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

IBTEX No. 210 of 2018 October 11, 2018

USD 74.38| EUR 85.96 | GBP 98.35 | JPY 0.66

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21943	45900	**78.70**
Domestic Futures Price (Ex. Gin), October		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22300	46646	**79.98**
International Futures Price		
NY ICE USD Cents/lb (Dec 2018)	77.01	
ZCE Cotton: Yuan/MT (Jan 2019)	15,645	
ZCE Cotton: USD Cents/lb	**87.13**	
Cotlook A Index – Physical	**86.85**	

Cotton Guide: Cotton looked better as compared to other markets. US equities had their biggest drop in 8 months. Rising interest rates and growing tensions with China seemed to be the heart of the weakness. Cotton for December future at ICE ended lower at 7680, down 21 points. The other months settled from 24 points lower to 7 points higher. Trading volume was 25,483 contracts. Cleared yesterday were 26,899 contracts. Open Interest 255,853 up 49 no major change from previous close. Wednesday's session in China's ZCE futures was modestly lower and the following night session added slightly more to the losses. The ZCE has looked much like ICE or vice-versa as both markets have been slipping since June. China is yet to make an official announcement of their 800,000 tonnes of sliding-scale quota to mills.

However some mills just received notice of their allocations, but their buying interest appears to be for non-US growths. Meanwhile Hurricane Michael's wind and rain was making its way to Florida, Georgia, Alabama and the Carolinas where a majority of the cotton crop sits wide open. On the Indian front S-6 variety continued to trade near Rs. 45700 to 45800 per candy ex-gin. The arrivals stood near 30 to 40K bales across India. More supplies are expected in the near as part of seasonal trend. The MCX October future ended the session at Rs. 22350 per bale up by 0.22% from previous close. We believe market may continue to trade in the same range of 22200 to 22480 per bale.

FX Guide:

Indian rupee has depreciated by 0.3% to hit a fresh record low level of 74.4825 against the US dollar. Weighing on rupee is selling pressure in Asian equity markets after sell-off in US market yesterday. Equity markets are under pressure amid global economic uncertainty amid trade worries, rising interest rates and weakness in China and other emerging markets. Rupee however benefitted from correction in crude oil price and US dollar. Brent crude has corrected sharply from 4-year high to trade near $81.5 per barrel as global economic uncertainty fuelled demand

concerns. The US dollar index trades weaker near 95.2 levels weighed down by correction in bond yields and safe haven buying in yen. Rupee may remain under pressure unless risk sentiment improves significantly. USDINR may trade in a range of 74.05-74.65 and bias may be on the upside.

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

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INTERNATIONAL NEWS

The Effects of the USMCA on Textiles, Explained

The newly devised United States-Mexico-Canada Agreement (USMCA)—which this month replaced NAFTA, the North American Free Trade Agreement in place since 1994—represents one of the largest changes to the North American textile trade in recent memory.

Created with the hope of spurring the growth of domestic textile production, the trilateral agreement sets forth new regulations for the export of textile products and outlines new protocols to enforce USMCA policies.

Primarily, for a textile product to be considered "favored" and included in the free trade agreement, it will need to be composed of a greater amount of North American content than before. The specific amount of material that must originate from USMCA parties varies from product to product, however, and is laid out in explicit detail within the text of the agreement.

The USMCA's biggest impact to textiles likely will be provisions limiting the inclusion of finishing fabric in the form of "sewing thread, pocketing fabric, narrow elastic bands and coated fabric" that originates from regions outside of the free trade zone. Previous NAFTA provisions did not take into account the inclusion of non-NAFTA fabrics that could be imported and added to finished products without incurring non-preferential duties—a practice USMCA language aims to limit.

This is a major change from NAFTA's prior approach to textiles. Previously, textiles were regulated similarly to most other products, and the sector was not given special treatment as far as origin or manufacturing was concerned. However, the USMCA dedicates an entire chapter solely to the newly created regulations governing the textile trade, specifically the widespread changes to rules of origin.

Although it is a topic that doesn't often receive heavy scrutiny, rules of origin can manipulate trade to a degree that is only rivaled by the implementation of tariffs. Rules of origin are one of the strongest tools free trade agreements can use to bolster and incentivize trade in a free trade zone.

For example, textiles and apparel will have more restrictive Tariff Preference Levels (TPL) for non-originating fabric. Yet, for products that are wholly originated in a USMCA region with no outside material or manipulation, these rules are mostly irrelevant.

Meanwhile, in order for apparel or fabric to originate in the U.S. and still contain non-USMCA materials, it must meet the requirements of origination for its specific “Harmonized System” designation, as well as limit non-originating fibers to “not more than 10 percent of the total weight of that component, of which the total weight of elastomeric content may not exceed 7 percent.” Identical rules also are in place for sewing thread and yarn.

Additionally, a committee on textile and apparel trade matters will be created to continuously update the textile chapter of the USMCA. Once the agreement is ratified, the committee would meet at least once, annually, and consist of chosen representatives from each country.

One of the committee’s first tasks will be to review the impact free trade would have on the sale of worn apparel in USMCA countries, as outlined in the agreement. The committee also will rule on “textile-specific verification and customs cooperation provisions” to strengthen customs infrastructure in light of the new regulations.

