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The Cotton Textiles Export Promotion Council [TEXPROCIL]
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai - 400 004. Maharashtra State. INDIA
W. www.texprocil.org E. enews@texprocil.org T. +91-22-2363 2910 to 12 F. +91-22-2363 2914

IBTEX No. 183 of 2017 September 11, 2017

USD 63.90 | EUR 76.74 | GBP 84.12 | JPY 0.59

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19888	41600	**83.08**

Domestic Futures Price (Ex. Gin), October

Rs./Bale	Rs./Candy	USD Cent/lb
19040	39827	**79.54**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	74.27
ZCE Cotton: Yuan/MT (Sept 2017)	15,760
ZCE Cotton: USD Cents/lb	**93.68**
Cotlook A Index – Physical	**84.7**

Cotton guide: The gone by week was yet another positive trend for cotton. Three consecutive weeks cotton price has been superbly bullish from 67 cents to 75.50+ cents per pound. The week ended at 74.59 cents per pound. The rally has been quite aggressive with uncertainly in the US due to storm and Hurricane. Earlier in the mid of August the hurricane Harvey caused a lot of damage in the US living and huge loss of cotton crop. Further in last few days another devastation i.e. Irma is causing a lot of damage to cotton crop. There is another one Katia is also on the roller coaster move.

The uncertainty of crop loss and expecting more than 20 million bales of cotton crop this year in the US now looks less promising. As per the market survey and estimates more than 6.50 million bales of cotton in the entire continent could be affected however, how much actual damage would cause remain undefined. Nonetheless, surely crop damage would be encountered while expects crop between 18 to 20 million bales of cotton in the US. Another negative effect that could be witnessed is the blockage in the US cotton pipe lines.
Irma update: It is currently a category 4 hurricane that has now passed over the lower Florida and is headed towards the mainland. Irma has prompted one of the largest evacuation in US history is expected to cause billions of dollars in damage to Florida.

Cotton price trend: This morning ICE cotton has come off the highs and currently trading down by more than 1% at 74.80 cents per pound. There has been strong selling near the key resistance zone. Despite the major rally market is taking respect of 76 as strong resistance level. However, uncertainty would continue to prevail due to hurricane movement and price action could stay volatile. From the price perspective we expect cotton for

December future to remain in the range of 72.20 to 75 cents per pound this week. As said above unless 76 are breached market would either remain sideways or intend to observe good correction in the price.

Further on the global front, demand remains high in the Chinese state reserve auction despite trade ban. Total Reserve sales for 2017 have reached 2,817,470.15 tons, 12.94 million bales. From the domestic front in India the recent rainfall has been quite attractive. The dry land in south Peninsula has received good rain last week as per the latest report by IMD on 6th September. During the weekend moderate rains occurred in Maharashtra and all areas south. The rains have reached the level in which dry land cotton in most regions should have received a boost in perspective yields. The rains will slowly migrate south with most of the cotton belt dry by mid-week.

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

Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:

Indicative Prices of Cotton Yarn in China Date: 11/09/2017 ***Prices in US$ FOB***		
Country	**20s Carded**	**30s Carded**
India	2.55	2.80
Indonesia	2.56	2.85
Pakistan	2.27	2.66
Turkey	2.95	3.15
Source: CCF Group		

China yarn

Pushed by surging futures, cotton yarn sales turned better and price increased by 200-500yuan/mt. Polyester yarn price hiked along with its feedstock and sales was tolerable. Rayon yarn, polyester/cotton yarn and polyester/rayon yarn price showed stable while rayon/cotton yarn kept hiking on higher VSF price.

International yarn

Subdued conditions have prevailed in the cotton yarn market, in reflection of the raw cotton market. In Pakistan, local demand has been slow but is expected to pick up from this week. Export demand has remained scarce. Mills in southern India were operating below capacity owing to lack of demand. Yarn stocks were accumulating.

Source: CCF Group

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INTERNATIONAL NEWS

China: Firmer RMB drives up forward cotton yarn transaction and profit

Influence of firmer RMB on imported cotton yarn cost

Spot exchange rate of USD against RMB appreciated slowly this year, down to 6.4611 on Sep 8 from 6.961 on Jan 3, accumulatively appreciating by around 7.18%.

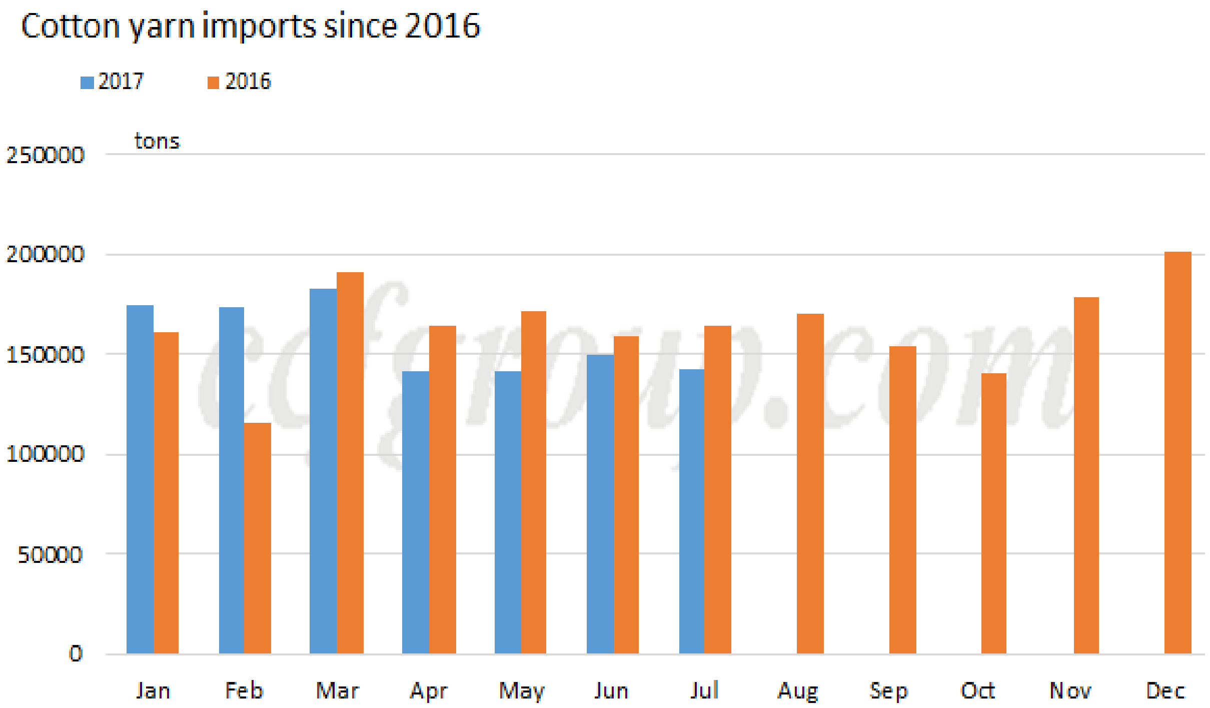
According to current offers for forward cotton yarn, cost of mainstream imported cotton yarn has reduced by around 700-900yuan/mt within one month based on spot exchange rate.

Variety	CIF price ($/kg)	Exchange rate in early-Aug	Equivalent RMB price, after-tax (yuan/mt)	Current exchange rate	Equivalent RMB price, after-tax (yuan/mt)	Reduced cost (yuan/mt)
Indian C21S for air-jet	2.62	6.7404	21,385	6.4611	20,499	886
Indian C32S for air-jet	2.85	6.7404	23,263	6.4611	22,299	964
Vietnamese C21S for air-jet	2.7	6.7404	21,293	6.4611	20,411	882
Vietnamese C32S for air-jet	2.9	6.7404	22,870	6.4611	21,923	948
Pakistani siro-spun C10S	2.32	6.7404	18,937	6.4611	18,152	785

With appreciating RMB, theoretical profit of traders of imported cotton yarn turned to positive territory compared with early-Aug and the margins were enlarging.

Theoretical profit of Indian and Vietnamese carded 32S has been around 500yuan/mt, and that of Pakistani siro-spun 10S was around 1,000yuan/mt.

2. Stocks of imported cotton yarn and downstream market situation in China



Transactions of forward cotton yarn have greatly turned better since Aug with rising theoretical profit, and most forward cotton yarn was end-Oct shipment, with orders continuing into end-Nov in some plants. Orders can even continue into year-end in some Vietnamese cotton yarn plants.

