billion in 2017-18 and to speedily conclude negotiations to upgrade the bilateral Comprehensive Economic Partnership Agreement (CEPA).

Prime Minister Narendra Modi and South Korean President Moon Jae-in, in a joint statement following their bilateral meeting on Tuesday, welcomed the finalisation of the elements of an Early Harvest Package (EHP) that would lead to an upgraded CEPA.

“It is the right time to take bilateral relationship to the next level. We will increase the levels of consultations and broaden our scope of understanding,” Jae-in said at a joint press address.

Both Modi and Jae-in welcomed the signing of the EHP which they said was a firm step towards an early conclusion of the negotiations for CEPA expansion.

An official from the Ministry of External Affairs confirmed at an official briefing that India and South Korea had agreed to include 11 items in the EHP and duties would be reduced/eliminated for these within a fixed time period.

While South Korea had been pushing for an expansion of the CEPA so that duties are eliminated on the items left out the first time round, India is a little cautious as its trade deficit with South Korea in 2017-18 stood at $12 billion.

While India’s exports to South Korea increased insignificantly from $3.72 billion in 2010-11 (the year the CEPA was implemented) to $4.46 billion in 2017-18, its imports from South Korea jumped from $10.47 billion in 2010-11 to $16.36 billion in 2017-18.

The Indian Prime Minister praised the companies operating in India and said that they have made large-scale investments in India, participated in the ‘Make in India’ programme and also generated jobs.

"Because of the commitment of the companies towards maintaining quality, they have become household names in the country," he said.

The South Korean President said that it was the right time to take bilateral relationship to the next level.

He said he was committed to raise Korea's relations with India to the level as those with four major powers around the Korean peninsula.

More joint ventures

In the joint statement, the two leaders asked businesses, including SMEs, to get into collaborations.

"We urge the business community from both our countries to leverage opportunities arising from complementarities between the two economies, to enhance investment, to promote joint ventures, and to work towards the goal of raising bilateral trade to $50 billion by 2030," the statement said.

Source: thehindubusinessline.com- July 11, 2018

HOME

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India imposes anti-dumping duty on Chinese polyester yarn

India has imposed anti-dumping duty of up to USD 528 per tonne for 5 years on a Chinese polyester yarn used in automobile and other industries.

The move will provide a level playing field to domestic players and guard them against below-cost imports.

Commerce Ministry's investigation arm Directorate General of Anti-dumping and Allied Duties (DGAD) had recommended the duty after a probe into alleged dumping of 'High Tenacity Polyester Yarn' from China.

The probe followed complaints by the domestic players, who alleged that below-cost import of the yarn from China is hurting the industry in India.

The finance ministry has imposed the duty on the product after considering the recommendations of DGAD.

"The anti-dumping duty imposed...shall be effective for a period of five years (unless revoked, superseded or amended earlier) and shall be paid in Indian currency," the Finance Ministry said in a notification.

The duty imposed is in the range of USD 174-528 per tonne.

High Tenacity Polyester Yarn, also called industrial yarn, is used for manufacture of tyre cord fabric, seat belt webbing, ropes, coated fabric, conveyor belt fabric and automotive hose.

Countries carry out anti-dumping probe to determine whether their domestic industries have been hurt because of a surge in below-cost imports.

As a counter measure, they impose duties under the multilateral regime of WTO.

The duty is also aimed at ensuring fair trading practises and creating a level-playing field for domestic producers with regard to foreign producers and exporters.

India has already imposed anti-dumping duty on several products to check cheap imports from countries including China, with which India has a major concern of widening trade deficit.

The deficit has increased to USD 63.12 billion in 2017-18.

Source: business-standard.com- July 11, 2018

HOME

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GST Council unveils draft of changes proposed to GST law

India has proposed a slew of changes to the year-old goods and services tax law, including an amendment to deny credit in lieu of accumulated balances of education cess, secondary and higher education cess, Krishi Kalyan cess, and additional excise duties levied on textile and textile articles.

The GST Council, the apex decision-making body for the tax, on Monday unveiled the draft of changes proposed to the GST law before they are introduced in the upcoming monsoon session of parliament. India Inc.'s key demand on transfer of cess credits has been turned down, but substantial changes have been proposed to provide relief to businesses. In a significant easing of compliance norms, businesses have been allowed to amend GST returns.

"It appears that the feedback from businesses on the need to simplify the compliance processes and streamline the input tax credit provisions is being acted upon and once these amendments are approved, there would be a considerable degree of comfort for all businesses," said MS Mani, a partner at Deloitte India.

Aimed at benefitting smaller businesses, the turnover threshold for composition dealers is proposed to be raised to Rs 1.5 crore from.`1 crore now. GST liability under reverse charge basis on procurement from unregistered vendors is proposed to be restricted to specified classes of registered persons.