The stated goal of the new provisions for textiles and apparel is to “promote greater use of Made-in-the-USA fibers, yarns and fabrics” by limiting the use of non-USMCA materials. As such, new enforcement regulations have been added to the agreement, along with new verification protocols, that will make it more difficult for rule-breakers to procure preferential duties.

Among the new verification powers is an increased ability for a USMCA party to conduct a verification through its customs administration. The USMCA’s textile chapter includes an additional article regarding verification that allows importing parties to both conduct visits and collect records to facilities believed to be involved in skirting origin regulations.

However, the importing party does not have to detail which exporters or producers it may visit under the new rules. For non-textile products, rules for visits are much more vague and likely to be determined by the exporting country—eliminating any element of surprise an inspection might have.

Along with specific details describing verification procedures, USMCA language also details a new process for determining rules of origin for textiles without the need to relitigate the agreement as a whole. Under the USMCA, a party can request a meeting to determine "whether goods should be subject to different rules of origin to address issues of availability of supply of fibers, yarns or fabrics in the free trade area."

Within the language of the deal are a number of smaller changes that may have greater importance if and when the USMCA is ratified and the industry begins to transition. The U.S. Congress must first ratify the agreement, and the vote is tentatively scheduled to take place in January 2019.

Among the more notable new regulations pertaining to textiles:

- The United States cannot apply duties to textiles or apparel that are "assembled in Mexico from fabrics wholly formed and cut in the United States and exported from and reimported into the United States ... if, after such assembly, those goods have been subject to bleaching, garment dyeing, stonewashing, acid-washing or perma-pressing."

- A quantitative restriction specific to each textile product will be placed on preferential tariff treatment for apparel goods that are "both cut (or knit to shape) and sewn or otherwise assembled in the territory of a party from fabric or yarn produced or obtained outside the free trade area" but that otherwise meet all origin specifications. Specific quantities will be laid out within the USMCA.

- Textile or apparel will be considered originating despite the inclusion of rayon filament or rayon fiber other than lyocell or acetate.

- A USMCA provision provides duty-free tariff treatment for "indigenous handicraft goods" produced within the USMCA region. The agreement also stipulates that each party may ignore the terms of the agreement in order to stay true to previous agreements to indigenous people from each nation.

- Indigenous people groups will be given the authority to determine the certification of indigenous handicrafts as they pertain to the USMCA.

Source: sourcingjournal.com- Oct 10, 2018

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China keeps its position as a textile industry leader

Though the fast-paced recovery of global economy and increased domestic demand led to the strong growth in Chinese textile industry in the first half of 2018, the US-China relationship posed great challenges.

As the latest statistics of the General Administration of Customs of China indicate, Chinese textile and apparel exports in the first half of this year amounted to $127.524 billion representing a year-on-year growth of only 3.24 per cent. Exports of textile yarns, fabrics and end products, in particular, amounted to $58.332 billion, a YOY growth of 10.28 per cent, while export of garments and accessories decreased 2.03 per cent YOY.

Rapid growth of domestic market

China's domestic textile and apparel market continued to grow at a fast pace with both physical stores and e-commerce channels registering high level of sales. As the country's National Bureau of Statistics indicate, the sale of clothing, shoes, hats and knitting products from January to May 2018 increased 9.1 per cent over the same period last year.

Meanwhile, e-commerce channels continued to maintain rapid growth. The sales of clothing on these channels from January to May increased 24.9 YOY, representing a higher growth rate when compared with the same period in the previous year.

As per latest statistics from the Office of Textiles and Apparel US, China's textile and apparel exports to the US totaled $38.74 billion in 2017, of which China keeps its position as a textile industry leader 001apparel exports was $27.03 billion and textiles and finished product exports was $11.71 billion.

From July this year, the US imposed 25 per cent tariffs on Chinese products worth $36 billion. China took counter measures. Meanwhile, the Office of the United States Trade Representative (USTR) further announced 25 per cent tariffs on another list of Chinese imported products worth $16 billion on August 7.

The Customs Tariff Commission of the State Council of China responded by imposing an extra 25 per cent tariff on US imported products also worth $16 billion.

An extra 10 per cent tariff on $200 billion worth of Chinese imported products was announced by the USTR recently. This list of over 5,000 products includes textile related products, such as textile raw materials, yarns, fabrics, carpets, technical textiles, leather, etc. As per CNTAC, the value of annual exports to the US amounts to about $4 billion.

Shift in global supply chain

A recent survey by the US Fashion Industry Association indicates, nearly 70 per cent of fashion industry executives plan to restructure sourcing from China over the next two years.

At the same time, China's latest tariff imposition on US imports led to many Chinese textile enterprises and traders shifting their sourcing to other countries.

The foundation for the development of Chinese textile industry in 2018 remains strong.

To achieve this growth, the industry needs to upgrade production technologies and product quality, grasp the opportunities of the Belt and Road Initiative and transform into the world's true textile industry leader.

Source: fashionatingworld.com- Oct 10, 2018

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In Face of Trade Strife, USA and China Lead Ranking of Nation Brands

The value of the United States as a brand increased 23 percent in the past year, to $25.9 trillion, according to the latest Brand Finance Nation Brands report.