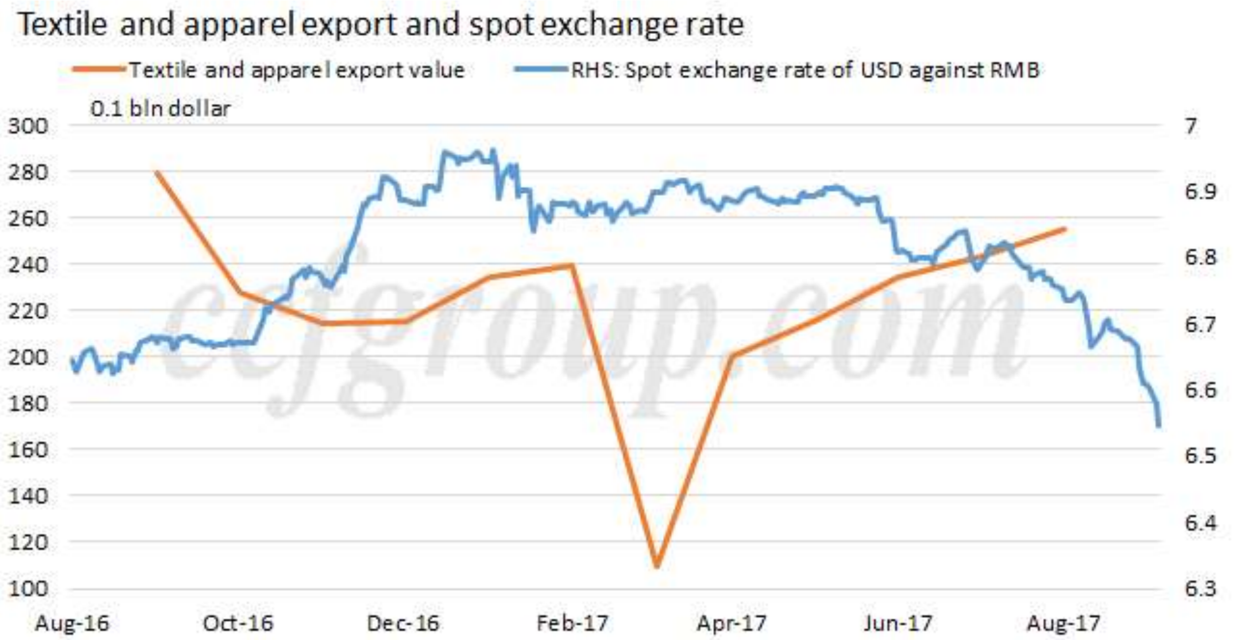
Imports of cotton yarn in Apr-Jun, 2017 were apparently lower than the same period of last year, while local demand for cotton yarn in China was stable, so the gap was expected to be replaced by inventory consumption and Chinese local cotton yarn.

However, with higher price advantage of imported cotton yarn, imports of cotton yarn are expected to rise apparently in later period as transactions have improved substantially in recent one month, and inventory of imported cotton yarn at major China ports may hit high in Oct-Nov, 2017.

As for exports on downstream market, exports of textile increased by 6.1% y-o-y to 63.75 billion Yuan in Jul 2017, and those of apparel grew by 3% on the year to 110.2 billion Yuan. In Jan-Jul, 2017, exports of textiles and apparel increased by 9% and 7.1% respectively to 429.51 billion Yuan and 598.82 billion Yuan respectively. Warmer export and settlement of exchange in companies were key factors supporting firmer RMB.

But with appreciating RMB, export cost accumulated, which may affect export in later period. Environmental protection pressure on high pollution industries like printing and dyeing sector is intensified this year, and many printing and dyeing plants are forced to scale down production temporarily, leading to increasing dyeing fee.

In addition, related feedstock cost on textile industry also climbs up, but poor demand renders the cost conduction to downstream sectors being stunted. Labor, electricity fee and exchange rate also increases, so profit of export companies is squeezed successively. The negative influence of accumulating cost on export may be reflected in the data of Q4.



Although export value of textiles and apparel was growing in Mar-Jul, 2017, the growth rate slowed down apparently.

3. Conclusion

With appreciating RMB, downstream sectors may face more apparent export pressure. Coupled with intensified environmental protection pressure and increasing feedstock price, exports may be not optimistic in the fourth quarter on ascending cost. As for cotton market, global cotton production is supposed to grow by at least 2 million tons in new crop year, and many spinners in Vietnam and Indonesia has procured many US cotton in Jul-Aug. It is learned that cotton inventory can guarantee production till year-end, so increasing ICE cotton futures recently exert limited impact on cost change in spinners. In summary, overall exports of textile and apparel may reduce in the fourth quarter of 2017 with appreciating RMB and rising cost. Cotton price is expected to be greatly volatile after new cotton appeared. Arrivals of imported cotton yarn are anticipated to rise in later period, and stocks of imported cotton yarn at major China ports may peak in Oct-Nov, 2017. It is suggested to be cautious in buying forward cotton yarn Nov shipment afterward with accumulating risky factors, and whether RMB will keep appreciating remains unknown.

Source: ccfgroup.com - Sep 09, 2017

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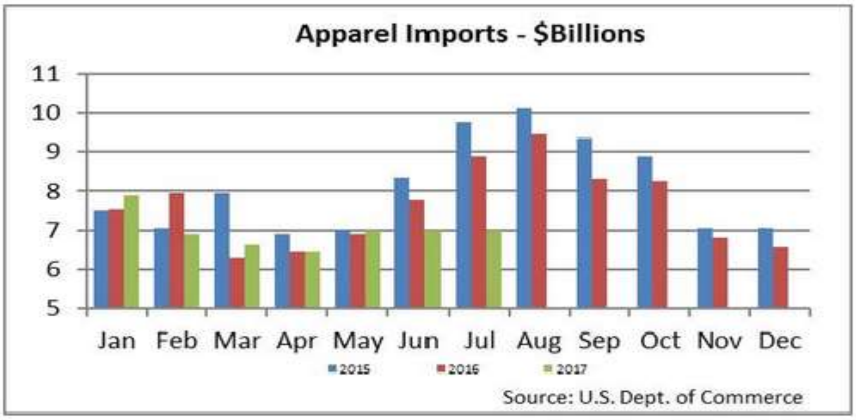
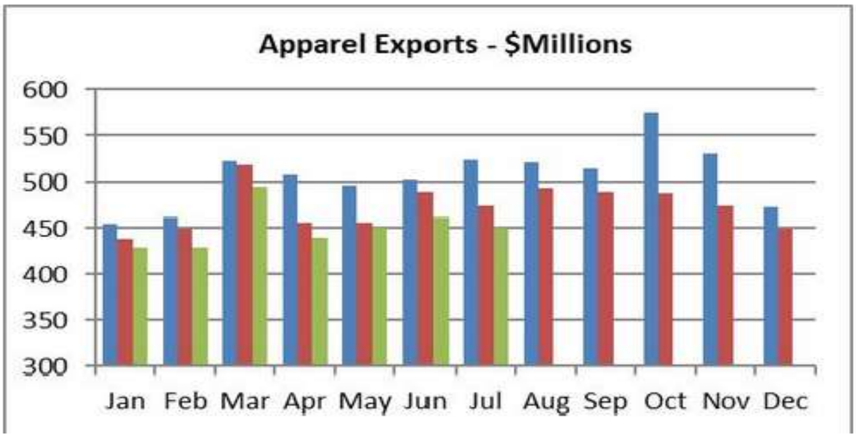
USA: Apparel Imports Drop for Second Consecutive Month

U.S. apparel imports fell in July for the second straight month, once again swimming against the tide of overall imports, which increased by more than 5 percent in the month.



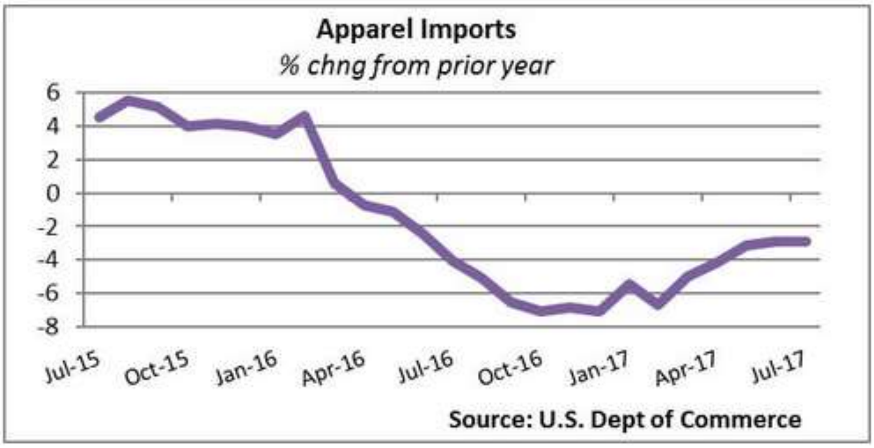


Stubborn price deflation and shifting consumer tastes in favor of experiences like travel and dining over shopping, have been pressuring demand despite healthy job growth and strong economic indicators.