This is in line with the changes proposed by the group of ministers tasked by the GST Council to look into the issue. Ecommerce companies with a turnover of less than Rs 20 lakh and not liable to deduct tax at source will not be required to register with the tax authorities.

The provision barring input tax credit for food and beverages, health services and travel benefits provided to employees is being amended to allow the tax benefit where it is obligatory for entities to provide such goods and services under any law.

This may bring cheer from labourers, nurses, security guards and working women and would align the GST law with the labour laws and other employee friendly laws.

Banks can now get input tax credit on the life insurance premium paid for security guards, hospitals for medical insurance premium paid for nurses and companies for canteen fees charged to labourers. In places where the state law mandates that women employees be dropped home at night, the facility would count for input tax credit.

“While ideally, input tax credits should be permitted on all business expenditure without any restrictions, as is prevalent in many other jurisdictions, this directional change would be very beneficial to businesses across sectors,” said Mani.

Among other amendments, passenger vehicles with a seating capacity of over 13 will be eligible for input tax credit, resulting in vehicles such as dumpers, trucks, fork lifts becoming eligible to claim credit for tax paid on inputs. Goods stored in warehou ..

Transactions involving goods that do not enter India, the sale of goods stored in customs bonded warehouses and high-sea sales will be specified as those that do not amount to the supply of goods, resolving the ambiguity over the treatment of such transactions.

Tax experts said that while some of the proposed changes remove inconsistencies, some key issues have not been touched.

“The proposed amendments are aimed at streamlining the current GST law and correcting inconsistencies and errors. The new compliance mechanism is prescribed, which will simplify return-filing and credit availment,” said Bipin Sapra, a partner at EY.

However, Sapra said a number of areas of significance still remain outside the ambit of the present amendment, including centralised registration and assessment/audit, broad-basing of eligible credits, simplification of availing credit and provisions .

Source: economictimes.com- July 11, 2018

HOME

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More business-friendly: Govt proposes clutch of amendment to GST law

To iron out issues concerning implementation of the goods and services tax (GST), the Centre on Monday proposed several pro-business amendments to GST laws such as restricting GST liability under reverse charge basis on procurements from unregistered vendors to specified class of registered persons to be notified by the GST Council and allowing businesses to have separate registration for each place of business in a state.

Also, the input tax credit entitlement on vehicles will be relaxed to cover the passenger vehicles having seating capacity of not more than thirteen persons, in case these are used for specific (rather than personal) purposes. So ITC will now be available for dumpers, work-trucks, fork-lift trucks and other special purpose vehicles.

While the changes are termed business-friendly and supportive of ease of doing business, sections of the industry could be affected by the provisions relating to restriction on transfer of credit balance of education cess, secondary and higher education cess, Krishi Kalyan cess, additional duties of excise (textile and textile articles) etc.

"Specific denial of transition of credit of cesses like education cess etc would be against the tax position that some tax payers had taken." said Abhishek Jain, tax partner, EY India.

Pratik Jain, partner and leader, Indirect Tax, PwC, said: It is a welcome step to invite public comments for the proposed amendments in the GST law. The amendments such as amendment in definition of supply, widening of credits on vehicles and restricting reverse charge liability for procurements from unregistered vendors to specified set of persons are welcome."

He, however, added that the proposed amendments do not cover some of the amendments which were already highlighted to the GST Council such as the tax liability on services deemed to be provided by the branch offices to foreign offices/parents. "It would be interesting to see which provisions are proposed to be given retrospective effect and which are given effect prospectively, Jain said.

In all, the Centre's draft proposals to amend GST laws contains 46 amendments on which the public could give their suggestions till July 15. Significantly, an option is proposed to be given to every person to obtain separate registration for each place of business in a state. Previously, a single registration is required to be obtained for all the places of business in a state, except when they were operating as a separate business vertical. Further, the provisions for individual registration of multiple SEZ units have also been proposed to be introduced.

In a tax-payer friendly amendment, it is now proposed to allow ITC in respect of food and beverages, health services and travel benefits to employees, which are obligatory for an employer to provide to its employees under law. Merchant sale transactions where the goods do not enter India, sale of goods stored in customs bonded warehouse and high sea sales transactions are specified as transactions which do not amount to supply of goods as well as services, resolving the ambiguity of treatment of such transactions.

As reported by FE recently, a group of ministers (GoM) led by Bihar deputy chief minister Sushil Modi is set to recommend to the GST Council that a section in the GST Act concerning the reverse charge mechanism be scrapped as "it discriminates against unregistered dealers while not adding much to the revenue." Under the RCM rule, registered dealers are now required to make tax payments in case they procure goods from unregistered ones. This has been resisted by the registered small businesses as they find it cumbersome to comply when goods are purchased from dealers outside the GST ambit. Since the GST's rollout in July last year, RCM has remained suspended and has recently been further deferred till September 30.