The report by the valuation and strategy consultancy calculates the world's largest nation brands based on a valuation date of July 1 and similar to how large corporations are often rated.

It ranks countries based on performance on dozens of data points across three key pillars: goods & services, investment and society.

David Haigh, CEO of Brand Finance, said, "It is more important than ever that governments, trade bodies and businesses take steps to ensure that their nation brand is strategically well-managed."

Brand Nation said the U.S. economy has expanded rapidly, with growth expected to continue in the coming months. The U.S. Bureau of Economic Analysis estimated second-quarter gross domestic product (GDP) growth of 4.2% in its most recent report.

According to IHS Markit tracking, GDP growth slowed in the third quarter but remained strong at 3.4%. IHS forecasts fourth-quarter year-to-year GDP growth to rise to 3.1%, from 2.5% last year.

Brand Nation noted that consumer sales, which include fashion and apparel, construction orders, car output and growth indicators all have been on the upswing, while falling tax rates have created a more business-friendly environment.

This has led the USA's Brand Strength Index (BSI) score to improve this year to 85.6 out of 100, from 83.8 in 2017. As a result, the USA brand rating has been upgraded from AAA- to AAA.

"As Donald Trump approaches the start of his third year at the White House, in the longer run, negative perceptions of his personal brand have turned out to have little impact on the nation brand as a whole," Haigh said.

“Rather, the new free-market policies have resonated with business leaders and the economy is growing, driving an improvement in America’s brand strength and brand value alike.”

Behind the United States, China maintained its place as the second most-valuable nation brand, with its brand value rising 25 percent, to $12.8 trillion, per Brand Finance’s annual report.

Perhaps ironically, given the trade war between the Trump administration and Chinese President Xi Jinping, China’s rise in brand value can be credited to booming cities such as Beijing and Shanghai, as well as the breadth of its economy and global reach. While China’s brand strength remains relatively low at 73.5, it has grown faster than any other big nation brand, with two points added to its BSI score over the past year.

“The rise of China’s nation brand is down to global leadership, pro-business outlook and a steely determination for the country to create brands rather than just products,” Haigh said. “The current government’s renewed commitment towards free trade, opening up of the Chinese market, and enhancing protection of intellectual property will make for a yet improved business environment in the years to come.”

The fastest-growing brand in the top 50 of the Nation Brands was Germany, which saw its brand value jump 28 percent, to $5.1 trillion. This has solidified the country’s position as Europe’s most valuable nation brand and the world’s third most valuable.

Reinforced by Germany’s status as a leading force in the European Union and its growing economic and political prowess, Germany’s brand value improved to $25 trillion, leading to a lift in brand rating from AAA- to AAA.

Political turmoil led by the Brexit crisis was reflected in the U.K.’s nation brand strength, which fell slightly from last year’s score of 85.3, to 84.8.

However, a healthy economy and positive growth forecasts enabled the U.K. to record 20 percent year-over-year growth in the value of its nation brand, to $3.8 trillion, and thus replacing Japan in fourth place. Among the remaining top 10 were France, Canada, Italy, India and South Korea.

Also of note, Turkey's ongoing economic crisis, including the decline in value of the lira, has seen the country's brand value decline by roughly 33 percent, to $382 billion. Turbulent political times in the wider region, such as the ongoing crises in Syria and Iraq, also have played a part, according to the report.

Meanwhile, six out of 10 of the fastest-growing nation brands this year were from Africa. The Democratic Republic of the Congo, Egypt, Kenya, Tanzania, Ethiopia and Ghana all saw year-on-year growth between 28 percent and 38 percent. The other fastest-growing nation brands were Cyprus, Slovenia and Estonia.

"Starting from a low economic base and still troubled by political instability, Africa is nonetheless beginning to demonstrate its true potential," Haigh said. "Following in the footsteps of Asian tigers with remarkable advances in this year's ranking, African lions are the future of global economic growth."

Source: sourcingjournal.com- Oct 10, 2018

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Vietnam exports up 16 per cent till August this year

Vietnam's exports grew 16.9 per cent in January-August. The country is on track to become the world's second biggest exporter of textiles and clothing this year.

Textiles and clothing are Vietnam's second biggest export and its leading industrial employer. Despite rising labor costs, the sector remains highly labor intensive, employing 2.7 million workers. That means five per cent of the country's total labor force and 20 per cent of its industrial workforce are engaged in producing textiles and clothing.

A combination of demographic and geographic advantages as well as an openness in trade policy gives Vietnam an edge over its competitors. The prospect of free trade agreements with the EU -- expected to be ratified this year -- and the original Trans-Pacific Partnership led to a jump in foreign investment.

About half of the overseas investments in Vietnam's clothing and textile sector since 1998 have been invested in the past five years.

But Vietnam also needs to move up the value chain if it is to diversify into overseas markets. The country currently exports nearly half of all of its textiles and clothing to the US. As the country's trade surplus with the US balloons, Vietnam will need to move up the value chain by developing homegrown textile manufacturing if it is to diversify into new markets.

Source: fashionatingworld.com- Oct 10, 2018

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European firms support signing of EVFTA

European businesses expressed their support for signing and ratification of a free trade agreement between the European Union (EU) and Vietnam (EVFTA). The FTA will benefit European firms in many areas, including pharmaceuticals. It will strengthen multi-faceted partnership between the EU and Vietnam, bringing benefits to enterprises and people of both sides.