Total apparel imports dropped by 4.1% in the month to $8.5 billion on a CIF basis,, according to data released Wednesday by the U.S. Census Bureau, while total U.S. goods and services imports increased by 5.3%, to $193.6 billion. On a 12-month smoothed basis, apparel imports fell by 2.9%, tied with last month for the smallest drop in 14 months.

Apparel exports dropped 5 percent to $450 million. Total U.S. goods and services exports rose by 4.9%.

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

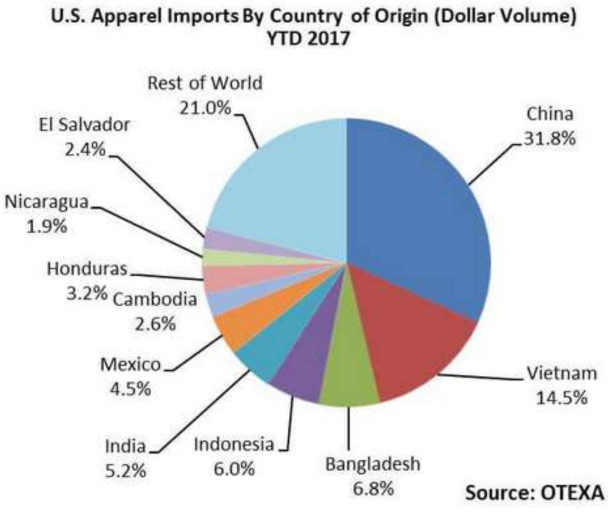


US IMPORTS AND EXPORTS				
In $ Millions				
	% Chg vs LY	Jul 2017	Jun 2017	Jul 2016
Total US Imports	5.3	193,640	199,866	183,859
Total US Exports	4.9	122,241	133,388	116,528
Total US Deficit	6.0	71,399	66,478	67,331
Apparel Imports	-4.1	8,519	7,491	8,886
Apparel Exports	-5.0	450	462	474

Total apparel imports declined by 2.9% on an MFA basis in the first seven months of 2017, to almost $45 billion from $45.8 billion in the same period in 2016.

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

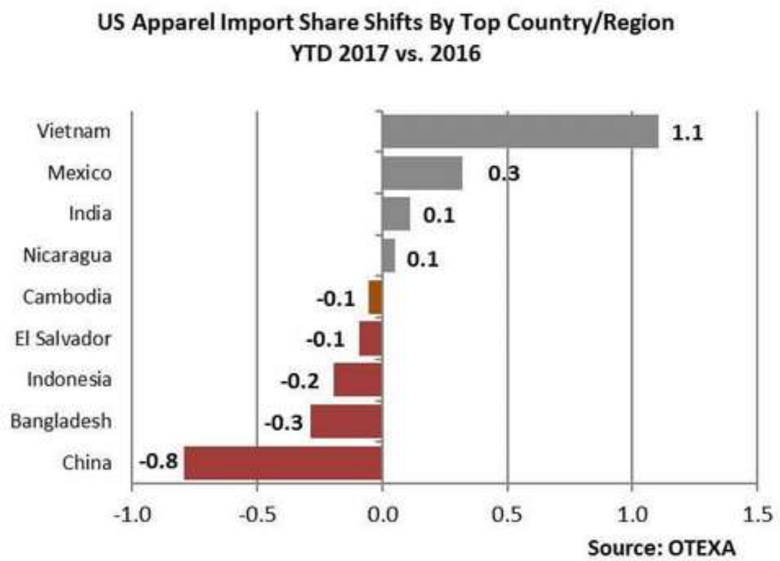
On a square meter equivalent (SME) basis, imports have edged up by 1.4% this year, continuing the overall tendency toward cheaper goods, despite upward pressure on labor and raw material costs. The average cost per unit of an imported garment fell by 3.2% in the January through July period.



The average cost per SME increased by 11.7% from Mexico, and rose 3.2% for El Salvador, but dropped for all other key trading partners, with the cost per SME from China suffering the biggest drop, down by 6.8%.

US Apparel Import Share Shifts By Top Country/Region
YTD 2017 vs. 2016

Continuing to make headway despite the failure of TPP, Vietnam's apparel shipments to the U.S. grew by 6.2% to $6.5 billion in the period, gaining over a percentage of U.S. apparel import market share so far this year.



China has lost the most share of U.S. apparel imports in the period, down 0.8 percentage points to 31.8%.

Bangladesh also lost share, with apparel shipments to the U.S. down by 5.9% year-to-date, to 6.8% of total U.S. apparel imports.

Source: sourcingjournalonline.com- Sep 09, 2017

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New African Nations Get AGOA Trade Benefits, Others at Risk

As the U.S. continues its wholesale review of all trade agreements and preference programs—including the African Growth and Opportunity Act—it seems to still be building up on the AGOA program that's so far still set to run through 2025.

Last month, the United States Trade Representative said Togo is now eligible to enjoy trade benefits under AGOA for textile and apparel products.

A statement in the Federal Register said: "...Togo has adopted an effective visa system and related procedures to prevent the unlawful transshipment of textile and apparel articles and the use of counterfeit documents in connection with the shipment of such articles..."

Separately, the U.S. initiated a review in June of AGOA eligibility for Tanzania, Uganda and Rwanda, which came about when the East African Community (EAC) decided to ban imports of secondhand clothing to improve its own industry.

The U.S. Secondary Materials and Recycled Textiles Association (SMART)—which initiated the petition for review with the USTR—said the move to curb incoming used clothing is a barrier to U.S. trade, which goes against certain requirements under AGOA.

According to local news reports in Rwanda, talks with the U.S. have begun. "We are talking to our partners in the U.S. We value our trade and relations with the U.S. and we are doing all that is possible not to be out of cycle and of course we have been engaging on the issue," Rwanda Development Board chief operating officer, Emmanuel Hategeka, told the New Times.

"We think there is a lot to gain if we keep AGOA, not just in volume terms. Probably the volume of exports has not been a lot but the idea is to have an open market." Trade leaders from the U.S. and nations in Africa met last month at the 16th Annual AGOA Forum to discuss moves forward for trade.

In a statement following the forum, U.S. Trade Rep Robert Lighthizer said, "Africa is better positioned than ever before to sell to and buy from the United States. Since AGOA came into effect, regional real GDP has more than doubled and robust economic growth has helped reduce poverty and raise living standards across the continent."

The U.S. took in a total of $1.04 billion worth of textiles and apparel from AGOA nations last year, just a 1.25% increase over 2015, according to OTEXA. Nearly 33 percent of that came from Kenya, followed by Lesotho with 28 percent and Mauritius accounting for 19 percent of U.S. AGOA imports. AGOA still remains largely under-utilized, with just 16 countries importing textiles and apparel to the U.S. of the 26 that are eligible.

Reiterating the previous sentiment that the U.S. needs to move from an aid-based relationship with Africa to one that's trade based, Lighthizer said, "Bilateral trade that benefit both U.S. and Africa exporters and service providers lies at the core of our Africa trade policy. I encourage our AGOA partners to promote fair trade, foster an improved business environment, and create economic opportunity that lays the groundwork for the next state in the U.S.-Africa trade relationship."

Source: sourcingjournalonline.com- Sep 09, 2017

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USA: Textile and Apparel Imports Increase Amid Mixed Results for Major Shippers

The Department of Commerce's Office of Textiles and Apparel reports that monthly imports of cotton, wool, manmade fiber, silk blend, and non-cotton vegetable fiber textile and apparel products totaled 5.82 billion square meter equivalents in July, up 4.3 percent from June and 2.1 percent from July 2016.

	SME	Monthly change %	Annual change %	$ Value	Monthly change %	Annual change %
China	2.97 billion	+6.8	+1.6	$3.90 billion	+16.8	+0.8
Vietnam	449.1 million	+12.2	+19.5	$1.20 billion	+22.5	+12.6
India	423.7 million	-3.9	+7.1	$621.8 million	+2.1	+3.1
Pakistan	231.3 million	+14.2	+16.3	$259.2 million	+13.2	+10.1
Mexico	207.1 million	-9.6	+1.2	$410.3 million	-4.2	+13.9
Bangladesh	192.8 million	n/a	+2.7	$479.0 million	n/a	-7.3
Indonesia	134.8 million	-2.4	-17.0	$421.5 million	+7.2	-11.0
Korea	132.4 million	-4.4	-4.4	$74.2 million	-2.6	-17.0
Honduras	97.0 million	+0.5	-10.0	$242.2 million	+2.5	-6.3
Cambodia	91.3 million	+37.5	+16.5	$215.9 million	+37.0	+12.8
Canada	88.2 million	-2.0	-0.8	$106.8 million	+1.1	+10.9
Taiwan	82.7 million	+14.1	+15.6	$70.1 million	+21.7	+9.9
El Salvador	74.9 million	+16.3	-12.0	$188.5 million	+19.2	-6.0
Turkey	58.3 million	-15.1	-12.0	$123.7 million	+4.0	+7.8

OTEXA has also reported the following statistics on textile and apparel imports from major source countries for the year to date.