The amendments also seek to give effect to some of the decisions taken by the GST Council in the past like raising the turnover threshold for availing composition scheme increased from Rs 1 crore to Rs 1.5 crore. In the suggested amendments, definition of supply is proposed to be amended to remove specific inclusion of activities referred to in schedule II to remove an anomaly that in some cases, even though the activity specifically mentioned in schedule II did not amount to supply, due to deemed inclusion of such activities in definition of supply, it attracted tax.

Source: financialexpress.com- July 11, 2018

HOME

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Cotton sowing only in 45% area so far on less rains: CAI

Cotton sowing in the country has been completed in just 45 per cent of the total area till the first week of July following less-than-normal rainfall in major producing regions, according to the Cotton Association of India (CAI).

"Till July 7, cotton sowing was completed only in 45 per cent area, totalling to 56.57 lakh hectares, compared with 123.50 lakh hectares till July 7 last year," CAI president Atul Ganatra told PTI.

Sowing in major cotton producing states like Punjab was done in 2.85 lakh hectares, Haryana in 6.65 lakh hectares, Rajasthan in 5.61 lakh hectares, Gujarat in 4.93 lakh hectares, Maharashtra in 19.57 lakh hectares, Madhya Pradesh in 4.87 lakh hectares, Telegana in 8.80 lakh hectares, among others.

Earlier in the month, the CAI in its June estimate had projected cotton crop production for the 2017-18 season (October-September) at 365 lakh bales.

The total supply was estimated at 394.45 lakh bales, which includes arrivals of 348.45 lakh bales up to June 30, imports the committee has estimated at 10 lakh bales and the opening stock at the beginning of the season, which has been revised from 30 lakh bales to 36 lakh bales.

Domestic consumption for the season was estimated at 324 lakh bales, while the exports are estimated to be at 70 lakh bales.

Source: business-standard.com- July 11, 2018

HOME

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Indian company gets the nod to import GMO cotton seeds

Kenya has licensed India- based firm Maharashtra Hybrid Seeds Co (Mahyco) to import genetically modified cotton seeds for sale to local farmers after the ongoing field trials.

Mahyco will distribute the seeds on behalf of Monsanto Company, which this year was granted permission by the National Environmental Management Authority (Nema) to conduct the National Performance Trials on biotech cotton.

The licensing of the firm implies that the country is set to lift a six-year ban on importation of GMO material.

Commercialisation is expected in the next two years.

“Monsanto has been working with Mahyco in Africa including in licensing of Bt cotton technology for commercialisation in Nigeria and Malawi,” said Mr Jimmy Kiberu, head of Corporate Communication at Monsanto Kenya.

Mahyco is a global agricultural company founded in India in 1964 with operations in Asia and other African countries.

The field trials are currently being conducted in Mwea, Bura Tana, Katumani, Kampi ya mawe (Makueni) and Perkerra in Baringo County.

The project is expected to be completed within 24 months, which is the validity period for the permit issued by Nema.

After the trials, Kenya Plant Health Inspectorate Service (Kephis) will then asses the seeds to find out if they have all the qualities that have been attributed to them.

Source: businessdailyafrica.com- July 10, 2018

HOME

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Govt allotted Rs 40 crore to help handloom weavers: Manian

State textiles minister O S Manian said the government had allotted Rs 40 crore for 'Support Handloom' project this year to help handloom weavers improve as well as to protect their livelihood.

Manian chaired a meeting at the Erode collectorate on Tuesday with various handloom association office-barriers, handloom weavers and management people from several textile companies from Salem, Erode, Tirupur, Coimbatore, Namakkal and Karur districts.

The minister said chief minister Edappadi K Palaniswami announced a new project, 'Support Handloom', to save the handloom sector and weavers. "The chief minister has allotted Rs 40 crore in this financial year for the project," he said.

According to the minister, there are 3.19 lakh handloom weavers in the state. There are 2.44 lakh handlooms functioning through 1,139 cooperative handloom weavers' associations across the state.

"Of 1,139 associations, 86 are silk handloom weaving associations and the rest are cotton handloom weavers associations," he said.

The minister said 959 weavers' associations were functioning profitably. In 2017-18 financial year, they had produced 790.35 lakh meter cloths for Rs 696 crore and had sold them for Rs 853 crore.

He also hinted that the CM will announce 'New Textile Psolicy' shortly. The new policy will be comprising new projects to save handloom sector in the state.

"We are also taking steps to set up handloom storing station in the state and reduce GST for textile industry," he said.

Source: timesofindia.com- July 11, 2018

HOME

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