European investors in Vietnam will enjoy better assurances thanks to the Investment Protection Agreement (IPA), which has been separated from the EVFTA. As opportunities for business cooperation between the two are increasing due to their diversity and supplementary strengths, consumers on both sides will benefit from the process.

EU has supported Vietnam, through independent consultation experts, in building action plans and programmes to implement commitments stated in the deal. Both EVFTA and IPA have been translated into languages of EU countries and Vietnamese to be submitted to the European Commission (EC) and the Vietnamese government before the ratification process is undertaken in the European Parliament and Vietnam's National Assembly.

Source: fashionatingworld.com- Oct 10, 2018

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French manufacturing sector buoys industrial production

Growth in French industrial production slowed less than expected in August as the pace of growth in manufacturing output picked up, highlighting a divergence in fortunes of factories in the eurozone's two largest economies in recent months.

Across industry as a whole, growth in output slowed to 0.3 per cent month-on-month from 0.8 per cent in July according to official figures from Insee — still better than the 0.1 per cent growth economists polled by Reuters had anticipated.

But in the manfuacturing sub-sector, the rate of growth increased to 0.6 per cent from 0.5 per cent, as output "bounced back" in the chemicals industry and continued to increase in the manufacture of computer, electronic and optical products, despite slipping in the textiles and clothing industry and in car manufacturing.

The French growth contrasts with disappointing figures from German industry published earlier this week. Industrial production in the eurozone's largest economy has been shrinking for much of the year, with a recovery in orders during August yet to feed through to output.

Source: ft.com- Oct 10, 2018

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New minimum wage in Cambodia now $182

The commission comprising representatives from trade unions, the Cambodian Government and employers tasked with deciding the minimum wage for workers in the textile, garment and footwear sector recently agreed to raise the minimum wage to $182 starting January.

Most members accepted $177 proposed by the employers. Prime Minister Hun Sen added $5 to that.

Labor minister Ith Sam Heng said there would be no changes to existing benefits and allowances, according to Cambodian media reports.

Garment Manufacturers Association of Cambodia president Van Sou Ieng said the new wage is a bit high compared to Vietnam. He urged the government to reduce electricity cost to about $0.15 per kilowatt-hour.

Ath Thorn, president of the Cambodian Labour Confederation, on the other hand, found the raise not high enough for workers, but accepted it nolens volens.

Source: fibre2fashion.com- Oct 10, 2018

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Bangladesh parliament passes bill to boost garment sector

The Bangladesh parliament recently passed the Textile Bill that was introduced in June 2018 by state minister for jute and textiles Mirza Azam.

The government wants to achieve higher numbers by streamlining multiple processes for market leaders in the textile industry as the country's apparel sector grew from $28.2 billion in 2016 to $29.33 billion in 2017.

Bangladesh total exports earned $36.67 billion for fiscal 2017-18. The textile industry contributes approximately three-fourths of the country's total exports with the readymade garment (RMG) sector as the major contributor, according to a report by a Bangladesh news wire.

The bill has a lot of amendments to earlier laws, including a one-stop service provision for companies that want to set up industries. This may raise investment in the RMG sector.

Source: fibre2fashion.com- Oct 10, 2018

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China increases apparel exports to the US

Despite its ongoing trade war, Chinese apparel exports to the US increased to 31.68 per cent of total world exports till August. OTEXA's data reveals, Vietnam, Bangladesh and India lost share in US exports to 14.90 per cent, 6.72 per cent and 5.02 per cent respectively from Jan. to Aug. '18. China might have increased its share on a monthly basis but its share on the yearly note plunged 1.04 per cent in value terms.

Shipments from Vietnam increased 5.85 per cent to $8,125 million on a monthly basis during the period. Bangladesh and India too increased their exports to $3,664.15 million and $2,741.44 million respectively. Exports from Indonesia on the other hand, declined to 5.57 per cent on a yearly basis in the corresponding period of 2018. On a monthly basis, the country's exports declined 5.66 per cent.

Source: fashionatingworld.com- Oct 10, 2018

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Vietnam: Deputy PM attends Vietnam-UK business forum

Deputy Prime Minister and Foreign Minister Phạm Bình Minh has said that Việt Nam was committed to supporting trade liberalisation and open co-operation with all partners, including the UK.

Addressing a Việt Nam-UK business forum in London on Tuesday that drew hundreds of businesses, the official said that since Việt Nam and the UK set up their strategic partnership in 2010, bilateral trade had risen to US$6.1 billion per year.

In the first six months of 2018, two-way trade hit $3.12 billion, up 14.2 per cent year on year, he noted.

Việt Nam had 344 UK-invested projects with total investment of $3.48 billion in various fields such as finance-banking, production, services, garments and textiles, mining, oil and gas and real estate, making it the 15th biggest out of the 129 foreign countries and territories investing in Việt Nam.

At the same time, Vietnamese firms had 13 projects worth $12.47 million in the UK, focusing on tourism, restaurants, sports and fine art.

With more than 12,000 students studying in the UK, the Vietnamese community had increased to 100,000, helping foster connectivity between the two nations.