Textile imports totaled 3.27 billion SME, down 1.5 percent for the month but up 3.8 percent from the previous year, while apparel imports of 2.55 billion SME were up 13.3 percent from July but down 0.1 percent from a year before.

Overall Imports. Total year-to-date imports were 36.5 billion SME, up 2.2 percent from the previous year, as textile imports gained 2.9 percent to 21.2 billion SME and apparel imports rose 1.4 percent to 15.3 billion SME.

	SME	Change from 2016	$ value	Change from 2016
China	17.0 billion	+4.0	$20.7 billion	-3.4
India	3.03 billion	+8.2	$4.53 billion	+3.0
Vietnam	2.80 billion	+9.9	$6.87 billion	+5.4
Pakistan	1.49 billion	+1.2	$1.61 billion	+0.7
Mexico	1.46 billion	+3.3	$2.72 billion	+6.8
Bangladesh	1.41 billion	+2.2	$3.19 billion	-5.2
Indonesia	1.00 billion	-6.1	$2.83 billion	-5.1
Korea	938 million	+1.5	$504 million	-4.3
Honduras	630 million	+0.1	$1.45 billion	-1.6
Canada	614 million	-4.4	$708 million	-3.9

For the year ending in July imports were 63.7 billion SME, up 1.4 percent from a year earlier, as textile imports increased 2.5 percent to 36.6 billion SME and apparel imports slipped 0.1 percent to 27.1 billion SME.

Source Countries. OTEXA has reported the following statistics on textile and apparel imports from major source countries for July 2017.

Source: strtrade.com- Sep 11, 2017

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Global shipper Maersk sees trade growth among BRICS nations

Containerized trade among BRICS nations saw robust growth in the first half of this year, according to the world's largest container shipping company Maersk Line.

Demand has improved as most of the world's major economies started to recover this year, and the growth among BRICS countries continued to outpace the global average, said Mike Fang, managing director for Maersk Line's Greater China Cluster.

"There is much potential to enable trade among BRICS nations and we will definitely look into it," he said in a statement.

Maersk's exports from China to India increased 26.2 percent year on year in the first half, those to Brazil and South Africa both rose 8.7 percent, while Maersk's imports from South Africa to China surged 43.9 percent, according to Fang.

The company's statistics showed customers in other BRICS countries were most attracted to Chinese textiles and clothing, consumer electronics and furniture.

While China's imports still focused on raw materials and resources, Maersk saw increases in the imports of meat from Brazil as well as fruit and nuts from South Africa.

E-commerce developed very fast with other BRICS countries' products gaining traction on the Chinese market, Fang said.

Customs data showed a 37.7-percent year-on-year growth in China's imports from other BRICS countries in the first seven months of this year, faster than the 28.7-percent increase in exports to those countries.

Grouping Brazil, Russia, India, China and South Africa, BRICS accounted for 23 percent of the 2016 global economy, almost double their share in 2006, and contributed to more than half of global growth.

Source: news.xinhuanet.com- Sep 10, 2017

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China finds Pakistan open for business at first industrial fair

"Chinese companies are considering shifting their industrial units to Pakistan," said Federal Minister for Commerce and Textile Pervaiz Malik on Saturday.

He was speaking to the media at the inauguration ceremony of the First China Electrical and Mechanical Machinery Exhibition 2017.

He said the Rs180 billion textile package is currently being reviewed by his ministry on the direction of the PM Shahid Khaqan Abbasi. "Actually the package is being reviewed to remove certain issues in it before it could be implemented in true letter and spirit," he explained.

The three-day expo has attracted participation of as many as 200 Chinese businesspersons, representing several industrial units manufacturing electrical, mechanical and other sorts of machinery, including electric automobiles.

"The response of Pakistani manufacturers, distributors and general customers to our products is really amazing", Marketing Director of the Changzhou Keytech Vehicle Company Limited, Jack Xie said while speaking with Dawn. "So keeping in view the feedback, we are considering to also establish our industrial unit in Pakistan so as to offer our goods to Pakistanis on rates cheaper than China." His company has showcased various small electric vehicles, motorcycle rickshaws and loaders etc.

According to the exhibition organisers — Pakistan China Joint Chamber of Commerce and Industry (PCJCCI) and the E-commerce Gateway — the three day event is the first of its kind since it has brought China to Pakistan. "The idea to bring investment in machinery manufacturing had actually been floated in the Beijing Conference last year in which it was decided to relocate Chinese manufacturing facilities to Pakistan," Mr Xie added. He said the event has enabled the Chinese companies to find joint venture partners.

Several local companies are also participating in the event.

Large visitor turnover was witnessed at the stalls showcasing electric vehicles, rickshaws, motors, equipment related to power transmission lines and telecom sector. "We manufacture transmission lines (cables) conductors, insulators and towers (for both transmission lines and telecom). And in Pakistan we are seeing good response really," said Mr Lee, Project Manager of the Shandong Qixing Iron Tower Company Limited. He said his company has plans to establish a factory in Pakistan soon.

According to the organisers' claim, over 10,000 people, including Chinese and Pakistani top level machinery manufacturers, businessmen, entrepreneurs and investors participated on the first day of the expo.

"As many as 100 stalls have been set up by Chinese manufacturing companies and around 200 persons of the Chinese machinery industry have purposely traveled to Pakistan to explore joint ventures and partnership possibilities with our machinery industry.

Many consultancy firms have also set up their stalls at the expo to assist the investors," explained a spokesperson for the organisers.

Source: dawn.com- Sep 10, 2017

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Pakistan: ECC to approve textile package in upcoming huddle

Federal Trade and Commerce Minister Pervaiz Malik has announced that an upcoming meeting of the Economic Coordination Committee (ECC) will approve a textile package as the country's largest industry is always the top priority of the government.

Talking to media at the start of the China Electrical and Mechanical Machinery Expo 2017 at the Lahore Expo Centre on Saturday, Malik insisted that the recent hike in gas prices would not cause harm to the industrial sector.

Textile Sector: Committee concerned over exports

"The gas tariff hike is minimal and it will not affect industries," he remarked.

Talking about economic relations with China, Malik said China always cooperated with Pakistan in every sector. "Establishing a chain of enterprises is also part of the China-Pakistan Economic Corridor (CPEC) project and this expo is a step in this direction," he said.

Over 10,000 people including top-level machinery manufacturers, businessmen, entrepreneurs and investors of China and Pakistan were present on the first day of the three-day expo.

As many as 100 stalls were set up by Chinese manufacturing companies and around 200 Chinese businessmen from the machinery industry joined the expo in an effort to explore possibilities of joint ventures and partnerships with Pakistan's machinery manufacturers.

Many consultancy firms have also set up their stalls to assist the investors. 'Govt responsible for decline in textile exports'

Earlier, the trade minister, in his welcome address, said, "I extend my felicitations to all Chinese brothers for making this expo an advantageous activity both for Pakistan and China."

China's Consul General Long Ding Bin, while talking to media, acknowledged the initiatives taken by the Pakistan-China Joint Chamber of Commerce and Industry and E-commerce Gateway Pakistan.

"This is not merely an exhibition, but a direct interaction in which Pakistani companies, particularly young entrepreneurs, will get a golden opportunity to meet with Chinese success leaders in the machinery industry," he said.

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

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Vietnam: After years of sewing casual fashion, Vietnam tries it on

With local incomes rising, brands like H&M rush in to capture demand for quality

International casualwear brands are rushing to set up shop in Vietnam, as the longtime production hub for the apparel industry blossoms into a big fashion market amid economic growth that lifts incomes.

Fast fashion on the rise

Sweden's H&M Hennes & Mauritz debuts its first H&M store in the country Saturday, boasting hundreds of square meters on two floors of downtown Ho Chi Minh City's Vincom Center shopping mall. A wide range of men's, women's and children's clothes will line the racks, along with footwear, bags and other goods. The lineups of branded products will offer a welcome change for customers used to the many Hanoi and Ho Chi Minh City shops that handle imports of multiple foreign brand products.

Zara, operated by Spain's Inditex, likewise staged its Vietnam debut in that complex last September with a store occupying a large swath of two floors. The two retailers combine to make the Vincom Center mall an emblem of casualwear's growing popularity in Vietnam.

The Spanish chain's offerings are more expensive in Vietnam than in Japan, and may carry prices up to double of what one would find at Vietnam's street markets. A woman from Hanoi bought 10 million dong ($440) worth of clothes including dresses and shoes for her daughter in elementary school. "I like how fashionable the design is," the woman said. "It's expensive, but it's good quality. I bought some for friends, too."

Zara plans to open a second location, this one in Hanoi, as soon as next month.

Fast Retailing, the Japanese operator of Uniqlo, began recruiting staff in Hanoi and Ho Chi Minh City in May. The company mainly sought college students on track to graduate, setting off speculation that it is planning to launch stores in several cities starting with Ho Chi Minh. U.S. apparel corporation Gap opened its first Vietnamese Old Navy outlet in Ho Chi Minh City in June and added a Hanoi location in early September, with a third store to come within the month.

From maker to buyer

China's rising labor costs accelerated a shift toward outsourcing production of sewn goods to Vietnam, where wages were roughly half as much. Many powerful businesses operate in the country, including Vietnam's Garment 10, which has teamed with Japanese textile and apparel company Aoyama Trading, and the An Phuoc garment maker group, which supplies designer brand Pierre Cardin. Textiles contribute more than 10% of Vietnam's gross domestic product and serve as the country's second-biggest industry.

Source: asia.nikkei.com - Sep 10, 2017

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Businesses Urge Indonesian Gov't to Sign Free Trade Deals

Basically there is one reason why the Indonesian government is not keen on signing free trade agreements (FTA), comprehensive economic partnership agreements (CEPA), comprehensive economic cooperation agreements (CECA) or preferential trade agreements (PTA).

The reason is that Indonesia is regarded not competitive enough to compete with foreign counterparts on the international market (especially in terms of manufactured goods), while at the same time the huge 260 million population of Indonesia (which is characterized by growing per capita GDP) would become a great market for (cheaper yet higher quality) foreign products imported under the trade deal.

Hence, the government fears these trade deals will only result in a huge inflow of foreign products, while the rise in Indonesian exports would be limited. Therefore, Indonesia is currently only involved in two bilateral trade deals: (1) Indonesia-Japan EPA (2008) and (2) Indonesia-Pakistan PTA (2013).

Hariyadi Sukamdani, Chairman of the Indonesian Employers Association (Apindo), said there exist differences among Indonesian ministries about whether it is positive or negative to engage in trade deals. Meanwhile, Shinta Widjaja Kamdani, Vice Chairwoman of the Indonesian Chamber of Commerce and Industry (Kadin), says the lack of will of the Indonesian government to sign these deals is the logical consequence of Indonesia being late in opening up investment for (foreign) investors. This has resulted in limited investment in, for example, Indonesia's manufacturing industry and therefore these products lack competitiveness (in terms of price and quality) compared to products manufactured by regional counterparts (in Malaysia and Vietnam).

One sector that is negatively affected is Indonesia's textile and textile products sector. In full-year 2016 Indonesia shipped USD $12.3 billion worth of textile and textile products to the European Union (EU). Vietnam's textile and textile product exports to the EU, however, totaled USD $30 billion in the same year, a much more impressive figure. Kamdani said this difference is primarily caused by Indonesian textile exporters having to face import tariffs up to 10 percent, while Vietnam can ship these products to the EU for 0 percent import duties under the Vietnam-EU FTA.

For shipments to the EU, Indonesia competes with shipments from the African continent. While Indonesian exporters need to face import duties up to 9 percent, African counterparts are not disturbed by import duties, thus making the African products more competitive while the quality of the product is more-or-less the same.

Rosan Roeslani, Chairman of Indonesia's Chamber of Commerce and Industry (Kadin), sees the same affect in the palm oil sector. Recently, shipments of Indonesian crude palm oil (CPO) to Turkey declined significantly because Turkish importers shifted to Malaysian CPO suppliers as they can enjoy lower import duties due to the FTA that was signed between Malaysia and Turkey in 2015.

Comparison Bilateral Free Trade Deals:

Indonesia	Malaysia	Thailand	Vietnam
Indonesia-Japan EPA	Malaysia-Japan EPA	Thailand-Australia FTA	Vietnam-Japan EPA
Indonesia-Pakistan PTA	Malaysia-Pakistan CEPA	Thailand-Bahrain FTA	Vietnam-Korea FTA
	Malaysia-New Zealand FTA	Thailand-New Zealand FTA	Vietnam-Chile FTA
	Malaysia-India CECA	Thailand-Japan EPA	Vietnam-EU FTA
	Malaysia-Chile FTA	Thailand-Peru FTA	Vietnam-Eurasian Economic Union FTA
	Malaysia-Australia FTA	Thailand-Chile FTA	
	Malaysia-Turkey FTA	Thailand-India FTA	

Source: Bisnis Indonesia

The Indonesian government does understand the importance of partnering in free trade deals and is therefore in negotiations for various deals including Indonesia-EU FTA, Indonesia-EFTA CEPA, Indonesia-Australia CEPA, Indonesia-Chile CEPA, Indonesia-India CECA, Indonesia-Iran PTA, and Indonesia-Turkey PTA. However, these negotiations - if successful at all - require plenty of time as the government is divided about the matter and concerned about the negative impact (a potential surge in imports).

Source: indonesia-investments.com- Sep 11, 2017

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Pakistan seeks changes in free trade agreement with China

Pakistan will try to convince Chinese authorities to revise the existing free trade agreement (FTA) on the less-than-equal reciprocity principle, Commerce Minister Pervaiz Malik told *Dawn* on Friday.

The move is aimed at overcoming the trade imbalance that exists between the two countries.

“We will demand an early-harvest programme in the existing FTA that will cover 100 items of Pakistan’s export interest,” Mr Malik said.

Negotiation teams briefed the minister about the trade agreements with China and Thailand. The briefing was part of the preparation ahead of the eighth round of negotiation on the second phase of the FTA to be held in Beijing on Sept 14-15.

Commerce Secretary Younus Dagha will lead a technical team to represent Pakistan in the secretary-level talks.

Mr Malik said China signed several bilateral and regional FTAs, which limited the benefit of preferences to Pakistan. China’s FTA with the Association of Southeast Asian Nations countries has also made the preferential treaty for Pakistan mostly irrelevant. For example, China charges 3.5 per cent duty on the import of yarn from Pakistan under the FTA while it also charges the same duty on imports from India without any treaty.

This shows the FTA has become mostly irrelevant for Pakistan. The minister said his ministry has worked out various proposals that will be presented during the upcoming round of negotiations.

The minister said Pakistan will urge China to enter into the early-harvest programme. “We also raised this issue with Pakistan’s foreign minister before his visit to China,” he said, adding that the ministry also sought help from the Foreign Office to make the treaty beneficial.

But another official told *Dawn* that Pakistan may not sign the second phase of the FTA as it fears that the move will further increase imports from China.

Authorities in Beijing are unwilling to accept Islamabad's demand for the revival of the preferential treatment for exportable products under the FTA, the official added.

As per the original plan, the second phase was supposed to be implemented from Jan 1, 2014. Both countries started negotiations for the second phase in 2011. The FTA covers more than 7,000 tariff lines at eight-digit tariff code under the Harmonised System (HS). Both sides have held seven rounds of negotiation on the second phase to break the deadlock.

An official statement issued after the meeting said the commerce minister showed satisfaction over the progress of the FTA negotiations. He directed the negotiating team to work vigorously to conclude the agreement in the best interest of Pakistan.

Currently, Pakistan has reduced the duty on 35pc products to zero per cent while China has reciprocated by reducing the duty on 40pc products of Pakistan's exports to zero per cent. The official said Islamabad was also reviewing the services agreement with the Chinese authorities.

A commerce ministry report revealed that Pakistan could not utilise the concessions granted by China under the first phase. It only exported in 253 tariff lines, where the average export value was $500 or more, which was around 3.3pc of the total tariff lines (7,550) on which China granted concessions to Pakistan.

Pakistan's key exports to China were raw material and intermediate products, such as cotton yarn, woven fabric, grey fabric etc. Value-added products were missing despite the fact that some of these products, like garments, were included in the concessionary regime.

On the FTA with Thailand, the minister said it was still in the early stage. However, he said interests of local industries will be protected under the proposed FTA. Thailand demands market access for the auto sector and rice.

Source: dawn.com- Sep 09, 2017

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Bangladesh August exports up 10.7 pct y/y, lifted by garment sales

Bangladesh's exports in August rose 10.7 percent from a year earlier to $3.6 billion, driven by stronger garment sales, official data showed on Sunday.

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

Exports for July and August, the first two months of the country's 2017/2018 financial year, rose 13.8 percent from a year earlier to $6.6 billion, the Export Promotion Bureau said.

Sales of garments, comprising knitwear and woven items, totalled $5.5 billion in July and August, up 14 percent from a year earlier.

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

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

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

Exporters blamed the lacklustre growth for the previous financial year on a number of factors, including sluggish demand in key markets, structural reforms in the garment sector, a weak euro and appreciation of the local currency against the U.S. dollar.