Việt Nam considered the UK an important partner, and the bolstering of economic, trade and investment collaboration with the UK was the major motivation for their bilateral strategic partnership, stated Minh.

At the forum, he also witnessed the signing of a Memorandum of Understanding (MoU) on co-operation between the Việt Nam Chamber of Commerce and Industry and the UK-ASEAN Business Council.

The UK Prime Minister's Trade Envoy to Việt Nam Ed Vazey said that his country supported the free trade agreement between Việt Nam and the EU, and added that the Brexit issue would not affect the UK's investment and business activities in Việt Nam.

Discussing the future of the Vietnamese economy, Deputy Minister of Industry and Trade Hoàng Quốc Vượng highlighted the economic achievements Việt Nam had made in recent years, along with the country's potential and strengths and its commitments to creating a favourable environment for foreign investors.

UK Minister of State for trade and export promotion at the UK Department for International Trade Baroness Rona Alison Fairhead said that Việt Nam had become a promising land for UK businesses.

She advised UK firms to make full use of their strengths in finance-banking, insurance and oil and gas, and focus on co-operation opportunities in renewable energy, infrastructure, IT and education.

The same day, Deputy PM Minh had a meeting with Minister of the UK Cabinet Office David Liddington during which the two sides expressed their delight at the growth of their strategic partnership, while seeking measures to continue boosting ties in the future when the UK leaves the EU.

Liddington said that the UK Government was keen to continue fostering its multifaceted partnership with the Government of Việt Nam, including strengthening governance capacity and high quality human resources training.

Deputy PM Minh asked the UK Government to encourage local firms to invest more in Việt Nam and strengthen co-operation in promising areas such as education, science-technology and tourism, while supporting Việt Nam's bid to become a non-permanent member of the UN Security Council for the 2020-21 tenure.

Regarding international issues, the two sides pledged to continue collaborating closely at international forums, including the UN, while supporting peace, stability and maritime and overflight security, safety and freedom, as well as the peaceful settlement of disputes in line with international law, including the UN Convention on the Law of the Sea 1982.

Source: vietnamnews.vn - Oct 10, 2018

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Made in Pakistan: Why exporting apparel is the answer to Pakistan's rising trade deficit

While buying a jacket from an international clothing brand in Pakistan, I was mildly surprised to find the tag 'Made in Bangladesh'. Until recently, I was under the impression that these clothes were still manufactured in Pakistan. After all, we do export textile, which is simply raw fabric. Apparel is just one step ahead of textile, with value added to the fabric by converting it into readymade garments.

Then why we are importing apparel from Bangladesh when we have a huge textile sector at home? And what lessons can our deteriorating economy learn from Bangladesh's apparel exports?

Due to a massive balance of payments (BoP) crisis, Pakistan is now facing immense pressure on its foreign exchange reserves. Our dollar reserves have fallen to $8,408 million, only enough to cover the import bill for a few months.

To buttress our depleting reserves, our finance minister will negotiate an International Monetary Fund (IMF) bailout package for $11 billion. This is the 13th time Pakistan is knocking at the doors of the IMF for a structural adjustment package, and it is important to remember that the bailout package will come with strings attached.

As long as we are going to face the problem of a trade deficit – wherein imports exceed exports – we are going to face a chronic BoP crisis. To get out of this conundrum, we have to focus on increasing our exports, which stood at around $24.7 billion in the last financial year against an import bill of $55.8 billion. For that, we need not look further than Bangladesh. Bangladesh's total exports are around $36.66 billion, from which apparel exports amount to $30.61 billion, making their apparel exports alone around $6 billion more than Pakistan's entire exports.

Clearly, Pakistan needs export-led growth. All the countries that have grown tremendously in a short time period have been able to do so by undergoing export-led growth. We also need more focused growth in the short term rather than broad-based growth, which can be put on hold for a little while.

In order to have more focused growth, Pakistan will have to focus on its competitive advantage. At present, Pakistan's leading exports are its textiles. Thus, it is only natural to assume that the next step towards growth should be moving towards the apparel industry.

After all, Pakistan can easily develop its apparel export industry. Unlike some high-end manufacturing industries, this would not require a technology transfer. The apparel industry can also absorb the uneducated and unskilled labour force, which is abundant in Pakistan.

When it comes to training newly recruited labour, it takes a few weeks at most with skilled tasks such as operating sewing machines, and only a few days for tasks such as pressing the product, folding and packaging. This way numerous jobs can be generated for the unemployed in the country.

The federal government announced a plan to create 10 million jobs in the country, and is looking towards initiating housing projects for five million homes to generate that many jobs.

But construction-related jobs will not create the export proceeds we need to get rid of our current account deficit problem. We need jobs in our export sector, and need the government to create opportunities for this section to grow.

The state can and should make credit readily available for entrepreneurs wishing to develop apparel exports. There is also the possibility of attracting foreign direct investment (FDI) by inviting more foreign clothing brands to set up shop here.

However, the minimum wage in the garment industry in Bangladesh is around $68, which is lesser than Pakistan's minimum wage of $150. Instead, we can perhaps subsidise electricity to this developing sector for a limited time period to offset Bangladesh's cheaper labour costs.