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

Source: reuters.com- Sep 10, 2017

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NATIONAL NEWS

New globalisation: Countries must agree on ways to measure digital trade flows

Much has been made about the global slowdown in trade. Global trade intensity, which is a measure of trade as a percentage of GDP, grew dramatically from below 25% in the 1960s to almost 60% by 2012, where it has roughly remained since. Merchandise exports retreated by more than 15% from their peak in 2014, to $16.1 trillion in 2016. All this “bad news” for trade, however, comes in the context of an interconnected world in which digital technologies and services are redefining our products and customer experiences. This raises a question: are we thinking about trade correctly?

When economists and political leaders talk about a nation’s trade, they typically mean the value of goods and services that cross national borders. Measuring trade has long been straightforward in a sense. Say a diesel engine manufactured in England and valued at $50,000 is shipped to an installation in Texas. That transaction would count as a $50,000 export from England to the US.

This traditional conceptualisation of trade, however, is fast becoming outdated. That is because global companies are increasingly delivering services via new business models empowered by the growing interconnection of the world’s people, businesses, and devices through digital technology. As we explained in our recent publication, one driver of business growth is the “servitisation” of traditional product offerings. Companies are moving from one-time asset sales to ongoing streams of revenue from services and pay-for-performance.

One consequence of this new global paradigm is that companies are looking at “products” in entirely different ways. Even many traditional hardware manufacturers are increasingly viewing themselves as providers of digitally-enabled services, rather than just physical goods. What’s more, these companies are transforming the ways they deliver their products and services, often in ways that traditional metrics of cross-border trade do not accurately capture.

Rather than just loading goods onto crates and then onto a ship, for example, more products are being delivered via digital platforms.Let's return to the diesel engine example above to understand the statistical dilemma. Under the manufacturer's old way of doing business, the sale of the asset was often the end of its direct relationship with the buyer, except for any follow-on sales in the form of OEM parts and supplies.

With the advent of connected devices, the manufacturer can now offer value-added services beyond the sales of the engine and parts. Sensors collect data that is used to analyse usage and performance. This analysis, moreover, may not be done in England or the US—but in a third country like India, Sweden, or China. The engine manufacturer can develop services and solutions businesses, such as predictive maintenance and proactive replacement of critical parts, to deliver more value and generate new revenue streams.

How do you capture these digitally-delivered services in trade data? Although the analytics work is done in one country, the revenue resulting from it may be booked elsewhere. And since the value delivery is entirely digital, there is no “chain of custody” to track and record such transactions, much less reflect them in trade statistics.

A senior executive at a global consumer appliance manufacturer agrees that tracking contributions to global trade will be increasingly challenging. His company has set up a global analytics centre in India to perform advanced analytics of data transmitted from its growing portfolio of connected devices.

The analysis supports its services offerings to customers globally through predictive analytics and value-added digital offerings, as well as the company's country-specific marketing and sales efforts in its various markets. In each instance, there is cross-border transfers of value.

But as this executive noted, it remains unclear how this value transfer will be captured in trade statistics, both in terms of services delivered to the end-user (such as add-on purchases and new features) as well as the value of such information (in the form of marketing strategies) that is traded internally at the organisation.

The so-called Internet of Things is projected to grow five-fold from an installed base of about 15 billion connected devices to 75 billion by 2025. As connected devices become ubiquitous across industries, cross-border flows of digitally enabled services will become a significant part of the global economy.

Servitisation examples in traditionally asset-heavy industries already abound. In the transportation/equipment sector, for example, they include Tesla cars, trucks connected to Volkswagen's Rio platform, and John Deere tractors that are loaded with sensors and digital connections used to develop value-added services. Many of these services are delivered through smartphone apps to any part of the world.

The implications of these trends for global trade are huge. Using cross-border shipments of physical goods as a barometer of trade balance will become increasingly meaningless. So will conventional approaches to measuring trade in services. As more one-off transactions turn into extended, long-term contracts, the share of undocumented digital services will increase as a percentage of services trade.

Governments need to understand this paradigm shift and the multiplier effect that the growing contribution of digital services in global trade will have on economic growth. They then must align their national economic strategies accordingly.

Instead of shadow boxing each other over trade balances based on trade in physical goods, it is essential that governments restart multilateral trade talks and develop common rules and standards for the new globalisation.

Countries must agree on ways to measure digital trade flows and—just as they did for trade in physical goods and services—craft new rules of the game that facilitate its growth and governance.

Source: financialexpress.com- Sept 08, 2017

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Spinners asked to reduce yarn production by 35 percent for 2 months

Indian Texpreneurs Federation (ITF) on Saturday advised spinning mills to reduce yarn production by 35 percent for two months to reduce loss and also to bring balance in cotton and yarn prices.

In an advisory to the members, ITF said it was advisable to reduce the production with immediate effect for next 30 to 60 days and also try to avoid buying cotton at the prices to minimise the impact of financial loss, due to slowdown in exports and also in domestic market.

Due to demand and supply imbalance, yarn prices were down and with current cotton and yarn prices, standalone spinning mills were facing severe losses due to disparity in prices, as many varieties of yarn were now selling much below the level of manufacturing cost, ITF secretary, Prabhu Dhamodharan said.

Being a big state and big player in textile manufacturing, Tamil Nadu mills consume more than 30 percent of cotton and similar level in synthetic fibres to produce various types of yarn,he said,adding that if there was a slowdown in production for the next 60 days, "automatically we can bring stability in yarn prices by way of reducing the supply to the yarn market".

And by way of reducing cotton consumpition, cotton prices also will come down to a realistic level in the coming season, he pointed out.

Since weaving, processing, apparel and home textiles were optimising utilisation levels based on demand and supply and order trends, the spinning sector, irrespective of market conditions, used to follow the model of running throughout the year and facing huge losses due to disparity in raw materials and selling prices of yarn, he said.

Source: economictimes.com- Sept 09, 2017

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Skilled workers, FTAs need of the hour for textile industry

More skilled workers, free trade agreement with European Union and promotion of research were some of the leading demands raised at the 11th CEO conference by South Indian Mills Association (SIMA) held at Le Meridien hotel here on Saturday.

"The textile industry requires skilled workers not subsidies," said executive director of Ernst & Young LLP V S Krishnan. "To improve the textile industry, we need to negotiate with European Union for free trade agreement (FTA), modernise the processing segment, improve the quality of cotton and promote research. We should seek government help to set up skill development centres as they are the need of the hour," he said.

Expressing a similar view, SIMA chairman M Senthil Kumar said, "The duty-free access and preferential trade agreements extended to our competing nations have adversely affected our export growth.

Until we conclude FTAs, especially the one with EU, we need some protection and competitive edge by continuing all the export benefits extended during the pre-GST era to sustain the present market share."

Goods and Services Tax (GST) has been the talk of the town and the CEO conference was no different. Training sessions were held on GST and techno facts awards were given away to 10 companies.

"GST will reduce logistics cost and industries should interact directly with the government through the GST council on reform regarding issues like reduction of rate structures and duties," said Krishnan.

Senthil Kumar said a few key issues should be sorted out to create a level playing field in the globalised environment.

"We could revamp the commercial trading terms and conditions of Cotton Corporation of India (CCI). CCI is prepared to store the buffer stock in all the major clusters and supply it to the mills based on the commitment given by the individual mills," he said/

Meanwhile, new office bearers were inducted into SIMA. Managing director of K P R Mill Limited P Nataraj has been elected the chairman of SIMA and K Vinayakam, managing director of SCM Textile Spinners has been elected the deputy chairman. Ashwin Chandran, chairman and managing director of Precot Meridien Limited, has been named the vice-chairman of SIMA.

Source: timesofindia.com - Sep 10, 2017

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Demonetisation, GST fostered trademark protection awareness in India

While the jury is still out on the effects of demonetisation and Goods and Services Tax (GST) on the Indian economy, the two steps seem to have fostered awareness about the protection of trademark and intellectual property (IP) by businesses.

Since, demonetisation and GST are intended to move the domestic economy from cash to digital and formal ecology, Indian business establishments are now realising the long term benefits accruing from protecting their trademarks, brands and IP, deputy registrar Trademarks and Geographical Indication (GI) R A Tiwari told Business Standard here.

“In the aftermath of demonetisation and GST, there has been a marked qualitative improvement in the filing of trademark applications by business entities,” he said.

Tiwari claimed the ‘acceptance rate’ of trademarks being filed has improved from 5-7 per cent earlier to 35-40 per cent now. Acceptance rate refers to the approval of trademark applications by the Trademarks and GI office.

“The acceptance rate has improved due to a higher level of awareness among traders and business community about trademark and IP. The instances of frivolous applications or objections are fewer now. Only genuine applications are being filed,” Tiwari added.

At the same time, trademark applications were also being filed even from smaller towns in Odisha, Andhra Pradesh, Karnataka and Jharkhand, among other states.

Meanwhile, Tiwari was in Lucknow for a capacity building seminar under the aegis of IPC-EUI (Intellectual Property Cooperation-EU India), a project between EUIPO (EU Intellectual Property Office) and India within the framework of the European Union programme ‘Capacity Building Initiative for Trade Development’ (CITD).

The programme supports India in sustainable development and furthers its integration into the global trade system and protocols.

While these events were earlier organised in the metro and tier-I cities, IPC-EUI is now holding such sessions in tier-II towns such as Vishakhapatnam, Lucknow and Bhopal to expand the sphere of such capacity building among Small and Medium Enterprises (SMEs).

“We focus on enhancing the capacity of the Indian productive sector to compete in different markets, especially at the international level,” IPC-EUI associate and international IP consultant Ernesto Rubio said.

The programme also aims at improving the capacity of the manufacturing sector, especially SMEs to create, protect and manage their own brands by using IP as a tool for development.

“India has made a lot of progress with regards to IP in the last few years and the latest IP policy spells out the clear strategy of the government. It has acknowledged the direct connect between IP and innovation,” Rubio noted.

He, however, said more awareness needed to be created among the businesses, particularly smaller companies regarding IP and brand protection. “The export oriented sectors, such as the IT, textiles, fashion, pharmaceutical, food processing etc. would benefit immensely with trade mark and IP protection.”

Source: business-standard.com - Sep 10, 2017

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GST tweak: Cotton quilt, corduroy fabric, brooms to cost less

As many as 40 products, including daily use ones like idli and dosa batter, raincoat, brooms and corduroy fabric, will cost less as the GST Council has lowered taxes on them.

The Goods and Services Tax (GST) Council, at its 21st meeting in Hyderabad yesterday, also decided to reduce levy on computer monitors of up to 20 inches, cotton quilts, rubber bands and kitchen gas lighters.

As per the list of items uploaded on the website of the Central Board of Excise and Customs (CBEC), khadi fabric sold through KVIC shops have been exempted from GST, which was implemented from July 1.

Also, rate on saree fall, dhoop batti, corduroy fabric, walnut, dried tamarind and roasted gram has been brought down to 5 per cent, from 12 per cent earlier.

The rate revision in these 40 items followed after the fitment committee noticed anomalies in GST levied in these products.

Accordingly, plastic raincoats and rubber bands have been fitted in the slab of 18 per cent and 12 per cent, respectively, as against the earlier 28 per cent.

Idli and dosa batter will attract 12 per cent GST, against 18 per cent before, while brooms and brushes have been totally exempted from the levy.

Kitchen gas lighters will attract 18 per cent compared to 28 per cent GST earlier while prayer beads will fall in the 5 per cent slab against 18 per cent previously.

As against 28 per cent, computer monitors with size of up to 20 inches will attract 18 per cent-- thus bringing it on par with those whose screen size is up to 17 inches.

Cotton quilts costing up to Rs 1,000 will attract 5 per cent while those above that will face 12 per cent GST, against the earlier uniform rate of 18 per cent.

Tableware, kitchenware, other household items and toilet articles of porcelain or china or those other than porcelain or china clay will be levied 12 per cent against 18 per cent and 28 per cent, respectively.

All goods, including bells, gongs and the like, non- electric, of base metal; statuettes and other ornaments of base metal will attract 12 per cent GST compared to 18 per cent earlier.

Source: moneycontrol.com - Sep 10, 2017

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Govt chalks out strategy to revamp textile sector

The textiles sector in the State is in for a thorough revamp. The 17 textile mills in the public and cooperative sectors would be revived and made self-reliant on the basis of a strategy worked out by an expert team.

The government has accorded in-principle clearance for the strategy drawn up by an expert committee headed by P. Nandakumar and comprising among others M.P. Sukumaran Nair, Chairman, Public Sector Restructuring and Internal Audit Board.

A working group meeting held at the behest of Industries Minister A.C. Moideen and Finance Minister T.M. Thomas Isaac has ironed out an action plan for mopping up resources for executing the strategy. It has been proposed to release the funds in instalments and bring the mills that provide direct employment to about 5,000 persons and indirect jobs to 15,000 back into action within 18 months.

Fund infusion

Mr. Nandakumar told The Hindu here that the sustainable development and modernisation strategy would bring about a remarkable change and help the State emerge as a major player in the sector. The committee had recommended a fund infusion of ₹494.81 crore, ₹317.89 crore for capital investment and ₹176.93 crore as working capital for putting the 17 mills in the State back on track.

Though the panel had recommended a one-time fund infusion considering the fact that earlier release of ₹521.09 crore in different tranches during the past one decade had not yielded the desired results, the current resource crunch is reported to have prompted the government to stagger the investment, but in a meaningful manner.

Though not in the pink of health, the mills continue earn an annual revenue of ₹100 crore, after making statutory payments to the exchequer.

Reasons for crisis

Supply and demand mismatch, high cotton prices, low realisation from yarn sales, labour absenteeism due to uncertainty, mounting dues to raw material supplies and other commitments have been cited for the crisis.

The committee had recommended retrospective conversion of loans into equity and waiver of accrued interest to improve the financial credit worthiness of the mills. It has proposed to slash the interest rate from 11.5% to 10.35%. It had proposed to bring the mills under government control and monitoring of RIAB and also constitution of centralised committees for purchase of capital goods and sales of used machinery and other things.

Source: thehindu.com- Sep 09, 2017

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The Switch To Recovery

Nine months into 2017, the wait for economic recovery continues. The current slowdown, with the GDP dipping to 5.7 per cent in the first quarter of fiscal year 2017-18, the lowest in three years, may have been exacerbated by demonetisation as well as teething problems attributed to the Goods and Services Tax (GST), but the economy had been slowing down well before these policy decisions were put into effect. This was partly due to external as well as internal factors, including the impact of two years of drought in many parts of the country.

This monsoon, large parts of the country have seen heavy rainfall, resulting in severe floods that are expected to impact farm production, particularly foodgrains. With the government holding adequate stocks, food supplies are not a major concern. At this juncture, the slide in manufacturing growth from double digit in 2015-16 to the negative in the April-June quarter this year is particularly worrying as it has a direct bearing on job creation. This is of increasing priority, given the job losses in the informal sector post demonetisation even as the pool of youngsters seeking jobs expands rapidly.

Prof N.R. Bhanumurthy of the National Institute of Public Finance and Policy is optimistic that the worst is over. “In the first quarter, the impact of GST has bottomed out. We should expect recovery now, but whether it is a sharp recovery or a moderate one, we will have to wait and see,” he says. With the costs of GST implementation and ambiguities surrounding it in terms of taxes and demand behind us, the manufacturing sector should recover. The bickering over the taxes may continue, but at least there is clarity on the overall cost of implementation.

“Now that the MSMEs (medium, small and micro enterprises) know the cost of implementation, they would be better prepared. Once they start getting their refunds, the working capital issues would be resolved,” says Bhanumurthy, clarifying that not just the MSMEs, but also those in the services sector have to pay for the input costs and later seek refund. “The cost to business may have increased in many cases as there may not have been any tax implications earlier. Obviously, those who were not paying any taxes earlier will say their costs have gone up. Also, we assume those who were paying tax were not evading any, which may not have been the case. But now under-reporting may not be possible.”

Jajit Bhattacharya, partner (strategy and operations) at KPMG India, is hopeful that the Q3—a festive quarter that typically sees an increase in consumption (electrical appliances, jewellery, textiles etc)—will see growth returning as the disruptive impact of demonetisation as well as the GST switchover would also have waned.

Former chief statistician of India Dr Pronab Sen, however, feels that the impact of demonetisation and GST will take time to play itself out—maybe another two to three quarters. Another factor working against the manufacturing sector, according to Sen, is the rupee appreciation and the exchange rate. “The factors that are holding back growth—demonetisation, GST and rupee appreciation—will be around for a couple of quarters more at least. In manufacturing, it is a demand story, which continues to be weak. On the other hand, because of the rupee rise, imports, particularly in consumer goods, have gone up tremendously and the manufacturing sector is facing the consequences," he says.

In India, the supply side is not the problem, unlike the demand side, which is why private sector investment in new projects or even capacity expansion is not picking up. Many economists share Sen's views that the negative impact of demonetisation and GST will not wear out fast unless the government steps up public sector investments, particularly in the agriculture sector and rural infrastructure, and private investment picks up.

"Investment spending and consumption spending are areas of concern," says Shashanka Bhide, director of the Madras Institute of Development Studies. "The silver lining is that policies are in place to boost growth, but a good deal of uncertainty remains due to external and internal factors, so I don't expect immediate pickup in the short term. It will take more time for policies like GST to have significant affect."