The recent trade war between the US and China has also opened a window of opportunity for the manufacturing sector here. China exports apparel worth $27 billion to the US, and in light of trade restrictions, Chinese investors can be encouraged to establish manufacturing units in Pakistan to circumvent US duties and also to utilise the cheaper labour here.

The window of opportunity is open; all it needs is a giant push from the government, which needs to create conditions for the industry to grow. Most of our investments are currently parked in the speculative real estate sector.

In particular, focusing on the apparel industry to increase our exports can help Pakistan solve the myriad issues it is facing at the moment, including unemployment, stagnant growth and a trade deficit. To break the proverbial 'begging bowl' outstretched towards friendly states and the IMF, we need to export a lot more.

When looking for things to fix, this should become the government's number one economic priority. Who knows, maybe a few years down the lane, someone in Dhaka might try out a jacket and become mildly surprised to find a 'Made in Pakistan' tag attached to it!

Source: tribune.com.pk - Oct 11, 2018

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Pakistan: Textile Industry: 100 mills to open as Govt allows subsidy

All Pakistan Textile Mills Association (APTMA) announced a decision to reopen a hundred former mills in Punjab. The decision was borne out of the promised Rs.44 billion subsidy for exporters mentioned by Finance Minister Asad Umar in his supplementary budget speech.

The subsidy itself will be derived from a massive regulatory hike in gas prices which has raised the price by 40% from Rs.600 per million British thermal unit (mmBtu) to Rs.780 mmBtu for commercial consumers. The plan to create a new category for those industrial consumers who are registered manufacturers or exporters of one of five zero-rated sectors is to charge them the unchanged rate of Rs.600 per unit.

These five export sectors would be textiles (including jute), leather goods, carpets, surgical tools, and sports goods business which the Government of Pakistan intends to capitalize on by offering them internationally competitive gas rates.

In a statement made at a ceremony for the Export Excellence Awards organized by the Pakistan Textile Exporters Association (PTEA), Asad Umar called the textile industry the 'backbone of the economy'. "The government has a strong belief that economic revolution can only be possible through trade promotion and all possible support is being extended to the export sector to achieve optimum growth," he remarked.

Pakistan's domestic gas production ranges between 3.8 to 4 billion cubic feet per day (bcfd) while importing 1.1 bcfd LNG. At a total of 5.1 bcfd, the country still runs short when its demand stands around 6 bcfd and the shortage is most acutely felt in the cold season.

The combination of increased gas prices, devalued Rupee, plummeting stock, decreased exports and increased inflation has already landed the new government into its first crisis. While the PTI government attained power with ambitious plans to turn around the economy, create more jobs and deliver on its promise, it has set off to quite an unlucky start.

Not only have external factors caused the Rupee to fall against the dollar for the 6th time since December 2017, but a culmination of a debt crisis, water crisis and now an energy crisis have caused divisions in the new cabinet.

Although the Economic Coordination Committee of the cabinet has been taking steps to reinvigorate the Rupee, a global surge in oil prices is posing significant challenges to a country industrially dependent on gas. During the previous government, over 100 textile mills were shut down in Punjab once the provincial government gained greater autonomy and reduced the commercial availability of gas to only 2 days a week.

The impact of poor fiscal policies without long-term planning led to the crossroads of today. Thus while the leadership is currently driven on not worsening the debt crisis and keeping the currency afloat, economic advisers are trying to keep the long-term benefits in mind and recommended going for another – and hopefully the last – IMF bailout package.

Thus, after much deliberation, the cabinet went against its electoral promises and officially approached the International Monetary Fund (IMF) for a bailout but not without putting the entire economy into freefall against the supply and demand metrics of the competitive global.

Of course, going to the Fund not only means letting the Rupee free float but also allowing inflation adjustment and bringing in the heavy blow of rising oil prices before a bailout package is decided. This would mean doing away with the loose fiscal and monetary policies that have been institutionalized in the previous governments who had adopted a culture of borrowing.

The corrective steps taken since December of 2017 have been appreciated by the IMF but are apparently not enough to fix the high fiscal and current account deficits, as well as low foreign currency reserves. The hike in interest rates, depreciation of the Rupee, and the 143% rise in gas tariffs are all measures taken in the 'right direction'.

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Source: globalvillagespace.com - Oct 09, 2018

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NATIONAL NEWS

Plugging into Indian supply chains could raise Sri Lankan exports: World Bank

There is untapped export potential for Sri Lanka if it plugs into India's local and regional value chains, a new World Bank report has said.

However, South Asia has been unable to reach full potential in creating regional value chains because of low intra-regional foreign direct investment (FDI), the report said.

Inter-regional FDI outflows from South Asia only made up 0.3 percent of total South Asian outflows in 2015, and inter-regional FDI inflows made up 1.1 percent.

FDI inflows from South Asia to Sri Lanka came up to 4.7 percent of its total inflows and outflows made up 14.4 percent.

Out of total interregional FDI flows in South Asia, 48.2 percent flowed into Sri Lanka, mainly due to large inflows from India.

India was the source of 91.7 percent of South Asian FDI inflows to Sri Lanka, while 56.4 percent of Sri Lanka's South Asian FDI outflows went in the Maldives, and 32.0 percent to India.

The private sector in South Asia usually makes outward investment decisions beyond the immediate neighbourhood, said the report.

This has resulted in small regional value chains existing in only some sectors, such as textiles and clothing.