The large MSME sector, in particular, has been hard hit in the past few years. Demonetisation together with the GST has further worsened the situation as "eight months post demonetisation, 20 per cent of the AIMO members have shut operations, while there has been 30 per cent rise in NPAs from the MSME sector," says K.E. Raghunathan, national president of the All India Manufacturers Organisation (AIMO). "The trade condition is such that most companies are not in a position to plan ahead." AIMO fears the government proposal to make the fiscal year coincide with the calendar year will result in another chaos. "We have not seen the end of changes. Are we expected to run the industry or learn new ways of operating business?" wonders Raghunathan.

Anil Bhardwaj of the Federation of Indian Micro & Small and Medium Enterprises (FISME) says the outlook for the immediate future is "not optimistic. It is too early to speak about the mid or long term." Bhardwaj stresses the need for transparency in the central government public procurement norms to help MSMEs. He also feels financial sector reforms to ease the stress on banks would help boost lending to industry.

Alongside the industry and trade bodies, the large farmers' community too is reeling from adverse weather shocks and demonetisation. Compounding their woes are the falling prices. "If farmers' protests went out of hand, they had a good reason to," says Anil Adhikari, former head of agriculture commodities at Comtrade. For instance, wholesale inflation moderated sharply to 2.2 per cent year-on-year in May, compared to 3.9 per cent in March. This was significantly below expectations. Retail inflation fell to 2.2 per cent from a year ago in May 2017, a record low, as food prices—at -1.0 per cent—turned negative for the first time since 2001. Vegetables and pulses remained deflated at -13.4 per cent and -19.5 per cent. The negative price trend—prices dipping—continued.

“Remonetisation boosted growth in the cash-intensive services sectors, but this was offset by slower agriculture growth and a sharp slowdown in manufacturing gross-value added growth caused by production cuts ahead of the GST and lower profitability,” says Sonal Varma, economist with Nomura. Agricultural growth in real terms—that is farm GDP minus inflation—has slowed to 2.3 per cent from 5.2 per cent. “Despite real growth of 2.3 per cent, nominal agricultural growth was only 0.3 per cent, suggesting that while agricultural output grew, their prices fell,” says Dharmakirti Joshi, chief economist at Crisil.

The distress in agriculture caused by a fall in prices is more structural and not broad-based either across crops or states. For instance, prices of wheat and Bengal gram (chana) is steady, unlike green gram (moong), which has seen 30 per cent dip in prices. “This year’s near-average monsoon should help agricultural growth rebound,” says Joshi. As of August-end, total summer sowing was 3.3 per cent higher than last year and 5 per cent higher than the long-term normal levels. The impact of floods in several areas, however, has to be factored in.

In the short term, there are expectations of a pickup in sectors such as food and food products, textiles and intermediate construction raw materials, even as auto parts, machine parts and tools, among others, continue to struggle for growth. The growth expectation for 2017-18 so far remains pegged between 6.5 to 7 per cent.

Source: outlookindia.com- Sep 10, 2017

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4 pc higher cotton production this season

India's cotton production for the 2016-17 season ending this month has been estimated at 345 lakh bales, four per cent higher than the previous season production of 332 lakh bales.

Production for this season has been estimated at 23.19 million tonnes, 10 per cent higher than the previous season's 21.07 million tonnes due to increased production in all major cotton growing countries, B Lakshminarayana, chairman of Southern India Mills Asociation Cotton Development and Research Association said here.

Though worldwide cotton consumption has been estimated at 24.74 million tonnes, two per cent higher than the previous season's 24.22 million tonnes, India's consumption (including non-mill consumption) has been calculated at 312 lakh bales, marginally lower than previous season's 315 lakh bales,he said in his address to SIMA's 42nd Annual General Meeting here yesterday.

Stating that global exports are estimated at 8.1 million tonnes, higher than previous season's figure of 7.7 million tonnes, he said exports during the season had come down to 60 lakh bales from the previous season's 69 lakh bales.

As far as the cotton season 2017-18 is concerned, global production and consumption has been estimated to be marginally higher than previous season, at 25.54 and 25.56 million tonnes respectively, an association release said today.

Global cotton trade is expected to be at the previous season level of about 8 million tonnes, Lakshminarayana said.

Global stocks at the season end have been estimated at 19.62 million tonnes, marginally higher than previous season ending stock of 19.59 million tonnes.

The Minimum Support Price of fair average quality kapas of medium staple and ong staple was increased by Rs 50 for 2016-17 season and MSP of medium staple and long staple was Rs 3,860 and Rs 4,160 per quintal respectively.

There was a recommendation to increase MSP by Rs 160 for 2017-18 season and accordingly, MSP for the season for medium staple and long staple would be Rs 4,020 and Rs 4,320 respectively, Lakshminarayana said.

As the 2015-16 season (Oct-Sept) average of Shankar-6 stood at Rs 36,978 per candy, 12 per cent higher than previous season average of Rs 33,159 per candy, prices increased in the 2016-17 season. The average during October to August worked out to Rs 41,680 per candy, higher by 13 per cent, he said.

With comfortable cotton supply in the domestic and international markets, the prices are anticipated to ease in the coming months, he said.

Source: business-standard.com- Sep 10, 2017

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Ikat: The weave that binds India to a vast swathe of Asia

It is not uncommon for China to claim that just about everything was discovered, created, evolved or invented there, from astronomy to gastronomy, technology to culture. India has been remarkably reticent about asserting its own considerable claims, much less challenging China's claims of preeminence on the continent.

Maybe the resolution of the Doklam standoff will mark a change in this curious Indian pusillanimity.Former foreign secretary Kanwal Sibal noted in a recent article that the unmistakeable evidence of Indian culture around Asia as well as the distinct lack of Chinese influence on India –the only other Asian civilisation of similar size and antiquity –belies China's assertions of historical dominance. And an excellent exhibition and seminar on ikat weaving in New Delhi last week reiterated India's sustained soft power.

Scholars have propounded many theories of where the amazing technique of ikat –where the threads of the warp and/or weft are tied and pre-dyed before being woven – originated.

Some averred that the distribution of an ancient type of Vietnamese drum in some ikat areas point to that region as the fount. Others say it developed on its own in different places, from central Asia up to the islands of Indonesia and the Philippines. My own theory is fanciful but cannot be discounted given that no scholar has much by way of conclusive proof otherwise. Ancient Indian kingdoms along the east coast had navies and went to the farthest reaches of East Asia. Hinduism, and later Buddhism, were also carried along with them, as existing temples prove.

It is entirely possible then that Indian cloth caught on over there so local weavers improvised and then innovated.

Weavers and designers from as far apart as Kyrghystan and Sumatra came to New Delhi's Bikaner House at the invitation of the World Crafts Council to showcase their ikats—each with its own name (like abr-bandior "tied cloud" in Central Asia) and lore. This underlines the irresistible appeal of this technique for weavers and people.Ikat is indeed a tie that binds us as the doyenne of textiles Jasleen Dhamija said so aptly. India has no conclusive dates for the genesis and spread of ikat weaving.

But the distinctiveness of our three major ikatweavingareas– Odisha's intricateandfine curvilinear style, Telangana's geometric 'telia rumal' geometrics and Gujarat's superb Patan and Rajkot patolas–indicates Indiahasalways beenapowerhouse of ikat techniques and technology.So the theory that we exported our ikat textiles and knowhow cannot be ruled out. Given its location, India has always been a land where innumerable foreigners came in search of many things since time immemorial. Some came merely to trade, others to learn; still others stayed back or travelled onwards or homewards carrying knowledge and goods gathered here.

Indian rulers were remarkably open to new influences and opportunities too, domestically and abroad, which led to more mutually beneficial interactions. One of the least known facets of ancient India's accomplishments is steel technology.When Europe was struggling with rusting iron weaponry, south India had already developed "ukku" – a high-carbon crucible steel with tremendous tensile properties which made it a coveted export. Alexander the Great was said to have been floored by ukku and even the fabled Damascene swords of 'watered' steel used Indian metal!

This legacy of ancient interactions is what India should leverage now to reactivate civilizational links in our region, though not necessarily at the official level. Ikat is only one of the ties that bind India to so much of Asia.Buddhism and Hinduism—in their characteristically glorious diversity–still hold sway in precisely the areas China covets, for instance. Spices, food, other textiles customs and music, among others.

But the lessons of Doklam must be applied. Chinese-style bellicose assertions of dominance will be counterproductive. India has seen the benefits of calm, quiet, genteel yet knowledgeable persistence. The seminar and interactions on ikat went a long way in quietly “tying” India to a vast swathe of Asia. Many more such discussions and exhibitions are needed, and the sheer depth and diversity of India’s legacy offers many options.

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