"There is a fantastic market right here (in South Asia), which we're not exploiting," Sanjay Kathuria, Lead Economist and Coordinator, South Asia Regional Integration, The World Bank Group said.

The South Asian market would allow companies to take part in larger global value chains, and then gain access to a larger Asian market, he said.

Sri Lanka sources 20.4 percent of its imported intermediate goods from South Asia, and exports 18.4 percent.

Over 45 percent of Sri Lanka's capital good imports come from South Asia, and it exports 17.9 percent.

The report, 'A Glass Half Full: The Promise of Regional Trade in South Asia', points out that both interregional FDIs and value chains could be doing better.

Source: economynext.com- Oct 10, 2018

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What prompted the govt to 're-model' cargo evacuation system at ports

In order to quicken evacuation from the ports and reduce the traffic and congestion, the proposed re-modelling of cargo evacuation system at ports by placing the container freight stations or CFS as the fulcrum of the entire planning is an innovative idea which is expected to be a win-win for all – these supply chain intermediaries, importers, port terminals and transporters.

More importantly, it has the potential to further improve the cargo dwell time and reduce costs which were the two main reasons that led the government to introduce the direct port delivery (DPD) scheme with greater vigour from last year. The scheme also promoted ease of doing business and improved India's ranking in the logistics performance index of the World Bank.

What prompted the government to "re-model" the cargo evacuation system is to bring down the evacuation time and increase further efficiency and give a boost to the DPD scheme which has already gained acceptance among the stakeholder community despiteinitial concerns over its impact on the container freight station business, among others.

To be sure, the DPD scheme is not being cast aside, though it has started to stagnate at about 40 per cent within a year of its implementation compared to a target of 70 per cent set by the government.

Undoubtedly, there is every reason for the government to look at ways to up the DPD levels, particularly given its impact on smoothening trade across borders.

"While that seems to be very much a goal that we should aspire for and we also set targets and raised the target for DPD from 40 per cent to 70 per cent, we found after a few months that it was stuck at 40 per cent.

And then, when we were again trying to dissect this number, we found that actually what gets transported directly to the end user (factories) is only about 12 per cent, the balance 28 per cent DPD boxes continue to be routed through CFSs," Shipping Secretary Gopal Krishna said.

Thus, more than half of the DPD containers were routed through CFSs by importers voluntarily for storage and onward transportation to hinterland and also because of non-clearance of some of the boxes within 48 hours under thescheme.

This was because, importers used CFSs as a storage point after DPD clearance due to their own inventory management and infrastructure constraints.

With Customs department clearing the containers before exiting the terminal, importers cost for routing their DPD boxes through CFS came down substantially because of reduced work like moving the boxes from the port terminals to CFS, unloading and then loading the boxes onto the trailers of importers.

The CFS industry, with Rs 4,500 crore revenue in fiscal 2018, had grown at 6-8 per cent annually over the past five years.

Under the new plan, all DPD containers would be moved out to a CFS and that too within 24 hours of landing at the port compared with 48 hours window period available earlier.

Besides, importers would need to pay DPD tariff for transporting the containers via CFS, making it a volume game for CFSs, with intense competition for boxes further driving down the prices.

The ever-increasing ship size is becoming one of the "biggest disruptors" of the maritime sector. When the ship size keeps on increasing, the cargo volume will keep on increasing and the onshore logistics sector will only be "reactive" to what the offshore logistics sector will continue to do.

This will increase the challenges on evacuation of cargo from the onshore side. "It was then we started re-assessing our thinking, that can we re-think the role and use of CFSs," Gopal Krishna added.

Source: thehindubusinessline.com- Oct 11, 2018

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Maharashtra looking for more warehouses

In order to prevent large-scale wastage of government procured tur dal and other agricultural commodities, the Maharashtra government has started the process of identifying warehouses spread across various departments and institutions, which would be taken over and managed by a nodal agency.

It will leverage the existing State government and cooperative societies facilities for the storage and create a pan-Maharashtra warehouse grid. The Maharashtra State Warehousing Corporation (MSWC), which is jointly controlled by the Maharashtra government and Central Warehousing Corporation, has been identified as the nodal body for the creating the additional warehousing capacity.

Chairman and Managing Director of MSWC Suhas Diwase told BusinessLine that the process of identifying warehouses, which are held by bodies and departments such as Maharashtra State Agriculture Marketing Board, Maharashtra State Cotton Growers Marketing Federation, PWD and Transport Department, cooperative sugar mills and other institutions, is under way. The warehouse facilities will be checked for scientific storage of grains and other commodities. All such facilities will be geotagged on the GIS platform of MSWC, he said.

MSWC already has its own 1,200 warehouses with a combined capacity of holding 17 lakh tonnes of goods. By the end the current year, another 70,000 tonnes capacity will be added.

A government resolution issued by the Cooperative, Marketing and Textile Department said that the capacity creation is being made under Atal Mahapanan Vikas Abhiyan, which is the flagship programme of the department. In the last two years it has been observed that the agriculture goods procured by the Centre and State government in Maharashtra did not have adequate storage space, therefore a warehouse grid needs to be created.

The departments, which have spare capacity have been asked to share the details about their warehouse to the MSWC by October 31. The warehouses would be checked for scientific storage by MSWC and after that, a MoU would be inked. The designated departments will get rent or revenue share form MSWC for their warehouse space.

Source: thehindubusinessline.com- Oct 10, 2018

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Powerloom sector SMEs from Ichalkaranji to promote textiles and garments during IITExpo

Powerloom Development & Export Promotion Council (PDEXCIL) has again come up with a grand Reverse Buyer Seller Meet (RBSM) to promote export of textiles and garments, connecting the international market with Indian textile exporters and traders.

IITExpo Ichalkaranji 2018 will be a one stop source for all textiles requirements of worldwide buyers and a unique platform for Indian participants where they can gather information on all latest developments and trends in order to gear the development and manufacture of their products in future.

The main objective of conducting this RBSM is to provide a direct platform to Indian textiles exporters to interact with buyers from all over the world in their home country at a very low participation charge.

The SME sector is highly motivated to participate in it and increase their export activity. Also it will showcase India as a reliable source of supply with such varied product range.

Under one roof About 100 Indian textile exporters will be displaying a wide range of products with latest trends and qualities.

The exhibition is happening in Ichalkaranji, a city in Kolhapur district of Maharashtra and one of the India's important textile/fabric manufacturing clusters with over 1,50,000 powerlooms.

It is having 35 spinning mills many of which are 100% Export Oriented Units producing a wide range of counts, ply yarns, ring and open end yarns and fancy yarns, more than 20 power processes and about 50 hand processing units.

The Cluster will be now set-up by a Mega Processing Cluster to address the environmental norms.
With the vision to provide a reliable international network platform and practical know-how on all key sourcing markets, latest trends and standards in export, buyers from various countries are invited such as Sri Lanka, Bangladesh, U.A.E, Vietnam, Korea, Senegal, Zimbabwe, Mali, Malaysia, Australia etc.

Source: knnindia.co.in- Oct 10, 2018

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India meets Australia at LMIFW

As a part of on going Australia Fest 2018, five Australian designers' collections were showcased at Lotus Make-Up India Fashion Week on Wednesday.

The Australian designers collaborated with the highly skilled textile artisans across India and promoted cultural exchange at the gala through their collection.

The Indo-Australian Project have been created with stunning handloomed textiles and artisan embellishments through Artisans of Fashion's artisan partners.

The main aim of the project was to promote cultural sustainability, authenticity and social change for village artisans in India; with a specific focus on empowering women and marginalised communities who have little access to alternative sources of income.

"We are kindred", "Cassandra Harper", "Romance was born", "Brothers Earth" and "Roopa" were five Australian fashion labels which displayed their collection at the gala.

The collection was the amalgamation of Indian and Australian fashion, imparting cross-culture vibes through the outfits.

Australia's High Commissioner to India Harinder Sidhu attended the event.

Models walked down the ramp in a gamut of fabulous Indo-western ensembles ranging from Banarasi skirts, western tops, denim shirts with Indian stone work and gowns with heavy use of embellishments, glitter and sparkle.

Source: business-standard.com- Oct 10, 2018

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E-commerce giants Flipkart and Amazon see strong growth in apparel, large appliances as festive sale kicks off

E-commerce giants Flipkart and Amazon India have seen a strong start to their festive sale with categories like apparel and large appliances driving record transactions and new customers coming on board.

These companies have put in months of preparation in ramping up selection, setting up warehouses and strengthening delivery network ahead of the festive sale to ensure a smooth shopping experience for customers, with demand being much higher than on non-festive days.

Players like Flipkart, Amazon India and Paytm Mall kick-started their festive sale from October 10 that will continue for the next 5-6 days. More offers are expected to be rolled out over the next many days leading up to Diwali.

“The scale of Big Billion Days (festive sale of Flipkart) has only grown with each passing year and this year too, we expect the trend to continue.

While each category sees manifold growth, we expect smartphones, large appliances and apparel to be phenomenally big categories," Flipkart CEO Kalyan Krishnamurthy told PTI.

He, however, declined to comment on the volume of business expected to be generated, saying "its early to speculate as the growth always end up surprising us".

Amit Agarwal, Senior Vice President and Country Head at Amazon India, said the first day of the Great Indian Festival 2018 has been the biggest day ever with record-breaking sales across categories.

"We are off to a great start and have seen phenomenal numbers during early access and first day that is still on. Three out of four phones sold in the country were on our platform. We saw record sales in large appliances category like TVs, washing machines and refrigerators," he said, adding that there has been 2.7X growth in number of new customers shopping on Amazon.in compared to previous year's Diwali.

Agarwal said Xiaomi, on its platform, sold more than a million devices in a day, while OnePlus has seen record bookings worth Rs 400 crore.

"More customers bought fashion products than any other, as Amazon fashion saw its biggest day ever more than doubling its growth over last year," he said.

About 20 million people are expected to shop on various e-commerce platforms during the festive sale, translating into sales of around USD 3 billion for players like Amazon and Flipkart, according to a report by research firm RedSeer.

The report states that the share of items like electronics and furniture during the sale could be higher this year due to various affordability initiatives being undertaken by the e-commerce players. Mobile phones currently account for a lion's share of sales on the two leading e-commerce platforms.

Source: financialexpress.com - Oct 10, 2018

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